

The logo features the word "Excel" in a stylized, red, cursive script font. The background of the entire page is a vibrant orange and yellow gradient with abstract, flowing, curved lines that create a sense of motion and energy.

Excel

TECHNOLOGY

Excel Technology
International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8048

THIRD QUARTERLY REPORT 2011

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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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.

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 2011

| | Notes | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|--|-------|---|------------------|--|------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Revenue | 2 | 48,579 | 96,207 | 225,159 | 197,147 |
| Other revenue | | 247 | 827 | 645 | 1,216 |
| Change in inventories of hardware and software | | 57,959 | (32,246) | 79,629 | (9,077) |
| Purchase of hardware and software | | (65,323) | (28,366) | (186,490) | (103,354) |
| Professional fee | | (2,714) | (3,522) | (7,860) | (4,219) |
| Employee benefits expense | | (32,077) | (24,753) | (87,273) | (63,662) |
| Depreciation and amortisation | | (1,133) | (490) | (2,491) | (1,486) |
| Other expenses | | (5,049) | (4,446) | (14,976) | (13,201) |
| Finance costs | 3 | (73) | (59) | (221) | (178) |
| Share of result of an associate | | (16) | – | (24) | – |
| Profit before income tax | | 400 | 3,152 | 6,098 | 3,186 |
| Income tax expense | 4 | (10) | – | (239) | (17) |
| Profit for the period | | 390 | 3,152 | 5,859 | 3,169 |
| Other comprehensive income for the period, net of tax | | | | | |
| Exchange gain on translation of financial statements of foreign operations | | 195 | – | 219 | – |
| Total comprehensive income for the period | | 585 | 3,152 | 6,078 | 3,169 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2011

| | Notes | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|-----------------------------------|-------|---|-------------------|--|-------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Profit for the period | | | | | |
| attributable to: | | | | | |
| Owners of the Company | | 383 | 2,603 | 5,370 | 2,777 |
| Non-controlling interests | | 7 | 549 | 489 | 392 |
| | | <u>390</u> | <u>3,152</u> | <u>5,859</u> | <u>3,169</u> |
| Total comprehensive income | | | | | |
| attributable to: | | | | | |
| Owners of the Company | | 578 | 2,603 | 5,589 | 2,777 |
| Non-controlling interests | | 187 | 549 | 669 | 392 |
| | | <u>765</u> | <u>3,152</u> | <u>6,258</u> | <u>3,169</u> |
| Earnings per share for the | | | | | |
| profit attributable to the | | | | | |
| owners of the Company | | | | | |
| during the period | | | | | |
| – Basic and diluted | | | | | |
| (in HK cents) | 5 | <u>0.04 cents</u> | <u>0.26 cents</u> | <u>0.54 cents</u> | <u>0.28 cents</u> |

NOTES:

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 | | Nine months ended | |
|------------------------------|--------------------|----------|-------------------|----------|
| | 30 September | | 30 September | |
| | 2011 | 2010 | 2011 | 2010 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Enterprise software products | 25,434 | 24,076 | 73,615 | 61,125 |
| Systems integration | 7,686 | 61,348 | 108,986 | 112,590 |
| Professional services | 14,425 | 9,631 | 39,089 | 19,965 |
| ASP services | 1,034 | 1,152 | 3,469 | 3,467 |
| Total revenue | 48,579 | 96,207 | 225,159 | 197,147 |

3. Finance costs

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|------------------|-----------------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Interest charges on: | | | | |
| Finance charges on obligations under finance leases | – | 4 | 3 | 14 |
| Other interest expense | 73 | 55 | 218 | 164 |
| | 73 | 59 | 221 | 178 |

4. 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 September | | Nine months ended 30 September | |
|---------------------------------|------------------------------------|------------------|-----------------------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Current tax | | | | |
| – Overseas | | | | |
| Tax for the period | 10 | – | 239 | 17 |
| Total income tax expense | 10 | – | 239 | 17 |

5. Earnings per share

The calculation of the basic and diluted earnings per share for the nine months ended 30 September 2011 is based on the profit attributable to owners of the Company of HK\$5,370,000 (2010: HK\$2,777,000) and the weighted average number of ordinary shares of 995,269,780 (2010: 985,050,000) in issue during the period.

