Excel
TECHNOLOGY

Excel Technology International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8048

2008
ANNUAL REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

This 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

ZEE CHAN Mei Chu, Peggy
FUNG Din Chung, Rickie
LEUNG Lucy, Michele
NG Wai King, Steve

NON-EXECUTIVE DIRECTOR

IP Tak Chuen, Edmond

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEONG Ying Chew, Henry
CHANG Ka Mun
WONG Mee Chun

COMPLIANCE OFFICER

FUNG Din Chung, Rickie

QUALIFIED ACCOUNTANT

TANG Lai Wah, BA(Hons), EMBA, FCCA, CPA

COMPANY SECRETARY

TANG Lai Wah, BA(Hons), EMBA, FCCA, CPA

AUTHORISED REPRESENTATIVES

FUNG Din Chung, Rickie
LEUNG Lucy, Michele

BERMUDA RESIDENT REPRESENTATIVES

COLLIS John Charles Ross
WHALEY Anthony Devon *(Deputy)*

AUDIT COMMITTEE

CHEONG Ying Chew, Henry
CHANG Ka Mun
WONG Mee Chun

REMUNERATION COMMITTEE

ZEE CHAN Mei Chu, Peggy
CHEONG Ying Chew, Henry
CHANG Ka Mun

AUDITORS

Grant Thornton

LEGAL ADVISER

F. Zimmern & Co.

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., 663 King's Road
North Point
Hong Kong

WEBSITE ADDRESS

www.excel.com.hk

FINANCIAL HIGHLIGHTS

	2008 HK$'000	2007 HK$'000
Revenue	**364,206**	183,987
Operating profit before depreciation, amortisation and impairment loss	**6,418**	9,801
Operating (loss)/profit	**(1,939)**	4,373
(Loss)/profit attributable to equity holders of the Company	**(822)**	4,068
(Losses)/earnings per share		
– Basic	**(0.08) HK cents**	0.41 HK cents
Total equity	**95,853**	98,053

CHAIRMAN'S STATEMENT

Despite the turbulent year of 2008, **Excel** recorded a jump of turnover to HK$364,206,000 from HK$183,987,000 in 2007. The Group maintained the operating profit (before depreciation and impairment loss) of HK$6,418,000 from a year of steady operating performance, but regretted to a net loss of HK$822,000 in 2008. This was largely due to an impairment loss on blue chips securities and an investment in a private equity fund.

RIDING THROUGH THE TOUGH TIME

Because of the impact of the financial tsunami on our customer base – mainly banks and finance institutions – our business suffered in the enterprise software and professional services areas. Thankfully, the rise of turnover was contributed by several large systems integration projects in China with large state-owned enterprises and listed national banks.

Management has put in tight cost control and delayed investment projects such as acquisitions and the China Support Hub to preserve our cash. Efforts to diversify into the public sector and the logistics industry were made to generate another source of stable income stream and are expected to see result in the coming years.

INTO 2009

Blessed with a strong backlog and a good maintenance income, management expects 2009 to maintain positive results from our core operation. The demise of many small players in our industry will give Excel more competitive edge when good time returns.

Moving cautiously, management will embark on the Excel School of Banking and Technology (the "School") in 2009. The School will bring three major benefits: 1) enhance our branding and relationship with banks in China, 2) provide a constant source of low cost and quality staff to our development centers, 3) lay the foundation for the China Support Hub, which remains a longer term objective for us.

APPRECIATION

Finally, I would like to express my greatest appreciation to our shareholders, our clients and our business partners for their continuous support to the Group, and extend my sincere gratitude to the Board, the management and the staff for their contribution and dedication.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

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

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

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

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

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

OPERATION REVIEW

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

The Group monitors its capital structure using gearing ratio which is net debts divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises owners' equity and minority interest stated in the consolidated balance sheet. During 2008 the Group's strategy remains unchanged from 2007, which is to maintain the gearing ratio at a healthy capital level in order to support its business. As of 31 December 2008 and of 31 December 2007, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group were zero.

CAPITAL STRUCTURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENTS

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

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

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

SEGMENTAL PERFORMANCES

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

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

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

EMPLOYEES

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

CORPORATE GOVERNANCE REPORT

(1) CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Code on Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 with effective from the accounting periods from 1 January 2005, save as disclosed in section (3) Chairman and Chief Executive Officer regarding code provision A.2.1.

(2) BOARD OF DIRECTORS

The Board is responsible for overall strategic policies of the Group to optimise return for the shareholders.

The Board has delegated the day-to-day operational responsibilities of the Group's business to the executive management team under the leadership of the Chief Executive Officer and various Board committees.

Board Composition

The Board currently comprises of the following members:

Executive Directors:
Zee Chan Mei Chu, Peggy
Leung Lucy, Michele
Fung Din Chung, Rickie
Ng Wai King, Steve

Non-executive Director:
Ip Tak Chuen, Edmond

Independent Non-executive Directors:
Cheong Ying Chew, Henry
Chang Ka Mun
Wong Mee Chun

CORPORATE GOVERNANCE REPORT

(2) BOARD OF DIRECTORS *(Continued)*

Board Meeting

The Board meets at least four times a year to review financial and operating performance and discuss Group direction and strategy.

Details of the attendance of the Board of Directors are as follows:

	25 Mar 2008	9 May 2008	11 Aug 2008	7 Nov 2008
Zee Chan Mei Chu, Peggy	✓	✓	✓	✓
Leung Lucy, Michele	✓	✗	✓	✓
Fung Din Chung, Rickie	✓	✓	✓	✓
Ng Wai King, Steve	✓	✓	✓	✓
Ip Tak Chuen, Edmond	✓	✓	✓	✗
Cheong Ying Chew, Henry	✓	✓	✓	✓
Chang Ka Mun	✓	✓	✓	✓
Wong Mee Chun	✓	✓	✓	✓

Directors are given notice of regular Board meetings of at least 14 days in advance. The directors will receive details of agenda with comprehensive reports on the management's strategic plans, updates by business unit heads on their lines of business, financial objectives, plans and actions at least 3 days before Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Executive Directors meet every two weeks to review company business pipeline, receivables, and business unit performance. Senior management meets with business unit management every two weeks to review project status and business unit issues. All these management meetings are minuted with proper central filing for attendants review and comment.

The Company has held several meetings, first with senior management, second with the audit committee, and subsequently with the Board, to discuss and review the Group's practice on corporate governance and make specific checks on the Group's compliance via a compliance matrix in accordance to the Listing Rules.

The Non-executive Directors have a well balance of expertise in corporate finance, accounting, and China matters. They bring independent and invaluable advice and judgement on the Group's business expansion and risk management issues. The Executive Directors are seasoned practitioners in the information technology field and contribute to the Company with their industry and domain knowledge and management experience.

The Company confirmed that annual confirmations of independence were received from each of the Company's Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all Independent Non-executive Directors are considered to be independent.

CORPORATE GOVERNANCE REPORT

(3) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

- The Company size is relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer.

- The Company has internal controls in place to provide check and balance on the functions.

Ms. Zee Chan Mei Chu, Peggy is primarily responsible for leadership of the Company and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with other Executive Directors and senior management of each business unit.

Thus, the Company considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

(4) AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Mr. Cheong Ying Chew, Henry, Mr. Chang Ka Mun and Ms. Wong Mee Chun, all of whom are Independent Non-executive Directors. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee. Audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The audit committee meets four times a year to review with senior management and at least once a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 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.

Details of the attendance of members at audit committee meeting are as follows:

	18 Mar 2008	2 May 2008	4 Aug 2008	3 Nov 2008
Cheong Ying Chew, Henry	✓	✓	✓	✓
Chang Ka Mun	✓	✓	✗	✓
Wong Mee Chun	✓	✓	✓	✓

CORPORATE GOVERNANCE REPORT

(5) 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, Ms. Zee Chan Mei Chu, Peggy and two Independent Non-executive Directors, Mr. Cheong Ying Chew, Henry and Mr. Chang Ka Mun.

The remuneration committee meets annually, or on an as needed basis, to review the recommendation from the Chief Executive Officer on the compensation and incentive scheme to be provided to senior management.

During the year under review, a meeting of the remuneration committee was held in December 2008. Details of the attendance of members at remuneration committee meeting are as follows:

	22 Dec 2008
Zee Chan Mei Chu, Peggy	✓
Cheong Ying Chew, Henry	✓
Chang Ka Mun	✓

The policy for the remuneration of Executive Directors is:

- To ensure that none of the Directors should determine their own remuneration;
- The remuneration should be broadly aligned with companies with which the Company competes for human resources;
- The Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance;
- The remuneration should reflect the performance, complexity of duties and responsibility of the individual.

