THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Excel Technology International Holdings Limited, you should at once hand this Composite Document including the accompanying Form of Acceptance to the purchaser or the transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Composite Document should be read in conjunction with the Form of Acceptance, the contents of which form part of the terms of the Offer contained therein.

SINO EMINENT LIMITED

(Incorporated in the British Virgin Islands with limited liability)

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)

COMPOSITE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY

高銀(證券)有限公司 GOLDIN EQUITIES LIMITED

ON BEHALF OF SINO EMINENT LIMITED FOR ALL THE ISSUED SHARES IN EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY SINO EMINENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Sino Eminent Limited

高銀融資有限公司 GOLDIN FINANCIAL LIMITED

Financial adviser to Excel Technology International Holdings Limited

Quam CAPITAL 華富嘉洛企業融資

Independent financial adviser to the Independent Board Committee

大有融資有限公司 MESSIS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in the Composite Document.

A letter from Goldin Equities containing, among other things, details of the terms of the Offer is set out on pages 6 to 11 of the Composite Document.

A letter from the Board is set out on pages 12 to 17 of the Composite Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 18 to 19 of the Composite Document.

A letter from Messis Capital containing its advice to the Independent Board Committee is set out on pages 20 to 37 of the Composite Document.

The procedures for acceptance of the Offer and other related information are set out on pages 38 to 44 in Appendix I to the Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 29 June 2012 or such later time and/or date as the Offeror may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or, the accompanying Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "8. Overseas Shareholders" in Appendix I "Further terms of the Offer" on pages 38 to 44 of the Composite Document before taking any action. It is the responsibility of each Shareholder with a registered address in jurisdiction outside Hong Kong wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Shareholders with a registered address in jurisdiction outside Hong Kong are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the GEM website at http://www.hkgem.com and on the website of the Company at www.excel.com.hk as long as the Offer remains open.

8 June 2012

* *For identification purposes only*

CONTENTS

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Despatch date of the Composite Document and commencement date of the Offer *(Note 1)*	Friday, 8 June 2012
Latest time and date for acceptance of the Offer *(Note 2)*	not later than 4:00 p.m. on Friday, 29 June 2012
Closing Date of the Offer (if not revised or extended) *(Note 2)*	Friday, 29 June 2012
Announcement in respect of the results of the Offer, or as to whether the Offer has been revised or extended, published on the Stock Exchange's website *(Note 2)*	not later than 7:00 p.m. on Friday, 29 June 2012
Latest date of posting of remittances in respect of valid acceptances received under the Offer *(Note 3)*	Wednesday, 11 July 2012

Notes:

1. The Offer is made on the date of posting of the Composite Document, and is capable of acceptance on and from that date until the Closing Date.

2. The Offer, which is unconditional, will be closed on the Closing Date. The Offeror reserves its right to revise or extend the Offer until such date as it may determine in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange website stating whether the Offer has been revised, or extended or has expired by 7:00 p.m. on Friday, 29 June 2012. If the Offer is revised or extended, the announcement of such revision or extension shall state the next Closing Date or that the Offer will remain open for acceptance until further notice in accordance with the Takeovers Code. In the latter case, at least 14 days' notice in writing will be given, before the close of the Offer, to those Independent Shareholders who have not accepted the Offer and an announcement must be published.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Shares tendered under the Offer will be despatched to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days of the date of receipt by the Registrar, of all the requisite documents from the Independent Shareholders accepting the Offer to render the relevant acceptance under the Offer complete and valid.

   Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "5. Right of Withdrawal" in Appendix I to the Composite Document.

All time and date references contained in the Composite Document refer to Hong Kong time and date.

In this Composite Document, the following expressions shall have the meanings set out below unless the context requires otherwise:

"acting in concert"	has the meanings ascribed to it in the Takeovers Code
"Amendment and Restatement Agreement"	the amendment and restatement agreement dated 12 April 2012 entered into between the Vendors and the Offeror relating to the Original Share Agreement
"associate"	has the meaning as defined in the Takeovers Code, unless otherwise specified
"Bermuda Act"	the Companies Act 1981 of Bermuda
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular dated 9 May 2012 issued by the Company in relation to, among others, the Disposals
"Closing Date"	Friday, 29 June 2012, being the closing date of the Offer, which is 21 days after the date on which the Composite Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
"Company"	Excel Technology International Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on GEM
"Completion Date"	the date of completion of the Share Agreement
"Composite Document"	this composite offer and response document dated 8 June 2012 issued by the Company and the Offeror in relation to the Offer
"Director(s)"	the director(s) of the Company
"Disposals"	the disposal of the Properties pursuant to the terms of the Disposal Agreements, details of which are set out in the Circular and which was approved at the SGM

"Disposal Agreements"	(i) the agreement dated 4 June 2012 in relation to the sale and purchase of the First Property entered into between Excel Technology International (Hong Kong) Limited (a wholly-owned subsidiary of the Company) and Mrs. Zee Chan Mei Chu, Peggy (or an associate (as defined in the GEM Listing Rules) of her as she may designate); and (ii) the agreement dated 4 June 2012 in relation to the sale and purchase of the Second Property entered into between Excel Technology International (Hong Kong) Limited (a wholly-owned subsidiary of the Company) and Ms. Leung Lucy, Michele (or an associate (as defined in the GEM Listing Rules) of her as she may designate)
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"First Property"	the property situated at Flat B on the 21/F of Block 5 and Car Port No. LG273 on the Lower Ground Floor of Braemar Hill Mansions, 23 Braemar Hill Road, Hong Kong
"Form of Acceptance"	the form of acceptance in respect of the Offer which accompanies the Composite Document
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Goldin Equities"	Goldin Equities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO which is making the Offer on behalf of the Offeror
"Goldin Financial"	Goldin Financial Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising the Non-executive Director and all the Independent Non-executive Directors, namely Ip Tak Chuen, Edmond, Cheong Ying Chew, Henry, Chang Ka Mun and Wong Mee Chun, that has

	been formed to give recommendations to the Independent Shareholders on the Offer
"Independent Financial Adviser" or "Messis Capital"	Messis Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer
"Independent Shareholders"	Shareholders other than the Offeror, its ultimate beneficial owners and parties acting in concert with any of them
"Joint Announcement"	the announcement dated 18 April 2012 jointly issued by the Company and the Offeror in relation to, among others, the transfer of the Sale Shares by the Vendors to the Offeror, the Offer and the Disposals
"Last Trading Day"	19 January 2012, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension in trading of the Shares pending the publication of the Joint Announcement
"Latest Practicable Date"	6 June 2012, being the latest practicable date for the purpose of ascertaining certain information contained in the Composite Document
"Offer"	the unconditional mandatory cash offer to be made by Goldin Equities on behalf of the Offeror to acquire all the Shares not already held or agreed to be acquired by the Offeror and parties acting in concert with it at a price of HK$0.2045 per Share in cash
"Offer Period"	has the meaning ascribed to it under the Takeovers Code being the period from 18 April 2012, being the date of the Joint Announcement and ending on the Closing Date
"Offeror"	Sino Eminent Limited, a company incorporated in the BVI with limited liability
"Offeror Share Charge"	the share charge dated 4 June 2012 executed by the Offeror in favour of Passion Investment in relation to 564,029,197 Shares held by the Offeror immediately after the completion of the Share Agreement to secure payment of the remaining balance of the consideration payable by the Offeror to Passion Investment (acting for itself and as trustee for and on behalf of Mrs. Zee Chan Mei Chu, Peggy) according to the terms of the Share Agreement

"Original Share Agreement"	the agreement in relation to the sale and purchase of the Sale Shares dated 19 January 2012 entered into between the Vendors and the Offeror
"Passion Investment"	Passion Investment (BVI) Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mrs. Zee Chan Mei Chu, Peggy, a Director of the Company, being one of the Vendors
"PRC"	the People's Republic of China
"Properties"	the First Property and the Second Property
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Relevant Period"	the period commencing six months prior to 18 April 2012, and ending with the Latest Practicable Date
"relevant securities"	has the meanings ascribed to it under Note 4 to Rule 22 of the Takeovers Code
"Sale Shares"	the 564,029,197 Shares that the Vendors conditionally agreed to sell to the Offeror pursuant to the Share Agreement, and each a "Sale Share"
"Second Property"	the property situated at Flat D on the 9/F of Floral Tower, 22 Robinson Road, Hong Kong
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company convened and held on 31 May 2012 to consider and if thought fit, approve resolution(s) in respect of the Disposals and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Agreement"	the Original Share Agreement (as amended by the letter agreements dated 17 February 2012 and 19 March 2012, respectively, and the Amendment and Restatement Agreement)

	entered into between the Vendors and the Offeror relating to the sale and purchase of the Sale Shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Vendors"	Passion Investment and Mrs. Zee Chan Mei Chu, Peggy, the controlling Shareholders of the Company prior to the completion of the Share Agreement
"Vendor Share Charge"	the share charge dated 12 April 2012 and executed by Passion Investment in favour of the Offeror in relation to 559,679,197 Shares held by Passion Investment to secure any refund of the deposit paid by the Offeror to Passion Investment according to the terms of the Share Agreement which was released and discharged on 4 June 2012
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

高銀(證券)有限公司
GOLDIN EQUITIES LIMITED

23rd Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

8 June 2012

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GOLDIN EQUITIES LIMITED
ON BEHALF OF
SINO EMINENT LIMITED
FOR ALL THE ISSUED SHARES IN
EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY
SINO EMINENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 18 April 2012, the Offeror and the Company jointly announced that on 19 January 2012, the Offeror and the Vendors entered into the Share Agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 564,029,197 Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. The aggregate consideration for the Sale Shares is HK$115,343,970.79, equivalent to HK$0.2045 per Sale Share.

The completion of the Share Agreement took place on 4 June 2012 and immediately following completion of the Share Agreement, the Offeror and parties acting in concert with it were interested in a total of 564,029,197 Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter sets out, among other things, details of the Offer, the information relating to the Group and the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offer are set out in this letter, Appendix I to the Composite Document and the accompanying Form of Acceptance.

THE OFFER

Principal terms of the Offer

Goldin Equities on behalf of the Offeror is making the Offer to acquire all the issued Shares pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each Share . . . . HK$0.2045 in cash

The Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions which may be declared, made or paid at any time on or after the date on which the Offer is made.

As at the Latest Practicable Date, the Company did not have any outstanding warrants or options or derivatives to acquire Shares or other securities which are convertible or exchangeable into Shares.

The Offer is unconditional and therefore is not conditional upon any minimum level of acceptances being received nor subject to any other conditions. The procedures for acceptance and further terms of the Offer are set out in Appendix I to the Composite Document.

Comparison of value

The offer price of HK$0.2045 per Share is the price paid by the Offeror for each Sale Share under the Share Agreement. The offer price of HK$0.2045 per Share represents:

(i) a premium of approximately 77.8% over the audited consolidated net asset value of the Group of approximately HK$0.115 per Share as at 31 December 2011;

(ii) a premium of approximately 85.9% over the closing price of HK$0.11 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 77.8% over the average closing price of HK$0.115 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 76.3% over the average closing price of approximately HK$0.116 per Share for the thirty consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 0.2% to the closing price of HK$0.204 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Total consideration for the Offer

As at the Latest Practicable Date, there were 1,015,050,000 Shares in issue. Based on the offer price under the Offer of HK$0.2045 for each Share, the 451,020,803 Shares subject to the Offer were valued at approximately HK$92,233,754.21 and the entire issued share capital of the Company was valued at HK$207,577,725.

Financial resources

The amount of funds required for the acquisition of the Sale Shares and the full acceptance of the Offer by the Offeror is financed by its internal financial resources. As at the Latest Practicable Date, Goldin Financial was satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required for the acquisition of the Sale Shares and the full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the relevant Independent Shareholders will sell their Shares and all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date on which the Offer is made.

Payment

Payment in cash in respect of acceptance of the Offer will be made as soon as possible but in any event within seven Business Days of the date of which the relevant documents of title are received by the Offeror or its agent acting on its behalf to render each of such acceptances complete and valid.

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Shareholders in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them to acquire compulsorily any Shares not tendered for acceptance under the Offer.

INFORMATION ON THE GROUP

The Group is principally engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services and investment holding.

For the year ended 31 December 2011, the Group recorded audited consolidated profit before income tax of approximately HK$2,590,000 and audited consolidated profit attributable to owners of the Company of approximately HK$2,591,000. For the year ended 31 December 2010, the Group recorded audited consolidated profit before income tax of approximately HK$4,658,000 and audited consolidated profit attributable to owners of the Company of approximately HK$6,036,000. The audited equity attributable to owners of the Company as at 31 December 2011 was approximately HK$107,104,000.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror was held as to 68% by Ocean Expert Investments Limited, as to 27% by Flourish Zone Limited and as to 5% by Brilliant Elect Limited. Ocean Expert Investments Limited, Flourish Zone Limited and Brilliant Elect Limited are investment holding companies incorporated in the BVI with limited liability and wholly-owned by PRC residents Ms. Li Xia, Mr. Chen Yin and Ms. He Fang, respectively. Ms. Li Xia, aged 38, is a businesswoman who possesses over 5 years of experience in investment and business development in the PRC. She is the sole director of the Offeror and Ocean Expert Investments Limited. Mr. Chen Yin, aged 30, is an entrepreneur in the PRC who held senior positions in various private companies principally engaged in luxury goods trading business. He is the sole director of Flourish Zone Limited. Ms. He Fang, aged 40, is a businesswoman who possesses over 5 years of experience in corporate finance, marketing and sales and business development. She held senior positions in companies engaged in investment and business development in the PRC. She is the sole director of Brilliant Elect Limited.

INTENTION OF THE OFFEROR REGARDING THE GROUP

As confirmed by the sole director of the Offeror, it is the intention of the Offeror to continue to carry on the existing business of the Group immediately following the completion of the Share Agreement, and through leveraging on the experience and network of the ultimate beneficial owners of the Offeror, the Group will look for business opportunities in the retailing of luxury goods in the PRC with the aim to expand the business activities of the Group. The sole director of the Offeror confirms that as at the Latest Practicable Date, the Offeror had no intention to any acquisition or disposal of business and/or assets, by the Group. The sole director of the Offeror confirms that the Offeror has no intention to make any major change to the existing operation or business of the Group or re-deploy the employees of the Group. The sole director of the Offeror confirms that save for the Disposal Agreements and the Disposals, the Offeror has no intention to inject or re-deploy or to dispose of the major assets by the Group following completion of the Offer.

Following the completion of the Share Agreement, and as confirmed by the sole director of the Offeror, the Offeror intends to conduct a review of the financial position and operations of the Group and to explore suitable business opportunities and new investments which are beneficial to the Group and consider whether the diversification of the business into the luxury goods retailing sector will be appropriate to enhance the growth of the Group. The Offeror considers that the acquisition of a controlling interest in the Company and the Offer represent a good opportunity to leverage on the business relationship and network of the ultimate beneficial owners of the Offeror. It is expected that more business opportunities will be brought to the Company by the Offeror. In view of the aforesaid, the Offeror is of the view that the Offer is in its long-term commercial interest. However, the sole director of the Offeror confirms that no such investments or businesses have been identified or under negotiation as at the Latest Practicable Date. As confirmed by the sole director of the Offeror, further investments or businesses that might be conducted by the Group after the close of the Offer will be subject to the constitutional documents, relevant regulatory requirements and approval of Shareholders if required, and further announcement will be made by the Company where so required and will be in full compliance with the relevant GEM Listing Rules.

Proposed change of Board composition of the Company

The Board currently consists of eight Directors, comprising four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. It is intended that, save for Mrs. Zee Chan Mei Chu, Peggy, all existing Directors shall resign on the earliest date permitted under the Takeovers Code. The Offeror may nominate its representative(s) to become new Directors on the earliest date permitted under the Takeovers Code. Further announcement will be made as and when there is a change in the composition of the Board in compliance with the Takeovers Code and the GEM Listing Rules.

