

# Excel

TECHNOLOGY

Excel Technology  
International  
Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code: 8048)



Interim Report  
**2006**

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

*The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# INTERIM RESULTS ENDED 30 JUNE 2006

The Directors of the Company present the condensed 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 2006 ("Condensed Financial Statements"), together with the comparative figures for the corresponding periods in 2005, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2006

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover	2	85,783	59,138	120,981	94,924
Other net operating income		531	123	789	154
Change in inventories of hardware and software		(5,501)	488	5,982	(1,778)
Purchase of hardware and software		(51,229)	(32,454)	(71,147)	(45,365)
Professional fee		(1,225)	(1,992)	(7,245)	(2,992)
Staff costs		(19,680)	(20,972)	(39,155)	(40,100)
Depreciation and amortisation		(1,299)	(1,729)	(2,640)	(3,612)
Other expenses		(4,153)	(5,542)	(8,453)	(10,288)
Profit/(Loss) from operations	4	3,227	(2,940)	(888)	(9,057)
Finance costs		(61)	(79)	(153)	(143)
Share of results of associate		(35)	733	98	740
Loss on disposal of an associate		(3,237)	–	(3,237)	–
Loss before taxation		(106)	(2,286)	(4,180)	(8,460)
Taxation	5	–	–	(13)	–
Loss for the period		(106)	(2,286)	(4,193)	(8,460)
Attributable to:					
Equity holders of the parent		(857)	(2,559)	(4,537)	(8,624)
Minority interests		751	273	344	164
		(106)	(2,286)	(4,193)	(8,460)
Loss per share – Basic	7	(0.09) cents	(0.26) cents	(0.46) cents	(0.88) cents

# CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	Notes	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Non-current assets			
Property, plant and equipment	8	12,507	13,687
Interests in associates		150	36,365
Goodwill		1,691	1,140
Development costs	9	2,525	3,367
Available-for-sale financial assets		5,670	7,229
		<b>22,543</b>	61,788
Current assets			
Inventories, at cost		6,261	279
Unbilled revenue		11,645	7,956
Trade receivables	10	43,311	29,019
Other receivables, deposits and prepayments		9,794	9,244
Financial assets at fair value through profit or loss		2,121	–
Pledged bank deposits		15,799	10,484
Bank balances and cash		42,165	14,464
		<b>131,096</b>	71,446
Current liabilities			
Short-term bank loans – secured		2,425	7,170
Trade payables	11	42,437	14,828
Other payables and accrued charges		10,001	10,789
Deferred income		14,999	13,214
		<b>69,862</b>	46,001
Net current assets		<b>61,234</b>	25,445
Net assets		<b>83,777</b>	87,233
Capital and reserves			
Share capital	12	98,505	98,505
Reserves		(19,309)	(14,772)
Equity attributable to equity holders of the parent		<b>79,196</b>	83,733
Minority interests		4,581	3,500
Total equity		<b>83,777</b>	87,233

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Equity Attributable to equity holders of the parent					Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2005	98,505	179,650	–	(176,341)	101,814	2,636	104,450
Opening balance adjustment arising from the adoption of HKAS 39	–	–	(1,305)	–	(1,305)	–	(1,305)
As restated	98,505	179,650	(1,305)	(176,341)	100,509	2,636	103,145
Changes in fair value of available-for-sale financial assets	–	–	(210)	–	(210)	–	(210)
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	4	4
(Loss) Profit for the year	–	–	–	(16,566)	(16,566)	860	(15,706)
At 31 December 2005 and 1 January 2006	98,505	179,650	(1,515)	(192,907)	83,733	3,500	87,233
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	737	737
(Loss) Profit for the period	–	–	–	(4,537)	(4,537)	344	(4,193)
<b>At 30 June 2006</b>	<b>98,505</b>	<b>179,650</b>	<b>(1,515)</b>	<b>(197,444)</b>	<b>79,196</b>	<b>4,581</b>	<b>83,777</b>
At 1 January 2005	98,505	179,650	–	(176,341)	101,814	2,636	104,450
Opening balance adjustment arising from the adoption of HKAS 39	–	–	(1,305)	–	(1,305)	–	(1,305)
As restated	98,505	179,650	(1,305)	(176,341)	100,509	2,636	103,145
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	8	8
(Loss) Profit for the period	–	–	–	(8,624)	(8,624)	164	(8,460)
At 30 June 2005	98,505	179,650	(1,305)	(184,965)	91,885	2,808	94,693