(6) NON-EXECUTIVE DIRECTOR

Code provision A.4.1 provides that Non-executive Director should be appointed for a specific term and subject to re-election. The Company's Non-executive Director is subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

CORPORATE GOVERNANCE REPORT

(7) 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 twelve months ended 31 December 2008.

(8) AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the independent auditor. During the year under review, the Group has incurred an aggregate of HK$887,000 to the independent auditor for its services of auditing.

(9) INTERNAL CONTROLS

The Board recognises that a sound and effective internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

Management has established the Group's Internal Control Policies and Guidance for monitoring the internal control system.

The Board has delegated to management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual business unit head throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variance to senior management.

Based on the assessment and review made by the Board and senior management on the effectiveness of the internal control system, the audit committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and

- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. ZEE CHAN Mei Chu, Peggy (Age 54)

Chairman and Chief Executive Officer

Ms. Chan is the founder of the Excel Group and is responsible for setting and implementing the corporate strategic directions of the Group. Ms. Chan has over 25 years of experience in business re-engineering, strategy studies, technology planning and systems development, serving major multi-national corporations and government agencies. Starting her career as a manager in Arthur Young & Company in Washington D.C., United States, Ms. Chan returned to Hong Kong in 1988 to establish the local office of an Australian software house, and later the Excel Group. She received the Hong Kong Young Entrepreneur Award in 1990.

Ms. LEUNG Lucy, Michele (Age 56)

Executive Vice President

Ms. Leung is in charge of the business development and operations in the Southeast Asia Region for the Group. She is also responsible for the development of wealth management related software products. Ms. Leung has over 25 years of experience in the development, conversion and migration of various computer systems in the credit card, retail banking, and insurance industries. Prior to joining the Excel Group in 1989, Ms. Leung worked for Mervyn's, United Grocers, Tymshare Transaction Services, Visa and the Bank of Montreal in the United States and Canada. Ms. Leung was appointed as an Executive Director of the Group in 2000.

Mr. FUNG Din Chung, Rickie (Age 53)

Executive Vice President

Mr. Fung is responsible for business development and corporate marketing work for Hong Kong and the South China area. In addition, he oversees a number of subsidiaries, including i21 (ASP services), HR21 (payroll software) and others. Mr. Fung has over 29 years of IT experience. Prior to joining the Excel Group in 1996, Mr. Fung worked for IBM Hong Kong for 17 years, holding various positions in technical service, training, marketing and management areas. Mr. Fung is a frequent speaker on various information technology subjects. Mr. Fung was appointed as an Executive Director of the Group in 2000.

Dr. NG Wai King, Steve (Age 50)

Executive Vice President

Dr. Ng is responsible for the setting the technology direction of its enterprise software development strategy. Leading a team of software engineers, Dr. Ng performs research and development of the Group's software infrastructure, which becomes the building blocks used by other software development teams in the Group. He has over 19 years of IT experience. Besides his strong technical capabilities, Dr. Ng also has extensive knowledge in banking, stock brokerage, portfolio management and treasury business. Prior to joining the Excel Group in 1996, Dr. Ng was the technology head for Citibank's Hong Kong Private Banking Group, in which, he managed a number of development projects for regional and global implementation. Dr. Ng was appointed as an Executive Director of the Group on 31 December 2005.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. IP Tak Chuen, Edmond (Age 56)

Mr. Ip has been an Executive Director of Cheung Kong (Holdings) Limited since 1993 and Deputy Managing Director since 2005. Mr. Ip is also an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of ARA Asset Management Limited (an Asian real estate fund management company listed in Singapore), TOM Group Limited, CATIC International Holdings Limited, Shougang Concord International Enterprises Company Limited and The Ming An (Holdings) Company Limited, all being listed companies, and a Director of ARA Asset Management (Singapore) Limited as the manager of Fortune REIT and ARA Trust Management (Suntec) Limited as the manager of Suntec REIT. Both Fortune REIT and Suntec REIT are listed in Singapore. Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. He was appointed as a Non-executive Director of the Group on 21 February 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEONG Ying Chew, Henry (Age 61)

Mr. Cheong holds a Bachelor of Science (Mathematics) degree and a Master of Science (Operational Research and Management) degree. He is an Independent Non-executive Director of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, CNNC International Limited, New World Department Store China Limited, SPG Land (Holdings) Limited and TOM Group Limited, all being listed in Hong Kong. Mr. Cheong was appointed as an Independent Non-executive Director of the Group on 30 May 2000.

Mr. CHANG Ka Mun (Age 49)

Mr. Chang is a Managing Director of Li & Fung Development (China) Limited. He is also a member of the National Committee of Chinese People's Political Consultative Conference and an Advisory Council Member of the Brookings Institution (CNAPS), USA. He was a member of the Preparatory Committee of Hong Kong Special Administrative Region, a member of the Committee on Economic Development of Hong Kong as well as the Basic Law Consultative Committee of the National People's Congress of the PRC. Mr. Chang was appointed as an Independent Non-executive Director of the Group on 30 May 2000.

Ms. WONG Mee Chun, JP (Age 56)

Ms. Wong has over 20 years of experience in finance, accounting and general management. Ms. Wong currently works at JV Fitness Ltd as Senior Vice President – Chief Financial Officer. Ms. Wong is a Justice of Peace, a member of the Administrative Appeals Tribunal, the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Public Service Commission of the HKSAR. She graduated from the London School of Economics and Political Science, University of London and qualified as a member of the Institute of Chartered Accountants in England and Wales with Coopers & Lybrand, London. She is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Wong was appointed as an Independent Non-executive Director of the Group on 9 August 2002.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. CHEONG Ho Sang, Alfred (Age 52)

Director

Mr. Cheong is responsible for the development and implementation of banking software in the treasury and loans areas. He has over 28 years of working experience in IT especially in the banking industry where he has in-depth knowledge of corporate, investment and private banking products, accounting & MIS functions, and process management. Prior to joining the Excel Group in 2000, Mr. Cheong worked for Citibank and UBS AG in various senior management positions. At Citibank, he was in-charge of investment banking technology department for the Asia Pacific region. He was the technology head for Private Banking in Hong Kong and Singapore of UBS AG. Mr. Cheong is also a Certified Management Accountant (CMA) in Canada.

Ms. TANG Lai Wah, Venus (Age 51)

Group Financial Controller and Company Secretary

Ms. Tang has over 20 years of accounting and financial management experience in telecommunication, media and information technology industries. Prior to joining the Group in 2002, Ms. Tang had held managerial positions in several sizeable listed companies in Hong Kong, and she was the Group Financial Controller for Star Telecom Group and South China Media Group respectively. Ms. Tang is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. She received her Bachelor degree in Accountancy with honors and Executive MBA degree from the City University of Hong Kong.

DIRECTORS' REPORT

The directors have pleasure in submitting their report and audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Group and the Company at that date are set out in the financial statements on page 25 to 91.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 31 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 33 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 15 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

Neither the Company nor its subsidiaries has purchased or sold any of the Company's share during the year and the Company has not redeemed any of its shares during the year.

DIRECTORS' REPORT

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors:
Zee Chan Mei Chu, Peggy *(Chairman)*
Fung Din Chung, Rickie
Leung Lucy, Michele
Ng Wai King, Steve

Non-executive Director:
Ip Tak Chuen, Edmond

Independent Non-executive Directors:
Cheong Ying Chew, Henry
Chang Ka Mun
Wong Mee Chun

In accordance with the requirements of the GEM Listing Rules, Ms. Zee Chan Mei Chu, Peggy, Dr. Ng Wai King, Steve, Mr. Cheong Ying Chew, Henry and Mr. Chang Ka Mun will retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of Zee Chan Mei Chu, Peggy, Fung Din Chung, Rickie and Leung Lucy, Michele for a term of three years which commenced on 1 March 2000. The service contracts were renewed for further periods from 1 March 2003 to 31 December 2003 from 1 January 2004 to 31 December 2008 on yearly basis. The service contracts will continue thereafter until terminated by either party giving not less than six months' written notice. This service contract is exempt from the shareholders' approval requirement under GEM 17.90 of the Listing Rules.

