

Excel

TECHNOLOGY

EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This announcement, for which the directors (the “Directors”) of Excel Technology International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2011

The Directors of the Company present herewith the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2011

		For the three months ended 31 March	
		2011	2010
	Notes	HK\$'000	HK\$'000
Revenue	2	101,446	53,123
Other income		121	102
Change in inventories of hardware and software		(1,331)	(9,185)
Purchase of hardware and software		(63,587)	(22,941)
Professional fee		(2,403)	(35)
Employee benefits expense		(27,529)	(18,688)
Depreciation and amortization		(655)	(525)
Other expenses		(4,986)	(4,210)
Finance costs	3	(74)	(60)
Share of result of an associate		(68)	—
		<hr/>	<hr/>
Profit/(loss) before income tax		934	(2,419)
Income tax expense	4	(177)	(8)
		<hr/>	<hr/>
Profit/(loss) for the period		757	(2,427)
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax			
Exchange gain on translation of financial statements of foreign operations		125	—
		<hr/>	<hr/>
Total comprehensive income/(loss) for the period		882	(2,427)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2011

		For the three months ended 31 March	
	Notes	2011 HK\$'000	2010 HK\$'000
Profit/(loss) for the period attributable to:			
Owners of the Company		600	(1,806)
Non-controlling interests		<u>157</u>	<u>(621)</u>
		<u>757</u>	<u>(2,427)</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		725	(1,806)
Non-controlling interests		<u>157</u>	<u>(621)</u>
		<u>882</u>	<u>(2,427)</u>
Earnings/(Loss) per share for the profit/ (loss) attributable to the owners of the Company during the period – Basic and diluted (in HK cents)			
	5	<u>0.06 cents</u>	<u>(0.18) cents</u>

Notes:

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”). In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2010.

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	
	2011	2010
	HK\$'000	HK\$'000
Enterprise software products	22,372	17,554
Systems integration	65,865	30,186
Professional services	11,999	4,221
ASP services	1,210	1,162
Total revenue	101,446	53,123

3. FINANCE COSTS

	For the three months ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
Interest charges on:		
Finance charges on obligations under finance leases	2	6
Other interest expense	72	54
	74	60

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	
	2011	2010
	HK\$'000	HK\$'000
Current tax		
– Overseas		
Tax for the period	177	8
Total income tax expense	177	8

5. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings per share for the three months ended 31 March 2011 is based on the profit attributable to owners of the Company of HK\$600,000 (2010: loss of HK\$1,806,000) and the weighted average number of ordinary shares of 985,050,000 (2010: 985,050,000) in issue during the period.

Diluted earnings/(loss) per share for the three months ended 31 March 2011 and 2010 equates the basic earnings/(loss) per share as there is no potential ordinary share in existence during the period.

RESERVES

Movements in reserves for the periods ended 31 March 2011 and 2010 were as follows:–

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	179,650	4,822	(188,196)	(3,724)
Loss for the period	–	–	(1,806)	(1,806)
At 31 March 2010	<u>179,650</u>	<u>4,822</u>	<u>(190,002)</u>	<u>(5,530)</u>
At 1 January 2011	<u>179,650</u>	<u>5,178</u>	<u>(182,160)</u>	<u>2,668</u>
Profit for the period	–	–	600	600
Other comprehensive income				
Exchange gain on translation of financial statements of foreign operations	<u>–</u>	<u>125</u>	<u>–</u>	<u>125</u>
Total comprehensive income for the period	<u>–</u>	<u>125</u>	<u>600</u>	<u>725</u>
At 31 March 2011	<u>179,650</u>	<u>5,303</u>	<u>(181,560)</u>	<u>3,393</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

BUSINESS REVIEW

The Group's profit attributable to owners of the Company for the three months ended 31 March 2011 was HK\$600,000, comparing with a loss of HK\$1,806,000 in the same period of 2010.

The Group recorded a turnover of HK\$101,446,000 for the three months ended 31 March 2011, a 91% increase over the turnover of HK\$53,123,000 in the same period of last year. Sales of enterprise software products increased by 27% to HK\$22,372,000 (2010: HK\$17,554,000). Both systems integration business and professional services business significantly jumped by 118% and 184% to HK\$65,865,000 (2010: HK\$30,186,000) and HK\$11,999,000 (2010: HK\$4,221,000) respectively. The ASP business remained stable with revenue of HK\$1,210,000 (2010: HK\$1,162,000).

FUTURE PROSPECTS

We had a good start for the year of 2011. With the recovery in the banking sector, we are seeing more spending for IT projects in the banks. Interests in our enterprise software have increased as many of these banks are expanding their business portfolios and are in need of computer systems. Many of our customers are asking for "regional solution" which can be used by their business units in different countries and locations across Southeast Asia. Our geographic coverage and our experiences in working with multinational banks prove to be an obvious advantage.

Demands for our professional services are still strong. We are actively recruiting new staff in many of our locations in order to keep up with customer demands in this outsourcing business. While we are quite confident about the future prospects, the Management will keep a tight control on manpower cost to ensure we stay competitive.

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

At 31 March 2011, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial owner	Held by family	Held by controlled corporation		
Zee Chan Mei Chu, Peggy	4,350,000	–	559,679,197 <i>(Note 1)</i>	564,029,197	57.26%
Fung Din Chung, Rickie	24,691,498	–	–	24,691,498	2.51%
Leung Lucy, Michele	24,559,498	–	–	24,559,498	2.49%
Ng Wai King, Steve	4,184,998	–	–	4,184,998	0.42%
Wong Mee Chun	40,000	382,000 <i>(Note 2)</i>	–	422,000	0.04%

Notes:

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

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

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

Notes:

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

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

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

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 31 March 2011.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Mr. Cheong Ying Chew, Henry, Mr. Chang Ka Mun and Ms. Wong Mee Chun, all of whom are Independent Non-executive Directors. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee. The audit committee’s principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited consolidated results of the Group for the three months ended 31 March 2011 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

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

Save as disclosed above, at 31 March 2011, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

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

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

Hong Kong, 9 May 2011

The Board comprises of:

Zee Chan Mei Chu, Peggy (*Executive Director*)

Fung Din Chung, Rickie (*Executive Director*)

Leung Lucy, Michele (*Executive Director*)

Ng Wai King, Steve (*Executive Director*)

Ip Tak Chuen, Edmond (*Non-executive Director*)

Cheong Ying Chew, Henry (*Independent Non-executive Director*)

Chang Ka Mun (*Independent Non-executive Director*)

Wong Mee Chun (*Independent Non-executive Director*)

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