

Excel

TECHNOLOGY

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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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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 (the “GEM Listing Rules”) 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

INTERIM RESULTS ENDED 30 JUNE 2010

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2010 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2010

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	2	47,817	28,525	100,940	72,587
Other revenue		287	1,433	389	2,101
Change in inventories of hardware and software		32,354	12,200	23,169	14,841
Purchase of hardware and software		(52,047)	(16,956)	(74,988)	(39,146)
Professional fee		(662)	(477)	(697)	(1,146)
Employee benefits expense		(20,221)	(20,206)	(38,909)	(41,171)
Depreciation and amortisation		(471)	(634)	(996)	(843)
Other expenses		(4,545)	(3,097)	(8,755)	(6,950)
Finance costs	5	(59)	(8)	(119)	(18)
Profit before income tax	4	2,453	780	34	255
Income tax expense	6	(9)	(10)	(17)	(36)
Profit for the period		2,444	770	17	219
Other comprehensive income, including reclassification adjustments					
Available-for-sale financial assets		–	–	–	–
Exchange gain on translation of financial statements of foreign operations		–	–	–	–
Other comprehensive income for the period, including reclassification adjustments and net of tax		–	–	–	–
Total comprehensive income for the period		2,444	770	17	219

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2010

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:				
Owners of the Company	1,980	633	174	273
Non-controlling interest	464	137	(157)	(54)
	2,444	770	17	219
Total comprehensive income attributable to:				
Owners of the Company	1,980	633	174	273
Non-controlling interest	464	137	(157)	(54)
	2,444	770	17	219
Earnings per share for the profit attributable to the owners of the Company during the period				
– Basic (in HK cents)	8	0.20 cents	0.06 cents	0.02 cents
		0.03 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	<i>Notes</i>	(Unaudited) 30 June 2010 <i>HK\$'000</i>	(Audited) 31 December 2009 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	8,865	9,508
Interest in associates		–	–
Available-for-sale financial assets		3,684	3,684
Goodwill		1,691	1,691
Development cost		4,976	–
Finance lease receivables		742	885
		<u>19,958</u>	<u>15,768</u>
Current assets			
Inventories		48,392	25,223
Finance lease receivables		314	291
Amounts due from customers for contract work		23,941	19,538
Trade receivables	10	33,808	28,663
Other receivables, deposits and prepayments		14,744	10,167
Financial assets at fair value through profit or loss		6,800	7,579
Tax recoverable		–	73
Cash and cash equivalents		42,729	51,892
		<u>170,728</u>	<u>143,426</u>
Current liabilities			
Trade payables	11	20,956	22,750
Other payables and accrued charges		22,592	20,235
Borrowings		36,713	6,837
Amounts due to customers for contract work		2,943	3,499
Amount due to an associate		445	445
		<u>83,649</u>	<u>53,766</u>
Net current assets		<u>87,079</u>	<u>89,660</u>
Total assets less current liabilities		<u>107,037</u>	<u>105,428</u>
Non-current liabilities			
Borrowings		5,940	4,348
Net assets		<u>101,097</u>	<u>101,080</u>
EQUITY			
Share capital	12	98,505	98,505
Reserves		(3,550)	(3,724)
Equity attributable to owners of the Company		<u>94,955</u>	<u>94,781</u>
Non-controlling interest		<u>6,142</u>	<u>6,299</u>
Total equity		<u>101,097</u>	<u>101,080</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Equity attributable to owners of the Company						Non-Controlling interest	Total equity
	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	98,505	179,650	-	4,822	(188,196)	94,781	6,299	101,080
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174</u>	<u>174</u>	<u>(157)</u>	<u>17</u>
At 30 June 2010	<u>98,505</u>	<u>179,650</u>	<u>-</u>	<u>4,822</u>	<u>(188,022)</u>	<u>94,955</u>	<u>6,142</u>	<u>101,097</u>
At 1 January 2009	98,505	179,650	-	4,652	(190,563)	92,244	3,609	95,853
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273</u>	<u>273</u>	<u>(54)</u>	<u>219</u>
At 30 June 2009	<u>98,505</u>	<u>179,650</u>	<u>-</u>	<u>4,652</u>	<u>(190,290)</u>	<u>92,517</u>	<u>3,555</u>	<u>96,072</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(35,521)	12,136
Net cash used in investing activities	(4,991)	(97)
Net cash generated from/(used in) financing activities	31,349	<u>(6,516)</u>
Net (decrease)/increase in cash and cash equivalents	(9,163)	5,523
Cash and cash equivalents at beginning of the period	51,892	47,741
Effect on foreign exchange rate changes, on cash held	<u>—</u>	<u>—</u>
Cash and cash equivalents at end of the period, representing bank balances and cash	<u>42,729</u>	<u>53,264</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”). In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2009.