The Company has entered into a service contract with Ng Wai King, Steve for a term of one year which commenced on 1 January 2005. The service contract was renewed from 1 January 2006 to 31 December 2008 on yearly basis. The service contract will continue thereafter until terminated by either party giving not less than six months' written notice. This service contract is exempt from the shareholders' approval requirement under GEM 17.90 of the Listing Rules.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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

At 31 December 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

	Number of ordinary shares held				
Name of director	**Beneficial owner**	**Held by family**	**Held by controlled corporation**	**Total**	**Percentage of the issued share capital of the Company**
Zee Chan Mei Chu, Peggy	3,850,000	–	559,679,197 (Note 1)	563,529,197	57.21%
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 31 December 2008.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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	Notes	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy	1	563,529,197	57.21%
Passion Investment (BVI) Limited	1	559,679,197	56.82%
Cheung Kong (Holdings) Limited	2	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	2	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited (as trustee of another discretionary trust)	2	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	2	143,233,151	14.54%
Li Ka-shing	2	143,233,151	14.54%
Alps Mountain Agent Limited	2	71,969,151	7.31%
iBusiness Corporation Limited	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 or 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 31 December 2008.

DIRECTORS' REPORT

SHARE OPTIONS

On 16 June 2000, the Company adopted a share option scheme (the "Old Scheme") and this scheme was substituted by a new share option scheme (the "New Scheme") pursuant to the shareholders' resolution in a special general meeting on 23 April 2002 for complying with the terms of the Rules Governing the Listing of Securities on the GEM. The Old Scheme was lapsed in 2006.

On 23 April 2002, the Company adopted a new share option scheme (the "New Scheme") which was approved in substitution of the Old Scheme. Options granted under the Old Scheme prior to its substitution which have not been fully exercised remain valid until such time that such options are fully exercised or have lapsed. Particulars of the Old Scheme and the New Scheme are set out in Note 32 to the financial statements.

No share options were granted under the New Scheme since its adoption.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 66.9% of the Group's total turnover and the Group's largest customer accounted for approximately 39.1% of the Group's turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 80.7% of the Group's total purchases and the Group's largest supplier accounted for approximately 56.6% of the Group's total purchases.

At no time during the year, the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major suppliers or customers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONNECTED TRANSACTIONS

During the year ended 31 December 2008, the Group had no transaction with connected persons as defined in the GEM Listing Rules.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph GEM 11.04 of the Listing Rules.

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 31 December 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.

CONFIRMATION OF INDEPENDENCE

The Company confirmed that annual confirmations of independence were received from each of the Company's Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all Independent Non-executive Directors are considered to be independent.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Mr. Cheong Ying Chew, Henry, Mr. Chang Ka Mun and Ms. Wong Mee Chun, all of whom are Independent Non-executive Directors. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee. Audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee met on a quarterly basis during the year ended 31 December 2008.

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zee Chan Mei Chu, Peggy
Chairman

Hong Kong, 23 March 2009

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

To the members of Excel Technology International Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Excel Technology International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 91, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Company Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

Auditors' responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

23 March 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**364,206**	183,987
Other revenue	7	**1,148**	3,091
Change in inventories of hardware and software		**1,283**	(366)
Purchase of hardware and software		**(247,300)**	(58,984)
Professional fee		**(7,453)**	(6,844)
Employee benefits expense	13	**(88,608)**	(93,615)
Depreciation and amortisation expense		**(3,146)**	(4,634)
Other expenses		**(22,069)**	(18,262)
Operating (loss)/profit		**(1,939)**	4,373
Finance costs	8	**(48)**	(57)
Share of result of an associate		**(5)**	(17)
(Loss)/profit before income tax	9	**(1,992)**	4,299
Income tax expenses	10	**(47)**	(921)
(Loss)/profit for the year		**(2,039)**	3,378
Attributable to:			
Equity holders of the Company	11	**(822)**	4,068
Minority interest		**(1,217)**	(690)
(Loss)/profit for the year		**(2,039)**	3,378
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
– Basic	12	**(0.08) HK cents**	0.41 HK cents

CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**11,909**	12,501
Interests in associates	17	**–**	5
Available-for-sale financial assets	18	**4,352**	6,292
Goodwill	19	**1,691**	1,691
Development cost	20	**–**	–
Loan receivables	21	**–**	1,911
		17,952	22,400
Current assets			
Inventories – finished goods, at cost		**2,120**	837
Amount due from customers for contract work	22	**18,458**	17,802
Trade receivables	23	**84,932**	32,455
Other receivables, deposits and prepayments	24	**18,107**	12,845
Financial assets at fair value through profit or loss	25	**4,528**	6,990
Cash and cash equivalents	27	**47,741**	37,625
		175,886	108,554
Current liabilities			
Trade payables	28	**66,221**	7,127
Other payables and accrued charges	29	**19,001**	18,176
Borrowings	30	**6,560**	928
Amount due to customers for contract work	22	**5,984**	5,474
Provision for tax		**–**	858
		97,766	32,563
Net current assets		**78,120**	75,991
Total assets less current liabilities		**96,072**	98,391
Non-current liabilities			
Borrowings	30	**219**	338
Net assets		**95,853**	98,053
EQUITY			
Equity attributable to Company's equity holders			
Share capital	31	**98,505**	98,505
Reserves	33	**(6,261)**	(5,423)
		92,244	93,082
Minority interest		**3,609**	4,971
Total equity		**95,853**	98,053

Zee Chan Mei Chu, Peggy
Director

Fung Din Chung, Rickie
Director

BALANCE SHEET

as at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	16	**–**	–
Current assets			
Prepayments		**150**	2
Amounts due from subsidiaries	26	**131,000**	132,969
Cash and cash equivalents	27	**121**	94
		131,271	133,065
Current liabilities			
Other payables and accrued charges	29	**360**	387
Amounts due to subsidiaries	26	**64,751**	64,751
Provision for tax		**–**	853
		65,111	65,991
Net current assets		**66,160**	67,074
Net assets		**66,160**	67,074
EQUITY			
Share capital	31	**98,505**	98,505
Reserves	33	**(32,345)**	(31,431)
Total equity		**66,160**	67,074

Zee Chan Mei Chu, Peggy
Director

Fung Din Chung, Rickie
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Cash flows from operating activities			
(Loss)/profit before income tax		**(1,992)**	4,299
Adjustments for:			
Depreciation	15	**3,146**	2,950
Amortisation	9	**–**	1,684
Impairment loss on available-for-sale financial assets	9	**2,054**	–
Net loss on disposal of property, plant and equipment	9	**17**	193
Impairment loss on financial assets at fair value through profit or loss	9	**3,157**	794
Interest expense	8	**48**	57
Share of result of an associate	17	**5**	17
Dividend income	7	**(59)**	(43)
Interest income	7	**(815)**	(2,560)
Operating profit before working capital changes		**5,561**	7,391
(Increase)/decrease in inventories		**(1,283)**	476
Increase in amount due from customers for contract work		**(8)**	(4,556)
Increase in trade receivables		**(51,394)**	(5,482)
Increase in other receivables, deposits and prepayments		**(5,159)**	(7,386)
Increase/(decrease) in trade payables		**58,770**	(1,984)
Increase/(decrease) in other payables and accrued charges		**668**	(293)
Increase/(decrease) in amount due to customers for contract work		**557**	(1,406)
Cash generated from/(used in) operations		**7,712**	(13,240)
Interest paid	8	**(48)**	(57)
Taxation in other jurisdictions paid		**(52)**	(63)
Hong Kong profits tax paid		**(853)**	–
Net cash generated from/(used in) operating activities		**6,759**	(13,360)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(2,340)**	(2,810)
Purchase of other financial assets		**(3,740)**	(14,311)
Proceeds from disposal of property, plant and equipment		**8**	9
Proceeds from redemption of available-for-sale financial assets		**779**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**3,045**	9,074
Acquisition of non-controlling interests		**(1,057)**	–
Dividend received	7	**59**	43
Interest received	7	**815**	2,560
Decrease in pledged bank deposits		**–**	13,303
Net cash (used in)/generated from investing activities		**(2,431)**	7,868
Cash flows from financing activities			
Net proceeds/(repayment) of borrowings		**5,571**	(6,444)
Capital element of finance lease liabilities		**(104)**	(157)
Net cash generated from/(used in) financing activities		**5,467**	(6,601)
Net increase/(decrease) in cash and cash equivalents		**9,795**	(12,093)
Cash and cash equivalents at 1 January		**37,625**	47,261
Effect on foreign exchange rate changes, on cash held		**321**	2,457
Cash and cash equivalents at 31 December		**47,741**	37,625

