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 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 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*

HIGHLIGHTS

- During the year ended 31 December 2008, the Group recorded a significant growth of 98% in turnover of HK$364,206,000, compared with a turnover of HK$183,987,000 for 2007. The increase of turnover was largely contributed by the systems integration business in Mainland China.

- Sales of enterprise software products dropped by 10% to HK$83,304,000 (2007: HK$92,770,000). Revenue on professional services decreased by 10% to HK$21,606,000 (2007: HK$24,111,000). Both drops were due to slow down of the banking business in Hong Kong because of the financial crisis.

- The systems integration business increased by 308% to HK$254,729,000 (2007: HK$62,423,000), representing several major contracts from the large state-owned enterprises and listed national banks in China.

- The ASP business remained stable with revenue of HK$4,567,000 (2007: HK$4,683,000).

- The operating profit before depreciation, amortisation and impairment loss was HK$6,418,000 (2007: HK$9,801,000).

- During the year ended 31 December 2008, the Group's loss attributable to equity holders of the company was HK$822,000, as compared with a profit of HK$4,068,000 in the same period of 2007.

- The net loss of HK$822,000 in 2008 was mainly caused by the impairment loss of HK$5,211,000 on financial assets.

RESULTS

The Directors of the Company present herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008, together with the comparative figures for the corresponding period in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	*3*	**364,206**	183,987
Other revenue	*4*	**1,148**	3,091
Change in inventories of hardware and software		**1,283**	(366)
Purchase of hardware and software		**(247,300)**	(58,984)
Professional fee		**(7,453)**	(6,844)
Employee benefits expense		**(88,608)**	(93,615)
Depreciation and amortisation expense		**(3,146)**	(4,634)
Other expenses		**(22,069)**	(18,262)
Operating (loss)/profit		**(1,939)**	4,373
Finance costs	*6*	**(48)**	(57)
Share of result of an associate		**(5)**	(17)
(Loss)/profit before income tax	*5*	**(1,992)**	4,299
Income tax expenses	*7*	**(47)**	(921)
(Loss)/profit for the year		**(2,039)**	3,378
Attributable to:			
Equity holders of the Company		**(822)**	4,068
Minority interest		**(1,217)**	(690)
(Loss)/profit for the year		**(2,039)**	3,378
(Losses)/earnings per share for the (loss)/ profit attributable to the equity holders of the Company during the year – Basic (in HK cents)	*8*	**(0.08 cents)**	0.41 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**11,909**	12,501
Interests in associates		**–**	5
Available-for-sale financial assets		**4,352**	6,292
Goodwill		**1,691**	1,691
Development cost		**–**	–
Loan receivables		**–**	1,911
		17,952	22,400
Current assets			
Inventories – finished goods, at cost		**2,120**	837
Amount due from customers for contract work		**18,458**	17,802
Trade receivables	*11*	**84,932**	32,455
Other receivables, deposits and prepayments		**18,107**	12,845
Financial assets at fair value through profit or loss		**4,528**	6,990
Cash and cash equivalents		**47,741**	37,625
		175,886	108,554
Current liabilities			
Trade payables	*12*	**66,221**	7,127
Other payables and accrued charges		**19,001**	18,176
Borrowings		**6,560**	928
Amounts due to customers for contract work		**5,984**	5,474
Provision for tax		**–**	858
		97,766	32,563
Net current assets		**78,120**	75,991
Total assets less current liabilities		**96,072**	98,391
Non-current liabilities			
Borrowings		**219**	338
Net assets		**95,853**	98,053
EQUITY			
Equity attributable to Company's equity holders			
Share capital		**98,505**	98,505
Reserves		**(6,261)**	(5,423)
		92,244	93,082
Minority interest		**3,609**	4,971
Total equity		**95,853**	98,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total	Minority interest	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	98,505	179,650	(910)	345	(191,450)	86,140	5,151	91,291
Changes in fair value of available-for-sale financial assets	–	–	17	–	–	17	–	17
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	2,857	–	2,857	510	3,367
Net income recognised directly in equity	–	–	17	2,857	–	2,874	510	3,384
Profit/(loss) for the year	–	–	–	–	4,068	4,068	(690)	3,378
Total recognised income/(expense) for the year	–	–	17	2,857	4,068	6,942	(180)	6,762
At 31 December 2007	98,505	179,650	(893)	3,202	(187,382)	93,082	4,971	98,053
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)
Changes in fair value of available-for-sale financial assets	–	–	(1,161)	–	–	(1,161)	–	(1,161)
Impairment loss on available-for-sale financial assets	–	–	2,054	–	–	2,054	–	2,054
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	1,450	–	1,450	464	1,914
Net income/(expense) recognised directly in equity	–	–	893	1,450	(2,359)	(16)	(145)	(161)
Loss for the year	–	–	–	–	(822)	(822)	(1,217)	(2,039)
Total recognised income/(expense) for the year	–	–	893	1,450	(3,181)	(838)	(1,362)	(2,200)
At 31 December 2008	98,505	179,650	–	4,652	(190,563)	92,244	3,609	95,853