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

2. REVENUE AND TURNOVER

Revenue from external customers from the Group’s principal activities recognised during the period is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Enterprise software products	19,495	19,508	37,049	37,509
Systems integration	21,056	4,159	51,242	25,402
Professional services	6,113	3,732	10,334	7,462
ASP services	1,153	1,126	2,315	2,214
Total revenue	<u>47,817</u>	<u>28,525</u>	<u>100,940</u>	<u>72,587</u>

3. SEGMENT INFORMATION

The business components in the internal financial information reported to the executive directors are determined by the Group's major geographical areas. The Group has identified Hong Kong, PRC and South East Asia as the reportable segments. Each of these operating segments is managed separately as each of the geographical areas requires different resources as well as marketing approaches.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Six months ended 30 June 2010			
	Hong Kong	PRC	South East Asia	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
– From external customers	33,608	64,520	2,812	100,940
– From other segments	5,414	8,063	408	13,885
Reportable segment revenue	<u>39,022</u>	<u>72,583</u>	<u>3,220</u>	<u>114,825</u>
Reportable segment profit/(loss)	2,368	(2,078)	(256)	34
Interest income	89	30	42	161
Depreciation of non-financial assets	404	503	54	961
Amortisation of development cost	35	–	–	35
Fair value loss on financial assets at fair value through profit or loss	617	–	–	617
Finance costs	10	109	–	119
Reportable segment assets	152,182	121,291	7,539	281,012
Additions to non-current segment assets (other than financial instruments) during the period	<u>4,364</u>	<u>942</u>	<u>23</u>	<u>5,329</u>
Reportable segment liabilities	<u>14,078</u>	<u>153,508</u>	<u>12,329</u>	<u>179,915</u>

Six months ended 30 June 2009

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	South East Asia <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
– From external customers	37,448	31,370	3,769	72,587
– From other segments	4,747	8,379	273	13,399
Reportable segment revenue	42,195	39,749	4,042	85,986
Reportable segment profit/(loss)	1,799	(1,322)	(222)	255
Interest income	72	36	78	186
Depreciation of non-financial assets	7	692	144	843
Gain on disposal of financial assets at fair value through profit or loss	12	–	–	12
Fair value gain on financial assets at fair value through profit or loss	1,672	–	–	1,672
Finance costs	18	–	–	18
Reportable segment assets	147,421	55,272	12,853	215,546
Additions to non-current segment assets (other than financial instruments) during the period	252	191	16	459
Reportable segment liabilities	17,227	85,028	17,219	119,474

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment revenue	114,825	85,986
Elimination of inter segment revenue	(13,885)	(13,399)
Group revenue	100,940	72,587
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment assets	281,012	215,546
Consolidation	(90,326)	(72,892)
Group assets	190,686	142,654

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment liabilities	179,915	119,474
Consolidation	<u>(90,326)</u>	<u>(72,892)</u>
Group liabilities	<u>89,589</u>	<u>46,582</u>

The Group's non-current assets (other than financial instruments) are divided into the following geographical areas:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	11,075	7,144
PRC	4,394	4,024
South East Asia	<u>63</u>	<u>224</u>
Total	<u>15,532</u>	<u>11,392</u>

4. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation of property, plant and equipment	436	634	961	843
Amortisation of development cost	35	–	35	–
Interest income	(79)	(58)	(161)	(186)
Dividend income from investments in securities	(15)	(12)	(15)	(14)
Fair value loss/(gain) on financial assets at fair value through profit or loss	395	(1,121)	617	(1,672)
Gain on disposal of financial assets at fair value through profit or loss	<u>–</u>	<u>(46)</u>	<u>–</u>	<u>(12)</u>

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on:				
Finance charges on obligations under				
finance leases	4	8	10	18
Other interest expense	55	–	109	–
	<u>59</u>	<u>8</u>	<u>119</u>	<u>18</u>

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods or their estimated assessable profits for the respective periods 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 respective periods at the rates prevailing in the countries in which the Group operates.

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax				
– Overseas				
Tax for the period	9	10	17	36
Total income tax expense	<u>9</u>	<u>10</u>	<u>17</u>	<u>36</u>

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to owners of the Company of HK\$174,000 (2009: HK\$273,000) and the weighted average number of ordinary shares of 985,050,000 (2009: 985,050,000) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2010 was not presented as there is no potential ordinary share in existence during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group spent HK\$318,000 (six months ended 30 June 2009: HK\$459,000) on acquisition of property, plant and equipment.

