

Excel

TECHNOLOGY

Excel Technology International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8048

Commerce
application

2008
INTERIM REPORT

business
software



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.

The Stock 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 howsoever 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 2008

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 2008 (“Condensed Financial Statements”), together with the comparative figures for the corresponding periods in 2007, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2008

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	182,987	53,023	232,699	86,875
Other net operating income		263	679	479	1,284
Change in inventories of hardware and software		10,857	2,488	12,071	2,516
Purchase of hardware and software		(163,497)	(24,977)	(188,880)	(30,149)
Professional fee		(1,632)	(2,242)	(4,571)	(4,167)
Staff costs		(21,679)	(22,853)	(43,863)	(45,191)
Depreciation and amortisation		(753)	(1,170)	(1,462)	(2,204)
Other expenses		(4,916)	(4,864)	(9,284)	(9,140)
Operating profit (loss)	4	1,630	84	(2,811)	(176)
Finance costs	5	(13)	–	(26)	–
Share of results of associate		111	11	106	14
Profit (Loss) before income tax		1,728	95	(2,731)	(162)
Income tax expenses	6	(11)	(51)	(18)	(51)
Profit (Loss) for the period		1,717	44	(2,749)	(213)
Attributable to:					
Equity holders of the Company		1,992	868	(1,425)	1,262
Minority interest		(275)	(824)	(1,324)	(1,475)
Profit (Loss) for the period		1,717	44	(2,749)	(213)
Earnings (Loss) per share for the profit (loss) attributable to the equity holders of the Company during the period					
– Basic (in HK cents)	8	0.20 cents	0.09 cents	(0.14) cents	0.13 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	Notes	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	11,653	12,501
Interests in associates		111	5
Goodwill		1,691	1,691
Available-for-sale financial assets		6,292	6,292
Loan receivable		—	1,911
		19,747	22,400
Current assets			
Inventories, at cost		12,908	837
Unbilled revenue		24,253	17,802
Trade receivables	10	41,790	32,455
Other receivables, deposits and prepayments		5,166	12,845
Financial assets at fair value through profit or loss		6,522	6,990
Bank balances and cash		47,055	37,625
		137,694	108,554
Current liabilities			
Borrowings		4,123	928
Trade payables	11	32,894	7,127
Other payables and accrued charges		5,440	7,675
Deferred income		22,367	15,975
Current tax liabilities		—	858
		64,824	32,563
Net current assets		72,870	75,991
Total assets less current liabilities		92,617	98,391
Non-current liabilities			
Borrowings		281	338
Net assets		92,336	98,053
EQUITY			
Share capital	12	98,505	98,505
Reserves		(9,207)	(5,423)
Equity attributable to equity holders of the Company		89,298	93,082
Minority interest		3,038	4,971
Total equity		92,336	98,053

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Equity attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity 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 gain directly recognized in equity	–	–	17	2,857	–	–	2,874	510	3,384
Profit (Loss) for the year	–	–	–	–	–	4,068	4,068	(690)	3,378
At 31 December 2007 and 1 January 2008	98,505	179,650	(893)	3,202	–	(187,382)	93,082	4,971	98,053
Acquisition of a subsidiary	–	–	–	–	–	–	–	(609)	(609)
The difference of acquisition cost of subsidiaries over their share of net asset value	–	–	–	–	(2,359)	–	(2,359)	–	(2,359)
Net loss directly recognized in equity	–	–	–	–	(2,359)	–	(2,359)	(609)	(2,968)
Loss for the period	–	–	–	–	–	(1,425)	(1,425)	(1,324)	(2,749)
At 30 June 2008	98,505	179,650	(893)	3,202	(2,359)	(188,807)	89,298	3,038	92,336
At 1 January 2007	98,505	179,650	(910)	345	–	(191,450)	86,140	5,151	91,291
Exchange difference on translation of financial statements of oversea subsidiaries	–	–	–	838	–	–	838	220	1,058
Net gain directly recognized in equity	–	–	–	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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	(Unaudited) Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Net cash generated from (used in) operating activities	9,463	(12,836)
Net cash used in investing activities	(3,145)	(3,198)
Net cash generated from financing activities	3,112	5,425
Net increase (decrease) in cash and cash equivalents	9,430	(10,609)
Cash and cash equivalents at beginning of the period	37,625	47,261
Effect on exchange rate changes	—	1,039
Cash and cash equivalents at end of the period, representing bank balances and cash	47,055	37,691

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2007.

