

# Excel

TECHNOLOGY

**EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**

**(志鴻科技國際控股有限公司)\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8048)

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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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 (“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:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## INTERIM RESULTS ENDED 30 JUNE 2009

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2009 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2008, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2009

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>	2	<b>28,525</b>	182,987	<b>72,587</b>	232,699
Other revenue		<b>266</b>	263	<b>417</b>	479
Change in inventories of hardware and software		<b>12,200</b>	10,857	<b>14,841</b>	12,071
Purchase of hardware and software		<b>(16,956)</b>	(163,497)	<b>(39,146)</b>	(188,880)
Professional fee		<b>(477)</b>	(1,632)	<b>(1,146)</b>	(4,571)
Employee benefits expense		<b>(20,206)</b>	(21,679)	<b>(41,171)</b>	(43,863)
Depreciation		<b>(634)</b>	(753)	<b>(843)</b>	(1,462)
Other expenses		<b>(1,930)</b>	(4,916)	<b>(5,266)</b>	(9,284)
Operating profit/(loss)	4	<b>788</b>	1,630	<b>273</b>	(2,811)
Finance costs	5	<b>(8)</b>	(13)	<b>(18)</b>	(26)
Share of result of an associate		<b>–</b>	111	<b>–</b>	106
<b>Profit/(loss) before income tax</b>		<b>780</b>	1,728	<b>255</b>	(2,731)
Income tax expenses	6	<b>(10)</b>	(11)	<b>(36)</b>	(18)
<b>Profit/(loss) for the period</b>		<b>770</b>	1,717	<b>219</b>	(2,749)
<b>Other comprehensive income, including reclassification adjustments</b>					
Exchange difference on translation of financial statements of overseas subsidiaries		–	–	–	–
Available-for-sale financial assets		–	–	–	–
<b>Other comprehensive income for the period, including reclassification adjustments</b>		<b>–</b>	–	<b>–</b>	–
<b>Total comprehensive income/(expense) for the period</b>		<b>770</b>	1,717	<b>219</b>	(2,749)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2009

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June		
<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company	633	1,992	273	(1,425)	
Minority interest	137	(275)	(54)	(1,324)	
	770	1,717	219	(2,749)	
 <b>Total comprehensive income/ (expense) attributable to:</b>					
Owners of the Company	633	1,992	273	(1,425)	
Minority interest	137	(275)	(54)	(1,324)	
	770	1,717	219	(2,749)	
 <b>Earnings/(losses) per share for the profit/(loss) attributable to the owners of the Company during the period</b>					
– Basic (in HK cents)	8	0.06 cents	0.20 cents	0.03 cents	(0.14) cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	<i>Notes</i>	(Unaudited) 30 June 2009 <i>HK\$'000</i>	(Audited) 31 December 2008 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	9,701	11,909
Interests in associates		–	–
Available-for-sale financial assets		4,352	4,352
Goodwill		1,691	1,691
		<u>15,744</u>	<u>17,952</u>
<b>Current assets</b>			
Inventories – finished goods, at cost		16,961	2,120
Amount due from customers for contract work		21,868	18,458
Trade receivables	10	23,966	84,932
Other receivables, deposits and prepayments		4,800	18,107
Financial assets at fair value through profit or loss		6,051	4,528
Cash and cash equivalents		53,264	47,741
		<u>126,910</u>	<u>175,886</u>
<b>Current liabilities</b>			
Trade payables	11	18,773	66,221
Other payables and accrued charges		24,194	19,001
Borrowings		127	6,560
Amount due to customers for contract work		3,334	5,984
		<u>46,428</u>	<u>97,766</u>
<b>Net current assets</b>		<u>80,482</u>	<u>78,120</u>
<b>Total assets less current liabilities</b>		96,226	96,072
<b>Non-current liabilities</b>			
Borrowings		154	219
<b>Net assets</b>		<u>96,072</u>	<u>95,853</u>
<b>EQUITY</b>			
Share capital	12	98,505	98,505
Reserves		(5,988)	(6,261)
Equity attributable to Company's owners		92,517	92,244
<b>Minority interest</b>		<u>3,555</u>	<u>3,609</u>
<b>Total equity</b>		<u>96,072</u>	<u>95,853</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2009*