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 23 March 2009.

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

The 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 preparation of the financial statements.

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

2 ADOPTION OF NEW OR AMENDED HKFRSs

(a) Amendments and interpretations effective in 2008

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 2008:

HKAS 39 & HKFRS 7 (Amendments)	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures* – Reclassification of Financial Assets
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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. Accordingly, no prior period adjustment is required.

(b) Standards early adopted by the Group

The Group has early adopted the following two revised HKFRSs issued up to 31 December 2008 which were pertinent to its operations where early adoption was permitted.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements*
HKFRS 3 (Revised)	Business Combinations*

* *Effective for annual periods beginning on or after 1 July 2009*

Information that are expected to be relevant to the Group's financial statements

HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

HKFRS 3 (Revised) – Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The principal effects of adopting these two revised HKFRSs

During the year, the Group acquired the remaining controlling interests from minority shareholders of two existing subsidiaries that did not result in a loss of control which fall within the revisions to HKFRS 3 and HKAS 27. Management concluded to early adopt both standards to account for as an equity transaction.

However, the Group recognised the difference between (1) the fair value of the consideration paid; and (2) the adjusted amount by the non-controlling interests at the acquisition date in equity attributable to the owners of the parent and also disclosed as equity in consolidated statement of changes in equity.

Comparatives for 2007 have not been restated retrospectively under the transitional provisions in HKFRS 3 (Revised) and HKAS 27 (Revised).

3 REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents total income from provision of services. Revenue recognised during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Enterprise software products	**83,304**	92,770
Systems integration	**254,729**	62,423
Professional services	**21,606**	24,111
ASP services	**4,567**	4,683
	364,206	183,987

4 OTHER REVENUE

	2008	2007
	HK$'000	*HK$'000*
Dividend income from listed securities	**59**	43
Interest income	**815**	2,560
Others	**274**	488
	1,148	3,091

5 (LOSS)/PROFIT BEFORE INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**246,017**	59,350
Cost of services rendered	**76,691**	79,986
Depreciation		
– Owned assets	**3,013**	2,817
– Leased assets	**133**	133
Amortisation of development costs	**–**	1,684
Auditors' remuneration	**887**	901
Net foreign exchange losses/(gains)	**113**	(644)
Net loss on disposal of property, plant and equipment	**17**	193
Impairment loss on available-for-sale financial assets	**2,054**	–
Impairment loss on financial assets at fair value through profit or loss	**3,157**	794
Minimum lease payments in respect of land and buildings	**5,720**	4,981

6 FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest charges on:		
Finance charges on finance lease	**48**	57

7 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 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.