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

RESERVES

Movements in reserves for the periods ended 30 September 2011 and 2010 were as follows:-

| | Share premium HK\$'000 | Exchange reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|---------------------------------|-----------------------------------|-------------------|
| At 1 January 2011 | 179,650 | 5,178 | (182,160) | 2,668 |
| Profit for the period | - | - | 5,370 | 5,370 |
| Other comprehensive income | | | | |
| Exchange gain on translation of financial statements of foreign operations | - | 219 | - | 219 |
| Total comprehensive income for the period | - | 219 | 5,370 | 5,589 |
| At 30 September 2011 | 179,650 | 5,397 | (176,790) | 8,257 |
| At 1 January 2010 | 179,650 | 4,822 | (188,196) | (3,724) |
| Total comprehensive income for the period | - | - | 2,777 | 2,777 |
| At 30 September 2010 | 179,650 | 4,822 | (185,419) | (947) |

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2011 (2010: Nil).

BUSINESS REVIEW

The Group's profit attributable to owners of the Company for the nine months ended 30 September 2011 was HK\$5,370,000, a 93% increase as compared to a profit of HK\$2,777,000 in the same period of 2010, and a 8% increase over the profit of HK\$4,987,000 for the first six months in 2011. The lower profit growth in this quarter was mainly due to timing of customer contracts and unrealized fair value adjustment on financial assets due to the volatile market condition at the quarter end.

The Group reported a HK\$225,159,000 turnover for the nine months ended 30 September 2011, an increase of 14% from HK\$197,147,000 for the corresponding period of last year.

Enterprise software products increased by 20% to HK\$73,615,000 (2010: HK\$61,125,000). The Systems integration business decreased by 3% to HK\$108,986,000 (2010: HK\$112,590,000). Professional services significantly jumped by 96% to HK\$39,089,000 (2010: HK\$19,965,000). The ASP business remained stable with revenue of HK\$3,469,000 (2010: HK\$3,467,000).

FUTURE PROSPECTS

While the economic and banking crisis happening in Europe does not hit hard in Asia, we are seeing the impact of that being reflected in the more conservative manner taken by our customers – who are mostly banks and finance institutes – in their IT spending.

Growth in professional services revenue remained strong in the past quarter, but we anticipate future growth rate will likely see a slower jump due to a larger revenue basis from past year and effects from the current economic uncertainties. Demand for our enterprise software will continue to come in steadily as we have built a good pipeline in the past months.

Whether the China economy will come down to any hard landing remains to be seen, but we will be monitoring the situation closely and planning our business activities more carefully. Currently the China business is still on track of our original targets, and utilization of our manpower resources remains at a high level.

Overall, we are still conservatively optimistic about the outlook for the whole of 2011, and remain confident that we have laid a strong foundation for a new beginning in 2012.

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

At 30 September 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 September 2011.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 (<i>Note 1</i>) | 564,029,197 | 55.57% |
| Passion Investment (BVI) Limited (<i>Note 1</i>) | 559,679,197 | 55.14% |
| Cheung Kong (Holdings) Limited (<i>Note 2</i>) | 143,233,151 | 14.11% |
| Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust) | 143,233,151 | 14.11% |
| Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust) | 143,233,151 | 14.11% |
| Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust) | 143,233,151 | 14.11% |
| Li Ka-shing (<i>Note 2</i>) | 143,233,151 | 14.11% |
| Alps Mountain Agent Limited (<i>Note 2</i>) | 71,969,151 | 7.09% |
| iBusiness Corporation Limited (<i>Note 2</i>) | 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 September 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 nine months ended 30 September 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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, 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 September 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 nine 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, 7 November 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*)