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	(Unaudited) Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Net cash from (used in) operating activities	5,181	(13,592)
Net cash from (used in) investing activities	26,681	(378)
Net cash (used in) from financing activities	(4,161)	805
Net increase/(decrease) in cash and cash equivalents	27,701	(13,165)
Cash and cash equivalents at beginning of the period	14,464	20,196
Cash and cash equivalents at end of the period, representing bank balances and cash	42,165	7,031

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

## 1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("FRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2005.

This financial information also complies with the applicable disclosure requirements of the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of these financial statements is historical cost, except for certain available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value.

All inter-company transactions and balances within the Group have been eliminated on consolidation.

## 2. TURNOVER

An analysis of the Group's turnover by principal activities is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Enterprise software products	15,692	16,794	36,524	30,258
Systems integration	62,018	33,692	70,723	49,456
Professional services	6,851	7,380	11,336	12,608
ASP services	1,222	1,272	2,398	2,602
	<b>85,783</b>	59,138	<b>120,981</b>	94,924

### 3. SEGMENT INFORMATION

#### 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 businesses can be subdivided into Hong Kong, other regions in the People's Republic of China (the "PRC") and other markets.

An analysis of the Group's turnover and results by geographical segments is as follows:

	Hong Kong		PRC		Others		Elimination		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)						(Restated)
Turnover	45,233	41,520	79,234	55,636	7,852	4,553	(11,338)	(6,785)	120,981	94,924
Segment result	(1,593)	(7,367)	(184)	(1,750)	889	60			(888)	(9,057)
Finance costs	(59)	–	(94)	(143)	–	–			(153)	(143)
Share of results of associates	–	–	98	740	–	–			98	740
Loss on disposal of an associate	(3,237)	–	–	–	–	–			(3,237)	–
Profit/(Loss) before taxation	(4,889)	(7,367)	(180)	(1,153)	889	60			(4,180)	(8,460)
Taxation	–	–	(13)	–	–	–			(13)	–
Profit/(Loss) before minority interests	(4,889)	(7,367)	(193)	(1,153)	889	60			(4,193)	(8,460)
Minority interests	–	9	(344)	(173)	–	–			(344)	(164)
Profit/(Loss) attributable to equity holders of the parent	(4,889)	(7,358)	(537)	(1,326)	889	60			(4,537)	(8,624)



## Business segments

An analysis of the Group's turnover by business segments is as follows:

Six months ended 30 June		
	2006 HK\$'000	2005 HK\$'000
Enterprise software products	36,524	30,258
Systems integration	70,723	49,456
Professional services	11,336	12,608
ASP services	2,398	2,602
	<b>120,981</b>	<b>94,924</b>

## 4. PROFIT/(LOSS) FROM OPERATIONS

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

	Three months ended 30 June		Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Depreciation and amortisation of property, plant and equipment	877	878	1,798	1,730
Amortisation of development costs	422	1,125	842	1,882
Amortisation of goodwill	—	(274)	—	—
Total depreciation and amortisation	<b>1,299</b>	1,729	<b>2,640</b>	3,612
Interest income	(226)	(81)	(368)	(127)
Dividend income from investments in securities	—	—	—	(24)
Unrealised (profit) loss on investments in securities	(35)	140	(35)	158

## 5. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 (Restated)	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 (Restated)
The Company and its Subsidiaries				
– Hong Kong Profits Tax	–	–	–	–
– Overseas Tax	–	–	<b>13</b>	–
	–	–	<b>13</b>	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries either incurred tax losses during the respective periods or their estimated assessable profits for the respective periods are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group has not recognised any deferred tax assets arising from unused tax losses due to the unpredictability of future profit streams.

## 6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

## 7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2006 is based on the loss attributable to equity holders of the parent of HK\$4,537,000 (2005: HK\$8,624,000) and the 985,050,000 (2005: 985,050,000) shares in issue during the period.

