

The background of the entire page is a vibrant green with a dynamic, abstract design. A bright, glowing light source is positioned on the left side, creating a lens flare effect that radiates across the page. Several thin, white, curved lines flow from the light source towards the right, giving a sense of motion and energy. The overall aesthetic is modern and technological.

# *Excel*

TECHNOLOGY

## Excel Technology International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8048

First Quarterly Report

# 2012

## **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 of the Stock Exchange 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.*

## FIRST QUARTERLY RESULTS ENDED 31 MARCH 2012

The Directors of the Company present herewith the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2012, together with the comparative figures for the corresponding period in 2011, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months ended 31 March 2012*

	Notes	For the three months ended 31 March	
		2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>	2	<b>57,441</b>	101,446
Other income		<b>732</b>	121
Change in inventories of hardware and software		<b>7,972</b>	(1,331)
Purchase of hardware and software		<b>(20,564)</b>	(63,587)
Professional fee		<b>(5,333)</b>	(2,403)
Employee benefits expense		<b>(33,355)</b>	(27,529)
Depreciation and amortization		<b>(1,218)</b>	(655)
Other expenses		<b>(5,433)</b>	(4,986)
Finance costs	3	<b>(73)</b>	(74)
Share of result of an associate		<b>—</b>	(68)
<b>Profit before income tax</b>		<b>169</b>	934
Income tax expense	4	<b>(28)</b>	(177)
<b>Profit for the period</b>		<b>141</b>	757
<b>Other comprehensive income for the year, net of tax</b>			
Exchange gain on translation of financial statements of foreign operations		<b>—</b>	125
<b>Total comprehensive income for the period</b>		<b>141</b>	882

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

	Notes	For the three months ended 31 March	
		2012 HK\$'000	2011 HK\$'000
<b>Profit for the period attributable to:</b>			
Owners of the Company		102	600
Non-controlling interests		39	157
		<u>141</u>	<u>757</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		102	725
Non-controlling interests		39	157
		<u>141</u>	<u>882</u>
<b>Earnings per share for the profit attributable to the owners of the Company during the period</b>			
– Basic and diluted (in HK cents)	5	<u>0.01 cents</u>	<u>0.06 cents</u>

## NOTES:

### 1. Basis of preparation

The 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 2011.

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:

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Enterprise software products	30,068	22,372
Systems integration	13,102	65,865
Professional services	13,336	11,999
ASP services	935	1,210
<b>Total revenue</b>	<b>57,441</b>	<b>101,446</b>

### 3. Finance costs

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Interest charges on:		
Finance charges on obligations under finance leases	–	2
Other interest expense	<u>73</u>	<u>72</u>
	<u>73</u>	<u>74</u>

### 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.

	For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Current tax		
– Overseas		
Tax for the period	<u>28</u>	<u>177</u>
<b>Total income tax expense</b>	<u>28</u>	<u>177</u>

## 5. Earnings per share

The calculation of the basic and diluted earnings per share for the three months ended 31 March 2012 is based on the profit attributable to owners of the Company of HK\$102,000 (2011: HK\$600,000) and the weighted average number of ordinary shares of 1,015,050,000 (2011: 985,050,000) in issue during the period.

Diluted earnings per share for the three months ended 31 March 2012 and 2011 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 31 March 2012 and 2011 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	–	–	600	600
Other comprehensive income				
Exchange gain on translation of financial statements of foreign operations	–	125	–	125
Total comprehensive income for the period	–	125	600	725
At 31 March 2011	179,650	5,303	(181,560)	3,393
At 1 January 2012	179,556	5,612	(179,569)	5,599
Profit for the period	–	–	102	102
<b>At 31 March 2012</b>	<b>179,556</b>	<b>5,612</b>	<b>(179,467)</b>	<b>5,701</b>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

## BUSINESS REVIEW

The Group's profit attributable to owners of the Company for the three months ended 31 March 2012 was HK\$102,000, comparing with a profit of HK\$600,000 in the same period of 2011.

During the period ended 31 March 2012, the Group recorded a turnover of HK\$57,441,000, representing a decrease of 43% compared with a turnover of HK\$101,446,000 in the same period of last year. Sales of enterprise software products increased by 34% to HK\$30,068,000 (2011: HK\$22,372,000). Professional services business increased by 11% to HK\$13,336,000 (2011: HK\$11,999,000). Both systems integration business and ASP business dropped by 80% and 23% to HK\$13,102,000 (2011: HK\$65,865,000) and HK\$935,000 (2011: HK\$1,210,000) respectively.

