

The logo for Excel Technology, featuring the word "Excel" in a red, stylized script font.

TECHNOLOGY

Excel Technology
International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8048

INTERIM REPORT 2011

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

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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.

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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 (the “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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this report misleading.

INTERIM RESULTS ENDED 30 JUNE 2011

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2011 ("Financial Statements"), together with the comparative figures for the corresponding periods in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2011

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	2	75,134	47,817	176,580	100,940
Other revenue		277	287	398	389
Change in inventories of hardware and software		23,001	32,354	21,670	23,169
Purchase of hardware and software		(57,580)	(52,047)	(121,167)	(74,988)
Professional fee		(2,743)	(662)	(5,146)	(697)
Employee benefits expense		(27,667)	(20,221)	(55,196)	(38,909)
Depreciation and amortisation		(703)	(471)	(1,358)	(996)
Other expenses		(4,941)	(4,545)	(9,927)	(8,755)
Finance costs	5	(74)	(59)	(148)	(119)
Share of result of an associate		60	–	(8)	–
Profit before income tax	4	4,764	2,453	5,698	34
Income tax expense	6	(52)	(9)	(229)	(17)
Profit for the period		4,712	2,444	5,469	17
Other comprehensive income for the period, net of tax					
Exchange (loss)/gain on translation of financial statements of foreign operations		(101)	–	24	–
Total comprehensive income for the period		4,611	2,444	5,493	17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2011

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit for the period attributable to:					
Owners of the Company		4,387	1,980	4,987	174
Non-controlling interests		325	464	482	(157)
		<u>4,712</u>	<u>2,444</u>	<u>5,469</u>	<u>17</u>
Total comprehensive income attributable to:					
Owners of the Company		4,286	1,980	5,011	174
Non-controlling interests		325	464	482	(157)
		<u>4,611</u>	<u>2,444</u>	<u>5,493</u>	<u>17</u>
Earnings per share for the profit attributable to the owners of the Company during the period					
– Basic and diluted (in HK cents)	8	<u>0.45 cents</u>	<u>0.20 cents</u>	<u>0.51 cents</u>	<u>0.02 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2011*

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	13,008	12,429
Interest in associates		97	105
Available-for-sale financial assets		6,858	7,248
Goodwill		1,140	1,140
Development costs		5,765	5,043
Finance lease receivables		382	570
Deferred tax assets		1,300	1,300
		28,550	27,835
Current assets			
Inventories		35,905	14,235
Finance lease receivables		364	323
Amounts due from customers for contract work		28,175	21,774
Trade receivables	10	64,763	33,209
Other receivables, deposits and prepayments		22,781	21,725
Financial assets at fair value through profit or loss		6,286	6,793
Bank balances and cash		48,693	60,905
		206,967	158,964

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2011*

	Notes	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
Current liabilities			
Trade payables	11	28,153	20,797
Other payables and accrued charges		23,955	28,174
Borrowings		60,171	24,508
Amounts due to customers for contract work		4,391	4,228
		<u>116,670</u>	<u>77,707</u>
Net current assets		<u>90,297</u>	<u>81,257</u>
Total assets less current liabilities		<u>118,847</u>	<u>109,092</u>
Non-current liabilities			
Borrowings		—	1,454
Net assets		<u>118,847</u>	<u>107,638</u>
EQUITY			
Share capital	12	101,505	98,505
Reserves		7,679	2,668
Equity attributable to owners of the Company		<u>109,184</u>	<u>101,173</u>
Non-controlling interests		<u>9,663</u>	<u>6,465</u>
Total equity		<u>118,847</u>	<u>107,638</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2011*

	Equity attributable to owners of the Company					Non-	Total equity
	Share capital	Share premium	Exchange reserve	Accumulated losses	Total	controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	98,505	179,650	5,178	(182,160)	101,173	6,465	107,638
Issue of ordinary shares	3,000	-	-	-	3,000	-	3,000
Capital contribution by non-controlling interests of a subsidiary	-	-	-	-	-	2,716	2,716
Transaction with owners	3,000	-	-	-	3,000	2,716	5,716
Profit for the year	-	-	-	4,987	4,987	482	5,469
Other comprehensive income							
Exchange gain on translation of financial statements of foreign operations	-	-	24	-	24	-	24
Total comprehensive income for the period	-	-	24	4,987	5,011	482	5,493
At 30 June 2011	101,505	179,650	5,202	(177,173)	109,184	9,663	118,847
At 1 January 2010	98,505	179,650	4,822	(188,196)	94,781	6,299	101,080
Total comprehensive income/(loss) for the period	-	-	-	174	174	(157)	17
At 30 June 2010	98,505	179,650	4,822	(188,022)	94,955	6,142	101,097

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	(Unaudited)	
	Six months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(49,979)	(35,521)
Net cash used in investing activities	(2,283)	(4,991)
Net cash generated from financing activities	40,050	31,349
Net decrease in cash and cash equivalents	(12,212)	(9,163)
Cash and cash equivalents at beginning of the period	60,905	51,892
Effect on foreign exchange rate changes, on cash held	—	—
Cash and cash equivalents at end of the period, representing bank balances and cash	48,693	42,729

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2010.