10. TRADE RECEIVABLES

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Trade receivables		
From third parties	30,782	25,637
From a related party	3,529	3,529
	34,311	29,166
Less: provision for impairment of receivables	(503)	(503)
	<u>33,808</u>	<u>28,663</u>

Trade receivables from third parties are due within 14 days to 60 days from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted.

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception. All trade receivables are expected to be recovered within one year.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
0 – 30 days	24,624	9,684
31 – 60 days	1,032	6,598
61 – 90 days	3,401	6,001
Over 90 days	4,751	6,380
	<u>33,808</u>	<u>28,663</u>

11. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 – 60 days. Based on the invoice dates, the ageing analysis of the trade payables was as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
0 – 30 days	10,740	7,415
31 – 60 days	866	494
61 – 90 days	40	–
Over 90 days	9,310	14,841
	<u>20,956</u>	<u>22,750</u>

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

12. SHARE CAPITAL

	30 June 2010 & 31 December 2009	
	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	<u>985,050,000</u>	<u>98,505</u>

13. FINANCIAL GUARANTEE CONTRACTS

The Group

The Group does not have any financial guarantee contracts with outsiders as at 30 June 2010 (31 December 2009: Nil).

14. PLEDGE OF ASSETS

At the reporting date, the Group's leasehold land and buildings with net carrying amount of HK\$6,066,000 (31 December 2009: HK\$6,117,000) was pledged to bank to secure unutilised banking facilities granted to the Group.

The Group is not allowed to pledge the above assets as security for other borrowings or to sell them to another entity. These facilities were also secured by corporate guarantee issued by the Company.

15. RELATED PARTY TRANSACTIONS

Details of the transactions between the Group and its related parties are summarised below.

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of enterprise software products – a non-controlling shareholder	–	3,017
Purchases of complementary hardware and software – a non-controlling shareholder	<u>–</u>	<u>842</u>

Sales to or purchases from the related parties stated above were conducted in the Group's normal course of business and at mutually agreed prices and terms.

Outstanding balances with a non-controlling shareholder arising from sale and purchase of goods and services, included in trade receivables, other receivables and other payables are as follows:

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivable from/(payable to) a non-controlling shareholder		
Trade receivables	3,529	3,529
Other receivables	3,370	–
Other payables	<u>(399)</u>	<u>–</u>
	<u>6,500</u>	<u>3,529</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's profit attributable to owners of the Company for the six months ended 30 June 2010 was HK\$174,000, as compared to a profit of HK\$273,000 in the same period of 2009. The profit for the second quarter of 2010 was HK\$1,980,000.

The Group reported a HK\$100,940,000 turnover for the six months ended 30 June 2010, an increase of 39% from HK\$72,587,000 for the corresponding period of last year. The increase in turnover mainly came from the systems integration business and professional services income.

Enterprise software products remained stable at HK\$37,049,000 (2009: HK\$37,509,000). The Systems integration business significantly jumped by 102% to HK\$51,242,000 (2009: HK\$25,402,000). Professional services grew by 38% to HK\$10,334,000 (2009: HK\$7,462,000). The ASP business increased by 5% to HK\$2,315,000 (2009: HK\$2,214,000).

Liquidity and Financial Resources

As of 30 June 2010, the Group was in a healthy financial position with cash and cash equivalents of HK\$42,729,000. (31 December 2009: HK\$51,892,000).

The Group monitors its capital structure using gearing ratio which is net debts divided by total equity. As of 30 June 2010 and 31 December 2009, the Group's cash and cash equivalents exceeded its total debts therefore the gearing ratio of the Group was zero.

Capital Structure

As at 30 June 2010, the Group's outstanding issued shares were 985,050,000. There has not been any change to the capital structure of the Company during the reporting period.

Investment

During the period, the Group had not made any significant investment or acquisition.

Segmental Performances

Hong Kong region achieved turnover of HK\$39,022,000 (2009: HK\$42,195,000).

The China operation recorded turnover of HK\$72,583,000 (2009: HK\$39,749,000).

South East Asia region's turnover was HK\$3,220,000 (2009: HK\$4,042,000).

Employees

The total number of employees as of 30 June 2010 was 457 (Beginning of 2010: 401). An increase of 56 employees in the past six months was mainly due to the business growth in PRC and professional services in Hong Kong.