	Equity attributable to owners of the Company							Minority interest HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
At 1 January 2009	98,505	179,650	–	4,652	(190,563)	92,244	3,609	95,853	
Profit/(loss) for the period	–	–	–	–	273	273	(54)	219	
<b>At 30 June 2009</b>	<b><u>98,505</u></b>	<b><u>179,650</u></b>	<b><u>–</u></b>	<b><u>4,652</u></b>	<b><u>(190,290)</u></b>	<b><u>92,517</u></b>	<b><u>3,555</u></b>	<b><u>96,072</u></b>	
At 1 January 2008	98,505	179,650	(893)	3,202	(187,382)	93,082	4,971	98,053	
Acquisition of non-controlling interests	–	–	–	–	(2,359)	(2,359)	(609)	(2,968)	
Net expense recognised directly in equity	–	–	–	–	(2,359)	(2,359)	(609)	(2,968)	
Loss for the period	–	–	–	–	(1,425)	(1,425)	(1,324)	(2,749)	
Total recognised expense for the period	–	–	–	–	(3,784)	(3,784)	(1,933)	(5,717)	
At 30 June 2008	<b><u>98,505</u></b>	<b><u>179,650</u></b>	<b><u>(893)</u></b>	<b><u>3,202</u></b>	<b><u>(191,166)</u></b>	<b><u>89,298</u></b>	<b><u>3,038</u></b>	<b><u>92,336</u></b>	

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<b>12,136</b>	9,463
Net cash used in investing activities	<b>(97)</b>	(3,145)
Net cash (used in)/generated from financing activities	<b>(6,516)</b>	3,112
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>5,523</b>	9,430
Cash and cash equivalents at beginning of the period	<b>47,741</b>	37,625
Effect on exchange rate changes	<hr/> <b>-</b>	<hr/> <b>-</b>
Cash and cash equivalents at end of the period, representing bank balances and cash	<hr/> <b>53,264</b> <hr/>	<hr/> 47,055 <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 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 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 2008.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Enterprise software products	19,508	20,690	37,509	36,800
Systems integration	4,159	155,462	25,402	181,788
Professional services	3,732	5,637	7,462	11,776
ASP services	1,126	1,198	2,214	2,335
	<u>28,525</u>	<u>182,987</u>	<u>72,587</u>	<u>232,699</u>

### 3. SEGMENT INFORMATION

#### Primary reporting format – Geographical segments

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

The following table provides an analysis of the Group's sales and results by location of assets, irrespective of the origin of the services:

	Hong Kong		PRC		South East Asia		Elimination		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>										
– External sales	37,448	44,328	31,370	184,118	3,769	4,253	–	–	72,587	232,699
– Inter-segment sales	4,747	4,520	8,379	9,656	273	485	(13,399)	(14,661)	–	–
	<u>42,195</u>	<u>48,848</u>	<u>39,749</u>	<u>193,774</u>	<u>4,042</u>	<u>4,738</u>	<u>(13,399)</u>	<u>(14,661)</u>	<u>72,587</u>	<u>232,699</u>
<b>Segment results</b>	1,731	(322)	(1,358)	(3,081)	(300)	165	–	–	73	(3,238)
– Interest and dividend income									200	427
– Finance costs									(18)	(26)
– Share of result of an associate			–	106					–	106
Profit/(loss) before income tax									255	(2,731)
Income tax expenses									(36)	(18)
Profit/(loss) for the period									<u>219</u>	<u>(2,749)</u>

#### Secondary reporting format – Business segments

An analysis of the revenue from external customers by business segments is as follows:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Enterprise software products	37,509	36,800
Systems integration	25,402	181,788
Professional services	7,462	11,776
ASP services	2,214	2,335
	<u>72,587</u>	<u>232,699</u>



#### 4. OPERATING PROFIT/(LOSS)

Profit/(Loss) from operations is arrived at after charging/(crediting):