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.

2. Revenue and turnover

Revenue from external customers from the Group's principal activities recognised during the period is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Enterprise software products	25,809	19,495	48,181	37,049
Systems integration	35,435	21,056	101,300	51,242
Professional services	12,665	6,113	24,664	10,334
ASP services	1,225	1,153	2,435	2,315
Total revenue	75,134	47,817	176,580	100,940

3. Segment information

The business components in the internal financial information reported to the executive directors are determined by the Group's major geographical areas. The Group has identified Hong Kong, PRC and South East Asia as the reportable segments. Each of these operating segments is managed separately as each of the geographical areas requires different resources as well as marketing approaches.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Six months ended 30 June 2011			
	Hong Kong HK\$'000	PRC HK\$'000	South East Asia HK\$'000	Total HK\$'000
Revenue				
– From external customers	53,719	118,517	4,344	176,580
– From other segments	4,829	10,404	594	15,827
Reportable segment revenue	58,548	128,921	4,938	192,407
Reportable segment profit/(loss)	5,541	(614)	771	5,698
Interest income	112	62	16	190
Depreciation and amortisation of non-financial assets	545	791	22	1,358
Gain on disposal of financial assets at fair value through profit or loss	20	–	–	20
Fair value loss on financial assets at fair value through profit or loss	651	–	–	651
Finance costs	3	145	–	148
Share of loss of an associate	–	8	–	8
Reportable segment assets	170,539	150,563	8,449	329,551
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	1,529	1,110	20	2,659
Reportable segment liabilities	21,303	176,804	12,597	210,704

	Six month ended 30 June 2010			
	Hong Kong HK\$'000	PRC HK\$'000	South East Asia HK\$'000	Total HK\$'000
Revenue				
– From external customers	33,608	64,520	2,812	100,940
– From other segments	5,414	8,063	408	13,885
Reportable segment revenue	39,022	72,583	3,220	114,825
Reportable segment profit/(loss)	2,368	(2,078)	(256)	34
Interest income	89	30	42	161
Depreciation and amortisation of non-financial assets	439	503	54	996
Fair value loss on financial assets at fair value through profit or loss	617	–	–	617
Finance costs	10	109	–	119
Reportable segment assets	152,182	121,291	7,539	281,012
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	4,364	942	23	5,329
Reportable segment liabilities	14,078	153,508	12,329	179,915

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2011 HK\$'000	2010 HK\$'000
Reportable segment revenue	192,407	114,825
Elimination of inter segment revenue	(15,827)	(13,885)
Group revenue	176,580	100,940

	2011	2010
	HK\$'000	HK\$'000
Reportable segment assets	329,551	281,012
Consolidation	(94,034)	(90,326)
Group assets	235,517	190,686
	2011	2010
	HK\$'000	HK\$'000
Reportable segment liabilities	210,704	179,915
Consolidation	(94,034)	(90,326)
Group liabilities	116,670	89,589

The Group's non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	2011	2010
	HK\$'000	HK\$'000
Hong Kong	12,433	11,075
PRC	7,534	4,394
South East Asia	43	63
Total	20,010	15,532

4. Profit before income tax

Profit before income tax is arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Depreciation of property, plant and equipment	585	436	1,123	961
Amortisation of development cost	118	35	235	35
Interest income	(94)	(79)	(190)	(161)
Dividend income from listed securities	(21)	(15)	(21)	(15)
Fair value loss on financial assets at fair value through profit or loss	500	395	651	617
Gain on disposal of financial assets at fair value through profit or loss	(20)	–	(20)	–

5. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Interest charges on:				
Finance charges on obligations under finance leases	1	4	3	10
Other interest expense	73	55	145	109
	74	59	148	119

6. Income tax expense

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods or their estimated assessable profits for the respective periods 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 respective periods at the rates prevailing in the countries in which the Group operates.

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current tax				
– Overseas				
Tax for the period	52	9	229	17
Total income tax expense	52	9	229	17

7. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

8. Earnings per share

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to owners of the Company of HK\$4,987,000 (2010: HK\$174,000) and the weighted average number of ordinary shares of 985,215,746 (2010: 985,050,000) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2011 and 2010 equates the basic earnings per share as there is no potential ordinary share in existence during the period.