	2008	2007
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Under provision in respect of prior years	**–**	853
– Overseas		
Tax for the year	**47**	16
Under provision in respect of prior years	**–**	52
Total income tax expenses	**47**	921

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(1,992)**	4,299
Tax at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(329)**	752
Tax effect of non-taxable revenue	**(4,184)**	(6,259)
Tax effect of non-deductible expenses	**4,836**	6,635
Tax effect of unrecognised temporary differences	**(174)**	278
Tax effect of unrecognised tax losses	**1,562**	1,578
Utilisation of previously unrecognised tax losses	**(1,601)**	(2,552)
Under provision of tax in prior years	**–**	905
Tax effect of share of result of an associate	**1**	3
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(108)**	(436)
Others	**44**	17
Income tax expenses	**47**	921

8 (LOSSES)/EARNINGS PER SHARE

The calculation of the basic losses/earnings per share is based on the loss attributable to equity holders of the Company of HK$822,000 (2007: a profit of HK$4,068,000) and the 985,050,000 (2007: 985,050,000) shares in issue during the year.

Diluted losses per share for the year ended 31 December 2008 was not presented as there is no potential ordinary share in existence during the year.

9 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.

(i) 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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Revenue										
– External sales	**91,318**	110,740	**263,015**	62,389	**9,873**	10,858	**–**	–	**364,206**	183,987
– Inter-segment sales	**12,050**	10,888	**18,843**	20,530	**850**	–	**(31,743)**	(31,418)	**–**	–
	103,368	121,628	**281,858**	82,919	**10,723**	10,858	**(31,743)**	(31,418)	**364,206**	183,987
Segment results	**386**	7,874	**(3,765)**	(3,903)	**566**	(2,201)	**–**	–	**(2,813)**	1,770
– Interest and dividend income									**874**	2,603
– Finance costs									**(48)**	(57)
– Share of result of an associate	**–**	–	**(5)**	(17)	**–**	–	**–**	–	**(5)**	(17)
(Loss)/profit before income tax									**(1,992)**	4,299
Income tax expenses									**(47)**	(921)
(Loss)/profit for the year									**(2,039)**	3,378

(ii) Other segment information

	Hong Kong		PRC		South East Asia		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Revenue from external customers by location of customers										
– External sales	**81,874**	98,952	**266,488**	68,143	**15,844**	16,892	**–**	–	**364,206**	183,987
– Inter-segment sales	**12,050**	10,888	**18,843**	20,530	**850**	–	**(31,743)**	(31,418)	**–**	–
	93,924	109,840	**285,331**	88,673	**16,694**	16,892	**(31,743)**	(31,418)	**364,206**	183,987
Capital expenditure	**2,030**	1,713	**245**	979	**65**	717	**–**	–	**2,340**	3,409
Depreciation and amortisation	**1,205**	2,950	**1,647**	1,443	**294**	241	**–**	–	**3,146**	4,634
Net loss/(gain) on disposal of property, plant and equipment	**–**	–	**18**	192	**(1)**	1	**–**	–	**17**	193
Impairment loss on financial assets at fair value through profit or loss	**3,157**	794	**–**	–	**–**	–	**–**	–	**3,157**	794
Impairment loss on available-for-sale financial assets	**2,054**	–	**–**	–	**–**	–	**–**	–	**2,054**	–

(iii) An analysis of the Group's balance sheet by geographical segments is as follows:

	Hong Kong		PRC		South East Asia		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets										
Segment assets	**112,615**	123,032	**96,027**	39,150	**2,557**	3,929	**(76,433)**	(90,271)	**134,766**	75,840
Interests in associates	**–**	–	**–**	5	**–**	–	**–**	–	**–**	5
Unallocated corporate assets									**59,072**	55,109
Total assets									**193,838**	130,954
Liabilities										
Segment liabilities	**(17,842)**	(18,331)	**(131,692)**	(84,868)	**(17,807)**	(17,849)	**76,433**	90,271	**(90,908)**	(30,777)
Unallocated corporate liabilities										
– Borrowings									**(6,779)**	(1,266)
– Others									**(298)**	(858)
Total liabilities									**(97,985)**	(32,901)

Secondary reporting format – Business segments

The Group is organised on a worldwide basis into four main operating divisions, namely enterprise software products, systems integration, professional services and ASP services.