Maintaining the listing status of the Company

The Stock Exchange has indicated that, if upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued share capital of the Company is held in the hands of the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares on the Stock Exchange. Accordingly, it should be noted that upon closing of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained. Shareholders and investors should exercise caution when dealing in the Shares.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. Pursuant to the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were new listing applicant and will subject to the requirements for new listing application as set out in the GEM Listing Rules.

As confirmed by the sole director of the Offeror, the Offeror intends to maintain the listing of the Shares on the GEM after closing of the Offer. The sole director of the Offeror and the new Directors (if any) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

FURTHER TERMS OF THE OFFER

Further terms of the Offer, including the procedures for acceptance and settlement, and the acceptance period, are set out in Appendix I to the Composite Document and in the Form of Acceptance.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

The attention of Shareholders not resident in Hong Kong is drawn to the section headed "8. Overseas Shareholders" in Appendix I to the Composite Document.

All documents and remittance sent to the Independent Shareholders by post will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, as applicable. None of the Company, the Offeror, Goldin Financial and Goldin Equities, nor any of their respective directors or any persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form of Acceptance and the additional information set out in the appendices, which form part of the Composite Document.

Yours faithfully,
For and on behalf of
Goldin Equities Limited
Eddie Ip
Director

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)

Executive Directors:
Zee Chan Mei Chu, Peggy *(Chairman)*
Fung Din Chung, Rickie *(Chief Executive Officer)*
Leung Lucy, Michele
Ng Wai King, Steve

Non-executive Director:
Ip Tak Chuen, Edmond

Independent Non-executive Directors:
Cheong Ying Chew, Henry
Chang Ka Mun
Wong Mee Chun

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
5th Floor
663 King's Road
North Point
Hong Kong

8 June 2012

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GOLDIN EQUITIES LIMITED
ON BEHALF OF
SINO EMINENT LIMITED
FOR ALL THE ISSUED SHARES IN
EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY
SINO EMINENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement and the Circular.

* *For identification purpose only*

On 18 April 2012, the Offeror and the Company jointly announced that on 19 January 2012, the Offeror and the Vendors entered into the Share Agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 564,029,197 Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. The aggregate consideration for the Sale Shares is HK$115,343,970.79, equivalent to HK$0.2045 per Sale Share. Please refer to the Joint Announcement and the Circular for details relating to the terms of the Share Agreement and the Disposal Agreements.

The completion of the Share Agreement took place on 4 June 2012 and immediately following completion of the Share Agreement, the Offeror and parties acting in concert with it was interested in a total of 564,029,197 Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

In accordance with Rule 2.1 of the Takeovers Code, an independent committee of the Board comprising the Non-executive Director and all the Independent Non-executive Directors, namely Ip Tak Chuen, Edmond, Cheong Ying Chew, Henry, Chang Ka Mun and Wong Mee Chun, has been formed to give recommendations to the Independent Shareholders on the Offer. Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection therewith. The appointment of Messis Capital has been approved by the Independent Board Committee.

The purposes of the Composite Document is to provide you with, among other things, information relating to the Company, the Offeror and the Offer, and to set out the letter from the Independent Board Committee containing its advice to the Independent Shareholders and the letter from Messis Capital in respect of the Offer.

The full text of the letter of advice from Messis Capital addressed to the Independent Board Committee is set out in the Composite Document. Independent Shareholders are advised to read the letter of advice from Messis Capital and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Offer.

THE OFFER

Principal terms of the Offer

Goldin Equities on behalf of the Offeror is making the Offer to acquire all the issued Shares pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each Share . . . . HK$0.2045 in cash

The Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions which may be declared, made or paid at any time on or after the date on which the Offer is made.

As at the Latest Practicable Date, the Company did not have any outstanding warrants or options or derivatives to acquire Shares or other securities which are convertible or exchangeable into Shares.

The Offer is unconditional and therefore is not conditional upon any minimum level of acceptances being received nor subject to any other conditions. The procedures for acceptance and further terms of the Offer are set out in Appendix I to the Composite Document.

Comparison of value

The offer price of HK$0.2045 per Share is the price paid by the Offeror for each Sale Share under the Share Agreement. The offer price of HK$0.2045 per Share represents:

(i) a premium of approximately 77.8% over the audited consolidated net asset value of the Group of approximately HK$0.115 per Share as at 31 December 2011;

(ii) a premium of approximately 85.9% over the closing price of HK$0.11 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 77.8% over the average closing price of HK$0.115 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 76.3% over the average closing price of approximately HK$0.116 per Share for the thirty consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 0.2% to the closing price of HK$0.204 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Total consideration for the Offer

As at the Latest Practicable Date, there were 1,015,050,000 Shares in issue. Based on the offer price under the Offer of HK$0.2045 for each Share, the 451,020,803 Shares subject to the Offer were valued at approximately HK$92,233,754.21 and the entire issued share capital of the Company was valued at HK$207,577,725.

Further details of the Offer

Further details of the Offer, including the terms and conditions of the Offer and the procedures for acceptance of the Offer and the intention of the Offeror regarding the Group, are contained in the letter from Goldin Equities of the Composite Document, in Appendix I to the Composite Document and in the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Group is principally engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services and investment holding.

For the year ended 31 December 2011, the Group recorded audited consolidated profit before income tax of approximately HK$2,590,000 and audited consolidated profit attributable to owners of the Company of approximately HK$2,591,000. For the year ended 31 December 2010, the Group recorded audited consolidated profit before income tax of approximately HK$4,658,000 and audited consolidated profit attributable to owners of the Company of approximately HK$6,036,000. The audited equity attributable to owners of the Company as at 31 December 2011 was approximately HK$107,104,000.

A summary of the audited consolidated results of the Group for each of the three financial years ended 31 December 2011 and the audited financial statements of the Group for the year ended 31 December 2011 are set out in Appendix II to the Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date.

Shareholders	**As at the Latest Practicable Date**	
	Number of Shares	*Approximate %*
The Offeror and parties acting in concert with it	564,029,197	55.57
Cheung Kong (Holdings) Limited *(Note)*	143,233,151	14.11
Fung Din Chung, Rickie	24,691,498	2.43
Leung Lucy, Michele	24,559,498	2.42
Ng Wai King, Steve	4,184,998	0.41
Wong Mee Chun	422,000	0.04
	761,120,342	74.98
Other public Shareholders	253,929,658	25.02
Total	1,015,050,000	100.00

Note: 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.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the letter from Goldin Equities as set out on pages 6 to 11 of the Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

The Board is aware of the Offeror's intention in respect of the Group and is willing to render reasonable cooperation with the Offeror further which is of the interests of Company and the Shareholders as a whole.

Your attention is drawn to the section headed "Intention of the Offeror regarding the Group" in the letter from Goldin Equities as set out on pages 6 to 11 of the Composite Document, which sets out more information on the intentions of the Offeror in respect of the Group, its business and employees.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders which sets out its recommendation to the Independent Shareholders and the letter from Messis Capital which sets out its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by them in arriving at their recommendation as set out on pages 18 to 19 and pages 20 to 37 of the Composite Document respectively.

ADDITIONAL INFORMATION

In considering what action to take in connection with the Offer, Independent Shareholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers. You are recommended to read the Composite Document together with the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to the Composite Document.

By Order of the Board
Excel Technology International Holdings Limited
Fung Din Chung, Rickie
Executive Director

The following is the full text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the Offer prepared for inclusion in the Composite Document.

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)

8 June 2012

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY GOLDIN EQUITIES LIMITED ON BEHALF OF SINO EMINENT LIMITED FOR ALL THE ISSUED SHARES IN EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY SINO EMINENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the composite offer and response document (the "Composite Document") dated 8 June 2012 jointly issued by the Offeror and the Company, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to, among others, advise the Independent Shareholders in respect of the terms of the Offer, details of which are set out in the "Letter from the Board", "Letter from Goldin Equities" and the additional information contained in Appendix I to the Composite Document. We wish to draw your attention to the letter of advice from Messis Capital, being the Independent Financial Adviser appointed to advise the Independent Board Committee and as to acceptance on the terms of the Offer as set out on pages 20 to 37 of the Composite Document.

* *For identification purpose only*

Having considered, among others, the terms of the Offer, the factors and reasons considered by, and the advice given by Messis Capital, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

We wish to draw your attention to that Mr. Ip Tak Chuen, Edmond, being a Non-executive Director, is also a director of Cheung Kong (Holdings) Limited, a substantial Shareholder holding approximately 14.11% of the issued Shares as at the Latest Practicable Date and the shares of which are listed on the Main Board of the Stock Exchange. We are advised by Mr. Ip that the above views expressed by the Independent Board Committee, of which Mr. Ip is a member, regarding the acceptance of the Offer do not represent those of the board of directors of Cheung Kong (Holdings) Limited.

Notwithstanding our recommendation, you are strongly advised that the decision to realise or to hold your investment in the Shares is subject to individual circumstances and investment objectives and you should consider carefully the terms of the Offer.

Yours faithfully,
Independent Board Committee
Excel Technology International Holdings Limited

Cheong Ying Chew, Henry	**Chang Ka Mun**	**Wong Mee Chun**	**Ip Tak Chuen, Edmond**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Non-executive Director*

The following is the text of the letter of advice from Messis Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for inclusion into this Composite Document.

大有融資有限公司
MESSIS CAPITAL LIMITED

8 June 2012

To: Independent Board Committee and Independent Shareholders of Excel Technology International Holdings Limited

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY GOLDIN EQUITIES LIMITED ON BEHALF OF SINO EMINENT LIMITED FOR ALL THE ISSUED SHARES IN EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY SINO EMINENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the composite offer and response document of the Company dated 8 June 2012 to the Shareholders (the "Composite Document"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 18 April 2012, the Offeror and the Company jointly announced that, among other things, the Vendors and the Offeror entered into the Share Agreement on 19 January 2012 pursuant to which the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase 564,029,197 Sale Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. The aggregate consideration for the Sale Shares is HK$115,343,970.79, representing HK$0.2045 per Sale Share. The Share Agreement is conditional upon a number of conditions being fulfilled. Please refer to the paragraph headed "Conditions" under the section headed "The Share Agreement" in the Joint Announcement for further details of the conditions precedent to the Share Agreement.

Upon completion of the Share Agreement on 4 June 2012, the Offeror and parties acting in concert with it were interested in a total of 564,029,197 Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The principal terms of the Offer are set out under the section headed "The Offer" in the "Letter from Goldin Equities" of the Composite Document. Goldin Equities is making the Offer on behalf of the Offeror.

In accordance with Rule 2.1 of the Takeovers Code, an independent committee of the Board comprising the Non-executive Director and all the Independent Non-executive Directors, namely Mr. Ip Tak Chuen, Edmond, Mr. Cheong Ying Chew, Henry, Mr. Chang Ka Mun and Ms. Wong Mee Chun has been formed to consider and advise the Independent Shareholders in respect of the Offer. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and to give an opinion and recommendation as regards to the acceptance of the Offer. Our appointment as the Independent Financial Adviser to the Independent Board Committee has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in the Composite Document and all information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were provided and made and will continue to be so at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date throughout the offer period (as defined under the Takeovers Code). We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have further confirmed that, having made all reasonable enquiries, and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided and representations made to us by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and the Offeror.

We have not considered the tax consequences on the Independent Shareholders of their acceptance or non-acceptance of the Offer since they are particular to their own individual circumstances. In particular, Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued to the Independent Board Committee and the Independent Shareholders regarding the Offer for their information only, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In assessing the Offer and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Offer

On 19 January 2012, the Vendors and the Offeror entered into the Share Agreement pursuant to which the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase 564,029,197 Sale Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the Latest Practicable Date. The aggregate consideration for the Sale Shares is HK$115,343,970.79, representing HK$0.2045 per Sale Share. The Share Agreement is conditional upon the fulfillment of a number of conditions, details of which are contained in the paragraph headed "Conditions" under the section headed "The Share Agreement" in the Joint Announcement. Completion of the Share Agreement took place on 4 June 2012.

Immediately following completion of the Share Agreement on 4 June 2012, the Offeror and parties acting in concert with it were interested in a total of 564,029,197 Shares, representing approximately 55.57% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

As at the Latest Practicable Date, there were 1,015,050,000 Shares in issue. Excluding the 564,029,197 Shares which are owned by the Offeror and parties acting in concert with it, there will be 451,020,803 Shares which are subject to the Offer. The Offer is valued at HK$92,233,754.21 based on the offer price of HK$0.2045 per Share. As at the Latest Practicable Date, the Company does not have any outstanding options, derivatives or warrants which are convertible into or which confers rights to require the issue of Shares or other securities carrying conversion rights or subscription rights into Shares.

2. Information of the Group

The Company is an investment holding company and its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and application service provider ("ASP") services and investment holding.

Financial performance of the Group

Set out below is a summary of the audited financial information of the Company for each of the three years ended 31 December 2011 as set out in the annual reports of the Company for the year ended 31 December 2010 and for the year ended 31 December 2011 (the "2011 Annual Report").

	For the year ended 31 December		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Turnover			
– Enterprise software products	75,258	85,971	98,920
– Systems integration	77,253	158,249	355,376
– Professional services	15,487	31,669	54,068
– ASP services	4,547	4,687	4,536
	172,545	280,576	512,900
Profit before income tax	1,737	4,658	2,590
Profit/(loss) attributable to			
– Owners of the Company	2,367	6,036	2,591
– Non-controlling interests	(668)	(97)	(220)
Profit for the year	1,699	5,939	2,371
Earnings per Share for profit attributable to the owners of the Company			
– Basic and diluted (HK cents)	0.24	0.61	0.26

	As at 31 December		
	2009	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Equity attributable to owners of the Company	94,781	101,173	107,104

For the year ended 31 December 2010, the Group recorded a turnover of HK$280,576,000, representing an increase of approximately 63% as compared with HK$172,545,000 in the previous year. The increase of turnover was largely contributed from the systems integration business and professional services income, which jumped by approximately 105% and 104% respectively in 2010 as compared to the previous year. According to the annual report of the Company for the year ended 31 December

2010, the increase in the Group's turnover mainly came from the Group's operation in China in which the big jump in the systems integration business was mainly attributable to the demand from the local banks whereas the growth in the sales of enterprise software products came from both the local banks and foreign banks in China. The Group's profit before income tax and profit attributable to the Shareholders increased by approximately 168% and 155% as compared to the previous year to HK$4,658,000 and HK$6,036,000 respectively.

For the year ended 31 December 2011, the Group reported a turnover of HK$512,900,000, representing an increase of approximately 83% as compared with HK$280,576,000 in the previous year. The increase in turnover of the Group was largely contributed from the systems integration business and professional services income, which jumped by approximately 125% and 71% respectively in 2011 as compared to the previous year. Despite the increase in turnover, the Group's profit before income tax and profit attributable to the Shareholders decreased by approximately 44% and 57% as compared to the previous year to HK$2,590,000 and HK$2,591,000 respectively mainly as a result of the increase in depreciation of computer equipment purchased and the renovation work done to meet expansion needs, the increase in amortization of development costs, as well as the unrealized fair value adjustment on financial assets due to the volatile investment market condition at the year end.

The equity attributable to owners of the Company increased gradually from HK$94,781,000 as at 31 December 2009 to HK$107,104,000 as at 31 December 2011. The increase in the equity attributable to owners of the Company was mainly attributable to the placement of 30,000,000 new Shares on 30 June 2011 and profit recorded during the two years ended 31 December 2011.

