

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)

RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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

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

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

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

* For identification purpose only

HIGHLIGHTS

- During the year ended 31 December 2010, the Group's profit attributable to the owners of the company was HK\$6,036,000, a significant improvement as compared with a profit of HK\$2,367,000 in 2009.
- The Group recorded a turnover of HK\$280,576,000 in 2010, representing an increase of 63% compared with a turnover of HK\$172,545,000 in 2009. The increase of turnover was largely contributed from the systems integration business and professional services income.
- Sales of enterprise software products increased by 14% to HK\$85,971,000 (2009: HK\$75,258,000). Both revenues on systems integration business and professional services business significantly jumped by 105% and 104% to HK\$158,249,000 (2009: HK\$77,253,000) and HK\$31,669,000 (2009: HK\$15,487,000) respectively. The ASP business remained stable with revenue of HK\$4,687,000 (2009: HK\$4,547,000).
- Earnings per share for profit attributable to the owners of the Company during the year of 2010 was HK0.61 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 2010, together with the comparative figures for the corresponding period in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	3	280,576	172,545
Other income	4	3,493	5,284
Change in inventories of hardware and software		(10,988)	23,103
Purchase of hardware and software		(144,057)	(96,517)
Professional fee		(10,872)	(1,503)
Employee benefits expense		(91,265)	(83,239)
Depreciation and amortisation		(2,006)	(2,535)
Other expenses		(20,051)	(15,346)
Finance costs	5	(277)	(55)
Share of profit of an associate		105	–
		<hr/>	<hr/>
Profit before income tax	6	4,658	1,737
Income tax credit/(expense)	7	1,281	(38)
		<hr/>	<hr/>
Profit for the year		5,939	1,699
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax*			
Exchange gain on translation of financial statements of foreign operations		619	170
		<hr/>	<hr/>
Total comprehensive income for the year		6,558	1,869
		<hr/> <hr/>	<hr/> <hr/>
Profit/(Loss) for the year attributable to:			
Owners of the Company		6,036	2,367
Non-controlling interests		(97)	(668)
		<hr/>	<hr/>
		5,939	1,699
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		6,392	2,537
Non-controlling interests		166	(668)
		<hr/>	<hr/>
		6,558	1,869
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic and diluted	8	HK 0.61 cents	HK 0.24 cents
		<hr/> <hr/>	<hr/> <hr/>

* There is no tax effect on the component of other comprehensive income for the years ended 2010 and 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		12,429	9,508
Interest in associates		105	–
Available-for-sale financial assets		7,248	3,684
Goodwill		1,140	1,691
Development costs	<i>11</i>	5,043	–
Finance lease receivables		570	885
Deferred tax assets		1,300	–
		<u>27,835</u>	<u>15,768</u>
Current assets			
Inventories		14,235	25,223
Finance lease receivables		323	291
Amounts due from customers for contract work		21,774	19,538
Trade receivables	<i>12</i>	33,209	28,663
Other receivables, deposits and prepayments		21,725	10,167
Financial assets at fair value through profit or loss		6,793	7,579
Tax recoverable		–	73
Bank balances and cash		60,905	51,892
		<u>158,964</u>	<u>143,426</u>
Current liabilities			
Trade payables	<i>13</i>	20,797	22,750
Other payables and accrued charges		28,174	20,235
Borrowings		24,508	6,837
Amounts due to customers for contract work		4,228	3,499
Amount due to an associate		–	445
		<u>77,707</u>	<u>53,766</u>
Net current assets		<u>81,257</u>	89,660
Total assets less current liabilities		<u>109,092</u>	105,428
Non-current liabilities			
Borrowings		1,454	4,348
Net assets		<u>107,638</u>	<u>101,080</u>
EQUITY			
Share capital		98,505	98,505
Reserves		2,668	(3,724)
Equity attributable to owners of the Company		<u>101,173</u>	94,781
Non-controlling interests		<u>6,465</u>	6,299
Total equity		<u>107,638</u>	<u>101,080</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Equity attributable to owners of the Company					Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Exchange reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000		
Balance at 1 January 2009	98,505	179,650	4,652	(190,563)	92,244	3,609	95,853
Capital contribution by non-controlling interests of a subsidiary	-	-	-	-	-	3,358	3,358
Transaction with owners	-	-	-	-	-	3,358	3,358
Profit/(Loss) for the year	-	-	-	2,367	2,367	(668)	1,699
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	170	-	170	-	170
Total comprehensive income/(loss) for the year	-	-	170	2,367	2,537	(668)	1,869
Balance at 31 December 2009 and 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	98,505	179,650	5,178	(182,160)	101,173	6,465	107,638

* These reserves accounts comprise the Group's reserves of HK\$2,668,000 in surplus (2009: HK\$3,724,000 in deficit) in the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

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”).