9. Property, plant and equipment

During the six months ended 30 June 2011, the Group spent HK\$1,702,000 (six months ended 30 June 2010: HK\$318,000) on acquisition of property, plant and equipment.

10. Trade receivables

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Trade receivables		
From third parties	61,633	30,079
From a related party	3,653	3,653
	<u>65,286</u>	<u>33,732</u>
Less: provision for impairment of trade receivables	(523)	(523)
	<u>64,763</u>	<u>33,209</u>

Trade receivables from third parties are due within 14 days to 60 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.

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception. All trade receivables are expected to be recovered within one year.

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0 – 30 days	52,022	16,815
31 – 60 days	541	8,307
61 – 90 days	915	1,344
Over 90 days	11,285	6,743
	64,763	33,209

11. Trade payables

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0 – 30 days	7,577	7,401
31 – 60 days	56	7,796
61 – 90 days	502	32
Over 90 days	20,018	5,568
	28,153	20,797

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

12. Share capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 December 2010 and 30 June 2011	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 December 2010	985,050,000	98,505
Issued Ordinary shares of HK\$0.10 each on 30 June 2011	<u>30,000,000</u>	<u>3,000</u>
Ordinary shares of HK\$0.10 each at 30 June 2011	<u>1,015,050,000</u>	<u>101,505</u>

13. Financial guarantee contracts – group

The Group does not have any financial guarantee contracts with outsiders as at 30 June 2011 (31 December 2010: Nil).

14. Pledge of assets

At the reporting date, the Group's leasehold land and buildings with net carrying amount of HK\$Nil (31 December 2010: HK\$6,014,000) was pledged to bank to secure unutilised banking facilities granted to the Group.

The Group is not allowed to pledge the above assets as security for other borrowings or to sell them to another entity. These facilities were also secured by corporate guarantee issued by the Company.

15. Related party transactions

Details of the transactions between the Group and its related parties are summarised below.

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Professional services income		
– an associate	553	–
Purchases of complementary hardware and software		
– a non-controlling shareholder	2,938	–

Sales to or purchases from the related parties stated above were conducted in the Group's normal course of business and at mutually agreed prices and terms.

Outstanding balances with related parties arising from sale and purchase of goods and services and loan advanced, included in trade receivables, other receivables, other payables and borrowings are as follows:

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Non-controlling shareholder		
Trade receivables	3,653	3,529
Other receivables, deposits and prepayments	–	3,370
Other payables and accrued charges	–	(399)
Companies controlled by a non-controlling shareholder who can exercise significant influence to the Group		
Other borrowings	(34,989)	(12,255)
An associate		
Other receivables, deposits and prepayments	587	–
Amount due to an associate	–	(445)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's profit attributable to owners of the Company for the six months ended 30 June 2011 was HK\$4,987,000, as compared to a profit of HK\$174,000 in the same period of 2010.

The Group reported a HK\$176,580,000 turnover for the six months ended 30 June 2011, an increase of 75% from HK\$100,940,000 for the corresponding period of last year.

Enterprise software products increased by 30% to HK\$48,181,000 (2010: HK\$37,049,000). The Systems integration business grew by 98% to HK\$101,300,000 (2010: HK\$51,242,000). Professional services significantly jumped by 139% to HK\$24,664,000 (2010: HK\$10,334,000). The ASP business increased by 5% to HK\$2,435,000 (2010: HK\$2,315,000).

Liquidity and Financial Resources

As of 30 June 2011, the Group was in a healthy financial position with cash and cash equivalents of HK\$48,693,000. (31 December 2010: HK\$60,905,000).

The Group monitors its capital structure using the gearing ratio which is net debt 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. The total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. As of 30 June 2011 the gearing ratio was 9.7% (31 December 2010: zero).

Capital Structure

During the period under review, the Group conducted a placing of 30,000,000 placing shares to independent third parties at a price of HK\$0.10 per placing share in order to comply with the GEM Listing Rules regarding the minimum prescribed percentage of public float. The net proceeds of approximately HK\$2.9 million from the placing were used for the general working capital of the Group. The placing was completed on 30 June 2011. The Group's outstanding issued shares were 1,015,050,000 shares after the placing of new shares of 30,000,000 shares as at 30 June 2011.

Investment

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

Segmental Performances

Hong Kong region achieved turnover of HK\$58,548,000 (2010: HK\$39,022,000).

The China operation recorded turnover of HK\$128,921,000 (2010: HK\$72,583,000).

South East Asia region's turnover was HK\$4,938,000 (2010: HK\$3,220,000).

Employees

The total number of employees as of 30 June 2011 was 514 (Beginning of 2011: 459). An increase of 55 employees in the past six months was mainly due to the business growth in PRC and professional services in Hong Kong.