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale and at fair value through profit or loss, which are stated at fair value.

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

2. REVENUE AND TURNOVER

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

	Three months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Enterprise software products	20,690	22,179	36,800	43,289
Systems integration	155,462	23,059	181,788	28,232
Professional services	5,637	6,627	11,776	13,006
ASP services	1,198	1,158	2,335	2,348
	182,987	53,023	232,699	86,875

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	
	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
Turnover	48,848	51,943	193,774	42,394	4,738	6,077	(14,661)	(13,539)	232,699	86,875
Segment result	(64)	5,303	(3,024)	(5,317)	277	(162)			(2,811)	(176)
Finance costs	(26)	-	-	-	-	-			(26)	-
Share of results of associate	-	-	106	14	-	-			106	14
(Loss) Profit before income tax	(90)	5,303	(2,918)	(5,303)	277	(162)			(2,731)	(162)
Income tax expenses	-	-	-	(51)	(18)	-			(18)	(51)
(Loss) Profit before minority interest	(90)	5,303	(2,918)	(5,354)	259	(162)			(2,749)	(213)
Minority interest	-	-	1,324	1,475	-	-			1,324	1,475
(Loss) Profit attributable to equity holders of the Company	(90)	5,303	(1,594)	(3,879)	259	(162)			(1,425)	1,262

Business segments

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

	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Enterprise software products	36,800	43,289
Systems integration	181,788	28,232
Professional services	11,776	13,006
ASP services	2,335	2,348
	232,699	86,875

4. OPERATING PROFIT (LOSS)

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

	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	753	749	1,462	1,362
Amortisation of development costs	–	421	–	842
Total depreciation and amortisation	753	1,170	1,462	2,204
Loss on disposal of property, plant and equipment	18	24	18	25
Interest income	(222)	(509)	(412)	(1,030)
Dividend income from investments in securities	(15)	(21)	(15)	(32)
Unrealised (profit) loss on investments in securities	58	(61)	544	110

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest charges on:				
Finance charges on finance leases	13	—	26	—

6. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
The Company and its Subsidiaries				
– Hong Kong Profits Tax	—	—	—	—
– Overseas Tax	11	51	18	51
	11	51	18	51

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.

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2008 is based on the loss attributable to equity holders of the Company of HK\$1,425,000 (2007: profit of HK\$1,262,000) and the 985,050,000 (2007: 985,050,000) shares in issue during the period.

No diluted earnings (loss) per share has been presented because there were no dilutive potential ordinary shares in issue for the respective periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group spent HK\$636,000 (six months ended 30 June 2007: HK\$2,368,000) on acquisition of property, plant and equipment.

10. TRADE RECEIVABLES

Trade receivables are due within 30 days from the date of billing. Debtors with balances, that are more than 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 2008 HK\$'000	31 December 2007 HK\$'000
Within 1 month	12,650	15,695
1 to 3 months	18,733	9,415
Over 3 months	10,407	7,345
	41,790	32,455

11. TRADE PAYABLES

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

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Within 1 month	9,696	2,782
1 to 2 months	16,259	221
2 to 3 months	75	35
Over 3 months	6,864	4,089
	32,894	7,127

12. SHARE CAPITAL

	30 June 2008 & 31 December 2007	
	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. FINANCIAL GUARANTEE CONTRACTS

The Company

At 30 June 2008, the Company has given corporate guarantees of HK\$21,450,000 (31 December 2007: HK\$21,450,000) to suppliers to secure the credit facilities granted to its subsidiaries. At 30 June 2008, the amount of facilities utilised by the subsidiaries amounted to HK\$304,200 (31 December 2007: Nil).

At 30 June 2008, 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\$4,626,700 (31 December 2007: HK\$300,000).

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

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Purchase and expenses:		
Purchases of complementary hardware and software from a minority shareholder	127,836	196
Professional fee paid to an associate	—	147
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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's loss attributable to equity holders for the six months ended 30 June 2008 was HK\$1,425,000, as compared to a profit of HK\$1,262,000 in the same period of 2007. The profit for the second quarter of 2008 was HK\$1,992,000.

The Group recorded an increase of 168% in turnover of HK\$232,699,000 for the six months ended 30 June 2008, compared with HK\$86,875,000 for the corresponding period of last year. This increase of turnover represents largely pass through revenue of the systems integration business which was signed in 2007 and completed in the first half of 2008.