No diluted loss per share has been presented because all the share options granted as at 30 June 2006 and 2005 were anti-dilutive.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2006, the Group spent HK\$352,000 (six months ended 30 June 2005: HK\$1,879,000) on acquisition of property, plant and equipment.

## 9. DEVELOPMENT COSTS

During the six months ended 30 June 2006, the Group did not incur development costs (six months ended 30 June 2005: Nil).

## 10. TRADE RECEIVABLES

Trade receivables are due within 30 days from the date of billing. Debtors with balances, that are more than 3 months 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 2006 HK\$'000</b>	<b>31 December 2005 HK\$'000</b>
Within 1 month	<b>33,649</b>	22,197
1 to 3 months	<b>4,935</b>	5,085
Over 3 months	<b>4,727</b>	1,737
	<b>43,311</b>	29,019

## 11. TRADE PAYABLES

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

	<b>30 June 2006 HK\$'000</b>	<b>31 December 2005 HK\$'000</b>
Within 1 month	<b>32,026</b>	10,827
1 to 2 months	<b>2,517</b>	599
2 to 3 months	<b>1,184</b>	1,517
Over 3 months	<b>6,710</b>	1,885
	<b>42,437</b>	14,828

## 12. SHARE CAPITAL

	<b>30 June 2006 &amp; 31 December 2005</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. CONTINGENT LIABILITIES

### **The Company**

At 30 June 2006, the Company has given corporate guarantees of HK\$30,450,000 (31 December 2005: HK\$30,450,000) to suppliers and a bank to secure the credit facilities granted to its subsidiaries. At 30 June 2006, the amount of facilities utilised by the subsidiaries amounted to HK\$143,000 (31 December 2005: HK\$2,461,000).

At 30 June 2006, the Company had also given corporate guarantees to customers in respect of the performance of obligations and liabilities under the service contracts entered into by the subsidiaries to the extent of HK\$16,124,000 (31 December 2005: HK\$16,124,000).

## 14. PLEDGE OF ASSETS

### **The Group**

At 30 June 2006, bank deposits and leasehold land and buildings of HK\$15,799,000 (31 December 2005: HK\$10,484,000) and HK\$6,476,000 (31 December 2005: HK\$6,527,000) respectively were pledged to a bank to secure credit facilities granted to the Group.

## 15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Sale of enterprise software products to a related company	435	–
Sale of enterprise software products to a minority shareholder	5,534	1,913
Sale of enterprise software products to an associate	–	338
Management fee and service income from a related company	–	100
Design fee paid to a related company	–	100
Purchases of complementary hardware and software from a minority shareholder	20,044	10,407
Professional fee paid to a minority shareholder	–	545
Professional fee paid to an associate	–	106
Rental paid to a minority shareholder	6	34

Mrs. Zee Chan Mei Chu, Peggy, a director of the Company, has beneficial interests in the related company.

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

The management fee and service income is calculated with reference to the estimated staff costs and overheads incurred by the Group.

The design fee is calculated based on agreements entered into between the related company and the Group in January 2005.

The rental expenses is based on agreements entered into between the minority shareholder and the Group in August 2005.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the six-month period ended 30 June 2006, the Group recorded an increase of 27% in turnover to HK\$120,981,000, compared with HK\$94,924,000 in the same period of last year.

Enterprise software product increased by 21% in turnover to HK\$36,524,000 (2005: HK\$30,258,000).

Systems integration business grew by 43% to HK\$70,723,000 (2005: HK\$49,456,000) due to a large transaction in software services from China.

Professional service slightly dropped by 10% to HK\$11,336,000 (2005: HK\$12,608,000) and ASP business remained stable.

The Group sees significant improvement in the second quarter with a profit of HK\$3,227,000 from the operation, thus bringing the loss from operations for the first six months down to HK\$888,000, as compared to the loss of HK\$9,057,000 in the same period of last year.

The Group reported a loss attributable to equity holders of the parent of HK\$4,537,000 for the six months ended 30 June 2006 (2005: Loss of HK\$8,624,000). Excluding the disposal loss of an associate company of HK\$3,237,000, the Group's loss attributable to equity holders of the parent before disposal loss of associate was HK\$1,300,000 (2005: Loss of HK\$8,624,000).

## LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2006, the Group had pledged deposit of HK\$15,799,000 plus bank balance and cash amounted to HK\$42,165,000.

