



Excel Technology International Holdings Limited

(Incorporated in Bermuda with limited liability)



**First
Quarterly
Report
2002**



Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”).

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

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

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

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Excel Technology International Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: — (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- For the three months ended 31st March, 2002, turnover amounted to HK\$29,140,000.
- Loss from operations was HK\$8,017,000.
- Loss attributable to shareholders amounted to HK\$9,551,000.
- During the period, the Group entered into an agreement with Shenzhen Guosen Securities in the PRC for the provision of InterTrade-China, a centralized securities trading system capable of handling high volume multi-market transactions.

FIRST QUARTERLY RESULTS ENDED 31ST MARCH, 2002

The Directors of the Company are pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31st March, 2002, together with comparative figures for the corresponding period in 2001, as follows:

	<i>Notes</i>	For the three months ended 31st March	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	<u>29,140</u>	<u>41,269</u>
(Loss)/profit from operations		(8,017)	4,717
Finance costs	3	(1,769)	(1,183)
Share of profits/(loss) of associates		597	(2,191)
(Loss)/profit before taxation		(9,189)	1,343
Taxation	4	(98)	(35)
(Loss)/profit before minority interests		(9,287)	1,308
Minority interests		(264)	—
(Loss)/profit attributable to shareholders		<u>(9,551)</u>	<u>1,308</u>
(Loss)/earnings per share			
Basic and fully diluted	5	<u>(0.97) cent</u>	<u>0.13 cent</u>

Notes:

1. Basis of presentation

The Company was incorporated in Bermuda on 21st January, 2000 with its shares listed on the GEM of the Exchange on 30th June, 2000.

The financial information presented has been prepared in accordance with accounting policies which conform with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and the accounting principles generally accepted in Hong Kong and also the disclosure requirements of the GEM Listing Rules of the Exchange as applicable to quarterly reports.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover

Turnover represents the sale of enterprise software products, provision of customization, consulting & systems integration services, complimentary computer hardware and software resale and maintenance services and ASP software subscriptions.

3. Finance costs

	For the three months ended 31st March	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans, overdraft, and other borrowings repayable within five years	6	3
Finance costs on convertible notes	1,763	1,180
	<u>1,769</u>	<u>1,183</u>

4. Taxation

	For the three months ended 31st March	
	2002 HK\$'000	2001 HK\$'000
The Company and its subsidiaries		
— Hong Kong Profits Tax	—	35
— Overseas Tax	14	—
Share of taxation of an associate	84	—
	<u>98</u>	<u>35</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at rates prevailing in the respective jurisdiction.

5. (Loss)/Earnings per share

The calculation of basic loss per share for the three months ended 31st March, 2002 is based on the loss attributable to shareholders of approximately HK\$9,551,000 (2001: Profit HK\$1,308,000) and the weighted average number of 985,050,000 shares (2001: 1,000,000,000 shares) in issue during the period.

Diluted (loss)/earnings per share for the periods ended 31st March, 2002 and 2001 are the same as the basic (loss)/earnings per share because there was no dilutive effect in existence during the respective periods.

RESERVES

Movements in reserves for the periods ended 31st March, 2002 and 2001 were as follows:—

	Share Premium	Retained Profit	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001	185,475	24,747	210,222
Profit for the period	—	1,308	1,308
	<u>185,475</u>	<u>26,055</u>	<u>211,530</u>
At 31st March, 2001	<u>185,475</u>	<u>26,055</u>	<u>211,530</u>
At 1st January, 2002	179,650	(60,029)	119,621
Loss for the period	—	(9,551)	(9,551)
	<u>179,650</u>	<u>(9,551)</u>	<u>(9,551)</u>
At 31st March, 2002	<u>179,650</u>	<u>(69,580)</u>	<u>110,070</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2002 (2001: Nil).