Outlook for the Second Half of 2011

Despite many uncertainties in the world economy still exist, the recovery in the banking and finance sector in Asia is progressing. Our business momentum has been building up since early this year, and we managed to close a strong quarter with significant growth in almost all our business lines.

Professional service business has the highest percentage growth, with customers of all sizes asking for more IT manpower resources to start new projects. We had increased our headcount by about 10% in the first half of this year, mostly in China and Hong Kong, in response to the high demand of such service. While we are taking advantage of this growing trend, we are also affected by its consequence, which is the acute shortage in available IT skills, and the rising salary costs of such skills.

Outlook for second half of 2011 is good. Demands for our enterprise software are steady, with many opportunities and potentials in China and Southeast Asia being worked on. We are also exploring the opportunity to offer a “core banking system” through partnership with others which already have proven solutions. This is to capture the increasing opportunities in Chinese banks going overseas, as well as foreign banks starting their businesses in China.

The China Support Hub project had made good progress. Our invested company in Dongguan, which purchased the Song Shan Lake property last year, has concluded a deal with a Chinese company to develop facilities to process finance payments and clearing transactions in China on that property.

The Company is looking at plans to restructure and to expand our China capacity in order to maximize our returns in the coming years, and we will continue to look outward to seek new partnership and development opportunities in the business areas related to ours.

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

At 30 June 2011, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial owner	Held by family	Held by controlled corporation		
Zee Chan Mei Chu, Peggy	4,350,000	–	559,679,197 (Note 1)	564,029,197	55.57%
Fung Din Chung, Rickie	24,691,498	–	–	24,691,498	2.43%
Leung Lucy, Michele	24,559,498	–	–	24,559,498	2.42%
Ng Wai King, Steve	4,184,998	–	–	4,184,998	0.41%
Wong Mee Chun	40,000	382,000 (Note 2)	–	422,000	0.04%

Notes:

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2011.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

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

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy (Note 1)	564,029,197	55.57%
Passion Investment (BVI) Limited (Note 1)	559,679,197	55.14%
Cheung Kong (Holdings) Limited (Note 2)	143,233,151	14.11%
Li Ka-Shing Unity Trustee Company Limited (Note 2) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.11%
Li Ka-Shing Unity Trustcorp Limited (Note 2) (as trustee of another discretionary trust)	143,233,151	14.11%
Li Ka-Shing Unity Trustee Corporation Limited (Note 2) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.11%
Li Ka-shing (Note 2)	143,233,151	14.11%
Alps Mountain Agent Limited (Note 2)	71,969,151	7.09%
iBusiness Corporation Limited (Note 2)	67,264,000	6.62%

Notes:

- (1) These shares have been disclosed as directors' interests held by controlled corporation in the paragraph headed "Directors' and chief executive's interests and short positions in securities".

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

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

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

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has implemented measures to meet the requirements of the Code on Corporate Governance Practices (the “CG Code”) and Corporate Governance Report as set out in Appendix 15 and Appendix 16 of the GEM Listing Rules. In order to comply with code provision A.2.1 of the CG Code regarding the segregation of the roles of Chairman and Chief Executive Officer of the Company, Mr. Fung Din Chung, Rickie, an Executive Director of the Company, has been appointed as the Chief Executive Officer of the Company effective from 1 April 2011. Mrs. Zee Chan Mei Chu, Peggy remains as the Chairman and Executive Director of the Company. After the segregation of the roles of Chairman and Chief Executive Officer of the Company, there is no deviation from the CG Code as at 30 June 2011.

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. The audit committee’s principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited consolidated results of the Group for the six months ended 30 June 2011 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee was established in May 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of code provisions B.1.3.

The composition of the remuneration committee includes Chairman, Mrs. Zee Chan Mei Chu, Peggy and two Independent Non-executive Directors, Mr. Cheong Ying Chew, Henry and Mr. Chang Ka Mun.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

IpTak 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, Hutchison Telecommunications Hong Kong Holdings Limited ("Hutchison") and TOM Group. Both CKH, CKI and Hutchison are engaged in information technology, e-commerce and new technology. TOM Group is engaged in providing Internet services.

Save as disclosed above, at 30 June 2011, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

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

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

Hong Kong, 8 August 2011

The Board comprises of:

Zee Chan Mei Chu, Peggy (*Executive Director*)
Fung Din Chung, Rickie (*Executive Director*)
Leung Lucy, Michele (*Executive Director*)
Ng Wai King, Steve (*Executive Director*)
Ip Tak Chuen, Edmond (*Non-executive Director*)
Cheong Ying Chew, Henry (*Independent Non-executive Director*)
Chang Ka Mun (*Independent Non-executive Director*)
Wong Mee Chun (*Independent Non-executive Director*)