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 2008, the Group has early adopted HKAS 27 (Revised) *Consolidated and separate financial statements* and HKFRS 3 (Revised) *Business combinations*. 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 2010:

HKAS 28	<i>Investments in associates (Revised 2008)</i>
HKAS 39	<i>Financial instruments: Recognition and measurement – Eligible hedged items (Amendments)</i>
HK-Int 5	<i>Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause</i>
Various	<i>Annual Improvements to HKFRSs 2009</i>

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. Information on new and amended HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group’s financial statements.

HKFRS 9 Financial instruments

The standard is effective for annual periods beginning on or after 1 January 2013.

Under HKFRS 9, all recognised financial assets that are within the scope of the HKAS 39 *Financial instruments: Recognition and measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 24 Related party disclosures (Revised 2009)

The revised standard is applicable for annual periods beginning on or after 1 January 2011. The revised standard modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in the revised standard do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the revised standard.

3 REVENUE AND TURNOVER

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Enterprise software products	85,971	75,258
Systems integration	158,249	77,253
Professional services	31,669	15,487
ASP services	4,687	4,547
Total revenue	280,576	172,545

4 OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other revenue		
Interest income	506	925
Dividend income from listed securities	150	44
Others	314	309
	<u>970</u>	<u>1,278</u>
Other net income		
Fair value gain on financial assets at fair value through profit or loss	–	3,002
Gain on disposal of financial assets at fair value through profit or loss	28	362
Gain on disposal of property, plant and equipment	–	72
Government grants received	575	570
Foreign exchange gain	1,920	–
	<u>2,523</u>	<u>4,006</u>
	<u>3,493</u>	<u>5,284</u>

5 FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest charges on:		
Finance charges on obligations under finance leases	17	33
Other interest expense	260	22
	<u>277</u>	<u>55</u>

6 PROFIT BEFORE INCOME TAX

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit before income tax is arrived at after (crediting)/charging:		
Cost of inventories sold	155,045	73,414
Cost of services rendered	83,502	64,921
Depreciation:		
– Owned assets	1,694	2,392
– Leased assets	44	143
Amortisation of development costs	268	–
Auditors' remuneration	741	811
Net foreign exchange (gain)/loss	(1,920)	188
Net loss/(gain) on disposal of property, plant and equipment	50	(72)
Loss on disposal of available-for-sale financial assets	304	–
Impairment loss on goodwill	551	–
Impairment loss on available-for-sale financial assets	32	668
Provision for doubtful trade and other receivables	537	503
Write off of amounts due from customers for contract work	396	538
Fair value loss/(gain) on financial assets at fair value through profit or loss	804	(3,002)
Operating lease charges on land and buildings	<u>5,100</u>	<u>5,228</u>

7 INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Group's entities either incurred tax losses during both years 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.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax		
– Overseas		
Current year	19	38
Deferred tax		
Current year	<u>(1,300)</u>	<u>–</u>
Total income tax (credit)/expense	<u>(1,281)</u>	<u>38</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit before income tax	<u>4,658</u>	<u>1,737</u>
Tax at the Hong Kong profits tax rate of 16.5% (2009: 16.5%)	769	287
Tax effect of non-taxable revenue	(1,601)	(1,298)
Tax effect of non-deductible expenses	2,163	1,993
Tax effect of unrecognised temporary differences	(8)	20
Tax effect of unrecognised tax losses	989	1,058
Utilisation of previously unrecognised tax losses	(3,588)	(2,143)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(142)	4
Others	<u>137</u>	<u>117</u>
Income tax (credit)/expense	<u>(1,281)</u>	<u>38</u>

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\$6,036,000 (2009: HK\$2,367,000) and the weighted average number of ordinary shares of 985,050,000 (2009: 985,050,000) in issue during the year.

Diluted earnings per share for the year ended 31 December 2010 and 2009 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, 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.

	2010			
	Hong Kong	PRC and Taiwan	South East Asia	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

	2009			Total HK\$'000
	Hong Kong HK\$'000	PRC and Taiwan HK\$'000	South East Asia HK\$'000	
Revenue				
– From external customers	73,588	91,675	7,282	172,545
– From other segments	9,873	16,389	708	26,970
Reportable segment revenue	83,461	108,064	7,990	199,515
Reportable segment profit/(loss)	5,176	(2,673)	(766)	1,737
Interest income	181	604	140	925
Depreciation and amortisation of non-financial assets	1,004	1,250	281	2,535
Net gain on disposal of property, plant and equipment	1	71	–	72
Gain on disposal of financial assets at fair value through profit or loss	362	–	–	362
Fair value gain on financial assets at fair value through profit or loss	3,002	–	–	3,002
Impairment loss on available-for-sale financial assets	31	637	–	668
Finance costs	37	18	–	55
Reportable segment assets	146,748	86,938	11,509	245,195
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	725	680	24	1,429
Reportable segment liabilities	10,785	117,077	16,253	144,115