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	634	753	843	1,462
Net loss on disposal of property, plant and equipment	–	18	–	18
Interest income	(58)	(222)	(186)	(412)
Dividend income from investments in securities	(12)	(15)	(14)	(15)
Net (profit)/loss on financial assets at fair value through profit or loss	<u>(1,167)</u>	<u>(55)</u>	<u>(1,684)</u>	<u>440</u>

#### 5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on: Finance charges on finance leases	<u>8</u>	<u>13</u>	<u>18</u>	<u>26</u>

#### 6. INCOME TAX EXPENSES

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax				
– Hong Kong				
Tax for the period	–	–	–	–
– Overseas				
Tax for the period	<u>10</u>	<u>11</u>	<u>36</u>	<u>18</u>
Total income tax expenses	<u>10</u>	<u>11</u>	<u>36</u>	<u>18</u>

## 7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

## 8. EARNINGS (LOSSES) PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to owners of the Company of HK\$273,000 (2008: loss of HK\$1,425,000) and the 985,050,000 (2008: 985,050,000) shares in issue during the period.

Diluted losses per share for the six months ended 30 June 2009 was not presented as there is no potential ordinary share in existence during the period.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group spent HK\$459,000 (six months ended 30 June 2008: HK\$636,000) on acquisition of property, plant and equipment.

## 10. TRADE RECEIVABLES

Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted.

The following is an aged analysis of the Group's trade receivables at the reporting date:

	<b>30 June 2009 HK\$'000</b>	31 December 2008 HK\$'000
0 – 30 days	<b>9,043</b>	69,768
31 – 60 days	<b>2,214</b>	3,488
61 – 90 days	<b>537</b>	1,282
Over 90 days	<b>12,172</b>	10,394
	<b><u>23,966</u></b>	<b><u>84,932</u></b>

## 11. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the reporting date:

	<b>30 June 2009 HK\$'000</b>	31 December 2008 HK\$'000
0 – 30 days	1,055	53,525
31 – 60 days	52	4,115
61 – 90 days	1,347	20
Over 90 days	<u>16,319</u>	<u>8,561</u>
	<u><b>18,773</b></u>	<u><b>66,221</b></u>

## 12. SHARE CAPITAL

	<b>30 June 2009 &amp; 31 December 2008</b>	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised:		
Shares of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each	<u>985,050,000</u>	<u>98,505</u>

## 13. FINANCIAL GUARANTEE CONTRACTS

### **The Group**

The Group does not have any financial guarantee contracts with outsiders as at 30 June 2009 (31 December 2008: Nil).

### **The Company**

At 30 June 2009, the Company had given corporate guarantees of HK\$21,450,000 (31 December 2008: HK\$21,450,000) to suppliers to secure the credit facilities granted to its subsidiaries. The subsidiaries have not utilised the said facilities.

As there is no comparable market transaction of these financial guarantee contracts and their fair value cannot be reliably estimated, the directors do not consider the fair value of issuing those guarantees can practically be estimated and recognised in the financial statements.

#### 14. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Sales</b>		
Sale of enterprise software products		
– a minority shareholder	<b>3,017</b>	–
<b>Purchases</b>		
Purchases of complementary hardware and software products		
– a minority shareholder	<b>842</b>	424
– a related party	–	125,360
<b>Compensation paid to key management personnel, excluding directors:</b>		
– Salaries and other benefits	<b>990</b>	990
– Contribution to defined contribution plan	<b>12</b>	12

The sales and purchase transactions were conducted at mutually agreed prices and terms.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group's profit attributable to owners of the Company for the six months ended 30 June 2009 was HK\$273,000, as compared to a loss of HK\$1,425,000 in the same period of 2008. The profit for the second quarter of 2009 was HK\$633,000.

The Group recorded a decrease of 69% in turnover of HK\$72,587,000 for the six months ended 30 June 2009, compared with HK\$232,699,000 for the corresponding period of last year. The decrease of turnover mainly comes from the drop in systems integration business and professional service, while the enterprise software business has a small increase.

Enterprise software product increased by 2% in turnover to HK\$37,509,000 (2008: HK\$36,800,000). The systems integration business dropped by 86% to HK\$25,402,000 (2008: HK\$181,788,000). Professional service decreased by 37% to HK\$7,462,000 (2008: HK\$11,776,000). The ASP business remained stable at HK\$2,214,000 (2008: HK\$2,335,000).

