

Excel

TECHNOLOGY

EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 announcement, 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 announcement 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 announcement misleading.

* For identification purpose only

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2012

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 2012 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012

| | Notes | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|-------|---|------------------|--|------------------|
| | | 2012 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 | 2011 HK\$'000 |
| Revenue | 2 | 71,256 | 48,579 | 207,945 | 225,159 |
| Other revenue | | 513 | 247 | 1,451 | 645 |
| Change in inventories of hardware and software | | 83,032 | 57,959 | 108,429 | 79,629 |
| Purchase of hardware and software | | (97,303) | (65,323) | (158,869) | (186,490) |
| Professional fee | | (14,889) | (2,714) | (29,978) | (7,860) |
| Employee benefits expense | | (29,651) | (32,077) | (94,938) | (87,273) |
| Depreciation and amortisation | | (1,162) | (1,133) | (3,580) | (2,491) |
| Other expenses | | (4,041) | (5,049) | (17,208) | (14,976) |
| Finance costs | 3 | (55) | (73) | (197) | (221) |
| Gain on disposal of property, plant and equipment | | – | – | 30,870 | – |
| Share of result of an associate | | – | (16) | – | (24) |
| Profit before income tax | | 7,700 | 400 | 43,925 | 6,098 |
| Income tax expense | 4 | (6) | (10) | (198) | (239) |
| Profit for the period | | 7,694 | 390 | 43,727 | 5,859 |
| Other comprehensive income for the period, net of tax | | | | | |
| Exchange (loss)/gain on translation of financial statements of foreign operations | | (213) | 375 | (213) | 399 |
| Total comprehensive income for the period | | 7,481 | 765 | 43,514 | 6,258 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| | Three months ended | | Nine months ended | |
| | 30 September | | 30 September | |
| | 2012 | 2011 | 2012 | 2011 |
| <i>Notes</i> | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Profit for the period | | | | |
| attributable to: | | | | |
| Owners of the Company | 7,617 | 383 | 43,347 | 5,370 |
| Non-controlling interests | 77 | 7 | 380 | 489 |
| | <u>7,694</u> | <u>390</u> | <u>43,727</u> | <u>5,859</u> |
| Total comprehensive income | | | | |
| attributable to: | | | | |
| Owners of the Company | 7,404 | 578 | 43,134 | 5,589 |
| Non-controlling interests | 77 | 187 | 380 | 669 |
| | <u>7,481</u> | <u>765</u> | <u>43,514</u> | <u>6,258</u> |
| Earnings per share for the | | | | |
| profit attributable to the owners | | | | |
| of the Company during the period | | | | |
| – Basic and diluted (HK cents) | 5 | 0.75 cents | 0.04 cents | 4.27 cents |
| | | <u>0.04 cents</u> | <u>4.27 cents</u> | <u>0.54 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 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:

| | Three months ended | | Nine months ended | |
|------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 30 September | | 30 September | |
| | 2012 | 2011 | 2012 | 2011 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Enterprise software products | 45,617 | 25,434 | 116,521 | 73,615 |
| Systems integration | 15,245 | 7,686 | 54,515 | 108,986 |
| Professional services | 9,565 | 14,425 | 34,329 | 39,089 |
| ASP services | 829 | 1,034 | 2,580 | 3,469 |
| | <u>71,256</u> | <u>48,579</u> | <u>207,945</u> | <u>225,159</u> |
| Total revenue | <u>71,256</u> | <u>48,579</u> | <u>207,945</u> | <u>225,159</u> |

3. FINANCE COSTS

| | Three months ended | | Nine months ended | |
|---|--------------------|------------------|-------------------|-------------------|
| | 30 September | | 30 September | |
| | 2012 | 2011 | 2012 | 2011 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Interest charges on: | | | | |
| Finance charges on obligations under finance leases | – | – | – | 3 |
| Other interest expense | 55 | 73 | 197 | 218 |
| | <u>55</u> | <u>73</u> | <u>197</u> | <u>221</u> |
| | <u>55</u> | <u>73</u> | <u>197</u> | <u>221</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.

| | Three months ended | | Nine months ended | |
|-------------------------------------|---------------------------|-----------------|--------------------------|-----------------|
| | 30 September | | 30 September | |
| | 2012 | 2011 | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Overseas current tax for the period | <u>6</u> | <u>10</u> | <u>198</u> | <u>239</u> |

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the nine months ended 30 September 2012 is based on the profit attributable to the owners of the Company of HK\$43,347,000 (2011: HK\$5,370,000) and the weighted average number of 1,015,050,000 (2011: 995,269,780) ordinary shares in issue during the period.