The Group maintained a bank borrowing of HK\$2,425,000 for funding the working capital needs of the China operation.

Trade receivables increased to HK\$43,311,000 (31 December 2005: HK\$29,019,000), which is largely due to a large system integration transaction happened near the end of the second quarter. The Group does not anticipate any problem in collecting these receivables.

As of 30 June 2006, the gearing ratio of the Group was 3.06% (31 December 2005: 8.56%) on the basis of bank borrowing divided by shareholders' fund.

## CAPITAL STRUCTURE

As at 30 June 2006, 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.

## SIGNIFICANT INVESTMENT AND DISPOSAL

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

On 29 May 2006, the Group completed a transaction to dispose of its holdings (being 21.51%) of an associated company Camelot Information Systems Inc ("Camelot"), a provider of information technology service in China, for the consideration of US\$4,253,375 (equivalent to approximately HK\$33,176,325). Although this transaction generates an one-time disposal loss of HK\$3,237,000 to the Group, it increases our liquidity position significantly. The reason of the disposal, as described in the relevant announcement put out by the Group, is that the Group has decided to develop its own software service outsourcing business using its own resource, the disposal of Camelot will allow us to concentrate our effort in this area.

## SEGMENTAL PERFORMANCES

Hong Kong region recorded a slight increase of 9% in turnover to HK\$45,233,000 (2005: HK\$41,520,000).

The China operation achieved a growth of 42% in turnover to HK\$79,234,000 (2005: HK\$55,636,000).

South East Asia region achieved significantly growth of 72% in turnover to HK\$7,852,000 (2005: HK\$4,553,000).

## EMPLOYEES

As of 30 June 2006, the Group has a total number of 412 employees, with an allocation of 36%, 62% and 2% in Hong Kong, China and South East Asia respectively. This represents a decrease of 30 employees in the past six months.

## EXPOSURE TO FOREIGN EXCHANGE RISK

The Group received renminbi from sales in China. The renminbi income was fully applied to working capital need in China.

## OUTLOOK FOR THE SECOND HALF OF 2006

Management is confident of the outlook for the rest of the year. Sales pipeline is strong for all business units with several large software contracts under negotiation with expectation to be brought to closure in the second half of the year. Our software products continue to be selected for regional implementation by regional and multinational banks. This trend would help us to gain significant penetration in the enterprise software market beyond Hong Kong, and to build up a steady recurring maintenance and service revenue stream.

In the first half of 2006, most of the Group's business units made significant improvements and achieved EBITDA (Earning before interest, taxation, depreciation and amortisation) positive. Only a newly established outsourcing business unit required investment from the Group but is expected to bring long term large scale contracts to the Group.

The Group's rich set of product portfolio, in-depth client relationship, and geographic footprint has attracted many international companies to seek long-term partnership. The Group will leverage on these international partners to bring complementary technology and products into the region and to also widen our client base through their network.

With an operational profit in the second quarter, a strong string of signed contracts and pipeline, management expects the continued positive trend.



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

At 30 June 2006, 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	2,744,000	–	563,679,197 (Note 1)	566,423,197	57.50%
Fung Din Chung, Rickie	24,559,498	–	–	24,559,498	2.49%
Leung Lucy, Michele	–	–	24,559,498 (Note 2)	24,559,498	2.49%
Ng Wai King, Steve	21,050,998	–	–	21,050,998	2.14%
Wong Mee Chun	40,000	382,000 (Note 3)	–	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 Mossell Green Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Leung Lucy, Michele.
- (3) 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 2006.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, 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 (Note 1)	566,423,197	57.50%
Passion Investment (BVI) Limited (Note 1)	563,679,197	57.22%
Cheung Kong (Holdings) Limited (Note 2)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (Note 2) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited (Note 2) (as trustee of another discretionary trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (Note 2) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Li Ka-shing (Note 2)	143,233,151	14.54%
Alps Mountain Agent Limited (Note 2)	71,969,151	7.31%
iBusiness Corporation Limited (Note 2)	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 2006.

## CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2006, 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 in place an internal control system to perform the check and balance function

## 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 2006 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 2006.

## COMPETING INTERESTS

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 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 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 2006, 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*

*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*)

Hong Kong, 10 August 2006