## FUTURE PROSPECTS

The first quarter tells us that 2012 is a challenging year as we saw mixed results in our business lines. We started to see the effect of our banking customers slowing their IT spending, as we experienced a drop in their demand for our IT outsourcing and professional services. In addition, our profit margin in this area is being squeezed by the increasing people cost, therefore we have to be vigilant in controlling the people cost to maintain our profit margin.

On the other hand, despite of the poor global economic sentiment, our enterprise software business was doing well. Contract negotiation has started on a number of deals, which are expected to conclude in the coming months. We see our InterTrade product will be of great demand this year with more banks offering multi-markets trading to their customers and gearing up for future expansion. For the Wealth Management Solution, we are supporting a few of our clients to roll out the investment products platform to their foreign branches from China, to Thailand, Indonesia, Middle East and Africa.



We are expanding our service and product portfolio to include servicing and implementation of enterprise software of selected global vendors; and to leverage on their sales network to reach out for more potential customers. The Company has also started to diversify our client base to industries beyond the banking and finance sector. We are getting some modest success with our effort selling to the retail and hotel industry, and we will step up our push in this direction with more research and development efforts as well as a stronger sales force.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS**

**Excel Technology International Holdings Limited and Sino Eminent Limited issued joint Announcement dated 18 April 2012 (the “Joint Announcement”)**

### ***The Share Agreement***

On 19 January 2012, Passion Investment (BVI) Limited and Mrs. Zee Chan Mei Chu, Peggy, the controlling Shareholders of the Company (“the Vendors”) and Sino Eminent Limited, a company incorporated in the British Virgins Islands with limited liability (“the Offeror”) entered into the Original Share Agreement, which was amended by the letter agreements dated 17 February 2012 and 19 March 2012, respectively, and further amended and restated by the Amendment and Restatement Agreement dated 12 April 2012, pursuant to which the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase 564,029,197 Sale Shares, representing approximately 55.57% of the entire issued share capital of the Company as at the date of the Joint Announcement. The aggregate consideration for the Sale Shares is HK\$115,343,970.79, representing HK\$0.2045 per Sale Share. The Share Agreement is conditional upon, among other things, the approval by the Independent Shareholders of the Disposals.

### ***Possible Unconditional Mandatory Cash Offer for the Shares***

Upon completion of the Share Agreement, the Offeror and parties acting in concert with it will own approximately 55.57% of the issued share capital of the Company as at the date of the Joint Announcement. Goldin Equities Limited will, on behalf of the Offeror and pursuant to the Takeovers Code, make the Offer to all the Independent Shareholders. The offer price under the Offer will be HK\$0.2045 for each Share. As the date of the Joint Announcement, the Company has 1,015,050,000 Shares in issue.

### ***The Disposal Agreements***

Upon the execution of the Disposal Agreements after, among other things, the Disposals are approved by the Independent Shareholders and on or before the Completion Date, Excel Technology International (Hong Kong) Limited, a wholly-owned subsidiary of the Company, will sell and Mrs. Zee Chan Mei Chu, Peggy and Ms. Leung Lucy, Michele respectively, will purchase the First Property (as defined in the Joint Announcement) and the Second Property (as defined in the Joint Announcement) at the consideration of HK\$29,000,000 and HK\$7,900,000 respectively in cash. The Disposals constitute major transactions and connected transactions for the Company pursuant to the GEM Listing Rules and are subject to the approval of the Independent Shareholders by way of poll at the Special General Meeting ("SGM"). The Disposals constitute special deal on the part of the Company under Note 4 to Rule 25 of the Takeovers Code and require the consent of the Executive. Such consent, if granted, will be subject to the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deal are fair and reasonable; and the approval of the Special Deal by the Independent Shareholders by way of poll at the SGM.

Details of the transactions have been published in the Joint Announcement.

Saved as disclosed above, there were no material acquisitions and disposals of subsidiaries and affiliated companies or material investments which need to be disclosed in accordance with the requirements of the GEM Listing Rules during the period under review and up to date of this report.

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

At 31 March 2012, 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 31 March 2012.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, 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 31 March 2012.

## **AUDIT COMMITTEE**

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.29 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 three months ended 31 March 2012 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 31 March 2012, 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 three 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, 14 May 2012

*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*)