Prospect and outlook of the Group

As noted from the Company's 2011 Annual Report, the Company expects that IT spending will be drastically reduced with the political and economic uncertainties which will have an adverse impact on the sale of enterprise software products. As a result, the Company will put more focus on professional services as well as work closer with the sales teams of major IT vendors and to expand its industry focus beyond banking. As stated in the 2011 Annual Report of the Company, IT service outsourcing, as part of the professional services segment, can be a winning strategy of the Group's business in 2012. According to an article dated 3 February 2012 published on the website of ChinaSourcing (中國服務外包) (chinasourcing.mofcom.gov.cn), it is estimated that the global IT outsourcing services market size will increase from the current US$500 billion to US$1.6 trillion by 2020. According to an article dated 26 December 2011 published on the website of WuHanSourcing (武漢服務外包) (www.wuhansourcing.gov.cn), the Chinese government introduced the No. 69 document in 2010 to strengthen support in personnel, funds, platforms and services to the service outsourcing enterprises and industries in order to further promote the development of offshore outsourcing. From 2011 to 2012, the Chinese government will invest RMB500 million annually in some cities to support the service outsourcing industry, reduce the threshold for the application of service outsourcing staff training funds by service outsourcing enterprises and training institutions, and extend sales tax exemption policy to all offshore service outsourcing businesses in some cities.

Notwithstanding that IT service outsourcing may provide future income to the Group in light of the growth opportunities in the IT outsourcing industry in the PRC in the next few years, the Group may or may not benefit from such favourable development in the IT industry as we consider that there remain some risk factors associated with the operation and the prospect of the Group, in particular, (i) the business of the Group is largely dependent on the global and regional economic environment; (ii) demand for the Company's products and services from customers in the banking sector can be easily affected negatively by financial crisis such as the collapse of Lehman Brothers and the recent European debt issues; (iii) competition in the IT service industry is keen in the PRC; and (iv) changes in political, economic and government policies in the PRC may have an effect on the business of the Group. Therefore, we remain cautious about the outlook and prospects of the Group in light of the uncertainties in the economy due to the recent European debt crisis.

3. Principal terms of the Offer

Goldin Equities is making, on behalf of the Offeror, the Offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following terms:

for each Share . . . . **HK$0.2045 in cash**

The offer price of HK$0.2045 per Share (the "Offer Price") is the same as the price paid by the Offeror for each Sale Share under the Share Agreement. The offer price of HK$0.2045 per Share represents:

(i) a premium of approximately 77.8% over the audited consolidated net asset value of the Group of approximately HK$0.115 per Share as at 31 December 2011;

(ii) a premium of approximately 85.9% over the closing price of HK$0.11 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 77.8% over the average closing price of HK$0.115 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 76.3% over the average closing price of approximately HK$0.116 per Share for the thirty consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 0.2% over the closing price of HK$0.204 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

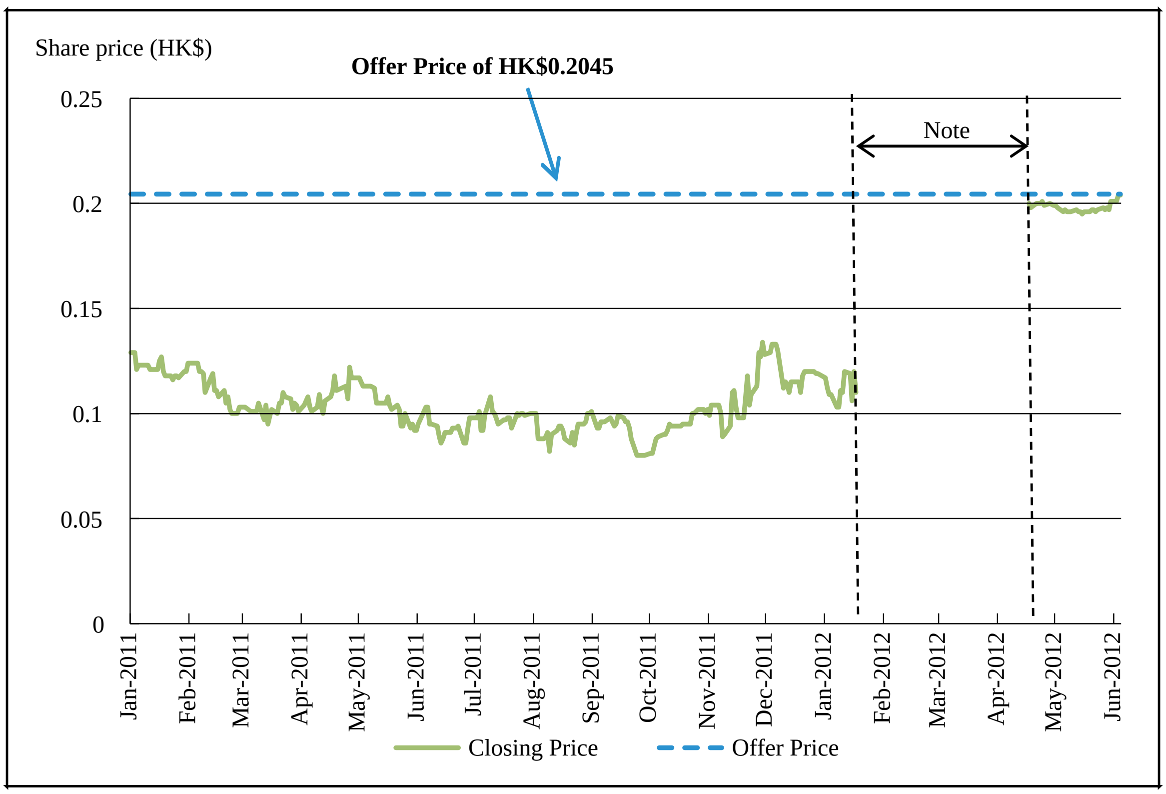
Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the letter headed "Letter from Goldin Equities"contained in and Appendix I to the Composite Document.

4. Historical performance of the Shares

4.1 Share Price

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 3 January 2011 (being the first trading day of the 12 full calendar month period prior to the Last Trading Day) up to and including the Latest Practicable Date (the "Review Period").

Chart A: The closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares on the Stock Exchange was suspended from 20 January 2012 to 18 April 2012 (both days inclusive).

During the period from 3 January 2011 to 19 January 2012, the closing price of the Shares fluctuated in a range from HK$0.08 to HK$0.134. The closing price of the Shares showed a gradual downward decreasing trend and reached the lowest of HK$0.08 on 26 September to 30 September 2011. Since then, the closing price of the Shares started to increase gradually and reached HK$0.134 on 1 December 2011 before it decreased slightly and was HK$0.11 on the Last Trading Day.

From 20 January 2012 to 18 April 2012, the trading of the Shares was suspended as requested by the Company pending the release of the Joint Announcement. On 19 April 2012, being the first trading day of the Shares after the publication of the Joint Announcement, the closing price of the Shares surged to HK$0.20. The closing price of the Shares traded in a range from HK$0.195 to HK$0.204 during the period from 19 April 2012 up to the Latest Practicable Date. As confirmed by the management of the Company, they were not aware of any event that was price sensitive in nature after the release of the Joint Announcement. Therefore, we believe that the surge in the closing price of the Shares upon the publication of the Joint Announcement, to a large extent, may likely be due to the market speculation on the change in control of the Company as a result of the Sale Agreement and may reflect the investor's perception on the value of the Offer.

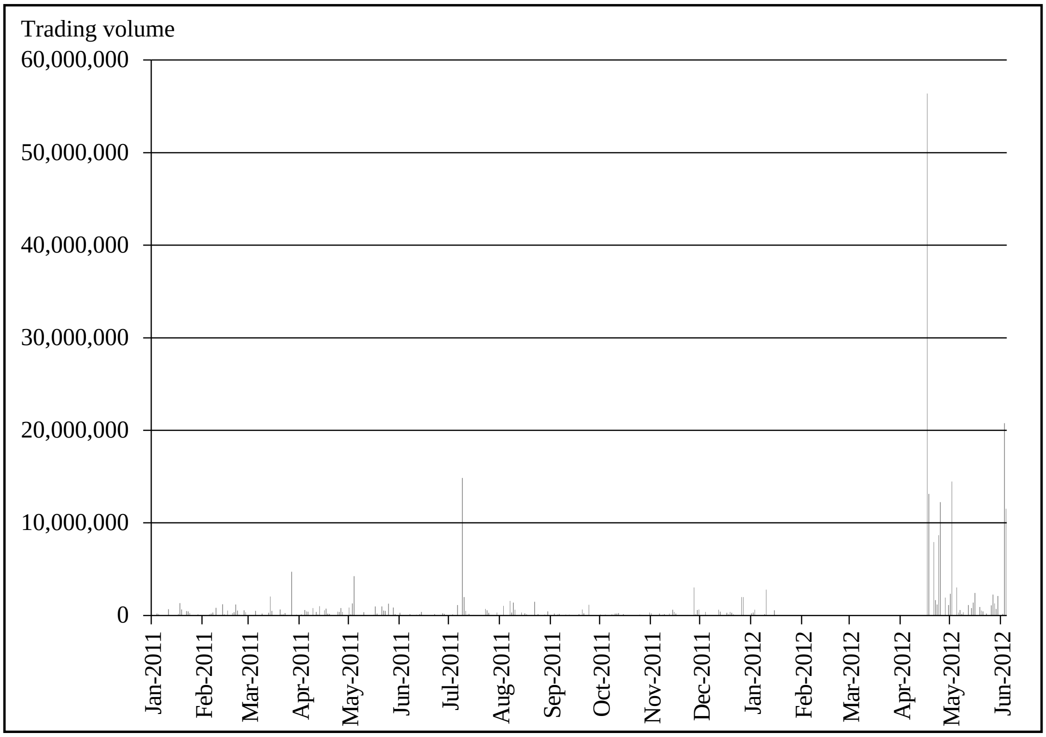
As shown in Chart A above, the closing prices of the Shares were below the Offer Price during the entire Review Period. During the Review Period, the highest and lowest closing price of the Shares was HK$0.204 on 5 June 2012 and the Latest Practicable Date and HK$0.08 on 26 September to 30 September 2011 respectively. The Offer Price represents a premium of approximately 0.2% over the highest closing price of HK$0.204 and a premium of approximately 155.6% over the lowest closing price of HK$0.08. The average of the closing prices of the Shares during the Review Period was approximately HK$0.115. The Offer Price represents a premium of approximately 77.8% over such average closing price.

Taking into account that (i) the closing prices of the Shares were below the Offer Price during the entire Review Period; and (ii) the Offer provides an opportunity to the Independent Shareholders to realise their investment in the Company at the Offer Price, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

For those Independent Shareholders who wish to realise their investment in the Shares are reminded that they should carefully and closely monitor the market price of the Shares during the offer period and consider selling their shares in the open market during the offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer.

4.2 Liquidity of the Shares

The following chart sets out the daily trading volume of the Shares during the Review Period:



Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares on the Stock Exchange was suspended from 20 January 2012 to 18 April 2012 (both days inclusive).

The following table sets out the monthly total trading volume, the highest, lowest and average daily number of the Shares traded per month, number of trading days with no trading volume, and the respective percentages of daily trading volume of the Shares as compared to the total number of Shares in issue and the total number of issued Shares held by the public Shareholders respectively during the Review Period:

Month	Total monthly trading volume *(in number of shares)*	Highest daily trading volume *(in number of shares)*	Lowest daily trading volume *(in number of shares)*	Average daily trading volume *(in number of shares)* *(Note 1)*	Number of trading days with no turnover *(in days)*	Percentage of average daily trading volume to total number of Shares in issue *(%)* *(Note 2)*	Percentage of average daily trading volume to total number of Shares held by the public Shareholders *(%)* *(Note 3)*
2011							
January	4,516,000	1,318,000	0	215,048	7	0.02%	0.08%
February	6,346,000	1,220,000	0	352,556	2	0.03%	0.14%
March	9,768,000	4,720,000	0	424,696	10	0.04%	0.17%
April	7,470,000	1,000,000	4,000	415,000	0	0.04%	0.16%
May	12,434,000	4,252,000	0	621,700	5	0.06%	0.24%
June	1,704,000	364,000	0	81,143	7	0.01%	0.03%
July	20,460,000	14,844,000	0	1,023,000	5	0.10%	0.40%
August	7,880,000	1,572,000	0	342,609	4	0.03%	0.13%
September	3,288,000	1,152,000	0	164,400	7	0.02%	0.06%
October	1,370,000	244,000	0	68,500	8	0.01%	0.03%
November	5,612,000	3,030,000	0	255,091	4	0.03%	0.10%
December	7,862,000	1,976,000	0	393,100	4	0.04%	0.15%
2012 *(Note 4)*							
January	4,720,000	2,778,000	0	363,077	3	0.04%	0.14%
February	N/A	N/A	N/A	N/A	N/A	N/A	N/A
March	N/A	N/A	N/A	N/A	N/A	N/A	N/A
April	103,133,000	56,387,000	1,190,000	12,891,625	0	1.27%	5.08%
May	35,593,000	14,474,000	26,000	1,617,864	0	0.16%	0.64%
June (up to and including the Latest Practicable Date)	34,542,000	20,770,000	166,000	8,635,500	0	0.85%	3.40%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by diving the total trading volume for the month by the number of trading days during the month which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on 1,015,050,000 Shares in issue as at the Latest Practicable Date.

3. Based on 253,929,658 Shares held by the public Shareholders as at the Latest Practicable Date.

4. Trading in the Shares on the Stock Exchange was suspended from 20 January 2012 to 18 April 2012 (both days inclusive) pending the release of the Joint Announcement.

As illustrated above, during the Review Period, the average daily trading volume of the Shares as a percentage of the total number of issued Shares ranged from 0.01% to 1.27% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public Shareholders ranged from 0.03% to 5.08%. It should be noted that the average daily trading volume of the Shares was below 0.50% of the average total number of issued Shares and the average public float during the entire Review Period except for April 2012 following the release of the Joint Announcement in relation to, among other things, the Offer. We believe that the substantial increase in the average daily trading volume in April 2012 was due mainly to the market speculation on the change in control of the Company as a result of the Sale Agreement and the possible mandatory offer and such increase also coincides with the increase in the closing price of the Shares.

In view of the general low liquidity of the Shares during the Review Period, we are of the opinion that it may be difficult for the Independent Shareholders to dispose of their Shares in the open market without adversely affecting the market price of the Shares. We therefore consider that the Offer provides opportunities for the Independent Shareholders to realise their investments in the Company at a price above the average of historical market price of the Shares during the Review Period, without having an adverse impact on the price of the Shares.

5. Comparison with comparable companies

In assessing the fairness and reasonableness of the Offer Price, we have identified the following comparables (the "Comparables") being companies listed on the Stock Exchange (both Main Board and GEM) engaging in businesses similar to those of the Group, which is principally engaged in the development, sale and implementation of enterprise software, the provision of systems integration, professional services and ASP services for their respective latest financial year. In general, in assessing whether a business segment is principal to a company, we consider it is a justifiable basis to make reference to the revenue generated from a business segment which contributes more than 80% of the total revenue of a company. Based on the above, we have thus identified an exhaustive list of 14 Comparables by searching through published information on the Stock Exchange's website, which (i) are principally engaged in the development, sale and implementation of enterprise software, the provision of systems integration, professional services or ASP services; and (ii) have more than 80% of the total revenue derived from the development, sale and implementation of enterprise software, the provision of systems integration, professional services or ASP services for their respective latest financial year. We consider that the Comparables are fair and representative samples for comparison as the principal business of the Comparables is similar to the businesses of the Group. For comparison purpose, we have used the price to earnings ratio (the "P/E ratio(s)") as it is regarded as one of the commonly used valuation method to value a company with recurrent income base. We also include the price-to-book ratios (the "P/B ratio(s)") as a reference. Details of our findings on the Comparables are summarized in the table below.