Diluted earnings per share for the nine months ended 30 September 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 nine months ended 30 September 2012 and 2011 were as follows:–

| | Share Premium <i>HK\$'000</i> | Exchange Reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------------|--|--|--------------------------|
| At 1 January 2012 | 179,556 | 5,612 | (179,569) | 5,599 |
| Profit for the period | – | – | 43,347 | 43,347 |
| Other comprehensive income | | | | |
| Exchange loss on translation of financial statement of foreign operations | – | (213) | – | (213) |
| Total comprehensive income for the period | – | (213) | 43,347 | 43,134 |
| At 30 September 2012 | <u>179,556</u> | <u>5,399</u> | <u>(136,222)</u> | <u>48,733</u> |
| 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 statement of foreign operations | – | 219 | – | 219 |
| Total comprehensive income for the period | – | 219 | 5,370 | 5,589 |
| At 30 September 2011 | <u>179,650</u> | <u>5,397</u> | <u>(176,790)</u> | <u>8,257</u> |

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: Nil).

BUSINESS REVIEW

The Group's profit attributable to the owners of the Company for the ninth-month period ended 30 September 2012 was HK\$43,347,000, as compared to a profit of HK\$5,370,000 in the same period of 2011. The jump of profit growth in 2012 was mainly due to the gain on disposal of properties of HK\$30,870,000 in the second quarter of this year, and partly due to the performance of the business operations during the period under review.

The Group reported a HK\$207,945,000 turnover for the ninth-month period ended 30 September 2012, a decrease of 8% from HK\$225,159,000 for the corresponding period of last year.

Enterprise software business increased by 58% to HK\$116,521,000 (2011: HK\$73,615,000), which was mainly due to the planned redeployment of manpower resources to handle the strong backlog of business in this area. The increase in the enterprise software business was more than offsetting the decrease in all other IT related business lines. The Systems integration business decreased by 50% to HK\$54,515,000 (2011: HK\$108,986,000); professional services decreased by 12% to HK\$34,329,000 (2011: HK\$39,089,000); and the ASP business decreased by 26% to HK\$2,580,000 (2011: HK\$3,469,000).

FUTURE PROSPECTS

While the economic situation around the world would be unlikely to improve significantly, the Management is optimistic about the IT related business in the remaining months of the year. The enterprise software business is still going strong, and it will be our major focus in generating and maintaining a healthy pipeline in this area.

The professional services business should be stabilized in the coming period, however, there is a challenge to maintain the margin of this business as manpower costs in China has risen substantially in the past years. Systems integration business will depend very much on the desire on IT spending by our customers toward end of the years.

The Group has started to diversify into the jewellery business and focus on the establishment of a high end international “**H**” Hong Kong Jewellery brand. A China operation center, which designs, processes and sells a wide variety of jewellery, had been set up in Shenzhen in August 2012. In addition, the Group has opened its first franchised jewellery store in Suzhou, China, and the Management plans to open more direct sales or franchised stores in China over the next 2 years.

Overall, the IT business is remaining steady and strong, and Management is working towards the expansion of a new jewellery business as part of its diversification strategy.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 September 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 | | |
| Li Xia | – | – | 613,384,851 <i>(Note)</i> | 613,384,851 | 60.43% |

Note: These shares were held by Sino Eminent Limited, a company incorporated in the British Virgin Islands which is held as to 68% by Ms. Li Xia through Ocean Expert Investments Limited.

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 2012.

SUBSTANTIAL SHAREHOLDERS

At 30 September 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 |
|--|---------------------------------------|---|
| Sino Eminent Limited (<i>Note 1</i>) | 613,384,851 | 60.43% |
| Li Xia (<i>Note 1</i>) | 613,384,851 | 60.43% |
| 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) Sino Eminent Limited is held as to 68% by Ms. Li Xia through Ocean Expert Investments Limited, 27% by Mr. Chen Yin through Flourish Zone Limited and 5% by Ms. He Fang through Brilliant Elect Limited. Accordingly, Ms. Li Xia is deemed to be interested in the 613,384,851 shares interested by Sino Eminent Limited.
- (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”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-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 and Mr. Li Tzar Kuoi, Victor 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 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 is currently comprised three members – Mr. Lam Tin Faat, Ms. Lu Haina and Mr. Fu Ping Man, all of whom are Independent Non-executive Directors. Mr. Lam Tin Faat 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 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

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
Excel Technology International Holdings Limited
Li Xia
Chairman

Hong Kong, 12 November 2012

The Board comprises of:

Li Xia (*Executive Director*)

Lin Di (*Executive Director*)

Chen Yin (*Executive Director*)

Yip Tin Hung (*Executive Director*)

Zee Chan Mei Chu, Peggy (*Executive Director*)

Lam Tin Faat (*Independent Non-executive Director*)

Lu Haina (*Independent Non-executive Director*)

Fu Ping Man (*Independent Non-executive Director*)

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its posting and on the website of the Company at www.excelholdings.com.hk.