

Excel

TECHNOLOGY

Excel Technology International Holdings Limited

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

2007 Interim Report

07

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 2007

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 2007 (“Condensed Financial Statements”), together with the comparative figures for the corresponding periods in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2007

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	53,023	85,783	86,875	120,981
Other net operating income		679	531	1,284	789
Change in inventories of hardware and software		2,488	(5,501)	2,516	5,982
Purchase of hardware and software		(24,977)	(51,229)	(30,149)	(71,147)
Professional fee		(2,242)	(1,225)	(4,167)	(7,245)
Staff costs		(22,853)	(19,680)	(45,191)	(39,155)
Depreciation and amortisation		(1,170)	(1,299)	(2,204)	(2,640)
Other expenses		(4,864)	(4,153)	(9,140)	(8,453)
Profit (Loss) from operations	4	84	3,227	(176)	(888)
Finance costs		–	(61)	–	(153)
Share of results of associate		11	(35)	14	98
Loss on disposal of an associate		–	(3,237)	–	(3,237)
Profit (Loss) before taxation		95	(106)	(162)	(4,180)
Taxation	5	(51)	–	(51)	(13)
Profit (Loss) for the period		44	(106)	(213)	(4,193)
Attributable to:					
Equity holders of the Company		868	(857)	1,262	(4,537)
Minority interests		(824)	751	(1,475)	344
		44	(106)	(213)	(4,193)
Earnings (Loss) per share - Basic	7	0.09 cents	(0.09) cents	0.13 cents	(0.46) cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	Notes	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Non-current assets			
Property, plant and equipment	8	12,585	11,602
Interests in associates		36	22
Goodwill		1,691	1,691
Development costs	9	842	1,684
Available-for-sale financial assets		6,275	6,275
Loan receivable		1,911	1,911
		23,340	23,185
Current assets			
Inventories, at cost		3,719	1,203
Unbilled revenue		17,749	12,640
Trade receivables	10	32,885	25,467
Other receivables, deposits and prepayments		6,397	5,153
Financial assets at fair value through profit or loss		5,000	2,547
Pledged bank deposits		12,366	13,303
Bank balances and cash		37,691	47,261
		115,807	107,574
Current liabilities			
Other loans		11,730	6,305
Trade payables	11	9,171	8,562
Other payables and accrued charges		7,247	7,907
Deferred income		18,863	16,694
		47,011	39,468
Net current assets		68,796	68,106
Net assets		92,136	91,291
Capital and reserves			
Share capital	12	98,505	98,505
Reserves		(10,265)	(12,365)
Equity attributable to equity holders of the Company		88,240	86,140
Minority interests		3,896	5,151
Total equity		92,136	91,291

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 January 2006	98,505	179,650	(1,515)	–	(192,907)	83,733	3,500	87,233
Net gain directly recognized in equity:								
Changes in fair value of available-for-sale financial assets	–	–	605	–	–	605	–	605
Acquisition of a subsidiary	–	–	–	–	–	–	737	737
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	–	1,907	1,907
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	345	–	345	150	495
Profit (Loss) for the year	–	–	–	–	1,457	1,457	(1,143)	314
At 31 December 2006 and 1 January 2007	98,505	179,650	(910)	345	(191,450)	86,140	5,151	91,291
Net gain directly recognized in equity:								
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	838	–	838	220	1,058
Profit (Loss) for the period	–	–	–	–	1,262	1,262	(1,475)	(213)
At 30 June 2007	98,505	179,650	(910)	1,183	(190,188)	88,240	3,896	92,136
At 1 January 2006	98,505	179,650	(1,515)	–	(192,907)	83,733	3,500	87,233
Net loss directly recognized in equity:								
Capital contributed by a minority shareholder of subsidiary	–	–	–	–	–	–	737	737
(Loss) Profit for the period	–	–	–	–	(4,537)	(4,537)	344	(4,193)
At 30 June 2006	98,505	179,650	(1,515)	–	(197,444)	79,196	4,581	83,777

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	(Unaudited) Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash (used in) generated from operating activities	(12,836)	5,181
Net cash (used in) generated from investing activities	(3,198)	26,681
Net cash generated from (used in) financing activities	5,425	(4,161)
Net (decrease)/increase in cash and cash equivalents	(10,609)	27,701
Cash and cash equivalents at beginning of the period	47,261	14,464
Effect on exchange rate changes	1,039	—
Cash and cash equivalents at end of the period, representing bank balances and cash	37,691	42,165

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), 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"), 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 2006.

This financial information also complies with 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.

