EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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.

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*

HIGHLIGHTS

- During the year ended 31 December 2011, the Group's profit attributable to the owners of the company was HK$2,591,000, as compared with a profit of HK$6,036,000 in the same period of 2010.

- The Group recorded a turnover of HK$512,900,000 in 2011, representing an increase of 83% compared with a turnover of HK$280,576,000 in 2010. The increase of turnover was largely contributed from the systems integration business, which jumped by 125% to HK$355,376,000 (2010: HK$158,249,000).

- Sales of enterprise software products increased by 15% to HK$98,920,000 (2010: HK$85,971,000), and revenue on professional services business grew significantly by 71% to HK$54,068,000 (2010: HK$31,669,000). The ASP business remained stable with revenue of HK$4,536,000 (2010: HK$4,687,000).

- Earnings per share for profit attributable to the owners of the Company during the year of 2011 was HK0.26 cents.

RESULTS

The Directors of the Company present herewith the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011, together with the comparative figures for the corresponding period in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000*
Revenue	*3*	**512,900**	280,576
Other income	*4*	**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		**(121,126)**	(91,265)
Depreciation and amortisation		**(3,623)**	(2,006)
Other expenses		**(24,619)**	(20,051)
Finance costs	*5*	**(293)**	(277)
Share of (loss)/profit of an associate		**(24)**	105
Profit before income tax	*6*	**2,590**	4,658
Income tax (expense)/credit	*7*	**(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		**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	*8*	**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		**14,656**	12,429
Interest in an associate		**–**	105
Available-for-sale financial assets		**6,566**	7,248
Goodwill		**1,140**	1,140
Development costs	*11*	**4,737**	5,043
Finance lease receivables		**187**	570
Deferred tax assets		**1,900**	1,300
		29,186	27,835
Current assets			
Inventories		**653**	14,235
Finance lease receivables		**379**	323
Amounts due from customers for contract work		**34,489**	21,774
Trade receivables	*12*	**41,836**	33,209
Other receivables, deposits and prepayments		**13,270**	21,725
Financial assets at fair value through profit or loss		**4,752**	6,793
Bank balances and cash		**69,233**	60,905
		164,612	158,964
Current liabilities			
Trade payables	*13*	**27,140**	20,797
Other payables and accrued charges		**37,078**	28,174
Borrowings		**6,002**	24,508
Amounts due to customers for contract work		**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		**–**	1,454
Net assets		**116,370**	107,638
EQUITY			
Share capital		**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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Equity attributable to owners of the Company							
	Share capital HK$'000	Share premium* HK$'000	Investment revaluation reserve* HK$'000	Exchange reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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	**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 INFORMATION

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").

The significant accounting policies that have been used in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated.

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.

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.

2 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.

3 REVENUE AND TURNOVER

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

4 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	**–**	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

5 FINANCE COSTS

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

6 PROFIT BEFORE INCOME TAX

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

	2011 *HK$'000*	2010 *HK$'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

7 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 assessment 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)

8 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.

9 SEGMENT INFORMATION

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

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

	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%).

10 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2011.

11 DEVELOPMENT COSTS

	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.

12 TRADE RECEIVABLES

	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

13 TRADE PAYABLES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 December 2011, the Group recorded a turnover of HK$512,900,000, representing an increase of 83% compared with a turnover of HK$280,576,000 in 2010. The increase of turnover was largely contributed from the systems integration business, which jumped by 125% to HK$355,376,000 (2010: HK$158,249,000). However, the very thin margin of the systems integration business was further eroded by the keen competitions in China, which cancels out the contribution to our profits by this significant increase in business volume.

Sales of enterprise software products increased by 15% to HK$98,920,000 (2010: HK$85,971,000), and revenue on professional services business grew significantly by 71% to HK$54,068,000 (2010: HK$31,669,000). The ASP business remained stable with revenue of HK$4,536,000 (2010: HK$4,687,000).

For the year of 2011, the Group's profit attributable to the owners of the company was HK$2,591,000, as compared with a profit of HK$6,036,000 in the same period of 2010. The drop in profitability was mainly due to the increase in depreciation of computer equipment purchased to meet expansion needs; the increase in depreciation of the renovation work done for our new office in Hangzhou; 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.

OPERATION REVIEW

The original forecast of our business in 2011 was conservative but optimistic as we were counting on to ride the economic recovery train. The momentum built up in the first half of the year was encouraging, and we were building up the pipeline of potential business which we believed could be realized in the latter half of the year. Unfortunately, the impact of the European sovereignty debt crisis started to sink in during the third quarter, and as a result, we could only maintain the profitability of the operations at the same level as that of previous year.