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 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	**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 income recognised directly in equity	–	–	17	2,857	–	2,874	510	3,384
Profit/(loss) for the year	–	–	–	–	4,068	4,068	(690)	3,378
Total recognised income/(expense) for the year	–	–	17	2,857	4,068	6,942	(180)	6,762
At 31 December 2007	98,505	179,650	(893)	3,202	(187,382)	93,082	4,971	98,053
At 1 January 2008	98,505	179,650	(893)	3,202	(187,382)	93,082	4,971	98,053
Acquisition of non-controlling interests (Note 2(b))	–	–	–	–	(2,359)	(2,359)	(609)	(2,968)
Changes in fair value of available-for-sale financial assets	–	–	(1,161)	–	–	(1,161)	–	(1,161)
Impairment loss on available-for-sale financial assets	–	–	2,054	–	–	2,054	–	2,054
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	1,450	–	1,450	464	1,914
Net income/(expense) recognised directly in equity	–	–	893	1,450	(2,359)	(16)	(145)	(161)
Loss for the year	–	–	–	–	(822)	(822)	(1,217)	(2,039)
Total recognised income/(expense) for the year	–	–	893	1,450	(3,181)	(838)	(1,362)	(2,200)
At 31 December 2008	**98,505**	**179,650**	**–**	**4,652**	**(190,563)**	**92,244**	**3,609**	**95,853**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1. GENERAL INFORMATION

Excel Technology International Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited. In the opinion of the directors, the ultimate parent of the Company is Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services.

The financial statements on pages 25 to 91 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

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

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Amendments and interpretations effective in 2008

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

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

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(b) Standards early adopted by the Group

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

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

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

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

HKAS 27 (Revised) – Consolidated and Separate Financial Statements

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

HKFRS 3 (Revised) – Business Combinations

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

The principal effects of adopting these two revised HKFRSs

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

However, the Group recognised the difference between (1) the fair value of the consideration paid; and (2) the adjusted amount by the non-controlling interests at the acquisition date in equity attributable to the owners of the parent and also disclosed as equity in consolidated statement of changes in equity in page 30.

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

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Amendments to HKAS 32 *Financial Instruments: Presentation*, HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures* – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement* –Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Stardards[2]
HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 *First-time Adoption of* HKFRSs and HKAS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]
Various	Annual Improvements to HKFRS 2008[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
6 Effective for transfer of assets from customers received on or after 1 July 2009

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on these new pronouncements that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

HKAS 1 (Revised) – Presentation of financial statements

The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses components of other comprehensive income either in a statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKFRS 2 (Amendment) – Share-based Payment – Vesting Conditions and Cancellations

The HKICPA have issued an amendment to HKFRS 2 regarding vesting conditions and cancellations. One of the Group's current share-based payment schemes may be affected by the amendments. Management does not consider the amendments to have an impact on the Group's accounting polices.

HKFRS 8 – Operating Segments

This standard replaces HKAS 14 segment reporting. The accounting policy for identifying segments could be based on internal management reporting information that is regularly reviewed by the Group's chief operating decision maker. In contrast HKAS 14 requires the Group to identify two sets of segments (business and geographical) based on the risks and rewards of separating segments. Management anticipate that the adoption of this standard will not affect the identified operating segments of the Group. The new standard will also require a different format of disclosures which could be based on information provided internally to the chief operating decision maker.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale financial assets and financial assets at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see Note 3.3) (together referred to as "the Group") made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see Note 3.10) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates *(Continued)*

In the Company's balance sheet, investments in associates are stated at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as available-for-sale financial assets are included in the investment revaluation reserve in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Income from enterprise software products includes the sale of enterprise software products, custom development and the provision of maintenance services. Income from systems integration includes the provision of systems integration services and the resale of complementary hardware and software products.

The Group enters into contracts with customers whereby a number of elements are bundled together in one contract – for example, resale of complementary hardware and software products, sale of software licences and the development of customised software including completion of services provided for post-delivery service support. The contract price is fixed prior to the commencement of the contract and the Group refers to these as "fixed price contracts".

In circumstances where the contract price can be allocated on a reasonable basis to the elements of resale of hardware and software products, sale of software licences and development of customised software, revenue is recognised as described below:

(a) Revenue from resale of complementary hardware and software products is recognised when the goods are delivered and title has been passed;

(b) Revenue from sale of software licences is recognised upon delivery of the software products to the customer when there are no post-delivery obligations; or

(c) Revenue from the development of customised software is recognised by reference to the stage of completion of the customisation work (including post-delivery service support) at the balance sheet date.

Where the contract price cannot be allocated into individual elements of the sale of enterprise software products and custom development, revenue from sale of enterprise software products and custom development is recognised by reference to the stage of completion of the sale of enterprise software products and custom development (including post-delivery service support) at the balance sheet date.

Maintenance service income is recognised on a straight line basis over the terms of the relevant maintenance service contracts. Where maintenance service income is not separately invoiced, it is unbundled from licence fees and deferred and recognised on a straight line basis over the period of the relevant maintenance service contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Revenue recognition *(Continued)*

Systems integration income is recognised when the services are provided.

Professional services income is recognised when the services are provided.

Application Service Provider ("ASP") services income is recognised when the services are provided.

Interest income is accrued on a time-proportion basis using the effective interest method.

Dividend is recognised when the right to receive payment is established.

3.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in Note 3.4.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and the equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Changes in parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the products or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight line basis over a period of three years.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repair and maintenance expenses are charged to the income statement during the year in which they are incurred.

As the Group's lease payments cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Leasehold land	Over the unexpired terms of leases
Buildings	2.5%
Leasehold improvements	25%
Computer and office equipment	20 to $33^1/_3$%
ASP software	20%
Furniture and fixtures	25%
Motor vehicles	30%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.10 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

Goodwill arising on an acquisition of subsidiary with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss related to property, plant and equipment is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to Note 3.9 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. A cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with an exception as below.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see Note 3.9). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under financial leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental, if any, are charged to the income statement in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss includes:

- financial assets held for trading;
- financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets *(Continued)*

(i) Financial assets at fair value through profit or loss includes: (Continued)

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 3.6 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets *(Continued)*

(iii) Available-for-sale financial assets (Continued)

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets *(Continued)*

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivables are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

3.13 Inventories

Inventories, which represent merchandise held for resale, are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is determined using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

3.14 Contract for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the estimated stage of completion.

Provision is made for foreseeable losses as soon as they are anticipated by management.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Contract for services *(Continued)*

Where estimated value of work performed exceeds progress billings, the surplus is treated as an amount due from contract customers for contract work.

Where progress billings exceed estimated value of work performed, the surplus is treated as an amount due to contract customers for contract work.

3.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.18 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in PRC and Singapore are required to participate in the central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in income statement unless it qualifies for recognition as asset, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to other reserve. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.20 Financial liabilities

The Group's financial liabilities include trade and other payables, finance lease liabilities and other borrowings. They are included in balance sheet line items as trade and other payables or borrowings under current or non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 3.11(ii)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Financial liabilities *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Segment reporting

In accordance with the Group’s internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

In respect of geographical segment reporting, revenue is based on the country where the assets are located. Inter-segment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing selling prices. Unallocated costs include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate assets and available-for-sale financial assets. Segment liabilities comprise operating liabilities and exclude items such as certain corporate borrowings.

In respect of business segment reporting, the Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

Capital expenditure comprises additions to property, plant and equipment. It is the total cost incurred during the period to acquire assets (both tangible and intangible) that are expected to be used for more than one period.

3.24 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group’s parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Related parties *(Continued)*

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Closing family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).

If the actual growth rate had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

Estimated impairment of intra-group balances

The Group's management determines the impairment of intra-group balances on a regular basis. This estimate is based on the financial forecast of the intra-group. Management reassesses any impairment at each balance sheet date.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of the trade receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history and financial condition. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

4. CRITICAL ACCOUNTING ESTIMATES *(Continued)*

Fair value of available-for-sale financial assets

The available-for-sale financial assets as recorded in the consolidated balance sheet included an investment in an unlisted private equity fund (the "Fund") amounting to HK$3,411,000 which are stated at fair value.

The Fund's assets mainly represent investments in unlisted companies in high growth technology industries (the "Investments"). The fair value of the Investments is reviewed by management of the Fund semi-annually on 30 June and 31 December, which estimation involves judgments of management of the Fund.

The fair value of the Fund as at balance sheet date represented the Group's share of net assets of the Fund by reference to its unaudited management accounts for the year ended 31 December 2008.