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 are 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 and revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Enterprise software products	22,179	15,692	43,289	36,524
Systems integration	23,059	62,018	28,232	70,723
Professional services	6,627	6,851	13,006	11,336
ASP services	1,158	1,222	2,348	2,398
	53,023	85,783	86,875	120,981

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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	51,943	45,233	42,394	79,234	6,077	7,852	(13,539)	(11,338)	86,875	120,981
Segment result	5,303	(1,593)	(5,317)	(184)	(162)	889			(176)	(888)
Finance costs	-	(59)	-	(94)	-	-			-	(153)
Share of results of associates	-	-	14	98	-	-			14	98
Loss on disposal of an associate	-	(3,237)	-	-	-	-			-	(3,237)
Profit (Loss) before taxation	5,303	(4,889)	(5,303)	(180)	(162)	889			(162)	(4,180)
Taxation	-	-	(51)	(13)	-	-			(51)	(13)
Profit (Loss) before minority interests	5,303	(4,889)	(5,354)	(193)	(162)	889			(213)	(4,193)
Minority interests	-	-	1,475	(344)	-	-			1,475	(344)
Profit (Loss) attributable to equity holders of the Company	5,303	(4,889)	(3,879)	(537)	(162)	889			1,262	(4,537)

Business segments

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

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Enterprise software products	43,289	36,524
Systems integration	28,232	70,723
Professional services	13,006	11,336
ASP services	2,348	2,398
	86,875	120,981

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	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Depreciation and amortisation of property, plant and equipment	749	877	1,362	1,798
Amortisation of development costs	421	422	842	842
Total depreciation and amortisation	1,170	1,299	2,204	2,640
Loss on disposal of property, plant and equipment	24	—	25	—
Interest income	(509)	(226)	(1,030)	(368)
Dividend income from investments in securities	(21)	—	(32)	—
Unrealised (profit) loss on investments in securities	(61)	(35)	110	(35)

5. TAXATION

	Three months ended		Six months ended	
	30 June		30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The Company and its Subsidiaries				
– Hong Kong Profits Tax	–	–	–	–
– Overseas Tax	51	–	51	13
	51	–	51	13

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities had no assessable profit for 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 2007 (six months ended 30 June 2006: nil).

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company of HK\$1,262,000 (2006: loss of HK\$4,537,000) 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 were anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group spent HK\$2,368,000 (six months ended 30 June 2006: HK\$352,000) on acquisition of property, plant and equipment.

9. DEVELOPMENT COSTS

During the six months ended 30 June 2007, the Group did not incur development costs (six months ended 30 June 2006: 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:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 1 month	21,264	14,657
1 to 3 months	6,365	5,779
Over 3 months	5,256	5,031
	32,885	25,467

11. TRADE PAYABLES

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

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 1 month	6,314	2,380
1 to 2 months	–	4,792
2 to 3 months	300	792
Over 3 months	2,557	598
	9,171	8,562

12. SHARE CAPITAL

	30 June 2007 & 31 December 2006	
	Number of shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.10 each	5,000,000,000	500,000
Issued and fully paid:		
Shares of HK\$0.10 each	985,050,000	98,505

13. CONTINGENT LIABILITIES

The Company

At 30 June 2007, the Company has given corporate guarantees of HK\$30,450,000 (31 December 2006: HK\$30,450,000) to suppliers and a bank to secure the credit facilities granted to its subsidiaries. At 30 June 2007, the amount of facilities utilised by the subsidiaries amounted to HK\$185,000 (31 December 2006: HK\$39,000).

At 30 June 2007, 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\$12,204,000 (31 December 2006: HK\$12,204,000).

14. PLEDGE OF ASSETS

The Group

At 30 June 2007, bank deposits and leasehold land and buildings of HK\$2,166,000 (31 December 2006: HK\$3,603,000) and HK\$6,373,000 (31 December 2006: HK\$6,424,000) respectively were pledged to a bank to secure credit facilities granted to the Group. In addition, bank deposit of HK\$10,200,000 was pledged for performance of obligations and liabilities under a service contract entered into by a subsidiary and a third party customer (31 December 2006: HK\$9,700,000).

15. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Revenue:		
Sale of enterprise software products to a related company	–	435
Sale of enterprise software products to a minority shareholder	–	5,534
Purchase and expenses:		
Purchases of complementary hardware and software from a minority shareholder	196	20,044
Professional fee paid to an associate	147	–
Rental paid to a minority shareholder	–	6
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	990	990
– Contribution to defined contribution plan	12	12

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

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

The Group's profit attributable to equity holders of the Company for the six month ended 30 June 2007 was HK\$1,262,000, as compared to a loss of HK\$4,537,000 in the same period of 2006. The profit for this second quarter of 2007 was HK\$868,000, which also represents a healthy and steady growth over that of the first quarter at HK\$394,000. These performance numbers indicate the Group is improving with solid steps since we regain profitability in 2007.