Outlook for the Second Half of 2010

After a slow start in the first quarter, business has picked up considerably in the second quarter this year. The banks, our major customer group, have started investing in their IT projects again, and that was evidenced from the increasing demand on IT professionals in various technical positions. We have been preparing for this demand by deploying more sales resources in the software outsourcing area since early this year, and started to see business coming in.

One of the key advantages we have in the very competitive outsourcing business is our ability to provide “virtual teams” of professionals from Hong Kong and China. With Hong Kong being the gateway and the bridge, our customer can tap into the vast pool of technical talents in China cost effectively and with added assurance on quality. To maximize our opportunities, we have re-aligned some of our technical staff in our Shenzhen Software Center from the local Chinese government projects to this offshore outsourcing business. We are also accelerating our recruitment and training efforts to support this surge in demand of software developers.

This growth of software development outsourcing is not only happening in Hong Kong, but in China as well. As banks in China are revamping their banking software to cope with the ever changing regulations there, they are in need of expertise in this area as well. In our Beijing office, we had been preparing to provide a software development team of 50 people to support a project to re-develop a commercial credit and loan system.

While our flagship product Excel Loans System continued to do well in the Chinese bank market, our wealth management solution EC-Invest is gaining more traction in the foreign bank market with the signing of a Singapore based bank in China. EC-Invest was also being adopted by a multinational bank as one of their standard software, and is being rolled out in the Middle East and other locations.

On the China Support Hub project in Dongguan, China, we have made significant progress through a joint venture company with which we will have access to financial resources as well as local connections and experiences in the Dongguan area. This joint venture company has successfully secured a piece of land in the much acclaimed technology park in Song Shan Lake, and is working towards the design of the facilities intended to be part of the support hub for banks and finance institutes.

The Management is optimistic about the second half of 2010 as most countries and locations are walking along a more solid road of recovery. We will walk a steady path with balanced view on the near-term business objectives, as well as the longer-term view such as the China Support Hub project in Dongguan.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 30 June 2010, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial owner	Held by family	Held by controlled corporation		
Zee Chan Mei Chu, Peggy	4,350,000	–	559,679,197 <i>(Note 1)</i>	564,029,197	57.26%
Fung Din Chung, Rickie	24,691,498	–	–	24,691,498	2.51%
Leung Lucy, Michele	24,559,498	–	–	24,559,498	2.49%
Ng Wai King, Steve	12,650,998	–	–	12,650,998	1.28%
Wong Mee Chun	40,000	382,000 <i>(Note 2)</i>	–	422,000	0.04%

Notes:

- (1) These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Zee Chan Mei Chu, Peggy.
- (2) These shares were held by the spouse of Wong Mee Chun.

Save as disclosed above, none of the directors 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 as at 30 June 2010.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	564,029,197	57.26%
Passion Investment (BVI) Limited (<i>Note 1</i>)	559,679,197	56.82%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Li Ka-shing (<i>Note 2</i>)	143,233,151	14.54%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	7.31%
iBusiness Corporation Limited (<i>Note 2</i>)	67,264,000	6.83%

Notes:

- (1) These shares have been disclosed as directors' interests held by controlled corporation in the paragraph headed "Directors' and chief executive's interests and short positions in securities".
- (2) Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited ("Alps") and iBusiness Corporation Limited ("iBusiness").

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 143,233,151 shares of the Company of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2010, the Company has complied with the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16, except that the roles of the chairman and the chief executive officer of the Company are not separated under code provision A.2.1. The reasons for not splitting the roles of Chairman and Chief Executive Officer at this moment are as follow:

- The company size is relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer
- The Group has internal controls in place to provide the 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 unaudited consolidated results of the Group for the six months ended 30 June 2010 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee was established in May 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provision B.1.3.

The composition of the remuneration committee includes Chairman, Mrs. Zee Chan Mei Chu, Peggy and two Independent Non-executive Directors, Mr. Cheong Ying Chew, Henry and Mr. Chang Ka Mun.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

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 of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Ip Tak Chuen, Edmond, a Non-executive Director of the Company, is an Executive Director and the Deputy Managing Director of Cheung Kong (Holdings) Limited ("CKH"). Mr. Ip is also an Executive Director and the Deputy Chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"), and a Non-executive Director of TOM Group Limited ("TOM Group"). Cheong Ying Chew, Henry, an Independent Non-executive Director of the Company, is also an Independent Non-executive Director of CKH, CKI and TOM Group. Both CKH and CKI are engaged in information technology, e-commerce and new technology. TOM Group is engaged in providing Internet services.

Save as disclosed above, at 30 June 2010, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

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

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

Hong Kong, 9 August 2010

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)

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.