### **Liquidity and Financial Resources**

As of 30 June 2009, the Group was in a strong financial position with cash and cash equivalents of HK\$53,264,000. (31 December 2008: HK\$47,741,000).

The Group monitors its capital structure using gearing ratio which is net debts divided by total equity. As of 30 June 2009 and 31 December 2008, the Group's cash and cash equivalents exceeded its total debts, therefore the gearing ratio of the Group was zero.

### **Capital Structure**

As at 30 June 2009, the Group's outstanding issued shares were 985,050,000. There has not been any change to the capital structure of the Company during the reporting period.

### **Investment**

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

### **Segmental Performances**

Hong Kong region achieved turnover of HK\$42,195,000 (2008: HK\$48,848,000).

The China operation recorded turnover of HK\$39,749,000 (2008: HK\$193,774,000).

South East Asia region's turnover was HK\$4,042,000 (2008: HK\$4,738,000).

## **Employees**

As of 30 June 2009, the Group has a total number of 364 employees (Beginning of 2009: 368), a decrease of 4 employees in the past six months.

## **Outlook for the Second Half of 2009**

Management is still cautious about the outlook for the rest of the 2009 even though market sentiment seems to be more uplifted. Nonetheless, we are optimistic that the second half of 2009 will be better than the first half.

The first half of 2009 saw slowdown in the Hong Kong and South East Asia market in enterprise software business but was made up by the growth in China which we expect to continue into the second half of the year. Our Beijing operation has been working on a number of potentials and is expected to close some of them from both new and existing customers soon. Shanghai is also seeing a pickup of activities as foreign banks are restarting their growth plan in China after stabilizing in their home countries.

The outsourcing business suffered the greatest hit and is expected to remain slow until business starts to re-invest instead of cutting cost. Management is conscious about managing the staff cost – the major expense of the outsourcing business – during this downturn.

The Group expects the systems integration business to fair better in the second half in 2009 while maintaining the net margin but have a smaller turnover than 2008.

The Group had started the pilot of the Excel School of Banking and Technology (“School”) in Dongguan, south China. Since the launch of this pilot, we have received many inquiries on our training courses and the possibilities of hiring our graduates. While the School will not have immediate impact on the profit of the Group, it will provide a steady stream of technical staff which in turn will help us to keep our staff cost low and stable for our research and development work as well as the customer projects in our enterprise software and outsourcing business.

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

At 30 June 2009, 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 (Note 1)	564,029,197	57.26%
Fung Din Chung, Rickie	24,691,498	–	–	24,691,498	2.51%
Leung Lucy, Michele	24,559,498	–	–	24,559,498	2.49%
Ng Wai King, Steve	12,650,998	–	–	12,650,998	1.28%
Wong Mee Chun	40,000	382,000 (Note 2)	–	422,000	0.04%

#### Notes:

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

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

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

#### Notes:

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



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

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

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 June 2009.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

During the six months ended 30 June 2009, the Company has complied with the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16, except that the roles of the chairman and the chief executive officer of the Company are not separated under code provision A.2.1. The reasons for not splitting the roles of Chairman and Chief Executive Officer at this moment are as follow:

- The company size is still relatively small and thus not justified in separating the roles of Chairman and Chief Executive Officer
- The Group has internal controls in place to provide the check and balance on the functions

## **AUDIT COMMITTEE**

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

The unaudited consolidated results of the Group for the six months ended 30 June 2009 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

## **REMUNERATION COMMITTEE**

The remuneration committee was established in May 2005.

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

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

## **COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2009.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

Save as disclosed above, at 30 June 2009, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

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

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

Hong Kong, 10 August 2009

*The Board comprises of:*

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

Leung Lucy, Michele (*Executive Director*)

Fung Din Chung, Rickie (*Executive Director*)

Ng Wai King, Steve (*Executive Director*)

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

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

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

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from the date of its posting and on the website of the Company at [www.excel.com.hk](http://www.excel.com.hk).*