5. REVENUE AND TURNOVER

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

6. SEGMENT INFORMATION

Primary reporting format – Geographical segments

Geographical segments based on the location of assets are chosen as the primary segment reporting format because management considers that they are more relevant to the Group in making operating and financial decisions. The Group's business can be subdivided into Hong Kong, other regions in the People's Republic of China (the "PRC") and South East Asia.

(i) The following table provides an analysis of the Group's sales and results by location of assets, irrespective of the origin of the services.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Geographical segments *(Continued)*

(ii) Other segment information

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Geographical segments *(Continued)*

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

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

Secondary reporting format – Business segments

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

Principal activities of the operating divisions are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

6. SEGMENT INFORMATION *(Continued)*

Secondary reporting format – Business segments *(Continued)*

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

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

7. OTHER REVENUE

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

8. FINANCE COSTS

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

10. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities either incurred tax losses during both years or their estimated assessable profits for the years were wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

10. INCOME TAX EXPENSES *(Continued)*

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

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

11. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidation loss attributable to equity holders of the Company of HK$822,000 (2007: a profit of HK$4,068,000), a loss of HK$914,000 (2007: HK$1,784,000) which has been dealt with in the financial statements of the Company.

12. (LOSSES)/EARNINGS PER SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

13. EMPLOYEE BENEFITS EXPENSE (including directors' emoluments)

	2008 HK$'000	2007 HK$'000 (Restated)
Wages and salaries	83,110	88,250
Pension costs – defined contribution plans	5,498	5,365
	88,608	93,615

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Executive directors, a non-executive director and independent non-executive directors

	Directors' fees HK$'000	Salaries and allowances HK$'000	Benefit-in-kind (Notes) HK$'000	Contributions to defined contribution plan HK$'000	2008 Total HK$'000
Executive directors					
Zee Chan Mei Chu, Peggy	–	1,000	467	12	1,479
Fung Din Chung, Rickie	–	1,000	–	12	1,012
Leung Lucy, Michele	–	1,000	188	12	1,200
Ng Wai King, Steve	–	1,000	–	12	1,012
Non-executive director					
Ip Tak Chuen, Edmond	–	–	–	–	–
Independent non-executive directors					
Cheong Ying Chew, Henry	100	–	–	–	100
Chang Ka Mun	100	–	–	–	100
Wong Mee Chun	100	–	–	–	100
	300	4,000	655	48	5,003

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

14.1 Executive directors, a non-executive director and independent non-executive directors *(Continued)*

Notes:

– The amount of HK$655,000 represents the estimated rateable value of residential accommodation in respect of properties owned by the Group and occupied by two executive directors of the Company.

– No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

	Directors' Fees HK$'000	Salaries and allowances HK$'000	Benefit-in-kind HK$'000	Contributions to defined contribution plan HK$'000	2007 Total HK$'000
Executive directors					
Zee Chan Mei Chu, Peggy	–	1,000	414	12	1,426
Fung Din Chung, Rickie	–	1,300	–	12	1,312
Leung Lucy, Michele	–	1,300	153	12	1,465
Ng Wai King, Steve	–	1,300	–	12	1,312
Non-executive director					
Ip Tak Chuen, Edmond	–	–	–	–	–
Independent non-executive directors					
Cheong Ying Chew, Henry	100	–	–	–	100
Chang Ka Mun	100	–	–	–	100
Wong Mee Chun	100	–	–	–	100
	300	4,900	567	48	5,815

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

14.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2007: one) individual during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefit-in-kind	**1,200**	1,300
Contributions to defined contribution plan	**12**	12
	1,212	1,312

The number of non-director, highest paid employees whose remuneration fell into the following band is as follows:

	Number of individuals	
	2008	2007
HK$1,000,000 to HK$1,500,000	**1**	1

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Computer and office equipment HK$'000	ASP software HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2007							
Cost	7,856	2,960	34,106	7,187	1,640	717	54,466
Accumulated depreciation and impairment losses	(1,432)	(2,572)	(29,375)	(7,187)	(1,616)	(682)	(42,864)
Net book amount	6,424	388	4,731	–	24	35	11,602
Year ended 31 December 2007							
Opening net book amount	6,424	388	4,731	–	24	35	11,602
Exchange differences	–	88	545	–	5	4	642
Additions	–	962	1,969	–	37	441	3,409
Disposals	–	–	(202)	–	–	–	(202)
Depreciation	(102)	(590)	(2,071)	–	(17)	(170)	(2,950)
Closing net book amount	6,322	848	4,972	–	49	310	12,501
At 31 December 2007 and 1 January 2008							
Cost	**7,856**	**4,037**	**36,359**	**7,187**	**1,701**	**1,200**	**58,340**
Accumulated depreciation and impairment losses	**(1,534)**	**(3,189)**	**(31,387)**	**(7,187)**	**(1,652)**	**(890)**	**(45,839)**
Net book amount	**6,322**	**848**	**4,972**	**–**	**49**	**310**	**12,501**
Year ended 31 December 2008							
Opening net book amount	**6,322**	**848**	**4,972**	**–**	**49**	**310**	**12,501**
Exchange differences	**–**	**17**	**219**	**–**	**3**	**–**	**239**
Additions	**–**	**9**	**2,331**	**–**	**–**	**–**	**2,340**
Disposals	**–**	**–**	**(25)**	**–**	**–**	**–**	**(25)**
Depreciation	**(103)**	**(392)**	**(2,505)**	**–**	**(13)**	**(133)**	**(3,146)**
Closing net book amount	**6,219**	**482**	**4,992**	**–**	**39**	**177**	**11,909**
At 31 December 2008							
Cost	**7,856**	**4,139**	**38,974**	**7,187**	**1,715**	**1,222**	**61,093**
Accumulated depreciation and impairment losses	**(1,637)**	**(3,657)**	**(33,982)**	**(7,187)**	**(1,676)**	**(1,045)**	**(49,184)**
Net book amount	**6,219**	**482**	**4,992**	**–**	**39**	**177**	**11,909**

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for the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

The Group's leasehold land and buildings are situated in Hong Kong and are held under long lease.

The carrying amount as at 31 December 2008 includes fully depreciated property, plant and equipment at a cost of HK$29,340,000 (2007: HK$28,909,000).

16. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2008 **HK$'000**	2007 HK$'000
Investments at cost		
Unlisted shares, at cost of US$1	–	–
	–	–
Less: Provision for impairment	–	–
	–	–

Particulars of the principal subsidiaries at 31 December 2008 are as follows:

			Proportion of nominal value of issued share capital/registered capital			
Name of subsidiary	**Place of incorporation/ registration**	**Nominal value of issued capital/ registered capital**	**Attributable to the Group**	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
Excel (BVI) Limited	British Virgin Islands*	5,000 shares of US$1 each	100%	100%	–	Investment holding
Excel China Investment (BVI) Limited	British Virgin Islands*	5,000 shares of US$1 each	100%	–	100%	Investment holding
Excel Consulting and Solutions Sdn. Bhd.	Malaysia*	2 shares of RM1 each	100%	–	100%	Development of computer software and provision of sale and marketing services

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued share capital/registered capital: Attributable to the Group	Held by the Company	Held by subsidiaries	Principal activities
Excel Global IT Services (Dalian) Limited	PRC**	US$150,000	100%	–	100%	Inactive
Excel Global IT Services Holdings Limited (Note)	British Virgin Islands*	500,000 shares of US$1 each	100%	–	100%	Investment holding
Excel Global IT Services (HK) Limited	Hong Kong*	10,000 shares of HK$1 each	100%	–	100%	Provision of professional services
Excel Investment China Limited	Hong Kong*	1,000 shares of HK$1 each	100%	–	100%	Investment holding
Excel International Limited	Hong Kong*	10,000 shares of HK$1 each	100%	–	100%	Inactive
Excel SSL Investment Limited	Hong Kong*	1,000 shares of HK$1 each	100%	–	100%	Investment holding
Excel System (Hong Kong) Limited	Hong Kong*	200,000 shares of HK$1 each	100%	–	100%	Systems integration
Excel System Limited	British Virgin Islands*	100 shares of US$1 each	100%	–	100%	Inactive
Excel Technology International (BVI) Limited	British Virgin Islands*	1 share of US$1 each	100%	–	100%	Investment holding