For the six-month period ended 30 June 2007, the Group recorded a turnover of HK\$86,875,000, representing a decrease of 28% compared with HK\$120,981,000 in the same period of last year. The decrease in turnover was mainly due to the decrease in systems integration business in China, which is expected to pick up in the remaining period of this year.

Enterprise software product increased by 19% in turnover to HK\$43,289,000 (2006: HK\$36,524,000).

Systems integration business dropped by 60% to HK\$28,232,000 (2006: HK\$70,723,000) for the reason stated above.

Professional service increased by 15% to HK\$13,006,000 (2006: HK\$11,336,000), which was mainly attributed to the software development outsourcing business we have built up in the past year.

The ASP business remained stable at HK\$2,348,000 (2006: HK\$2,398,000).

Liquidity and Financial Resources

As of 30 June 2007, the Group had cash and cash equivalents amounted to HK\$50,057,000, with HK\$12,366,000 in the form of pledged deposit.

Trade receivables increased to HK\$32,885,000 (31 December 2006: HK\$25,467,000). The Group does not anticipate problem in collecting these receivables.

As of 30 June 2007, the gearing ratio of the Group was 13.3% (31 December 2006: 7.3%) on the basis of borrowing divided by equity attributable to equity holders of the Company.

Capital Structure

As at 30 June 2007, 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 Investments

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

Segmental Performances

Hong Kong region achieved turnover to HK\$51,943,000 (2006: HK\$45,233,000).

The China operation recorded turnover to HK\$42,394,000 (2006: HK\$79,234,000).

South East Asia region's turnover was HK\$6,077,000 (2006: HK\$7,852,000).

Employees

As of 30 June 2007, the Group has a total number of 462 employees (Beginning of 2007: 420), an increase of 42 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 2007

Management is confident of the outlook for the rest of the 2007. Our enterprise software business is growing strongly as banks in the region continue to invest in their information technology facilities to stay competitive. In Hong Kong, the active stock market gave us many business opportunities to provide upgrade versions of our InterTrade stock trading system to our customers to help them cope with the increasing trading volume. In Malaysia and China, our wealth management suite of enterprise software: EC-Service and EC-Invest are of high demand. And in China, many of our banking customers are coming to us for additional services to upgrade versions of the loans origination and processing systems we sold them.

On our outsourcing business side, through the efforts made in our Japan office in Tokyo, we signed the contract with a leading Japanese company to implement an ERP (enterprise resource planning) system in China. We are first implementing this ERP system in Shanghai, to be followed by Hong Kong and Taipei in the second half of this year, and then other cities in the coming years. Overall, the outsourcing business is gaining traction by getting more repeated business from its customers, and it is expected to contribute positively to our bottomline in the coming period.

Even though we have a significant drop in the turnover of our systems integration business in the first half of 2007, we are still confident that this business line will come up strong for the whole year. A number of sizable deals in the pipeline are being negotiated and we expect some of them will be materialized within this year.

The economic climate of Asia is generally good, and China is even expecting double digit growth this year. Obviously the strategy for us under such economic condition would be to capture more business opportunities, and to maximize the profit out of these opportunities. Our challenges in executing such a strategy would be finding the right talents and match them with these new business opportunities. However, with a booming economy, manpower costs do rise as fast, and sometimes even faster, than the economy itself. Therefore, we will continue to carefully maintain a balance between pursuing new business opportunities and increasing manpower costs.

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

At 30 June 2007, 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	2,944,000	–	563,679,197 (Note 1)	566,623,197	57.52%
Fung Din Chung, Rickie	24,691,498	–	–	24,691,498	2.51%
Leung Lucy, Michele	–	–	24,559,498 (Note 2)	24,559,498	2.49%
Ng Wai King, Steve	20,400,998	–	–	20,400,998	2.07%
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 2007.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, 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)	566,623,197	57.52%
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 2007.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2007, 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 2007 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 2007.

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 an executive director and the deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"), and a non-executive director of TOM Group Limited ("TOM Group"). Cheong Ying Chew, Henry, an independent non-executive director of the Company, is also an independent non-executive director of CKH, CKI and TOM Group. Both CKH and CKI are engaged in information technology, e-commerce and new technology. TOM Group is engaged in providing Internet services.

Save as disclosed above, at 30 June 2007, 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 2007