Company name (stock code)	Principal activities	Closing price as at the Last Trading Day (being 19 January 2012) *(HK$)*	Earnings/ (Loss) per share set out in the latest published audited financial statements *(HK$)*	Net asset value per share based on the latest published audited financial statements *(HK$)*	P/E ratio *(times)* *(Note 1)*	P/B ratio *(times)* *(Note 2)*
Computer and Technologies Holdings Limited (46)	Provision of system and network integration services, application development services, IT solutions implementation and outsourcing; enterprise software applications and outsourcing and e-business services; property and treasury investments	1.58	0.2111	1.5611	7.48	1.01
Beijing Development (Hong Kong) Limited (154)	Provision of IT related services, which included system integration; the construction of information networks and sale of related equipment; the provision of IT technical support and consultation services; and the development and sale of software	1.25	0.081	1.0896	15.43	1.15
Kingdee International Software Group Company Limited (268)	Develop, manufacture and sell of enterprise management software products and provision of software-related technical services in the PRC	2.41	0.0705	0.7979	34.19	3.02
SinoCom Software Group Limited (299)	Provision of outsourcing software development services and technical support services	0.61	0.1673	0.6790	3.65	0.90

Company name (stock code)	Principal activities	Closing price as at the Last Trading Day (being 19 January 2012) *(HK$)*	Earnings/ (Loss) per share set out in the latest published audited financial statements *(HK$)*	Net asset value per share based on the latest published audited financial statements *(HK$)*	P/E ratio *(times)* *(Note 1)*	P/B ratio *(times)* *(Note 2)*
Chinasoft International Limited (354)	Development and provision of IT solutions services, IT outsourcing services, consulting services, mobile internet technology services and training services	2.23	0.1000	1.3581	22.29	1.64
Founder Holdings Limited (418)	Software development and systems integration	0.3	0.044	0.5879	6.82	0.51
Wai Chun Group Holdings Limited (1013)	Network and system integration by the production of software and provision of solutions and related services; trading of communication products; provision of financial services; investment holdings; and provision of telecommunications infrastructure solution services	0.044	(0.0028)	0.0075	N/A *(Note 4)*	5.84
Timeless Software Limited (8028)	Provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software	0.145	(0.0102)	0.0849	N/A *(Note 4)*	1.71
Jiangsu Nandasoft Technology Company Limited (8045)	Develop, manufacture and marketing of network security software, internet application software, educational software, business application software and provides IT consulting services and sales of computer hardware products and equipment	0.43	0.0740	0.4122	5.81	1.04

Company name (stock code)	Principal activities	Closing price as at the Last Trading Day (being 19 January 2012) *(HK$)*	Earnings/ (Loss) per share set out in the latest published audited financial statements *(HK$)*	Net asset value per share based on the latest published audited financial statements *(HK$)*	P/E ratio *(times)* *(Note 1)*	P/B ratio *(times)* *(Note 2)*
FlexSystem Holdings Limited (8050)	Development and sale of enterprise software and hardware products, provision of maintenance and system integration services, other value-added technical consultation services and hardware-related business	0.335	(0.0114)	0.0701	N/A *(Note 4)*	4.78
Computech Holdings Limited (8081)	Provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products	0.134	(0.0270)	0.0204	N/A *(Note 4)*	6.56
Tai Shing International (Holdings) Limited (8103)	Provision of systems development, maintenance and installation as well as consulting service; provision of information technology engineering and technical support services	0.238	(0.0273)	0.1091	N/A *(Note 4)*	2.18
abc Multiactive Limited (8131)	Designing and sale of computer software and the provision of professional and maintenance services for such products	0.225	(0.0281)	(0.2945)	N/A *(Note 4)*	N/A *(Note 5)*
China Information Technology Development Limited (8178)	Development and sale of computer software and hardware; provision of system integration and related support services	N/A *(Note 3)*	(0.0002)	0.0166	N/A	N/A
				Maximum	**34.19**	**6.56**
				Minimum	**3.65**	**0.51**
				Average	**13.67**	**2.53**

Company name (stock code)	Principal activities	Closing price as at the Last Trading Day (being 19 January 2012)	Earnings/ (Loss) per share set out in the latest published audited financial statements	Net asset value per share based on the latest published audited financial statements	P/E ratio	P/B ratio
		(HK$)	*(HK$)*	*(HK$)*	*(times)* *(Note 1)*	*(times)* *(Note 2)*
The Company (8048)	Development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services	0.2045 (being the Offer Price)	0.0026	0.1146	78.65 *(Note 6)*	1.78 *(Note 7)*

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. P/E ratios of the Comparables are calculated based on their respective closing price per share as quoted on the Stock Exchange as at the Last Trading Day and their respective basic earnings per share for the latest financial year as extracted from their respective latest annual reports.

2. P/B ratios of the Comparables are calculated based on their respective closing prices as quoted on the Stock Exchange as at the Last Trading Day and their respective consolidated net asset value per share, which is calculated by dividing the consolidated net assets by the total number of shares in issue of the respective Comparable shown from their respective latest annual reports.

3. The shares of China Information Technology Development Limited had been suspended on 19 January 2012.

4. N/A denotes cases where P/E ratios are not applicable as the respective Comparables recorded losses per share in their respective latest annual reports.

5. N/A denotes cases where P/B ratios are not applicable as the respective Comparables recorded net liabilities in their respective latest annual reports.

6. The implied P/E ratio is calculated based on the Offer Price and the basic earnings per share for the latest financial year as extracted from the latest annual report of the Company.

7. The implied P/B ratio is calculated based on the Offer Price and the consolidated net asset value per share, which is calculated by dividing the consolidated net assets by the total number of shares in issue as shown from the latest annual report of the Company.

As shown in the above table, the P/E ratios of the Comparables range from approximately 3.65 times to 34.19 times, with an average of approximately 13.67 times. The implied P/E ratio of approximately 78.65 times as represented by the Offer Price falls outside the higher end of the range of the Comparables and is significantly higher than the average P/E ratio of the Comparables. The P/B ratios of the Comparables range from approximately 0.51 time to 6.56 times, with an average of approximately 2.53 times. The implied P/B ratio of approximately 1.78 times as represented by the Offer Price falls within the range of the Comparables and is lower than the average P/B ratio of the Comparables. Despite being lower than the average P/B ratio of the Comparables, we consider that it may not be most relevant in general to assess the Offer Price by reference solely to the net asset value as the businesses of the Group are non-assets based with the Group's property, plant and equipment accounting for approximately 7.6% of total assets and 12.6% of net assets as at 31 December 2011. Therefore, any reference to the Group's net assets level would be less meaningful than to its earnings level. Based on the above, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Background and intention of the Offeror

Information on the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror was held as to 68% by Ocean Expert Investments Limited, as to 27% by Flourish Zone Limited and as to 5% by Brilliant Elect Limited. Ocean Expert Investments Limited, Flourish Zone Limited and Brilliant Elect Limited are investment holding companies incorporated in the BVI with limited liability and wholly-owned by PRC residents Ms. Li Xia, Mr. Chen Yin and Ms. He Fang, respectively. Please refer to the section headed "Letter from Goldin Equities" contained in the Composite Document for more information about it.

Intention of the Offeror regarding the Group

As set out in the "Letter from Goldin Equities" of the Composite Document, it is the intention of the Offeror to continue to carry on the existing business of the Group immediately following the completion of the Share Agreement, and through leveraging on the experience and network of the ultimate beneficial owners of the Offeror, the Group will look for business opportunities in the retailing of luxury goods in the PRC with the aim to expand the business activities of the Group. Following the completion of the Share Agreement, the Offeror intends to conduct a review of the financial position and operations of the Group and to explore suitable business opportunities and new investments which are beneficial to the Group and consider whether the diversification of the business into the luxury goods retailing sector will be appropriate to enhance the growth of the Group. However, no such investments or businesses have been identified or under negotiation as at the Latest Practicable Date. Further investments or businesses that might be conducted by the Group after the close of the Offer will be subject to the constitutional documents, relevant regulatory requirements and approval of Shareholders if required, and further announcement will be made by the Company where so required and will be in full compliance with the relevant GEM Listing Rules.

As at the Latest Practicable Date, the Offeror had no intention to any acquisition or disposal of business and/or assets by the Group and had no intention to make any major change to the existing operation or business of the Group or re-deploy the employees of the Group. Save for the Disposals Agreements and the Disposals, the Offeror has no intention to inject or re-deploy or to dispose of the major assets by the Group following completion of the Offer.

As set out in the "Letter from Goldin Equities" of the Composite Document, the Offeror intends to maintain the listing of the Shares on the GEM after closing of the Offer and the sole director of the Offeror and the new Directors (if any) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Given that the Offeror (i) had no plans or had not identified any new investments or businesses as at the Latest Practicable Date; (ii) had no intention to any acquisition or disposal of business and/or assets by the Group and had no intention to make any major change to the existing operation or business of the Group or re-deploy the employees of the Group as at the Latest Practicable Date; and (iii) intends to maintain the listing of the Shares on the GEM after closing of the Offer, we consider that there should not be any material change to the operations of the Group as a result of the Offer.

RECOMMENDATION

Having taken into account the above principal factors and reasons, namely,

(i) the closing prices of the Shares were below the Offer Price during the entire Review Period and the Offer Price represents a premium of approximately 0.2% over the closing price on the Latest Practicable Date, a premium of approximately 85.9% over the closing price on the Last Trading Day and premiums of approximately 77.8% and 76.3% over the respective average of the closing prices for the five and thirty consecutive trading days up to and including the Last Trading Day;

(ii) the Offer Price represents a premium of approximately 77.8% over the audited consolidated net asset value of the Group of approximately HK$0.115 per Share as at 31 December 2011;

(iii) the implied P/E ratio of the Offer Price is significantly higher than the average P/E ratio of the Comparables; and

(iv) the overall liquidity of the Shares was relatively thin during the Review Period, and the Independent Shareholders who intend to dispose of a large number of the Shares may not be able to do so without exerting a downward pressure on the price of the Shares while the Offer will lead to an alternative exit to the Independent Shareholders to realise their investments in the Shares,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and the Independent Shareholders, to accept the Offer.

For those Independent Shareholders who wish to realise their investment in the Shares are reminded that they should carefully and closely monitor the market price of the Shares during the offer period and consider selling their shares in the open market during the offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer.

In any case, Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Thomas Lai
Managing Director

Kinson Li
Managing Director

1. PROCEDURES FOR ACCEPTANCE

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on Friday, 29 June 2012 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System before the deadline set by HKSCC Nominee Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with HKSCC Nominees Limited for the timing on processing of your instruction and submit your instruction via the CCASS Phone System or CCASS Internet System as required by it.

(c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares (whether in full or in part), the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipts) and/or other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the signed Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Goldin Equities and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it/they were delivered to the Registrar with the relevant Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the duly completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on Friday, 29 June 2012 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(g) The address of the Registrar is at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

As the Offer price of HK$0.2045 is of four decimal places, the remittances in respect of the cash consideration payable for the Shares to the accepting Shareholders will be rounded up to the nearest Hong Kong cents.

2. SETTLEMENT OF THE OFFER

Provided that the Form of Acceptance and the relevant Shares certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar by not later than 4:00 p.m. on Friday, 29 June 2012 or if the Offer is revised, or extended, the closing date of the Offer as revised or extended by the Offeror in accordance with the Takeovers Code, a cheque for the amount due to each accepting Shareholder in respect of the Shares tendered by him under the Offer less seller's ad valorem stamp duty will be despatched to each of them as soon as possible but in any event within seven Business Days of the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar.

The settlement of the consideration to which any accepting Shareholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder(s).

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar by 4:00 p.m. on Friday, 29 June 2012, being the Closing Date. The Offer is unconditional.

(b) The Offeror reserves the right to revise the Offer in accordance with the relevant provisions of the Takeovers Code.

(c) If the Offer is extended or revised, the announcement of such extension or revision will state the next Closing Date or the Offer will remain open for acceptance until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer and an announcement must be published. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The benefit of any revision of the Offer will be available to any Independent Shareholder who has/have previously accepted the Offer. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.

(d) The Offeror may introduce new conditions to be attached to any revision to the terms of the Offer, or any subsequent revision thereof, but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive.

(e) In order to be valid, acceptances must be received by the Registrar in accordance with the instructions printed on the Form of Acceptance by no later than 4:00 p.m. on Friday, 29 June 2012, unless the Offer is extended or revised.

(f) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. ANNOUNCEMENTS

(a) By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the GEM Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended or has expired.

(b) The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period;

(iii) the details of any relevant securities in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on lent or sold;

(iv) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it; and

The announcement must specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers of Shares.

(c) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Registrar or the Company (as the case may be) no later than 4:00 p.m. on Friday, 29 June 2012, being the latest time and date for acceptance of the Offer, shall be included.

(d) As required under Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the GEM Listing Rules.

5. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this Appendix, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, upon the Independent Shareholder withdraw the acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the Independent Shareholder(s).

6. STAMP DUTY

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Shareholders in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

7. TAXATION

Shareholders are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of their accepting the Offer. None of the Company, the Offeror, Goldin Financial, Goldin Equities, the Registrar, or any of their respective directors and advisors, nor any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

The Composite Document does not include any information in respect of overseas taxation. Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdiction of owning and disposing of the Shares.

8. OVERSEAS SHAREHOLDERS

The making of the Offer to persons resident in any jurisdiction outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Shareholders who are so resident should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person who is a citizen, resident or national of a jurisdiction outside Hong Kong and who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent, exchange control and any registration or filing which may be required in compliance with all necessary formalities, taxation, regulatory and/or legal requirements. Any such persons shall be fully responsible for the payment of any transfer or other taxes and duties due by such accepting overseas Shareholder in respect of that jurisdiction. Acceptance of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

9. GENERAL

(a) All communications, notices, Form of Acceptance, certificate(s) of Shares, transfer receipt(s), other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk. None of the Company, the Offeror, Goldin Financial, Goldin Equities, the Registrar, nor any of their respective directors and advisors or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch the Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.

(d) The Offer are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the accompanying Form of Acceptance will constitute an irrevocable authority to the Offeror, Goldin Equities or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purpose of vesting in or the Offeror, or such person or persons as it may direct, the Shares in respect of which such person has accepted the Offer.

(f) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Share acquired under the Offer are fully paid and are sold by any such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, declared, made or paid on or after the date on which the Offer is made. The settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder.

(g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the accompanying Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Offer.

(h) References to the Offer in the Composite Document and in the accompanying Form of Acceptance shall include any revision and/or extension thereof.

(i) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2011, as extracted from the audited financial statements of the Company as set out in the Company's annual reports for each of the three years ended 31 December 2011 and of the unaudited financial results of the Group for the three months ended 31 March 2012, as extracted from the unaudited financial statements of the Company as set out in the Company's first quarterly report for the three months ended 31 March 2012. No qualified opinion had been given in the auditors' reports issued by Grant Thornton Jingdu Tianhua in respect of each of the three years ended 31 December 2011. The Company had no items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2011 and the three months ended 31 March 2012 based on the annual reports and the first quarterly report of the Company respectively. No dividend has been declared by the Company during each of the three financial years ended 31 December 2011 and the three months ended 31 March 2012.