Principal activities of the operating divisions are as follows:

Enterprise software products	–	Sale of enterprise software products and provision of maintenance services
Systems integration	–	Provision of systems integration services and resale of complementary hardware and software products
Professional services	–	Provision of consultancy services
ASP services	–	Provision of services in respect of ASP business

An analysis of the revenue from external customers, segment assets and capital expenditure by business segments is as follows:

	Enterprise software products		Systems integration		Professional services		ASP services		Unallocated		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**83,304**	92,770	**254,729**	62,423	**21,606**	24,111	**4,567**	4,683	**–**	–	**364,206**	183,987
Segment assets	**40,504**	48,971	**85,909**	21,729	**7,993**	5,002	**360**	143	**59,072**	55,109	**193,838**	130,954
Capital expenditure	**463**	2,734	**–**	–	**1,601**	675	**276**	–	**–**	–	**2,340**	3,409

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 2008.

11 TRADE RECEIVABLES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables		
– Third parties	**84,932**	27,640
– A related party	**–**	4,815
Trade receivables – net	**84,932**	32,455

Trade receivables from third parties 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.

Last year, trade receivable from a related party was unsecured, interest-free, and due within 30 days from the date of billing. The related party is a shareholder of a subsidiary of the Company.

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

Based on the invoice dates, the aging analysis of the trade receivables was as follows:

	2008	2007
	HK$'000	*HK$'000*
Trade receivables		
0 – 30 days	**69,768**	15,695
31 – 60 days	**3,488**	5,681
61 – 90 days	**1,282**	3,734
Over 90 days	**10,394**	7,345
	84,932	32,455

At each balance sheet date the Group reviews receivables for evidence of impairment on both an individual and collective basis. The amount of impairment loss of individually impaired receivables, if any, is recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, no specific impairment allowance is recognised as at 31 December 2008.

12 TRADE PAYABLES

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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**53,525**	2,782
31 – 60 days	**4,115**	221
61 – 90 days	**20**	35
Over 90 days	**8,561**	4,089
	66,221	7,127

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 December 2008, the Group recorded a significant growth of 98% in turnover of HK$364,206,000, compared with a turnover of HK$183,987,000 for 2007. The increase of turnover was largely contributed by the systems integration business in Mainland China.

Sales of enterprise software products dropped by 10% to HK$83,304,000 (2007: HK$92,770,000). Revenue on professional services decreased by 10% to HK$21,606,000 (2007: HK$24,111,000). Both drops were due to slow down of the banking business in Hong Kong because of the financial crisis.

The systems integration business increased by 308% to HK$254,729,000 (2007: HK$62,423,000), representing several major contracts from the large state-owned enterprises and listed national banks in China.

The ASP business remained stable with revenue of HK$4,567,000 (2007: HK$4,683,000).

During the year ended 31 December 2008, the Group's loss attributable to equity holders of the company was HK$822,000, as compared with a profit of HK$4,068,000 in the same period of 2007. The net loss of HK$822,000 in 2008 was mainly caused by the impairment loss of HK$3,157,000 on financial assets at fair value and the impairment loss of HK$2,054,000 on available-for-sale financial assets. The operating profit before depreciation, amortisation and impairment loss was HK$6,418,000 (2007: HK$9,801,000).

OPERATION REVIEW

2008 was a very tough year for our clients in the financial sector. Even though somewhat affected, the Group's enterprise software and professional services business were not hard hit because of strong backlog and recurring income from software upgrades and maintenance fees.

Seeing the coming of financial tsunami, management took active steps in developing business outside of Hong Kong and the banking and finance sector. This resulted in a jump of systems integration business in the states-owned enterprises and the regional banks in China.