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

	2010 HK\$'000	2009 HK\$'000
Reportable segment revenue	309,806	199,515
Elimination of inter segment revenue	(29,230)	(26,970)
Group revenue	280,576	172,545
	2010 HK\$'000	2009 HK\$'000
Reportable segment assets	277,160	245,195
Consolidation	(90,361)	(86,001)
Group assets	186,799	159,194

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment liabilities	169,522	144,115
Consolidation	<u>(90,361)</u>	<u>(86,001)</u>
Group liabilities	<u>79,161</u>	<u>58,114</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	11,449	7,149
PRC and Taiwan	7,223	3,957
South East Asia	<u>45</u>	<u>93</u>
Total	<u>18,717</u>	<u>11,199</u>

During 2010, HK\$141,525,000 or 50.44% of the Group's revenue depended on a single customer in the PRC and Taiwan segment (2009: HK\$46,242,000 or 26.80% in the PRC and Taiwan segment). At the reporting date, 6.41% of the Group's trade receivables was due from this customer (2009: 3%).

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 2010.

11 DEVELOPMENT COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At 1 January		
Cost	31,085	31,085
Accumulated amortisation	<u>(31,085)</u>	<u>(31,085)</u>
Net book amount	<u><u>—</u></u>	<u><u>—</u></u>
Year ended 31 December		
Opening net book amount	—	—
Additions from internal developments	5,311	—
Amortisation charge	<u>(268)</u>	<u>—</u>
Closing net book amount	<u><u>5,043</u></u>	<u><u>—</u></u>
At 31 December		
Cost	36,396	31,085
Accumulated amortisation	<u>(31,353)</u>	<u>(31,085)</u>
Net book amount	<u><u>5,043</u></u>	<u><u>—</u></u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables		
From third parties	30,079	25,637
From a related party	<u>3,653</u>	<u>3,529</u>
	33,732	29,166
Less: provision for impairment of receivables	<u>(523)</u>	<u>(503)</u>
	<u><u>33,209</u></u>	<u><u>28,663</u></u>

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

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 30 days	16,815	9,684
31 – 60 days	8,307	6,598
61 – 90 days	1,344	6,001
Over 90 days	6,743	6,380
	<u>33,209</u>	<u>28,663</u>

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Balance at the beginning of the year	503	–
Impairment loss recognised	20	503
	<u>523</u>	<u>503</u>

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 30 days	7,401	7,415
31 – 60 days	7,796	494
61 – 90 days	32	–
Over 90 days	5,568	14,841
	<u>20,797</u>	<u>22,750</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 December 2010, the Group's profit attributable to the owners of the company was HK\$6,036,000, as compared with a profit of HK\$2,367,000 in the same period of 2009.

The Group recorded a turnover of HK\$280,576,000 in 2010, representing an increase of 63% compared with a turnover of HK\$172,545,000 in 2009. The increase of turnover was largely contributed from the systems integration business and professional services income.

Sales of enterprise software products increased by 14% to HK\$85,971,000 (2009: HK\$75,258,000). Both revenues on systems integration business and professional services business significantly jumped by 105% and 104% to HK\$158,249,000 (2009: HK\$77,253,000) and HK\$31,669,000 (2009: HK\$15,487,000) respectively. The ASP business remained stable with revenue of HK\$4,687,000 (2009: HK\$4,547,000).

OPERATION REVIEW

2010 was a year of dichotomy. While U.S. and Europe were still continuing with their financial stimulating measures, the emerging countries including China were down pacing the over-heated economy. Foreign banks were expanding their presence in China to ride on the growing economy. Banks in China are also experiencing handsome growth in their businesses. All these created demand for IT.

Demands on our enterprise software were strong across all regions. Excel Loans System continued to do well in China, while Wealth Management solutions remained popular in Hong Kong and South East Asia. Many of these enterprise software sales reap new prestigious clients including multinational banks and Chinese commercial banks. At the same time, some of our multinational bank clients brought us to new places such as the Middle East and Africa through implementations of our enterprise software to support their operations there.

On the product front, we put some investment into our research and development work of our enterprise software, to ensure it stays at the forefront of the market. We upgraded our stock trading system – InterTrade – to allow for both vertical and horizontal scalability and many other new features. We also added a new product called CCS (“Credit Collateral Monitoring System”), which caters to the increasing needs on credit risk and collateral monitoring. This new product will be implemented for an international bank in the region and also be integrated with our Wealth Management System.