	Year ended 31 December			For the three months ended 31 March
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Turnover	172,545	280,576	512,900	57,441
Profit before income tax	1,737	4,658	2,590	169
Income tax (expense)/credit	(38)	1,281	(219)	(28)
Profit for the year/period	1,699	5,939	2,371	141
Profit/(Loss) for the year/ period attributable to:				
Owners of the Company	2,367	6,036	2,591	102
Non-controlling interests	(668)	(97)	(220)	39
	1,699	5,939	2,371	141
Earnings per share for profit attributable to the owners of the Company during the year/period				
– Basic and diluted	HK0.24 cents	HK0.61 cents	HK0.26 cents	HK0.01 cents

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Set out below are the audited financial statements of the Group for the year ended 31 December 2011 together with the accompanying notes, which are extracted from the annual report of the Company for the year ended 31 December 2011.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	5	512,900	280,576
Other income	7	2,243	3,493
Change in inventories of hardware and software		(13,582)	(10,988)
Purchase of hardware and software		(333,732)	(144,057)
Professional fee		(15,554)	(10,872)
Employee benefits expense	13	(121,126)	(91,265)
Depreciation and amortisation		(3,623)	(2,006)
Other expenses		(24,619)	(20,051)
Finance costs	8	(293)	(277)
Share of (loss)/profit of an associate		(24)	105
Profit before income tax	9	2,590	4,658
Income tax (expense)/credit	10	(219)	1,281
Profit for the year		2,371	5,939
Other comprehensive income for the year, including reclassification adjustments and net of tax*			
Exchange gain on translation of financial statements of foreign operations		791	619
Change in fair value of available-for-sale financial assets		(476)	–
Impairment loss on available-for-sale financial assets transferred to profit or loss		476	–
Other comprehensive income for the year		791	619
Total comprehensive income for the year		3,162	6,558
Profit/(Loss) for the year attributable to:			
Owners of the Company	11	2,591	6,036
Non-controlling interests		(220)	(97)
		2,371	5,939
Total comprehensive income attributable to:			
Owners of the Company		3,025	6,392
Non-controlling interests		137	166
		3,162	6,558
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic and diluted	12	HK0.26 cents	HK0.61 cents

* There is no tax effect on the component of other comprehensive income for the years ended 2011 and 2010.

Consolidated Statement of Financial Position
As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	14,656	12,429
Interest in an associate	17	–	105
Available-for-sale financial assets	18	6,566	7,248
Goodwill	19	1,140	1,140
Development costs	20	4,737	5,043
Finance lease receivables	21	187	570
Deferred tax assets	32	1,900	1,300
		29,186	27,835
Current assets			
Inventories	22	653	14,235
Finance lease receivables	21	379	323
Amounts due from customers for contract work	23	34,489	21,774
Trade receivables	24	41,836	33,209
Other receivables, deposits and prepayments	25	13,270	21,725
Financial assets at fair value through profit or loss	26	4,752	6,793
Bank balances and cash	28	69,233	60,905
		164,612	158,964
Current liabilities			
Trade payables	29	27,140	20,797
Other payables and accrued charges	30	37,078	28,174
Borrowings	31	6,002	24,508
Amounts due to customers for contract work	23	6,892	4,228
Tax payables		316	–
		77,428	77,707
Net current assets		87,184	81,257
Total assets less current liabilities		116,370	109,092
Non-current liabilities			
Borrowings	31	–	1,454
Net assets		116,370	107,638
EQUITY			
Share capital	33	101,505	98,505
Reserves		5,599	2,668
Equity attributable to owners of the Company		107,104	101,173
Non-controlling interests		9,266	6,465
Total equity		116,370	107,638

Statement of Financial Position
As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	16	–	–
Current assets			
Prepayments		150	151
Amounts due from subsidiaries	27	130,826	128,960
Bank balances and cash		166	143
		131,142	129,254
Current liabilities			
Other payables and accrued charges		498	354
Amounts due to subsidiaries	27	64,752	64,752
		65,250	65,106
Net current assets		65,892	64,148
Net assets		65,892	64,148
EQUITY			
Share capital	33	101,505	98,505
Reserves	35	(35,613)	(34,357)
Total equity		65,892	64,148

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before income tax	2,590	4,658
Adjustments for:		
Depreciation	2,341	1,738
Amortisation of development costs	1,282	268
Provision for doubtful trade receivables	111	20
Provision for doubtful other receivables	–	517
Reversal of provision for impairment of trade receivables	(360)	–
Impairment loss on available-for-sale financial assets	476	32
Impairment loss on goodwill	–	551
(Gain)/Loss on disposal on available-for-sale financial assets	(183)	304
Write off of amounts due from customers for contract work	–	396
Net loss on disposal of property, plant and equipment	8	50
Fair value loss on financial assets at fair value through profit or loss	1,864	804
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	46	(28)
Interest expense	293	277
Share of loss/(profit) of an associate	24	(105)
Gain on disposal of an associate	(41)	–
Dividend income	(133)	(150)
Interest income	(653)	(506)
Currency translation adjustment	(257)	–
Operating profit before working capital changes	7,408	8,826
Decrease in inventories	13,133	10,988
Decrease in finance lease receivables	327	283
Increase in amounts due from customers for contract work	(13,212)	(2,643)
Increase in trade receivables	(8,658)	(4,566)
Decrease/(Increase) in other receivables, deposits and prepayments	7,818	(11,352)
Increase/(Decrease) in trade payables	7,031	(1,953)
Increase in other payables and accrued charges	9,340	6,504
Decrease in amount due to an associate	–	(445)
Increase in amounts due to customers for contract work	2,727	740
Cash generated from operations	25,914	6,382
Interest paid	(293)	(277)
Tax refunded in other jurisdictions	–	43
Net cash from operating activities	25,621	6,148

	Note	2011 HK$'000	2010 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,374)	(4,529)
Purchase of financial assets at fair value through profit or loss		(469)	(801)
Purchase of available-for-sale financial assets		–	(3,900)
Proceeds from disposal of property, plant and equipment		7	7
Proceeds from disposal of financial assets at fair value through profit or loss		600	811
Proceeds from disposal of an associate		122	–
Proceeds from disposal of available-for-sale financial assets		389	–
Dividend received		133	150
Interest received		653	361
Increase in development costs		(957)	(5,311)
Decrease/(Increase) in time deposits with maturity exceeding three months		3,540	(3,540)
Net cash used in investing activities		(356)	(16,752)
Cash flows from financing activities			
Proceeds from other borrowings		–	14,821
Repayment of other borrowings		(19,875)	–
Repayment of capital element of finance lease liabilities		(85)	(134)
Proceeds from issuance of share capital		3,000	–
Share issue expenses		(94)	–
Capital contribution by non-controlling interests of a subsidiary		2,664	–
Net cash (used in)/from financing activities		(14,390)	14,687
Net increase in cash and cash equivalents		10,875	4,083
Cash and cash equivalents at 1 January		57,365	51,892
Effect on foreign exchange rate changes, on cash held		993	1,390
Cash and cash equivalents at 31 December	28	69,233	57,365

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Equity attributable to owners of the Company							
	Share capital	Share premium*	Investment revaluation reserve*	Exchange reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2010	98,505	179,650	–	4,822	(188,196)	94,781	6,299	101,080
Profit/(Loss) for the year	–	–	–	–	6,036	6,036	(97)	5,939
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	–	–	–	356	–	356	263	619
Total comprehensive income for the year	–	–	–	356	6,036	6,392	166	6,558
Balance at 31 December 2010 and 1 January 2011	98,505	179,650	–	5,178	(182,160)	101,173	6,465	107,638
Issue of share capital *(note 33)*	3,000	–	–	–	–	3,000	–	3,000
Share issuance expenses	–	(94)	–	–	–	(94)	–	(94)
Capital contribution by non-controlling interests of a subsidiary	–	–	–	–	–	–	2,664	2,664
Transactions with owners	3,000	(94)	–	–	–	2,906	2,664	5,570
Profit/(Loss) for the year	–	–	–	–	2,591	2,591	(220)	2,371
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	–	–	–	434	–	434	357	791
Change in fair value of available-for-sale financial assets	–	–	(476)	–	–	(476)	–	(476)
Impairment loss on available-for-sale financial assets transferred to profit or loss	–	–	476	–	–	476	–	476
Total comprehensive income for the year	–	–	–	434	2,591	3,025	137	3,162
Balance at 31 December 2011	101,505	179,556	–	5,612	(179,569)	107,104	9,266	116,370

* These reserves accounts comprise the Group's reserves of HK$5,599,000 (2010: HK$2,668,000) in the consolidated statement of financial position.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

Excel Technology International Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and, its principal place of business is Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited.

In the opinion of the directors, the parent and ultimate parent of the Company is Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services and investment holding. The Group's operations are based in Hong Kong and The People's Republic of China ("PRC").

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 21 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 26 to 87 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").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and their impact on the Group's financial statements, if any, are disclosed in note 3.

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. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Basis of consolidation

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity of a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

As the Group's lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment (note 2.7).

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2.5%
Leasehold improvements	25%
Computer and office equipment	20 to $33^1/_3$%
ASP software	20%
Furniture and fixtures	25%
Motor vehicles	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

2.7 Leasehold land and land use rights

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantively all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specially, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment (note 2.6).

2.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.21).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal. Goodwill relating to business combinations or investments in associates prior to 1 January 2001 continues to be held in reserves and will be charged to the retained profits at the time when the business or associate to which the goodwill relates is disposed of or when a cash-generating unit to which goodwill relates becomes impaired.

2.9 Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

After initial recognition of the development costs, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Capitalised development costs	3 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.21.

2.10 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and an associate are set out below.

Financial assets are classified into the following categories:

– Financial assets at fair value through profit or loss

– Loans and receivables

– Available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Subsequent to initial recognition, the financial assets are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions. The fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.18 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Interest is recognised in profit or loss.

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment losses of financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivables are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.11 Inventories

Inventories, which represent merchandise held for resale, are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is determined using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Financial liabilities

The Group's financial liabilities mainly include trade and other payables, finance lease liabilities and other borrowings. They are included in line items in the statement of financial position as trade and other payables or borrowings under current or non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.23).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.14 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the

Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount (i.e. the amount initially recognised less accumulated amortisation), where appropriate.

2.15 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with an exception as below.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 2.6). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under financial leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to profit or loss in the accounting period in which they are incurred.

(iv) Assets leased out under finance leases as the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment in the lease.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Revenue recognition

Revenue comprises the fair value for the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

In circumstances where the contract price can be allocated on a reasonable basis to the elements of resale of hardware and software products, sale of software licences and development of customised software, revenue is recognised as described below:

(a) Revenue from resale of complementary hardware and software products is recognised when the goods are delivered and title has been passed;

(b) Revenue from sale of software licences is recognised upon delivery of the software products to the customer when there are no post-delivery obligations;

(c) Revenue from the development of customised software is recognised by reference to the stage of completion of the customisation work (including post-delivery service support) at the reporting date, as measured by reference to services performed to date as a percentage of total services to be performed in relation to the design and prescribed services as agreed with customers to be rendered in different phases.

Where the contract price cannot be allocated into individual elements of the sale of enterprise software products and custom development, revenue from sale of enterprise software products and custom development is recognised by reference to the stage of completion of the sale of enterprise software products and custom development (including post-delivery service support) at the reporting date, as measured by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Maintenance service income is recognised on a straight line basis over the terms of the relevant maintenance service contracts. Where maintenance service income is not separately invoiced, it is unbundled from licence fees and deferred and recognised on a straight line basis over the period of the relevant maintenance service contracts.

Systems integration income is recognised when the services are provided.

Professional services income is recognised when the services are provided.

Application Service Provider (“ASP”) services income is recognised when the services are provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend is recognised when the right to receive payment is established.

2.19 Contract for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the estimated stage of completion (see note 2.18).

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where estimated value of work performed exceeds progress billings, the surplus is treated as an amount due from contract customers for contract work.

Where progress billings exceed estimated value of work performed, the surplus is treated as an amount due to contract customers for contract work.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

2.21 Impairment of non-financial assets

Goodwill arising on an acquisition of a subsidiary, development costs, property, plant and equipment and the Company's interest in subsidiaries and associates are subject to impairment testing.

Goodwill and development costs with indefinite useful lives or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.22 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in PRC and Singapore are required to participate in the central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instrument that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instrument expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses.

2.23 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.24 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major geographical areas.

The Group has identified the following reportable segments:

- Hong Kong (domicile)
- PRC and Taiwan
- South East Asia

Each reportable segment provides the following products and services:

- Enterprise software products
- Systems integration
- Professional services
- ASP services

Each of these operating segments is managed separately as each of the geographical areas requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices. The geographical reportable segments are based on the location of assets.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

2.26 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKAS 24 *Related party disclosures (Revised)*
Improvements to HKFRSs 2010

The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of these HKFRSs but are not yet in the position to state whether they would have any material impact on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.21. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year.

Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 19.

The Group has incurred an impairment loss of HK$551,000 on goodwill in 2010 in order to reduce the carrying amount of goodwill to its recoverable amount.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the trade receivables. A considerable amount of estimation and judgement is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history and financial condition. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Fair value of available-for-sale financial assets

The available-for-sale financial assets as recorded in the consolidated statement of financial position included an investment in unlisted private equity funds (the "Funds") amounting to HK$2,666,000 (2010: HK$3,348,000) which are stated at fair value.

The Funds' assets mainly represent investments in listed and unlisted companies in high growth technology industries (the "Investments"). The fair value of the Investments is reviewed by management of the Funds semi-annually on 30 June and 31 December, which estimation involves judgements of management of the Funds.

The fair value of the Funds as at reporting date represented the Group's share of net assets of the Fund by reference to its unaudited management accounts for the year ended 31 December 2011.

Deferred tax

At 31 December 2011, deferred tax assets of HK$2,609,000 (2010: HK$2,168,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$74,155,000 (2010: HK$83,385,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place.

4.2 Critical judgements in applying the entity's accounting policies

Research and development activities

Careful judgement by the Company's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software, products or knowhow are continuously monitored by the Company's management.

5. REVENUE AND TURNOVER

The Group's principal activities are disclosed in note 1 to these financial statements. Turnover of the Group is the revenue from these activities.

Revenue from external customers from the Group's principal activities recognised during the year is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Enterprise software products	98,920	85,971
Systems integration	355,376	158,249
Professional services	54,068	31,669
ASP services	4,536	4,687
Total revenue	512,900	280,576

6. SEGMENT INFORMATION

The executive directors, being the chief operating decision maker, have identified the Group's three geographical areas as operating segments as further described in note 2.25.

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

	2011			
	Hong Kong	PRC and Taiwan	South East Asia	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
– From external customers	113,082	390,414	9,404	512,900
– From other segments	9,933	23,184	1,958	35,075
Reportable segment revenue	123,015	413,598	11,362	547,975
Reportable segment profit/(loss)	6,467	(6,324)	2,447	2,590
Interest income	267	347	39	653
Depreciation and amortisation of non-financial assets	1,919	1,667	37	3,623
Net loss on disposal of property, plant and equipment	8	–	–	8
Loss on disposal of financial assets at fair value through profit or loss	46	–	–	46
Fair value loss on financial assets at fair value through profit or loss	1,864	–	–	1,864
Impairment loss on available-for-sale financial assets	476	–	–	476
Gain on disposal of available-for-sale financial assets	183	–	–	183
Finance costs	3	290	–	293
Gain on disposal of an associate	–	41	–	41
Share of loss of an associate	–	24	–	24
Reportable segment assets	169,765	109,621	9,598	288,984
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	1,950	3,351	30	5,331
Reportable segment liabilities	19,144	141,305	12,165	172,614

	2010			
	Hong Kong	**PRC and Taiwan**	**South East Asia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
– From external customers	79,847	194,728	6,001	280,576
– From other segments	10,297	17,939	994	29,230
Reportable segment revenue	90,144	212,667	6,995	309,806
Reportable segment profit/(loss)	6,608	(1,942)	(8)	4,658
Interest income	143	273	90	506
Depreciation and amortisation of non-financial assets	900	1,026	80	2,006
Net loss on disposal of property, plant and equipment	1	49	–	50
Gain on disposal of financial assets at fair value through profit or loss	28	–	–	28
Fair value loss on financial assets at fair value through profit or loss	804	–	–	804
Impairment loss on goodwill	–	551	–	551
Impairment loss on available-for-sale financial assets	32	–	–	32
Loss on disposal of available-for-sale financial assets	–	304	–	304
Finance costs	17	260	–	277
Share of profit of an associate	–	105	–	105
Reportable segment assets	158,087	111,562	7,511	277,160
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	5,202	4,718	25	9,945
Reportable segment liabilities	14,488	142,616	12,418	169,522

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:

	2011	2010
	HK$'000	*HK$'000*
Reportable segment revenue	547,975	309,806
Elimination of inter segment revenue	(35,075)	(29,230)
Group revenue	512,900	280,576

	2011	2010
	HK$'000	*HK$'000*
Reportable segment assets	288,984	277,160
Consolidation	(95,186)	(90,361)
Group assets	193,798	186,799

	2011	2010
	HK$'000	*HK$'000*
Reportable segment liabilities	172,614	169,522
Consolidation	(95,186)	(90,361)
Group liabilities	77,428	79,161

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	11,467	11,449
PRC and Taiwan	9,028	7,223
South East Asia	38	45
Total	20,533	18,717

During 2011, HK$286,767,000 or 55.91% of the Group's revenue depended on a single customer in the PRC and Taiwan segment (2010: HK$141,525,000 or 50.44% in the PRC and Taiwan segment). At the reporting date, 5.86% of the Group's trade receivables was due from this customer (2010: 6.41%).

7. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Other revenue		
Interest income	653	506
Dividend income from listed securities	133	150
Others	334	314
	1,120	970
Other net income		
Gain on disposal of an associate	41	–
Gain on disposal of available-for-sale financial assets	183	–
Gain on disposal of financial assets at fair value through profit or loss	–	28
Government grants received (note)	–	575
Reversal of provision for impairment of trade receivables	360	–
Net foreign exchange gain	381	1,920
Sundry income	158	–
	1,123	2,523
	2,243	3,493

Note: In 2010, the government grants were received from government of the PRC for subsidising the establishment of a network in research and development in information technology and provision of services and training to financial institutions in the PRC. At 31 December 2010, there were no unfulfilled conditions or contingencies relating to the grant received. There were no government grants received by the Group during the year ended 31 December 2011.

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest charges on:		
Finance charges on obligations under finance leases	3	17
Other interest expense	290	260
	293	277

9. PROFIT BEFORE INCOME TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	347,314	155,045
Cost of services rendered	116,082	83,502
Depreciation:		
– Owned assets	2,341	1,694
– Leased assets	–	44
Amortisation of development costs	1,282	268
Auditors' remuneration	837	741
Net loss on disposal of property, plant and equipment	8	50
(Gain)/Loss on disposal of available-for-sale financial assets	(183)	304
Impairment loss on goodwill	–	551
Impairment loss on available-for-sale financial assets	476	32
Provision for doubtful trade and other receivables	111	537
Write off of amounts due from customers for contract work	–	396
Fair value loss on financial assets at fair value through profit or loss	1,864	804
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	46	(28)
Operating lease charges on land and buildings	5,833	5,100

10. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year. In 2010, no provision for Hong Kong profits tax has been made in the financial statements as the Group's entities either incurred tax losses during the year 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.

	2011	2010
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Current year	143	–
– Overseas		
Current year	676	19
	819	19
Deferred tax		
Current year	(600)	(1,300)
Total income tax expense/(credit)	219	(1,281)

Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates:

	2011	2010
	HK$'000	*HK$'000*
Profit before income tax	2,590	4,658
Tax at the Hong Kong profits tax rate of 16.5% (2010: 16.5%)	427	769
Tax effect of non-taxable revenue	(1,191)	(1,601)
Tax effect of non-deductible expenses	2,538	2,163
Tax effect of unrecognised temporary differences	33	(8)
Tax effect of unrecognised tax losses	984	989
Utilisation of previously unrecognised tax losses	(2,158)	(3,588)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(443)	(142)
Others	29	137
Income tax expense/(credit)	219	(1,281)

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$2,591,000 (2010: HK$6,036,000), a loss of HK$1,162,000 (2010: loss of HK$1,002,000) has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK$2,591,000 (2010: HK$6,036,000) and the weighted average number of ordinary shares of 1,000,255,479 (2010: 985,050,000) in issue during the year.

Diluted earnings per share for the year ended 31 December 2011 and 2010 equates the basic earnings per share as there is no potential ordinary share in existence during the year.

13. EMPLOYEE BENEFITS EXPENSE (including directors' emoluments)

	2011	2010
	HK$'000	*HK$'000*
Wages, salaries and other benefits	111,954	85,979
Termination benefits	155	–
Pension costs – defined contribution plans	9,017	5,286
	121,126	91,265

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' emoluments

	Directors' fees	Salaries and allowances	Benefit-in-kind	Contributions to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011					
Executive directors:					
Zee Chan Mei Chu, Peggy	–	1,000	541	12	1,553
Fung Din Chung, Rickie	–	1,150	–	12	1,162
Leung Lucy, Michele	–	1,000	233	12	1,245
Ng Wai King, Steve	–	1,000	–	12	1,012
Non-executive director:					
Ip Tak Chuen, Edmond	–	–	–	–	–
Independent Non-executive directors:					
Cheong Ying Chew, Henry	100	–	–	–	100
Chang Ka Mun	100	–	–	–	100
Wong Mee Chun	100	–	–	–	100
	300	4,150	774	48	5,272
2010					
Executive directors:					
Zee Chan Mei Chu, Peggy	–	1,000	498	12	1,510
Fung Din Chung, Rickie	–	1,000	–	12	1,012
Leung Lucy, Michele	–	1,000	204	12	1,216
Ng Wai King, Steve	–	1,000	–	12	1,012
Non-executive director:					
Ip Tak Chuen, Edmond	–	–	–	–	–
Independent Non-executive directors:					
Cheong Ying Chew, Henry	100	–	–	–	100
Chang Ka Mun	100	–	–	–	100
Wong Mee Chun	100	–	–	–	100
	300	4,000	702	48	5,050

Benefit-in-kind represents the estimated rateable value of residential accommodation in respect of properties owned by the Group and occupied by two executive directors of the Company.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: HK$Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2010: HK$Nil).

14.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2010: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2010: one) individual during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and allowances and benefit-in-kind	1,200	1,200
Contributions to defined contribution plan	12	12
	1,212	1,212

The emoluments fell within the following band:

	Number of individual	
	2011	2010
Emolument band		
HK$1,000,000 to HK$1,500,000	1	1

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land and buildings	Leasehold improvements	Computer and office equipment	ASP software	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010							
Cost	7,856	4,259	25,548	7,187	1,294	618	46,762
Accumulated depreciation and impairment losses	(1,739)	(4,052)	(22,752)	(7,187)	(1,117)	(407)	(37,254)
Net book amount	6,117	207	2,796	–	177	211	9,508
Year ended 31 December 2010							
Opening net book amount	6,117	207	2,796	–	177	211	9,508
Exchange differences	–	3	173	–	5	6	187
Additions	–	21	4,485	–	23	–	4,529
Disposals	–	–	(56)	–	(1)	–	(57)
Depreciation	(103)	(161)	(1,354)	–	(42)	(78)	(1,738)
Closing net book amount	6,014	70	6,044	–	162	139	12,429
At 31 December 2010 and 1 January 2011							
Cost	7,856	4,394	29,937	7,187	1,326	625	51,325
Accumulated depreciation and impairment losses	(1,842)	(4,324)	(23,893)	(7,187)	(1,164)	(486)	(38,896)
Net book amount	6,014	70	6,044	–	162	139	12,429
Year ended 31 December 2011							
Opening net book amount	6,014	70	6,044	–	162	139	12,429
Exchange differences	–	–	199	–	5	5	209
Additions	–	452	3,886	–	36	–	4,374
Disposals	–	–	(15)	–	–	–	(15)
Depreciation	(196)	(77)	(1,985)	–	(49)	(34)	(2,341)
Closing net book amount	5,818	445	8,129	–	154	110	14,656
At 31 December 2011							
Cost	7,856	4,884	28,935	7,187	1,377	632	50,871
Accumulated depreciation and impairment losses	(2,038)	(4,439)	(20,806)	(7,187)	(1,223)	(522)	(36,215)
Net book amount	5,818	445	8,129	–	154	110	14,656

The Group's leasehold land and buildings are situated in Hong Kong and are held under long lease.

16. INTEREST IN SUBSIDIARIES – COMPANY

	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost of US$1	–	–
Less: Provision for impairment	–	–
Interest in subsidiaries	–	–

Particulars of the principal subsidiaries at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company	Principal activities
Excel (BVI) Limited	British Virgin Islands*	5,000 shares of US$1 each	100%#	Investment holding
Excel China Investment (BVI) Limited	British Virgin Islands*	5,000 shares of US$1 each	100%	Investment holding
Excel Consulting and Solutions Sdn. Bhd.	Malaysia*	100,000 shares of RM1 each	100%	Development of computer software and provision of sale and marketing services
Excel Global IT Services Holdings Limited	British Virgin Islands*	500,000 shares of US$1 each	100%	Investment holding
Excel Global IT Services (HK) Limited	Hong Kong*	10,000 shares of HK$1 each	100%	Provision of professional services
Excel Investment China Limited	Hong Kong*	1,000 shares of HK$1 each	100%	Investment holding
Excel International Limited	Hong Kong*	10,000 shares of HK$1 each	100%	Inactive
Excel SSL Investment Limited	Hong Kong*	1,000 shares of HK$1 each	100%	Investment holding
Excel System (Hong Kong) Limited	Hong Kong*	200,000 shares of HK$1 each	100%	Systems integration
Excel System Limited	British Virgin Islands*	100 shares of US$1 each	100%	Inactive

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company	Principal activities
Excel Technology International (BVI) Limited	British Virgin Islands*	1 share of US$1 each	100%	Investment holding
Excel Technology International (Hong Kong) Limited	Hong Kong*	1,000 shares of HK$1 each	100%	Development of computer software, systems integration and provision of maintenance services
Excelink Development Corporation	British Virgin Islands*	10,000 shares of US$1 each	100%	Investment holding
Excelink Technology Pte Ltd.	Singapore*	S$893,022	100%	Development of computer software and provision of sale and marketing services
HR21 Holdings Limited	British Virgin Islands*	50,000 shares of US$1 each	93%	Investment holding
HR21 Limited	Hong Kong*	2 shares of HK$1 each	93%	Development of computer software and provision of maintenance services
i21 Limited	Hong Kong*	14,000 shares of HK$1 each	80.1%	ASP services provider
Infostar Ltd.	British Virgin Islands*	1 share of US$1 each	100%	Investment holding
Wise Success Ltd.	British Virgin Islands*	5,000 shares of US$1 each	100%	Investment holding
北京志鴻英華科技有限公司	PRC***	US$2,200,000	65%	Systems integration, development of computer software and provision of maintenance services
深圳志鴻聯匯計算機系統有限公司	PRC***	RMB6,000,000	66%	Development of computer software and provision of maintenance services
志鴻軟件(深圳)有限公司	PRC**	HK$3,000,000	100%	Development of computer software and provision of maintenance services

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company	Principal activities
志鴻六維軟件科技(上海)有限公司	PRC**	US$350,000	100%	Provision of professional services
志鴻六維科技(杭州)有限公司	PRC**	US$70,000	100%	Provision of professional services
新川資訊科技股份有限公司	Taiwan*	NT$11,913,620	100%	Provision of professional services
東莞志鴻國際金融科技孵化中心有限公司	PRC**	RMB10,000,000	100%	Provision of IT and related supporting services for the banking industry in PRC
北京志鴻銀通科技有限公司	PRC***	US$1,230,000	65%	Inactive

Issued capital held directly by the Company

* Limited liability company

** Wholly-owned foreign enterprise

*** Sino-foreign equity joint venture enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in a list of excessive length.

17. INTEREST IN AN ASSOCIATE – GROUP

	2011	2010
	HK$'000	*HK$'000*
Share of net assets	–	105

In 2010 and prior to the disposal in 2011, the Group held a 45% interest in 深圳志鴻中科科技有限公司 (the "Associate"). The Associate is an unlisted sino-foreign equity venture enterprise established in the PRC and is engaged in the development of computer software services and provision of sale and marketing support. In October 2011, the Group transferred its entire interest in the Associate to a third party for proceeds of HK$122,000. As a result, a gain on disposal of HK$41,000 was recognised in profit or loss for the year.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2011	**2010**
	HK$'000	*HK$'000*
Unlisted private equity fund, at fair value	2,666	3,348
Unlisted equity investments, at cost less impairment losses	3,900	3,900
	6,566	7,248

The unlisted private equity fund principally invests in high growth technology industries and is held for long-term strategic purposes. The fair value of the Group's investment in unlisted private equity fund has been measured as described in note 40.7.

The unlisted equity investments with carrying amount of HK$3,900,000 (2010: HK$3,900,000) were measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The unlisted equity investments are engaged in the provision of credit facilities. As at the reporting date, the Group plans to hold the investments for the foreseeable future.

During the year ended 31 December 2010, the Group has disposed certain of its unlisted equity investments with carrying amount of HK$304,000 at the time of disposal to an independent third party at nil consideration. A loss on disposal of HK$304,000 was recognised in profit or loss for the year ended 31 December 2010.

19. GOODWILL – GROUP

The main changes in the carrying amounts of goodwill result from the impairment of previously recognised goodwill. The net carrying amount of goodwill can be analysed as follows:

	2011	**2010**
	HK$'000	*HK$'000*
At the beginning of year		
Gross carrying amount	15,853	15,853
Accumulated impairment	(14,713)	(14,162)
	1,140	1,691
Net carrying amount at 1 January	1,140	1,691
Impairment loss	–	(551)
Net carrying amount at 31 December	1,140	1,140
At the end of year		
Gross carrying amount	15,853	15,853
Accumulated impairment	(14,713)	(14,713)
	1,140	1,140

The carrying amount of goodwill, net of any impairment loss, is allocated to the following cash generating unit:

	2011	2010
	HK$'000	*HK$'000*
Provision of professional services in the PRC	1,140	1,140

The recoverable amounts of the goodwill relating to the provision of professional services in the PRC stated above (2010: PRC and Taiwan) were determined based on value-in-use calculations covering a detailed three-year (2010: three-year) budget plan, and at a discount rate of 5% (2010: 5%). Cash flows for the three-year (2010: three-year) period were extrapolated using a 5% to 28% (2010: nil% to 30%) growth rate in considering contracts obtained by the companies and economic conditions of the market. The estimated growth rates used are comparable to the growth rate for the industry. Management determined the budgeted gross margin on the basis of past performance and its expectation for market development.

For the provision of professional services in the PRC, management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amounts.

In 2010, the forecast for the Group's provision of professional services in the Taiwan unit was adjusted for the slowdown of market in Taiwan. Impairment testing taking into account these latest developments resulted in the impairment of goodwill associated with the cash generating unit and the related goodwill impairment loss of HK$551,000 was included under "other expenses" in the statement of comprehensive income and attributed to the Group's provision of professional services in Taiwan.

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

20. DEVELOPMENT COSTS – GROUP

	2011	2010
	HK$'000	*HK$'000*
At 1 January		
Cost	36,396	31,085
Accumulated amortisation	(31,353)	(31,085)
Net book amount	5,043	–
Year ended 31 December		
Opening net book amount	5,043	–
Additions from internal developments	957	5,311
Amortisation charge	(1,282)	(268)
Exchange differences	19	–
Closing net book amount	4,737	5,043
At 31 December		
Cost	37,380	36,396
Accumulated amortisation	(32,643)	(31,353)
Net book amount	4,737	5,043

The development costs represented all direct costs incurred in the development of enterprise software products. The amortisation charge for the year is included in "depreciation and amortisation" in the consolidated statement of comprehensive income.

21. FINANCE LEASE RECEIVABLES – GROUP

The analysis of the Group's amounts receivable under finance leases is as follows:

	2011	2010
	HK$'000	*HK$'000*
Total minimum lease payments:		
Due within one year	405	240
Due in the second to fifth years	203	741
	608	981
Unearned finance income	(42)	(88)
Present value of minimum lease payments	566	893
Present value of minimum lease payments:		
Due within one year	379	323
Due in the second to fifth years	187	570
	566	893
Less: Portion due within one year included under current assets	(379)	(323)
Non-current portion included under non-current assets	187	570

The Group has entered into finance leasing arrangements for certain items of its computer equipment. The average term of finance leases entered into is 4 years. There are no unguaranteed residual values of assets leased under finance leases at the reporting date.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate contracted at the reporting date ranged between 5.00% – 7.19% (2010: 5.00% – 7.19%) per annum.