16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

			Proportion of nominal value of issued share capital/registered capital			
Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Attributable to the Group	Held by the Company	Held by subsidiaries	Principal activities
Excel Technology International (Hong Kong) Limited	Hong Kong*	1,000 shares of HK$1 each	100%	–	100%	Development of computer software, systems integration and provision of maintenance services
Excelink Development Corporation	British Virgin Islands*	10,000 shares of US$1 each	100%	–	100%	Investment holding
Excelink Technology Pte Ltd.	Singapore*	S$893,022	100%	–	100%	Development of computer software and provision of sale and marketing services
HR21 Holdings Limited	British Virgin Islands*	50,000 shares of US$1 each	93%	–	93%	Investment holding
HR21 Limited	Hong Kong*	2 shares of HK$1 each	93%	–	93%	Development of computer software and provision of maintenance services
i21 Limited	Hong Kong*	14,000 shares of HK$1 each	80.1%	–	80.1%	ASP services provider
Infostar Ltd.	British Virgin Islands*	1 share of US$1 each	100%	–	100%	Investment holding
Wise Success Ltd.	British Virgin Islands*	5,000 shares of US$1 each	100%	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued share capital/registered capital: Attributable to the Group	Held by the Company	Held by subsidiaries	Principal activities
北京志鴻英華科技有限公司	PRC***	US$1,230,000	65%	–	65%	Systems integration, development of computer software and provision of maintenance services
深圳志鴻聯匯計算機系統有限公司	PRC***	RMB6,000,000	66%	–	66%	Development of computer software and provision of maintenance services
志鴻軟件(深圳)有限公司	PRC**	HK$3,000,000	100%	–	100%	Development of computer software and provision of maintenance services
志鴻六維軟件科技(上海)有限公司	PRC**	US$350,000	100%	–	100%	Provision of professional services
志鴻六維科技(杭州)有限公司	PRC**	US$70,000	100%	–	100%	Provision of professional services
新川資訊科技股份有限公司(Note)	Taiwan*	NT$11,913,620	100%	–	100%	Provision of professional services

* Limited liability company

** Wholly-owned foreign enterprise

*** Sino-foreign equity joint venture enterprise

16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Note: Excel Global IT Services Holdings Limited and 新川資訊科技股份有限公司 became the wholly owned subsidiaries of the Group on 29 May 2008 and 19 June 2008 respectively.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular of excessive length.

None of the subsidiaries had any loan capital subsisting at 31 December 2008 or at any time during the year.

17. INTERESTS IN ASSOCIATES – GROUP

	2008 HK$'000	2007 HK$'000
Share of net assets	–	5

Particulars of an associate at 31 December 2008 are as follows:

Name of associate	**Place of incorporation/ registration**	**Principal place of operation**	**Proportion of nominal value of issued share capital/ registered capital attributable to the Group**	**Principal activities**
深圳志鴻中科科技有限公司	PRC	PRC	45%	Development of computer software services and provision of sale and marketing support

At 31 December 2008, the accumulated losses of the Group include a loss of HK$430,000 (2007: HK$418,000) retained by the Group's associate.

NOTES TO THE FINANCIAL STATEMENTS

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17. INTERESTS IN ASSOCIATES – GROUP *(Continued)*

The summarised financial information of the Group's associate extracted from its management accounts are as follows:

	2008 HK$'000	2007 HK$'000
Share of associate's assets and liabilities		
Non-current assets	**35**	23
Current assets	**359**	414
Current liabilities	**(394)**	(432)
Share of associate's revenue and losses		
Revenue	**1,365**	981
Losses	**(5)**	(17)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2008 HK$'000	2007 HK$'000
Available-for-sale financial assets		
Unlisted private equity fund, at fair value	**3,411**	5,350
Unlisted equity investments, at cost	**941**	942
	4,352	6,292

The unlisted private equity fund principally invests in high growth technology industries and is held for long-term strategic purposes.

The unlisted equity investment with a carrying amount of HK$941,000 (2007: HK$941,000) are measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group plans to hold these investments for the foreseeable future.

19. GOODWILL – GROUP

The net carrying amount of goodwill can be analysed as follows:

	2008 HK$'000	2007 HK$'000
At 1 January		
Gross carrying amount	**15,853**	15,853
Accumulated impairment	**(14,162)**	(14,162)
Net carrying amount at 1 January	**1,691**	1,691
Net carrying amount at 1 January and 31 December	**1,691**	1,691
At 31 December		
Gross carrying amount	**15,853**	15,853
Accumulated impairment	**(14,162)**	(14,162)
Net carrying amount	**1,691**	1,691

The carrying amount of goodwill, net of any impairment loss, is allocated to the following cash generating units:

	2008 HK$'000	2007 HK$'000
Provision of professional services in the PRC	**1,140**	1,140
Provision of professional services in Taiwan	**551**	551
Net carrying amount 31 December	**1,691**	1,691

The recoverable amounts of the goodwill relating to the provision of professional services in the PRC and Taiwan and the provision of investment holding in Hong Kong given above were determined based on value in use calculations, covering a detailed one-year budget plan, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term average growth rates for the product lines of the cash generating units.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

19. GOODWILL – GROUP *(Continued)*

The key assumptions used for value in use calculations

	2008	2007
Growth rates	**9%**	30%
Discount rates	**9%**	9%

Management determined the budgeted gross margin on the basis of past performance and its expectation for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amounts.

20. DEVELOPMENT COST – GROUP

	2008 HK$'000	2007 HK$'000
Net carrying amount at 1 January	**–**	1,684
Amortisation	**–**	(1,684)
Net carrying amount at 31 December	**–**	–
At 31 December		
Cost	**31,085**	31,085
Accumulated amortisation	**(31,085)**	(31,085)
Net carrying amount at 31 December	**–**	–

The development cost represented all direct costs incurred in the development of enterprise software products. This asset is tested for impairment where an indication on impairment arises.

21. LOAN RECEIVABLES – GROUP

In prior year, the loan receivable from a minority shareholder of a subsidiary bore interest at 5% per annum and was repayable on or before 11 December 2009.

During the year, the minority shareholder agreed to transfer all controlling interests of the subsidiary in exchange for settlement of this loan balance at US$245,000 (equivalent to HK$1,911,000). Details of change of ownership interest are set out in Note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

22. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK – GROUP

Amount due from customers for contract work represents the excess of the value of work performed over the amount of billing issued to customers.

Amount due to customers for contract work represents the excess of billing over the value of work performed and the amounts received from customers before the related services have been rendered.

	2008 HK$'000	2007 HK$'000
Contracts in progress at the balance sheet date:		
Estimated contract costs plus recognised profits less recognised losses	**57,201**	69,779
Less: progress billings	**(44,727)**	(57,451)
	12,474	12,328
Analysed for reporting purposes as:		
Amount due from customers for contract work	**18,458**	17,802
Amount due (to) customers for contract work	**(5,984)**	(5,474)
	12,474	12,328

All the amounts included in amounts due are expected to be billed and recovered/(credited) to the income statement within one year.

23. TRADE RECEIVABLES – GROUP

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

Trade receivables from third parties are due within 30 days from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

23. TRADE RECEIVABLES – GROUP *(Continued)*

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

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

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

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

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

The Group did not hold any collateral as security or other credit enhancements over these balances.

The aging analysis of the Group's trade receivables based on due date is as follows:

	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**74,538**	25,110
Over 1-90 days	**10,394**	7,345
	84,932	32,455

23. TRADE RECEIVABLES – GROUP *(Continued)*

As at 31 December 2008, trade receivables of HK$74,538,000 (2007: HK$25,110,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP

	2008 **HK$'000**	2007 HK$'000
Other receivables	**1,992**	1,016
Deposits	**1,698**	1,861
Prepayments	**14,417**	9,968
	18,107	12,845

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2008 **HK$'000**	2007 HK$'000
Listed securities held for trading:		
– Equity securities in Hong Kong	**4,528**	6,990
Fair value of listed securities	**4,528**	6,990

The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date.

26. AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

The amounts are unsecured, interest-free, and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**47,741**	37,625	**121**	94
At 31 December	**47,741**	37,625	**121**	94

Included in bank and cash balances of the Group is HK$7,156,000 (2007: HK$6,447,000) of bank balances denominated in Renminbi ("RMB") placed with banks in PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business. The balances were deposited with banks in the PRC and bear interest at an effective interest rate approximately 0.96% (2007: approximately 2.79%) per annum.

Included in bank and cash balances of the Group is HK$9,563,000 (2007: HK$8,266,000) of bank balances denominated in Malaysian Ringgit ("MYR") placed with banks in Malaysia. Under the Institutional Banking Malaysia, the Group is permitted to exchange MYR into foreign currencies. The balances were deposited with banks in Malaysia and bear interest at an effective interest rate approximately 2.34% (2007: approximately 1.46%) per annum.