Looking across our business lines, we managed to attain a healthy growth on most of them. Demands for our enterprise software were steady throughout the year, and they came in quite evenly from countries and locations we serve across the region. In China, one of our key bank customers turned to us for more projects related to their lending business, as we have built up our reputation in this area with our Loans System. We had also gained a large Singaporean bank as a new customer, opting for our wealth management solution in Shanghai. Our Credit Collateral Monitoring System was successfully implemented by a regional bank in Singapore, making it the first installation outside Hong Kong.

In Hong Kong, the new version of our stock trading software, InterTrade, has acquired its first major bank customer, who plans to launch in 2012. Another bank from China implemented our Loans System to support the business in their newly incorporated local bank here.

Overall in 2011, we managed to maintain and grow modestly, our business in enterprise software and professional services, the two major units of our service business. In part, this is the downstream benefit of our enterprise software business in which we can derive recurring business in terms of software maintenance and enhancements. It is also attributable to our efforts in recruiting and training new staff to lower the rapidly rising people cost in our industry.

FUTURE PROSPECTS

Management expects 2012 to be full of challenges.

With the political and economic uncertainties, we anticipate that IT spending will be drastically reduced. The hard hit will likely be the enterprise software purchase, which are considered capital expenditure and to be reduced by many companies in tough times like this. As such, we will put more focus on professional services as well as work closer with the sales teams of major IT vendors. We also need to expand our industry focus beyond banking, the sector easily affected by financial crisis such as the collapse of Lehman Brothers and the recent European debt issues.

IT service outsourcing – as part of our professional services – can be a winning strategy of our business in the coming year. Our suggestions to potential customers on switching to lower cost IT resources in China could be positioned as an effective element in their cost reduction plans. We will step up our marketing effort along this direction especially to the non-bank sector.

Besides IT service outsourcing, there are other forms of professional services we can provide, and one of them is the implementation of third party software products. Discussions have started since last year with a number of global IT vendors to resell their IT solutions (hardware and software products), and to provide the necessary IT skills to implement these solutions. It is expected some initial success could be realized soon in the area of accounting and business intelligence solutions.

As staff cost accounts for majority of our expenditure, we need to be more alert on the overall utilization of our staff resource especially when we are seeing a potential slowdown of our business. The Management will try to re-deploy work to lower cost locations. Of course, it will require skills upgrade training and detailed planning.

While we are cautious about the outlook, the Management is confident that we should be able to handle the coming challenges as we did in previous occasions.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group was in a strong financial position with bank balances and cash of HK$69,233,000 (2010: HK$60,905,000).

As at 31 December 2011, the Group held unlisted private equity funds and unlisted equity investments with a fair value of US$342,000 and at cost of US$500,000 respectively for long-term strategic purposes and treated the two investments as available-for-sale financial assets.

As at 31 December 2011, the Group invested in the equity securities listed in Hong Kong of HK$4,752,000 at fair value (2010: HK$6,793,000).

The Group monitors its capital structure using the 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 at a capital level 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.

CAPITAL STRUCTURE

As at 31 December 2011, the Group's issued shares were 1,015,050,000 (2010: 985,050,000). 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.

INVESTMENT

During the year, the Company has not made any significant investments.

SEGMENTAL PERFORMANCES

Hong Kong region turnover was HK$123,015,000 in 2011, slightly increased by 36% compared with HK$90,144,000 last year.

The PRC and Taiwan operations achieved 94% growth in turnover to HK$413,598,000 (2010: HK$212,667,000).

South East Asia region turnover was HK$11,362,000, increased by 62% compared with last year (2010: HK$6,995,000).

EMPLOYEES

To cope with the business turnaround and the increasing need of China, the Group has increased its head count from 459 at the beginning of the year to 535 as at 31 December 2011.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has implemented measures to meet the requirements of the Code on Corporate Governance Practices (the "CG Code") and Corporate Governance Report as set out in Appendix 15 and Appendix 16 of the GEM Listing Rules. In order to comply with code provision A.2.1 of the CG Code regarding the segregation of the roles of Chairman and Chief Executive Officer of the Company, Mr. Fung Din Chung, Rickie, an Executive Director of the Company, has been appointed as the Chief Executive Officer of the Company effective from 1 April 2011. Mrs. Zee Chan Mei Chu, Peggy remains as the Chairman and Executive Director of the Company. After the segregation of the roles of Chairman and Chief Executive Officer of the Company, there is no deviation from the CG Code as at 31 December 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 audit committee met on a quarterly basis during the year ended 31 December 2011.

The Company's financial statements for the year ended 31 December 2011 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange, and disclosures have been fully made.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited during the year ended 31 December 2011.

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

Hong Kong, 21 March 2012

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.