Our effort in developing the Japanese clients operating in China also reaped return. Our outsourcing group is expected to conclude a 5-year contract to provide maintenance and support service to this client for their operating units in 4 locations in Mainland China, Hong Kong, and Taiwan.

Even though the Group has done much preparation for the China Support Hub project for the multinational banks entering China, management put off the full implementation because of the economic downturn to reserve cash for operation in preparation for even worse time to come.

In preparation for tough time, the Group has reduced its head counts from 425 persons at the beginning of the year to 368 persons through natural attrition and hiring freeze. We encouraged our staff to do more and smarter with less people through process re-engineering and coaching.

FUTURE PROSPECTS

Management expects 2009 to be lackluster for Hong Kong and South East Asia in terms of business growth. However, a good backlog of software maintenance and enhancement business will continue to support a profitable operation in these two geographies.

China will continue to be the growth area. The local Chinese banks are encouraged to make more lending and to grow their business, and that would likely translate into more business for us in enhancing our Excel Loans Systems sold to many of these banks. The financial crisis has also stalled the progress of our marketing effort in selling to the foreign banks in China, but we believe this effort will eventually pay off when the world economy starts to recover.

To counter the dependencies on the banking and finance sector, the Group has made the efforts into strengthening our government e-Commerce business, a sector which is expected to be recession proof. The Group already had a small investment in two companies which specialised in developing software for various government bodies in China and will continue to grow these two companies with more attention and focus.

Instead of a full implementation of the China Support Hub initiative, the Group will proceed to start the Excel School of Banking and Technology (the "School"). The School will provide strong benefits to Excel's business by enhancing and strengthening our branding and relationship with banks in China, providing a steady stream of qualified low cost resource, and preparing us for the China Support Hub project when the economy turns around.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group was in a strong financial position with cash and cash equivalents of HK$47,741,000 (2007: HK$37,625,000).

As at 31 December 2008, the Group held the unlisted private equity fund at a fair value of US$437,000 for long-term strategic purpose and treated this investment as an available-for-sale financial asset so that all at fair value adjustments pass through investment revaluation reserve. Due to financial crisis, the management determined to recognise an impairment loss of US$263,000 after a prolonged and significant decline in the fair value by US$263,000 cumulatively at the end of 2008.

As at 31 December 2008, the Group invested the equity securities listed in Hong Kong of HK$4,528,000 at fair value. (2007: HK$6,990,000).

The Group monitors its capital structure using gearing ratio which is net debts 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 owners' equity and minority interest stated in the consolidated balance sheet. During 2008 the Group's strategy remains unchanged from 2007, which is to maintain the gearing ratio at a healthy capital level in order to support its business. As of 31 December 2008 and of 31 December 2007, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group were zero.

CAPITAL STRUCTURE

As at 31 December 2008, the Group's issued shares were 985,050,000, which was the same as last year.

INVESTMENTS

During the year, the Company has the following two changes in ownership interests:

On 29 May 2008, the Company acquired the remaining 49% equity interest in a subsidiary named Excel Global IT Services Holdings Limited from a minority shareholder at a consideration of HK$1,911,000 which was satisfied by the loan receivables due from the minority shareholder.

On 19 June 2008, the Company also acquired the remaining 35% equity interest in another subsidiary named 新川資訊科技股份有限公司 from a minority shareholder at a consideration of HK$1,057,000 which was settled by cash.

SEGMENTAL PERFORMANCES

Hong Kong region turnover was HK$103,368,000, dropped by 15% compared with HK$121,628,000 last year.

The China operations achieved the growth in turnover of HK$281,858,000 by 240% (2007: HK$82,919,000).

South East Asia region recorded a turnover of HK$10,723,000, slightly decreased by 1% compared with 2007 (2007: HK$10,858,000).

EMPLOYEES

The total number of employees as at 31 December 2008 was 368 (beginning of 2008: 425).

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 of 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 in place internal controls 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 2008.

The Company's financial statements for the year ended 31 December 2008 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 2008, 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 2008.

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

Hong Kong, 23 March 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.