The Company does not have cash and bank balances denominated in RMB and MYR as at 31 December 2008 (2007: Nil).

28. TRADE PAYABLES – GROUP

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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29. OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	**10,813**	10,501	**–**	–
Other payables	**2,088**	1,333	**60**	62
Accrued charges	**6,100**	6,342	**300**	325
	19,001	18,176	**360**	387

30. BORROWINGS – GROUP

	2008	2007
	HK$'000	HK$'000
		(Restated)
Non-current		
Finance lease liabilities	**219**	338
Current		
Other borrowings (Note)		
– A minority shareholder	**1,995**	128
– Third parties	**4,446**	696
Finance lease liabilities	**119**	104
	6,560	928
Total borrowings	**6,779**	1,266

Note: The loans borrowed from a minority shareholder and third parties are unsecured, interest-free, and repayable ranging from 6 to 12 months.

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for the year ended 31 December 2008

30. BORROWINGS – GROUP *(Continued)*

Finance lease liabilities

The analysis of the obligations under finance lease is as follows:

	2008 **HK$'000**	2007 HK$'000
Total minimum lease payments		
Due within one year	**151**	151
Due in the second to fifth years	**239**	391
	390	542
Future finance charges on finance lease	**(52)**	(100)
Present value of finance lease liabilities	**338**	442
The present value of finance lease liabilities is as follows:		
Due within one year	**119**	104
Due in the second to fifth years	**219**	338
	338	442
Less: Portion due within one year included under current liabilities	**(119)**	(104)
Non-current portion included under non-current liabilities	**219**	338

The Group has entered into a finance lease for a motor vehicle. The lease period is for four years. The lease does not have options to renew or any contingent rental provisions.

The finance lease matures in July 2011 and bears interest at 5.25% per annum. The carrying value of the finance lease approximates its fair value.

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for the year ended 31 December 2008

31. SHARE CAPITAL – GROUP AND COMPANY

	2008		2007	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January	**5,000,000,000**	**500,000**	5,000,000,000	500,000
At 31 December	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	**985,050,000**	**98,505**	985,050,000	98,505
At 31 December	**985,050,000**	**98,505**	985,050,000	98,505

There were no changes in the Company's authorised, issued and fully paid share capital in both years. The share capital of Excel Technology International Holdings Limited comprises only of fully paid ordinary shares with a par value of HK$0.1. All shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

32. SHARE OPTION SCHEMES

On 16 June 2000, the Company adopted a share option scheme (the "Old Scheme") and this scheme was substituted by a new share option scheme (the "New Scheme") pursuant to the shareholders' resolution in a special general meeting on 23 April 2002 for complying with the terms of the Rules Governing the Listing of Securities on the GEM. The Old Scheme was lapsed in 2006.

The New Scheme adopted on 23 April 2002 will expire on 22 April 2012. The purpose of the New Scheme is to provide the participants with an opportunity to acquire equity interests in the Company and with an incentive to continue contributing to the success of the Company. Under the New Scheme, the directors may grant options at their discretion to any eligible employees of the Group, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company. The exercisable period of the options granted commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant where the acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the options. The subscription price of the options shall not be less than the highest of (i) the closing price of the Company's shares on the date of the grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed the nominal amount of 10% of the issued share capital of the Company. However, the total maximum number of shares which may be issued upon exercise of all outstanding options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval of the Company's shareholders.

No share options were granted under the New Scheme since its adoption.

NOTES TO THE FINANCIAL STATEMENTS

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33. RESERVES

Group	Share premium HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	179,650	(910)	345	(191,450)	(12,365)
Changes in fair value of available-for-sale financial assets	–	17	–	–	17
Exchanges difference on translation of financial statements of overseas subsidiaries	–	–	2,857	–	2,857
Profit for the year	–	–	–	4,068	4,068
At 31 December 2007 and 1 January 2008	**179,650**	**(893)**	**3,202**	**(187,382)**	**(5,423)**
Acquisition of non-controlling interests (Note 2(b))	**–**	**–**	**–**	**(2,359)**	**(2,359)**
Changes in fair value of available-for-sale financial assets	**–**	**(1,161)**	**–**	**–**	**(1,161)**
Impairment loss on available-for-sale financial assets	**–**	**2,054**	**–**	**–**	**2,054**
Exchanges difference on translation of financial statements of overseas subsidiaries	**–**	**–**	**1,450**	**–**	**1,450**
Loss for the year	**–**	**–**	**–**	**(822)**	**(822)**
At 31 December 2008	**179,650**	**–**	**4,652**	**(190,563)**	**(6,261)**

33. RESERVES *(Continued)*

Company	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	179,650	(209,297)	(29,647)
Loss for the year	–	(1,784)	(1,784)
At 31 December 2007 and 1 January 2008	**179,650**	**(211,081)**	**(31,431)**
Loss for the year	**–**	**(914)**	**(914)**
At 31 December 2008	**179,650**	**(211,995)**	**(32,345)**

At 31 December 2008, there were no reserves available for distribution to the Company's equity holders (2007: Nil).

The application of the share premium account is governed by section 42A of The Companies Act of Bermuda.

34. DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2007: 17.5%).

The movement on the deferred tax liabilities/(assets) is as follows:

	Accelerated tax depreciation HK$'000	Development cost HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007	(34)	295	(261)	–
Deferred taxation charged/(credited) to income statement	1,007	(295)	(712)	–
At 31 December 2007 and 1 January 2008	**973**	**–**	**(973)**	**–**
Deferred taxation charged/(credited) to income statement	**111**	**–**	**(111)**	**–**
At 31 December 2008	**1,084**	**–**	**(1,084)**	**–**

For the purpose of balance sheet presentation certain deferred tax assets and liabilities have been offset in accordance with the HKAS 12 "Income taxes" issued by the HKICPA.

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34. DEFERRED TAXATION – GROUP *(Continued)*

At 31 December 2008, the Group had unused tax losses of approximately HK$124,479,000 (2007: HK$126,780,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$6,569,000 (2007: HK$5,560,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK$117,910,000 (2007: HK$121,220,000) due to the unpredictability of future profit streams. The unrecognised tax losses may by carried forward indefinitely except losses of approximately HK$15,607,000 (2007: HK$14,452,000) which will expire as follows:

	2008	2007
	HK$'000	HK$'000
Year of expiry		
2008	**–**	1,532
2009	**3,627**	3,694
2010	**4,968**	5,489
2011	**1,130**	1,061
2012	**2,851**	2,676
2013	**3,031**	–
	15,607	14,452

35. OPERATING LEASES COMMITMENTS

Group

At 31 December 2008, the total minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable by the Group as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**4,470**	4,975
In the second to fifth years	**2,032**	5,951
	6,502	10,926

The Group leases the land and buildings under operating leases. The leases run for an initial period of one to two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

Company

The Company does not have any significant operating lease commitments.

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36. CAPITAL COMMITMENTS

Group

The Group had the following capital commitments at the balance sheet date:

	2008 **HK$'000**	2007 HK$'000
Authorised, but not contracted for		
– Equity capital contribution to a subsidiary	**6,236**	–

In respect of the equity capital contribution, a 65% held subsidiary will be established in PRC. The registration process for this entity had commenced in July 2008.

Company

The Company does not have any significant commitments as at 31 December 2008.

37. RELATED PARTY TRANSACTIONS

37.1 (i) The following transactions were carried out with related parties:

	Notes	**2008** **HK$'000**	2007 HK$'000
Sales			
Sale of enterprise software products			
– a minority shareholder	(a)	**1,656**	3,962
Purchases			
Purchase of complementary hardware and software products			
– a minority shareholder	(b)	**2,669**	2,272
– a related party	(b)	**140,555**	–
– an associate	(b)	**–**	148

Notes:

(a) Sales to a minority shareholder were conducted at mutually agreed prices and terms.

(b) Purchases from a minority shareholder, a related party and an associate were conducted at mutually agreed prices and terms.

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for the year ended 31 December 2008

37. RELATED PARTY TRANSACTIONS *(Continued)*

37.1 (ii) Outstanding balances with a minority shareholder arising from purchase of goods and services and loan advanced, included in trade payables, and other borrowings as appropriate:

	2008 HK$'000	2007 HK$'000 (Restated)
Payable to a minority shareholder		
– Trade payables	**2,031**	–
– Other borrowings (Note 30)	**1,995**	128
	4,026	128

37.2 Key management personnel compensation:

Included in staff costs are key management personnel compensation and comprises the following categories:

	2008 HK$'000	2007 HK$'000 (Restated)
Short term employee benefits		
– Salaries and other benefits	**1,980**	2,140
– Contributions to defined contribution plan	**24**	24

38. FINANCIAL GUARANTEE CONTRACTS

Group

The Group does not have any financial guarantee contracts with outsiders as at 31 December 2008.