The professional services is another area where we had invested and we are now seeing strong growth. More and more banks and large companies are turning outside for additional resources to handle new projects, and that drives up demand in technical professionals. Our professional services business doubled in volume in the past year, and we have expanded our team significantly to cover the ever-growing demands.

A key part of professional services is our offshore outsourcing business, which makes use of our development resources in China to work on projects for clients outside of China. We are now serving multinational financial institutions using the virtual team concept linking up clients and our professionals in different locations including Hong Kong, Taipei, Hangzhou and Shenzhen.

Our Hong Kong operation has a healthy growth in the enterprise software business and an impressive gain in the professional services business.

In China, we continued to benefit from the fast growing economy. The big jump in the systems integration business was mainly attributed to the demand from the local banks; whereas the growth in the sales of enterprise products came from both the local banks and the foreign banks in China. Our loans software and wealth management software remained the selling focus.

The China Support Hub project started with an investment in a company with a group of reputable Chinese investors in the middle of the year. This company successfully acquired a piece of land of approximately 175,000 square meters in the Dongguan Song Shan Lake Technology Park. A management team was set up to start the planning and design phase of this China Support Hub project. Negotiations were underway to bring in development and business partners to move the project along.

Our Excel School of Banking and Technology (“the School”) in Song Shan Lake has been in operation since 2009. It had successfully produced IT professionals who have joined various development teams of the Group, as well as some of our banking clients in China. We are further refining and expanding the training programs, which will become a key element of our China Support Hub project in the future.

FUTURE PROSPECTS

Management expects 2011 to continue to be stable for South East Asia but will be opportunistic for Hong Kong. Commercial banks in China started to expand their business into Hong Kong and establish their branches as licensed banks. This created a demand for various banking product software including loans, wealth management, treasury and securities trading. Our flagship products in these areas are well positioned to capture the market. In addition, professional services will continue to be of great demand and we are stepping up our marketing and recruitment resources to meet our clients’ needs.

China continues to be our focus for growth. One of the strategies we have taken is to grow our enterprise software business by extending into the new regional and city banks, as well as the finance and guarantee company market. This is very much in line with the Chinese government’s initiative to encourage domestic consumption since these smaller banks and finance companies are all focusing on consumer finance and retail loans.

To fuel and support our enterprise software and professional services business, we will be in need of a large pool of software engineers. Recruiting the right talents remains a challenge to Management as we are seeing resource shortage across all of our operating locations. The School in Song Shan Lake is charged with the mission to churn out more qualified software engineers so that they can be deployed to our various development centers as well as to the professional services jobs in customer locations across China. We will also initiate a special recruitment effort to bring in to-be graduates such that we can maintain a pool of candidates who can be further trained to become IT professionals.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group was in a strong financial position with bank balances and cash of HK\$60,905,000 (2009: HK\$51,892,000).

As at 31 December 2010, the Group held unlisted private equity funds and unlisted equity investments with a fair value of US\$429,000 and at cost of US\$500,000 respectively for long-term strategic purpose and treated the two investments as available-for-sale financial assets.

As at 31 December 2010, the Group invested in equity securities listed in Hong Kong of HK\$6,793,000 at fair value (2009: HK\$7,579,000).

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 2010, the Group's strategy remains unchanged from 2009, which is to maintain the gearing ratio of not more than 20% in order to support its business. As of 31 December 2010 and 31 December 2009, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group was zero.

CAPITAL STRUCTURE

As at 31 December 2010, the Group's issued shares were 985,050,000, which was the same as last year.

INVESTMENT

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

SEGMENTAL PERFORMANCES

Hong Kong region turnover was HK\$90,144,000 in 2010, slightly increased by 8% compared with HK\$83,461,000 last year.

The China and Taiwan operations achieved 97% growth in turnover to HK\$212,667,000 (2009: HK\$108,064,000).

South East Asia region turnover was HK\$6,995,000, decreased by 12% compared with last year (2009: HK\$7,990,000).

EMPLOYEES

To cope with the business turnaround and the increasing need of China, the Group has increased its head count from 401 at the beginning of the year to 459 as at 31 December 2010.

CORPORATE GOVERNANCE

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has adopted the Code on Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 with effective from the accounting periods from 1 January 2005, save as disclosed in the following exception:

Under the Code provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated.

The Company has achieved a high compliance level with the exception of the separation of Ms. Zee Chan Mei Chu, Peggy serving the dual role of Chairman and Chief Executive Officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- The Company size is relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer.
- The Company has internal controls in place to provide 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 audit committee met on a quarterly basis during the year ended 31 December 2010.

The Company's financial statements for the year ended 31 December 2010 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 2010, 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 2010.

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

Hong Kong, 21 March 2011

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.