Enterprise software product dropped by 15% in turnover to HK\$36,800,000 (2007: HK\$43,289,000) which was largely attributed to the slow down of the banking business in Hong Kong due to the sub-prime and credit crunch crisis.

The systems integration business jumped by 544% to HK\$181,788,000 (2007: HK\$28,232,000), representing two major projects with the Shenzhen Stock Exchange and the China Central Registration.

Professional service decreased by 9% to HK\$11,776,000 (2007: HK\$13,006,000), which was mainly contributed by the slow down of the software development outsourcing business as a result of the deteriorating banking business climate.

The ASP business remained stable at HK\$2,335,000 (2007: HK\$2,348,000).

Liquidity and Financial Resources

As of 30 June 2008, the Group had cash and cash equivalents amounted to HK\$47,055,000. (31 December 2007: HK\$37,625,000).

The Group monitors its capital structure using gearing ratio which is net debts divided by total equity. As of 30 June 2008 and 31 December 2007, the cash and cash equivalents exceeded the total debt, therefore the gearing ratio of the Group was zero.

Capital Structure

As at 30 June 2008, the Group's outstanding issued shares were 985,050,000. There has not been any change to the capital structure of the Company during the reporting period.

Investment

In May 2008, the Group acquired the remaining 49% interest in Excel Global IT Services Holdings Limited with consideration of HK\$1,911,000. After the acquisition, the Group holds 100% of Excel Global IT Services Holdings Limited which is an investment holding company of the software outsourcing business.

In June 2008, the Group acquired the remaining 35% interest in 新川資訊科技股份有限公司 ("New River") with consideration of HK\$1,058,000. After the acquisition, the Group holds 100% of New River which is engaged in the provision of IT professional services in Taiwan.

Segmental Performances

Hong Kong region achieved turnover of HK\$48,848,000 (2007: HK\$51,943,000).

The China operation recorded turnover of HK\$193,774,000 (2007: HK\$42,394,000).

South East Asia region's turnover was HK\$4,738,000 (2007: HK\$6,077,000).

Employees

As of 30 June 2008, the Group has a total number of 387 employees (Beginning of 2008: 425), a decrease of 38 employees in the past six months.

Exposure to Foreign Exchange Risk

The foreign exchange risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Besides Hong Kong dollars, the Group's transactions are carried out mostly in Renminbi. The Group's foreign currency exposures arise mainly from the exchange rate movements of Renminbi.

Outlook for the Second Half of 2008

Management is cautious about the outlook for the rest of the 2008 due to the downturn of the global banking industry.

Our enterprise software business is still maintains its momentum due to quite a number of backlogs to be delivered in 2008. China is expected to remain a growing economy and a good source of new projects, although the slowing down of banking projects due to the coming Olympic Games may cause some delays in our sales and implementation work there.

On our outsourcing business side, recognizing the slow down of demand from the banking industry, besides expanding our direct sales network, we are exploring various avenues such as referral business to increase our sales. Overall, it is expected to contribute positively to our bottom-line.

The significant jump in the turnover of our systems integration business in the first half of 2008 was the fruit of last year. The systems integration business will continue to bring gross turnover at low margin due to the commodity nature of the business.

The economic climate of Asia is relatively better than that of Europe and U.S.A, and China stills maintain its high growth this year. Nonetheless, inflation poses a significant threat to the manpower and operating costs. To this end, the China Support Hub project represents an excellent business opportunity for the Group to expand its revenue source as well as to manage its manpower costs. The Group is making good and steady progress on the preparation of this project and expects to finalize it in the second half of 2008.

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

At 30 June 2008, 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	–	559,679,197 (Note 1)	562,623,197	57.12%
Fung Din Chung, Rickie	24,691,498	–	–	24,691,498	2.51%
Leung Lucy, Michele	24,559,498	–	–	24,559,498	2.49%
Ng Wai King, Steve	12,650,998	–	–	12,650,998	1.28%
Wong Mee Chun	40,000	382,000 (Note 2)	–	422,000	0.04%

Notes:

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2008.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

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

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	562,623,197	57.12%
Passion Investment (BVI) Limited (<i>Note 1</i>)	559,679,197	56.82%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Li Ka-shing (<i>Note 2</i>)	143,233,151	14.54%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	7.31%
iBusiness Corporation Limited (<i>Note 2</i>)	67,264,000	6.83%

Notes:

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

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

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

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2008, 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 2008 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 2008.

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 2008, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

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

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

Hong Kong, 11 August 2008

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*)