Company

At 31 December 2008, the Company had given corporate guarantees of HK$21,450,000 (2007: HK$21,450,000) to suppliers to secure the credit facilities granted to its subsidiaries. The subsidiaries have not utilised the said facilities.

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.

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

On 29 May 2008, the Company acquired the remaining 49% equity interest in a subsidiary named Excel Global IT Services Holdings Limited from a minority shareholder at a consideration of HK$1,911,000 which was satisfied by the loan receivables due from the minority shareholder (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

40. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

The Group actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk. The Group adopts conservative strategies on its risk management and seeks to limit the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks.

40.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets				
– Unlisted private equity fund, at fair value	**3,411**	5,350	**–**	–
– Unlisted equity investments, at cost	**941**	942	**–**	–
Financial assets at fair value through profit or loss				
– Equity securities	**4,528**	6,990	**–**	–
Loans and receivables				
– Loan receivables	**–**	1,911	**–**	–
– Trade receivables	**84,932**	32,455	**–**	–
– Other receivables and deposits	**3,690**	2,877	**–**	–
– Amounts due from subsidiaries	**–**	–	**131,000**	132,969
– Cash and cash equivalents	**47,741**	37,625	**121**	94
	145,243	88,150	**131,121**	133,063
Financial liabilities				
Financial liabilities measured at amortised cost				
– Trade payables	**66,221**	7,127	**–**	–
– Other payables and accrued charges	**8,188**	7,675	**360**	387
– Amounts due to subsidiaries	**–**	–	**64,751**	64,751
– Borrowings	**6,779**	1,266	**–**	–
	81,188	16,068	**65,111**	65,138

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

40. FINANCIAL RISK MANAGEMENT *(Continued)*

40.2 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk arise from its overseas sales and purchases, which are primarily denominated in United States Dollars ("US$") and Renminbi ("RMB"). These are not the functional currencies of the Group entities to which these transactions relate. As the US$ is pegged to the Hong Kong Dollars ("HK$") and the US$ to be insignificant. In respect of trade receivables and payables denominated in RMB, the Group ensures that the net exposure is kept to an acceptable level by buying and selling the RMB at the rates adopting by the People's Bank of China where necessary to address short-term imbalances.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(i) Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2008 **HK$'000**	2007 HK$'000
Trade receivables	**69,477**	17,758
Other receivables	**1,795**	768
Cash and cash equivalents	**7,156**	6,447
Trade payables	**(63,714)**	(4,960)
Other payables and accrued charges	**(187)**	(2,267)
Borrowings	**(6,441)**	(824)
Net exposure to currency risk	**8,086**	16,922

40. FINANCIAL RISK MANAGEMENT *(Continued)*

40.2 Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's loss after tax for the year and equity in regards to a 3% (2007: 10%) appreciation in the group entities' functional currencies against the respective foreign currencies. The 3% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	2008		
	Increase/(decrease) in foreign exchange rates %	**Effect on loss after tax HK$'000**	**Effect on component of equity HK$'000**
RMB	**+3**	**243**	**243**
	-3	**(243)**	**(243)**

	2007		
	Increase/(decrease) in foreign exchange rates %	Effect on profit after tax HK$'000	Effect on component of equity HK$'000
RMB	+10	1,692	1,692
	–10	(1,692)	(1,692)

The sensitivity analysis of the Group's exposure to foreign currency risk at the balance sheet date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

A 3% depreciation in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's loss after tax for the year and equity but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 December 2007.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

40. FINANCIAL RISK MANAGEMENT *(Continued)*

40.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's borrowing is interest-free. The Group's finance lease liabilities mainly pay fixed interest rate. The exposure to interest rates for the Group is considered immaterial.

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

40.4 Other price risk

Other price risk relates to the risk that the fair values of equity securities will fluctuate because of changes in market prices. The Group is exposed to change in market prices of listed equity in respect of its investments in listed equity classified as financial assets at fair value through profit or loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the decision made by the Board of Directors. All the investments are equity securities listed in The Stock Exchange of Hong Kong Limited and are valued at quoted market prices at the balance sheet date.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the balance sheet date.

	2008	
	Increase/(decrease) in price of listed equity securities %	**Effect on loss after tax and accumulated losses HK$'000**
Market price of listed investment	**+10**	**453**
	-10	**(453)**

	2007	
	Increase/(decrease) in price of listed equity securities %	Effect on profit after tax and accumulated losses HK$'000
Market price of listed investment	+5	350
	–5	(350)

40. FINANCIAL RISK MANAGEMENT *(Continued)*

40.4 Other price risk *(Continued)*

The sensitivity analyses have been determined assuming that reasonably possible changes in the equity price had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent market price changes on equity over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

40.5 Credit risk

(i) Summary of exposure

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the balance sheet date as summarised below. None of the financial assets of the Group are secured by collateral or other credit enhancement.

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Class of financial assets – carrying amounts				
Available-for-sale financial assets				
– Unlisted private equity fund, at fair value	**3,411**	5,350	**–**	–
– Unlisted equity investments, at cost	**941**	942	**–**	–
Financial assets at fair value through profit or loss	**4,528**	6,990	**–**	–
Loan receivables	**–**	1,911	**–**	–
Trade receivables	**84,932**	32,455	**–**	–
Other receivables and deposits	**3,690**	2,877	**–**	–
Amounts due from subsidiaries	**–**	–	**131,000**	132,969
Cash and cash equivalents	**47,741**	37,625	**121**	94
	145,243	88,150	**131,121**	133,063

(ii) Risk management objective and policies

In respect of credit risk associated with trade and other receivables, management closely monitors all outstanding debts and reviews the collectability of trade receivables periodically. As at the balance sheet date, the credit risk is considered negligible as the counterparties are reputable banks and multi-national companies with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

40. FINANCIAL RISK MANAGEMENT *(Continued)*

40.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's prudent policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and cash equivalents and available-for-sale financial assets to meet its liquidity requirements in the short term.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2008. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The analysis is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 years but less than 5 years HK$'000	Total contractual undiscounted amount HK$'000	Carrying amount HK$'000
Group					
2008					
Borrowings	**6,560**	**134**	**85**	**6,779**	**6,779**
Trade payables	**66,221**	**–**	**–**	**66,221**	**66,221**
Other payables and accrued charges	**8,188**	**–**	**–**	**8,188**	**8,188**
	80,969	**134**	**85**	**81,188**	**81,188**
2007					
Borrowings	928	119	219	1,266	1,266
Trade payables	7,127	–	–	7,127	7,127
Other payables and accrued charges	7,675	–	–	7,675	7,675
	15,730	119	219	16,068	16,068
Company					
2008					
Other payables and accrued charges	**360**	**–**	**–**	**360**	**360**
Amounts due to subsidiaries	**64,751**	**–**	**–**	**64,751**	**64,751**
	65,111	**–**	**–**	**65,111**	**65,111**
2007					
Other payables and accrued charges	387	–	–	387	387
Amounts due to subsidiaries	64,751	–	–	64,751	64,751
	65,138	–	–	65,138	65,138

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

41. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return for shareholders by pricing goods and services commensurately with the level of risks.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure using gearing ratio which is net debts divided by total equity. For this purpose the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises owners' equity and minority interest stated in the consolidated balance sheet. During 2008, the Group's strategy remains unchanged from 2007, which is to maintain the gearing ratio at a healthy capital level in order to support its business. As of 31 December 2008 and 31 December 2007, the cash and cash equivalents exceeded the total debt, therefore the gearing ratio of the Group were zero.

FINANCIAL SUMMARY

for the year ended 31 December 2008

	2004 HK'000 (Restated)	2005 HK'000	2006 HK'000	2007 HK'000	**2008 HK'000**
Results					
Revenue	162,888	224,242	282,823	183,987	**364,206**
(Loss)/profit before income tax	(22,937)	(15,567)	370	4,299	**(1,992)**
Income tax expenses	(113)	(139)	(56)	(921)	**(47)**
(Loss)/profit for the year	(23,050)	(15,706)	314	3,378	**(2,039)**
ASSETS AND LIABILITIES					
Total assets	140,344	133,234	130,759	130,954	**193,838**
Total liabilities	(35,894)	(46,001)	(39,468)	(32,901)	**(97,985)**
Total equity	104,450	87,233	91,291	98,053	**95,853**