Finance lease receivable balances are secured over the computer equipment leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

The Group has no allowance for doubtful debts on its finance lease receivables as the amounts in the current period are neither past due nor impaired.

22. INVENTORIES – GROUP

	2011	2010
	HK$'000	*HK$'000*
Finished goods	653	14,235

23. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK – GROUP

Amounts due from customers for contract work represent the excess of the value of work performed over the amount of billing issued to customers.

Amounts due to customers for contract work represents the excess of billing over the value of work performed and the amounts received from customers before the related services have been rendered.

	2011	2010
	HK$'000	*HK$'000*
Contracts in progress at the reporting date:		
Estimated contract costs plus recognised profits less recognised losses	77,958	89,030
Less: Progress billings	(50,361)	(71,484)
	27,597	17,546
Analysed for reporting purposes as:		
Amounts due from customers for contract work	34,489	21,774
Amounts due to customers for contract work	(6,892)	(4,228)
	27,597	17,546

All the amounts included in amounts due are expected to be billed and recovered/(credited) to the profit or loss within one year.

24. TRADE RECEIVABLES – GROUP

	2011	2010
	HK$'000	*HK$'000*
Trade receivables		
From third parties	38,343	30,079
From a related party	3,777	3,653
	42,120	33,732
Less: Provision for impairment of receivables	(284)	(523)
	41,836	33,209

Trade receivables from third parties are due within 14 days to 60 days from the date of billing. Trade receivable from a related party is repayable on demand. 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 at 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:

	2011	**2010**
	HK$'000	*HK$'000*
0 – 30 days	22,136	16,815
31 – 60 days	12,174	8,307
61 – 90 days	255	1,344
Over 90 days	7,271	6,743
	41,836	33,209

At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis. The amount of impairment loss of impaired receivables, if any, is recognised based on the credit history of the customer, whether the customer is experiencing financial difficulties and was in default or delinquency of payments, and current market conditions.

The movement in the provision for impairment of trade receivables is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Balance at the beginning of the year	523	503
Impairment loss recognised	111	20
Reversal of provision for impairment losses	(360)	–
Exchange differences	10	–
Balance at the end of the year	284	523

The ageing analysis of the Group's trade receivables based on due date is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Neither past due nor impaired	20,939	15,125
1 – 90 days past due	13,992	17,367
Over 90 days past due	6,905	717
	41,836	33,209

As at 31 December 2011, trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP

	2011	2010
	HK$'000	*HK$'000*
Other receivables	808	1,605
Deposits	1,359	1,332
Prepayments	11,103	18,788
	13,270	21,725

Other receivables included an amount due from an associate amounting to HK$Nil (2010: HK$622,000). The amount due is unsecured, interest-free and fully repaid in 2011.

The directors of the Group considered that the fair values of other receivables, deposits and prepayments are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

At 31 December 2011, the Group has not determined any other receivables as individually impaired and no specific allowance for doubtful debts was recognised (2010: HK$517,000). The individually impaired receivables in 2010 related to third parties that were in financial difficulties and have not responded to repayment demands. The Group does not hold any collateral over these balances.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2011	2010
	HK$'000	*HK$'000*
Listed securities held for trading:		
Equity securities listed in Hong Kong	4,752	6,793

The fair value of the Group's investments in listed securities has been measured as described in note 40.7.

27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

The amounts due are unsecured, interest-free and repayable on demand. Included in the amounts due from subsidiaries is a provision for doubtful debt of HK$200,148,000 (2010: HK$200,148,000). The carrying amount of the amounts due approximates its fair value.

28. CASH AND CASH EQUIVALENTS – GROUP

	2011	2010
	HK$'000	*HK$'000*
Bank balances and cash	69,233	60,905
Less: Time deposits with maturity exceeding three months	–	(3,540)
Cash and cash equivalents per the consolidated statement of cash flows	69,233	57,365

Included in bank and cash balances of the Group is HK$35,752,000 (2010: HK$32,518,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC and bear interest at an effective interest rate of approximately 0.47% (2010: 0.59%) per annum. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Included in bank balances and cash of the Group is HK$3,286,000 (2010: HK$2,277,000) of bank balances denominated in Malaysian Ringgit ("MYR") placed with banks in Malaysia and bear interest at an effective interest rate of approximately 1.36% (2010: 1.97%) per annum. In Malaysia, the Group is permitted to exchange MYR into foreign currencies.

29. TRADE PAYABLES – GROUP

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 were as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	17,876	7,401
31 – 60 days	3,732	7,796
61 – 90 days	–	32
Over 90 days	5,532	5,568
	27,140	20,797

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

30. OTHER PAYABLES AND ACCRUED CHARGES – GROUP

	2011	2010
	HK$'000	*HK$'000*
Deferred income	18,663	17,272
Other payables	8,966	3,417
Accrued charges	9,449	7,485
	37,078	28,174

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

At 31 December 2011, accrued charges included accrued salaries and allowance to certain directors of the Company amounted to HK$300,000 (2010: HK$300,000).

31. BORROWINGS – GROUP

	Notes	2011 HK$'000	2010 HK$'000
Non-current			
Other borrowings	*31(a)*		
– A related company		–	1,454
Current			
Finance lease liabilities	*31(b)*	–	85
Other borrowings	*31(a)*		
– Third parties		–	8,260
– Related companies		6,002	16,163
		6,002	24,508
Total borrowings		6,002	25,962

31(a) Other borrowings

As at 31 December 2011, the loans borrowed from related companies are unsecured, interest-free and are wholly repayable in 2012. As at 31 December 2010, the loans borrowed from related companies are unsecured, interest-free and repayable on demand, except for (1) an amount of HK$1,454,000 which was wholly repayable in 2012; and (2) an amount of HK$4,481,000 which was wholly repaid in 2011. The related companies are companies which are controlled by a non-controlling shareholder who can exercise significant influence to the Group.

The loans borrowed from third parties were unsecured, interest-free and fully repaid in 2011.

The carrying amounts of the amounts due approximate their fair values.

31(b) Finance lease liabilities

The analysis of the Group's obligations under finance leases is as follows:

	2011 HK$'000	2010 HK$'000
Total minimum lease payments:		
Due within one year	–	88
Future finance charges on finance lease	–	(3)
Present value of finance lease liabilities	–	85

	2011 HK$'000	2010 HK$'000
Present value of minimum lease payments:		
Due within one year included under current liabilities	–	85

The Group has entered into a finance lease for a motor vehicle. The lease period is for four years. The lease does not have options to renew or any contingent rental provisions. The finance lease bears interest at 5.25% per annum and was matured in July 2011. As at 31 December 2010, the carrying value of the finance lease approximates its fair value.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

32. DEFERRED TAXATION – GROUP

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 16.5% (2010: 16.5%).

The movement during the year in the deferred tax assets is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
At 1 January	(1,300)	–
Recognised in profit or loss	(600)	(1,300)
At 31 December	(1,900)	(1,300)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2010	854
Recognised in profit or loss	14
At 31 December 2010 and 1 January 2011	868
Recognised in profit or loss	(159)
At 31 December 2011	709

Deferred tax assets

	Tax losses
	HK$'000
At 1 January 2010	(854)
Recognised in profit or loss	(1,314)
At 31 December 2010 and 1 January 2011	(2,168)
Recognised in profit or loss	(441)
At 31 December 2011	(2,609)

For the purpose of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset in accordance with HKAS 12 Income taxes issued by the HKICPA. The amounts recognised in the consolidated statement of financial position are as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Deferred tax assets	(2,609)	(2,168)
Deferred tax liabilities	709	868
Net deferred tax assets recognised in the consolidated statement of financial position	(1,900)	(1,300)

Unrecognised deferred tax assets

At 31 December 2011, the Group had unused tax losses of approximately HK$89,966,000 (2010: HK$96,526,000) to carry forward against future taxable income. A deferred tax asset has been recognised in respect of approximately HK$15,811,000 (2010: HK$13,141,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK$74,155,000 (2010: HK$83,385,000) due to the unpredictability of future profit streams.

These tax losses do not expire under current legislation except losses of approximately HK$10,536,000 (2010: HK$6,805,000) which will expire as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Year of expiry:		
2011	–	385
2012	639	993
2013	559	1,389
2014	2,343	2,266
2015	1,832	1,772
2016	5,163	–
	10,536	6,805

33. SHARE CAPITAL – GROUP AND COMPANY

	2011		2010	
	Number of shares	*HK$'000*	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	985,050,000	98,505	985,050,000	98,505
Issue of shares upon placement of shares	30,000,000	3,000	–	–
At 31 December	1,015,050,000	101,505	985,050,000	98,505

On 28 June 2011, the Company entered into a placing agreement with the placing agent in respect of the placing of 30,000,000 new shares at an issue price of HK$0.10 per share. On 30 June 2011, the placing was completed and 30,000,000 new shares were placed by the placing agent to not less than six independent placees at an issue price of HK$0.10 per share resulting in raising proceeds, before expenses, of HK$3,000,000. The related transaction costs amounting to HK$94,000 have been recorded in the share premium account. The net proceeds of this placing of approximately HK$2,906,000 were used for general working capital of the Group.

34. SHARE OPTION SCHEMES

On 16 June 2000, the Company adopted a share option scheme (the "Old Scheme") and this scheme was substituted by a new share option scheme (the "New Scheme") pursuant to the shareholders' resolution in a special general meeting on 23 April 2002 for complying with the terms of the Rules Governing the Listing of Securities on the GEM. The Old Scheme was lapsed in 2006.

The New Scheme adopted on 23 April 2002 will expire on 22 April 2012. The purpose of the New Scheme is to provide the participants with an opportunity to acquire equity interests in the Company and with an incentive to continue contributing to the success of the Company. Under the New Scheme, the directors may grant options at their discretion to any eligible employees of the Group, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company. The exercisable period of the options granted commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant where the acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the options. The subscription price of the options shall not be less than the highest of (i) the closing price of the Company's shares on the date of the grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed the nominal amount of 10% of the issued share capital of the Company. However, the total maximum number of shares which may be issued upon exercise of all outstanding options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval of the Company's shareholders.

No share options were granted under the New Scheme since its adoption.

35. RESERVES – COMPANY

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010	179,650	(213,005)	(33,355)
Loss for the year	–	(1,002)	(1,002)
At 31 December 2010 and 1 January 2011	179,650	(214,007)	(34,357)
Loss for the year	–	(1,162)	(1,162)
Share issuance expenses *(note 33)*	(94)	–	(94)
At 31 December 2011	179,556	(215,169)	(35,613)

At 31 December 2011, there were no reserves available for distribution to owners of the Company (2010: HK$Nil).

The application of the share premium account is governed by section 40 of the Bermuda Companies Act.

36. OPERATING LEASE COMMITMENTS

Group – as lessee

At the reporting date, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable by the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	6,092	5,301
In the second to fifth years	4,125	4,990
	10,217	10,291

The Group leases the land and buildings under operating leases. The leases run for an initial period of one to three (2010: one to three) years, with an option to renew the lease and renegotiated the terms at the expiry dates or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

Company – as lessee

The Company does not have any significant operating lease commitments as lessee or lessor.

37. RELATED PARTY TRANSACTIONS

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

	2011	2010
	HK$'000	*HK$'000*
Sale of enterprise software products		
– a non-controlling shareholder	17,758	5,798
Provision of professional services		
– an associate	1,794	1,169
Purchase of complementary hardware and software		
– a non-controlling shareholder	53,105	2,611

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 related parties arising from sale and purchase of goods and services and loan advanced, included in trade and other receivables, and borrowings are as follows:

	2011	2010
	HK$'000	*HK$'000*
Non-controlling shareholder of a subsidiary		
Trade receivables	3,777	3,653
Companies controlled by a non-controlling shareholder who can exercise significant influence to the Group		
Other borrowings	(6,002)	(17,617)
An associate		
Other receivables, deposits and prepayments	–	622

37.2 Key management personnel remuneration

Key management of the Group are members of the board of directors, as well as certain senior management personnel. Included in staff costs are key management personnel remuneration which includes the following expenses:

	2011	2010
	HK$'000	*HK$'000*
Short-term employee benefits		
Salaries and other benefits	7,204	6,982
Contribution to defined contribution plan	72	72
	7,276	7,054

38. FINANCIAL GUARANTEE CONTRACTS – GROUP AND COMPANY

At the reporting date, the Company had given corporate guarantee to a third party and a subsidiary of the Company in respect of all monies owed by and/or the obligations and liabilities of the subsidiary due to a third party under a service contract to the extent of HK$600,000 (2010: HK$600,000). At the reporting dates, no provision for the Group's and the Company's obligation under the guarantee contract has been made as there was no amount due by the subsidiary to the third party at the reporting dates and the directors considered that it was not probable that the service obligations by the subsidiary would not be met. The fair value of the guarantee is immaterial.

39. PLEDGE OF ASSETS

As at 31 December 2010, the Group's leasehold land and buildings with net carrying amount of HK$6,014,000 was pledged to bank to secure unutilised banking facilities granted to the Group. The Group was 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 a corporate guarantee issued by the Company. The Group did not renew the banking facilities after its expiry in 2011 and all the pledged assets and corporate guarantee were released during the year ended 31 December 2011.

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk. The Group adopts conservative strategies on its risk management and seeks to limit the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks.

There has been no change to the type of the Group's and the Company's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

40.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Available-for-sale financial assets				
– Unlisted private equity fund, at fair value	2,666	3,348	–	–
– Unlisted equity investments, at cost less impairment losses	3,900	3,900	–	–
Financial assets at fair value through profit or loss				
– Listed equity securities held for trading	4,752	6,793	–	–
Loans and receivables				
– Finance lease receivables	566	893	–	–
– Amounts due from customers for contract work	34,489	21,774	–	–
– Trade receivables	41,836	33,209	–	–
– Other receivables and deposits	2,167	2,937	–	–
– Amounts due from subsidiaries	–	–	130,826	128,960
– Bank balances and cash	69,233	60,905	166	143
	159,609	133,759	130,992	129,103
Financial liabilities				
Financial liabilities measured at amortised cost				
– Trade payables	27,140	20,797	–	–
– Other payables and accrued charges	18,415	10,902	498	354
– Amounts due to subsidiaries	–	–	64,752	64,752
– Borrowings	6,002	25,962	–	–
	51,557	57,661	65,250	65,106

40.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk arise from its overseas sales and purchases, which are primarily denominated in United States Dollars ("US$") and Renminbi ("RMB"). These are not the functional currencies of certain Group entities to which these transactions relate.

The HK$ is pegged to US$ and the amounts denominated in US$ is considered to be insignificant. In respect of trade receivables and payables denominated in RMB, the Group ensures that the net exposure is kept to an acceptable level by buying and selling the RMB at the rates adopted by the People's Bank of China where necessary to address short-term imbalances. The amounts denominated in RMB is considered to be insignificant at the reporting dates.

The Company has no exposure to foreign currency risk at the reporting date nor in comparative periods.

40.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's interest rate risk arises primarily from bank balances, finance lease receivables and finance lease liabilities. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. All of the Group's finance lease receivables and finance lease liabilities are at fixed rates. The exposure to interest rates for the Group's short-term bank deposits is considered immaterial. The Group therefore does not have significant exposure to interest rate risk at the reporting date nor in comparative periods.

The Company has no exposure to interest rate risk at the reporting date nor in comparative periods.

40.4 Other price risk

Other price risk relates to the risk that the fair values of equity securities will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed equity classified as financial assets at fair value through profit or loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the decision made by the board of directors. All the investments are equity securities listed in The Stock Exchange of Hong Kong Limited and are valued at quoted market prices at the reporting dates.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

		2011	
	Increase/ (Decrease) in price of listed equity securities	**Effect on profit after income tax**	**Effect on component of equity**
	%	*HK$'000*	*HK$'000*
Market price of listed investment	+10	475	475
	–10	(475)	(475)

	2010		
	Increase/ (Decrease) in price of listed equity securities	**Effect on profit after income tax**	**Effect on component of equity**
	%	*HK$'000*	*HK$'000*
Market price of listed investment	+10	679	679
	–10	(679)	(679)

The assumed volatility of listed securities represent management's assessment of a reasonably possible change in these security prices over the next twelve month period.

40.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date as summarised in note 40.1.

In respect of credit risk associated with trade and other receivables, management closely monitors all outstanding debts and reviews the collectability of trade receivables periodically. As at the reporting date, the credit risk is considered negligible as the counterparties are reputable banks and multi-national companies with high quality external credit ratings.

The Group adopts conservative investment strategies with management monitoring the investment portfolio. Usually investments are in liquid securities quoted on recognised stock exchanges, except where entered into for long term strategic purposes.

40.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's prudent policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short term.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2011. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

Group

	Within 1 year or on demand *HK$'000*	Over 1 year but within 2 years *HK$'000*	Total contractual undiscounted amount *HK$'000*	Carrying amount *HK$'000*
2011				
Trade payables	27,140	–	27,140	27,140
Other payables and accrued charges	18,415	–	18,415	18,415
Borrowings	6,236	–	6,236	6,002
	51,791	–	51,791	51,557
2010				
Trade payables	20,797	–	20,797	20,797
Other payables and accrued charges	10,902	–	10,902	10,902
Borrowings	24,978	1,586	26,564	25,962
	56,677	1,586	58,263	57,661

Company

At 31 December 2011 and 2010, the Company's contractual maturity for its financial liabilities are within one year or on demand. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

40.7 Fair value measurements recognised in the statement of financial position – Group

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

		2011		
		Level 1	**Level 2**	**Total**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets				
– Unlisted private equity fund	*(a)*	–	2,666	2,666
Listed securities held for trading	*(b)*	4,752	–	4,752
Net fair values		4,752	2,666	7,418

		2010		
		Level 1	**Level 2**	**Total**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets				
– Unlisted private equity fund	*(a)*	–	3,348	3,348
Listed securities held for trading	*(b)*	6,793	–	6,793
Net fair values		6,793	3,348	10,141

(a) Unlisted private equity fund

The fair value of unlisted private equity fund is determined by reference to the net asset value of the underlying investment in the equity fund.

(b) Listed securities

The listed equity securities are denominated in Hong Kong dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date.

41. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return for shareholders by pricing goods and services commensurately with the level of risks.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure using gearing ratio which is net debt divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. During 2011, the Group's strategy remains unchanged from 2010, which is to maintain the gearing ratio of not more than 20% in order to support its business. As of 31 December 2011 and 31 December 2010, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group was zero.

3. UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

Set out below is the unaudited consolidated financial statement of the Group for the three months ended 31 March 2012 together with the accompanying notes, which are extracted from the first quarterly report of the Company for the three months ended 31 March 2012.

Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2012

		For the three months ended 31 March	
		2012	2011
	Notes	*HK$'000*	*HK$'000*
Revenue	2	57,441	101,446
Other income		732	121
Change in inventories of hardware and software		7,972	(1,331)
Purchase of hardware and software		(20,564)	(63,587)
Professional fee		(5,333)	(2,403)
Employee benefits expense		(33,355)	(27,529)
Depreciation and amortization		(1,218)	(655)
Other expenses		(5,433)	(4,986)
Finance costs	3	(73)	(74)
Share of result of an associate		–	(68)
Profit before income tax		169	934
Income tax expense	4	(28)	(177)
Profit for the period		141	757
Other comprehensive income for the year, net of tax			
Exchange gain on translation of financial statements of foreign operations		–	125
Total comprehensive income for the period		141	882
Profit for the period attributable to:			
Owners of the Company		102	600
Non-controlling interests		39	157
		141	757
Total comprehensive income attributable to:			
Owners of the Company		102	725
Non-controlling interests		39	157
		141	882
Earnings per share for the profit attributable to the owners of the Company during the period			
– Basic and diluted (in HK cents)	5	0.01 cents	0.06 cents

Notes:

1. BASIS OF PREPARATION

The 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 2011.

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:

	For the three months ended 31 March	
	2012	**2011**
	HK$'000	*HK$'000*
Enterprise software products	30,068	22,372
Systems integration	13,102	65,865
Professional services	13,336	11,999
ASP services	935	1,210
Total revenue	57,441	101,446

3. FINANCE COSTS

	For the three months ended 31 March	
	2012	**2011**
	HK$'000	*HK$'000*
Interest charges on:		
Finance charges on obligations under finance leases	–	2
Other interest expense	73	72
	73	74

4. 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.

	For the three months ended 31 March	
	2012	**2011**
	HK$'000	*HK$'000*
Current tax		
– Overseas		
Tax for the period	28	177
Total income tax expense	28	177

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the three months ended 31 March 2012 is based on the profit attributable to owners of the Company of HK$102,000 (2011: HK$600,000) and the weighted average number of ordinary shares of 1,015,050,000 (2011: 985,050,000) in issue during the period.

Diluted earnings per share for the three months ended 31 March 2012 and 2011 equates the basic earnings per share as there is no potential ordinary share in existence during the period.

4. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 March 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had long term unsecured other borrowings from a related company amounted to HK$6,075,000.

Guarantee

As at 31 March 2012, the Group had provided guarantee of HK$600,000 to a third party and a subsidiary of the Company in respect of certain service contract in Hong Kong.

Disclaimer

Save as aforesaid above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 March 2012, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

Save for the Disposals, as the Latest Practicable Date, the Directors confirm there was no material change in the financial or trading position or outlook of the Group since 31 December 2011, being the date to which the latest audited financial statement of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group, the Offeror and the Offer.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Composite Document (other than the information in relation to the Offeror, its ultimate beneficial owners and parties acting in concert with any of them, the terms of the Offer and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror or its sole director) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in the Composite Document (other than those relating to the Group) and confirms, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
5,000,000,000	Ordinary Share of HK$0.1 each	500,000,000
Issued and fully paid:		
1,015,050,000	Ordinary Share of HK$0.1 each	101,505,000

The Company had no outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2011, the date to which the latest audited financial statements of the Group were made up.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests or short positions in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests of the Directors or chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out as follows:

Name of Director	Capacity	Interest in Shares	Interest in underlying Shares	Total interests in Shares	Approximate percentage of issued share capital
Fung Din Chung, Rickie	Beneficial owner	24,691,498	–	24,691,498	2.43%
Leung Lucy, Michele	Beneficial owner	24,559,498	–	24,559,498	2.42%
Ng Wai King, Steve	Beneficial owner	4,184,998	–	4,184,998	0.41%
Wong Mee Chun *(Note)*	Beneficial owner and through associate	422,000	–	422,000	0.04%

Note: 382,000 Shares were held by the spouse of Ms. Wong Mee Chun.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules.

At the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, save as disclosed above and save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge and the transactions contemplated thereunder, none of the Directors had any interest in the Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares.

(b) Substantial Shareholders' interests and short positions in the Shares

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or held any option in respect of such capital:

Name	Capacity	Number of Shares held as at the Latest Practicable Date	Approximate percentage of issued share capital
The Offeror *(Note 1)*	Beneficial owner	564,029,197	55.57%
Ms. Li Xia *(Note 1)*	Through beneficial corporation	564,029,197	55.57%
Cheung Kong (Holdings) Limited *(Note 2)*	Through beneficial corporation	143,233,151	14.11%

Notes:

(1) The Offeror is held as to 68% by Ms. Li Xia through Ocean Expert Investments Limited, 27% by Mr. Chen Yin through Flourish Zone Limited and 5% by Ms. He Fang through Brilliant Elect Limited. Accordingly, Ms. Li Xia is deemed to be interested in the 564,029,197 Shares interested by the Offeror pursuant to the SFO.

(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.

4. INTERESTS OF THE OFFEROR AND/OR ITS SOLE DIRECTOR AND/OR ANY PARTIES ACTING IN CONCERT WITH THE OFFEROR IN THE COMPANY

As confirmed by the Offeror, as at the Latest Practicable Date, save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge and the transactions contemplated thereunder, none of the Offeror or any parties acting in concert with the Offeror or its sole director owned or controlled any Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares.

5. INTERESTS OF THE COMPANY AND/OR ITS DIRECTORS IN THE SECURITIES OF THE OFFEROR

As at the Latest Practicable Date, none of the Company, any member of the Group, any Directors or any pension fund of the Company had any interest in any shares of the Offeror, options, convertible notes, derivatives, warrants or other securities convertible into shares of the Offeror.

6. OTHER INTERESTS

As at the Latest Practicable Date,

(i) no Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares were owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code;

(ii) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;

(iii) no Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares were managed on a discretionary basis by fund managers connected with the Company;

(iv) none of the Directors intended, in respect of their own beneficial shareholdings, to accept the Offer;

(v) there were no Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares which any Directors or the Company had borrowed or lent; and

(vi) as confirmed by the Offeror, no person has irrevocably committed to accepting or rejecting the Offer.

7. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period,

(i) save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge of which Mrs. Zee Chan Mei Chu, Peggy, a Director, and/or Passion Investment (a company wholly-owned by Mrs. Zee Chan Mei Chu, Peggy) is a party, and the transactions contemplated thereunder, none of the Directors had dealt for value in any Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares;

(ii) save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge of which Mrs. Zee Chan Mei Chu, Peggy, a Director, and/or Passion Investment (a company wholly-owned by Mrs. Zee Chan Mei Chu, Peggy) is a party, and the transactions contemplated thereunder, no person, with whom the Company had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and no person with whom an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in the Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares;

(iii) none of the subsidiaries of the Company or any pension fund of any member of the Group or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code had dealt in any Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares;

(iv) no fund managers connected with the Company who managed funds on a discretionary basis had dealt in the Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares;

(v) as confirmed by the Offeror, save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge of which Mrs. Zee Chan Mei Chu, Peggy, a Director, and/or Passion Investment (a company wholly-owned by Mrs. Zee Chan Mei Chu, Peggy) is a party, and the transactions contemplated thereunder, no person who had any arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it had dealt in the Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares;

(vi) as confirmed by the Offeror, save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge and the transactions contemplated thereunder, none of the Offeror, its sole director or any parties acting in concert with it had dealt for value in any Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares; and

(vii) as confirmed by the Offeror, there were no Shares, options, convertible notes, derivatives, warrants or other securities convertible into Shares which the Offeror or any parties acting in concert with it has borrowed or lent.

8. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Directors and the Company had dealt for value in any share of the Offeror, options, convertible notes, derivatives, warrants or other securities convertible into shares of the Offeror.

9. OTHER DEALINGS AND ARRANGEMENTS

(i) As confirmed by the Offeror, as at the Latest Practicable Date, save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge and the transactions contemplated thereunder, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer will be transferred, charged or pledged to any other persons; and unless otherwise required by the GEM Listing Rules with regard to the public float requirements, the Offeror, or any parties acting in concert with it have no intention to transfer any such securities acquired in pursuance of the Offer.

(ii) As at the Latest Practicable Date, no benefit (other than statutory compensation) has been and will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

(iii) As confirmed by the Offeror, as at the Latest Practicable Date, save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge and the transactions contemplated thereunder, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

(iv) As confirmed by the Offeror, as at the Latest Practicable Date, there were no agreements or arrangements to which the Offeror was a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

(v) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

(vi) As at the Latest Practicable Date, save for the Share Agreement, the Vendor Share Charge and the Offeror Share Charge of which Mrs. Zee Chan Mei Chu, Peggy, a Director, and/or Passion Investment (a company wholly-owned by Mrs. Zee Chan Mei Chu, Peggy) is a party, and the transactions contemplated thereunder, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

10. DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of Mrs. Zee Chan Mei Chu, Peggy, Mr. Fung Din Chung, Rickie and Ms. Leung Lucy, Michele for a term of three years which commenced on 1 March 2000. The service contracts were renewed for further periods from 1 March 2003 to 31 December 2003, from 1 January 2004 to 31 December 2011 on a yearly basis. Each of Mrs. Zee, Mr. Fung and Ms. Leung is entitled to receive a director's fixed emolument of HK$1,000,000, HK$1,200,000 and HK$1,000,000 per annum respectively and also a discretionary bonus determined based on profitability and performance of the Company. The service contracts will continue thereafter until terminated by either party giving not less than six months' written notice. This service contract is exempt from the shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules.

The Company has entered into a service contract with Mr. Ng Wai King, Steve for a term of one year which commenced on 1 January 2005. The service contract was renewed from 1 January 2006 to 31 December 2011 on a yearly basis. Mr. Ng is entitled to receive a director's fixed emolument of HK$1,000,000 per annum respectively and also a discretionary bonus determined based on profitability and performance of the Company. The service contract will continue thereafter until terminated by either party giving not less than six months' written notice. This service contract is exempt from the shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Joint Announcement;

(ii) were continuous contracts with a notice period of 12 months or more; or

(iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

11. MATERIAL CONTRACTS

As at the Latest Practicable Date, save for the Disposal Agreements, there were no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) that have been entered into by members of the Group within two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, and that are or may be material.

12. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Company or any member of the Group.

13. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given their opinion or advice which is contained in the Composite Document:

Name	Qualifications
Goldin Equities	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities
Goldin Financial	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
Messis Capital	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity

Each of Goldin Equities, Goldin Financial and Messis Capital has given and has not withdrawn its written consent to the issue of the Composite Document with the inclusion of its letter and/or references to its name in the form and context in which they appear.

14. MARKET PRICE

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period and ending on the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share *HK$*
31 October 2011	0.102
30 November 2011	0.127
30 December 2011	0.119
19 January 2012 (being the Last Trading Day)	0.110
31 January 2012	Suspended
29 February 2012	Suspended
30 March 2012	Suspended
30 April 2012	0.200
31 May 2012	0.197
6 June 2012 (being the Latest Practicable Date)	0.204

The highest and lowest closing market prices of the Shares during the Relevant Period were HK$0.204 on 5 June 2012 and 6 June 2012 and HK$0.089 on 10 November 2011 respectively.

15. MISCELLANEOUS

(i) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at 5th Floor, 663 King's Road, North Point, Hong Kong.

(ii) The registered address of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI and the correspondence address of the sole director of the Offeror is 44th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

(iii) The registered address of Goldin Equities and Goldin Financial is at 23rd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(iv) The registered address of Messis Capital is at Room 2002, 20th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

(v) The registered address of Quam Capital Limited is at Room 3208, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.

(vi) Unless otherwise stated, in the event of inconsistency, the English text of the Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at principal place of business of the Company at 5th Floor, 663 King's Road, North Point, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the Company's website (www.excel.com.hk) during the period from the date of this Composite Document onwards for as long as the Offer are open for acceptance:

(i) the memorandum of association and bye-laws of the Company;

(ii) the memorandum and articles of association of the Offeror;

(iii) the annual reports of the Company for each of the two financial years ended 31 December 2011 and the first quarterly report of the Company for the three months ended 31 March 2012;

(iv) the letter from Goldin Equities, the text of which is set out on pages 6 to 11 of the Composite Document;

(v) the letter from the Board, the text of which is set out on pages 12 to 17 of the Composite Document;

(vi) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 18 to 19 of the Composite Document;

(vii) the letter of advice from Messis Capital, the text of which is set out on pages 20 to 37 of the Composite Document;

(viii) the written consents referred to in the section headed "Experts and consents" in this appendix;

(ix) copies of the material contracts as referred to under the paragraph headed "Material contracts" in this appendix; and

(x) copies of the service contracts as referred to under the paragraph headed "Directors' service contracts" in this appendix.