BUSINESS REVIEW

Business for the first quarter of 2002 remained sluggish in Hong Kong. Even though the Group was engaged in contract negotiations with a number of banking and finance clients for the sale of enterprise software products, the general pessimistic economic factors have made our clients' approval process to purchase new products slow and cautious. However, negotiations on several contracts are at the final stage.

The first quarter was traditionally a slow season for the Group, especially for the PRC business. During the period, the Group signed a contract to provide InterTrade-China (a centralized stock trading system) for Shenzhen Guosen Securities, one of the largest securities firms in the PRC. This contract marked an important milestone of the Group in selling its enterprise software product into the PRC. Following this successful contract with Shenzhen Guosen Securities, we expect more sales for the same stock trading system to the other securities firms in the PRC within this year.

In Singapore, the Group launched the iHR21 services via our subsidiary HR21 Singapore Pte Ltd., the human resource management ASP service, to the clients of the United Overseas Bank Group. This is the new market for the iHR21 service after the Group launched similar services for HSBC and Hang Seng Bank in Hong Kong.

Against this background, the Group achieved a turnover of HK\$29,140,000 for the three months ended 31st March, 2002, compared with HK\$41,269,000 in the same period of last year, representing a decrease of 29%. Loss from operations was amounted to HK\$8,017,000, against a profit of HK\$4,717,000 in the same period of last year. With the Group's further tight cost control, the loss from operations was narrowed when compared with that of the previous quarter.

FUTURE PROSPECTS

We expect sales in the second quarter to be more robust as sales pipeline will materialize into contracts. The Group is especially confident of the PRC market. Our *LOANS* product is well received by the customers in the PRC. The Group's new product, Wealth Management System, has also attracted the interest of PRC financial institutions. Besides sales of enterprise software products, the Group is also establishing the outsourcing business in its Shekou Development Center to support multinational companies' software development and localization for the China market. Although Singapore was relatively quiet in the first quarter, we anticipate sales of certain enterprise software products can be achieved in the second quarter with one of the largest local banks.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March, 2002, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

I. Shares in the Company:

Name of Director	Number of shares held			
	Personal	Family	Corporate	Other
Zee Chan Mei Chu, Peggy	228,000	—	574,536,044 *	—
Fung Din Chung, Rickie	24,559,498	—	—	—
Leung Lucy, Michele	—	—	24,559,498 #	—
Ng Wai King, Steve	21,050,998	—	—	—
Ip Kim Kuen	1,403,400	—	—	—

* These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Zee Chan Mei Chu, Peggy.

These shares were held by Mossell Green Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Leung Lucy, Michele.

II. Options to subscribe for shares in the Company:

Pursuant to the share option scheme for employees which was adopted on 16th June, 2000 and amended on 18th April, 2001 (the “Old Scheme”), the Directors may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Old Scheme. The maximum number of ordinary shares in respect of which options may be granted under the Old Scheme shall not exceed 30% of the issued share capital of the Company from time to time. At the special general meeting of the Company held on 23rd April, 2002, a new share option scheme (“New Scheme”) was adopted and approved in substitution for the Old Scheme. Upon adoption of the New Scheme, no further options will be granted under the Old Scheme but in all other respects, the provisions of the Old Scheme shall remain in force and all options granted prior thereto shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The following Directors were granted share options under the Old Scheme for nominal consideration to subscribe for shares in the Company, details of which are as follows:

Name of Directors	Number of options granted on 1st September, 2000 at exercise price of HK\$0.90 per share	Balance of options as at 31st March, 2002
Fung Din Chung, Rickie	8,000,000	8,000,000
Leung Lucy, Michele	8,000,000	8,000,000
Ng Wai King, Steve	8,000,000	8,000,000
Ip Kim Kuen	8,000,000	8,000,000

The options at the exercise price of HK\$0.90 per share with the option period from 1st September, 2000 to 31st August, 2005 (both dates inclusive) are subject to the following vesting period:—

- (i) 20% of the options commencing on 1st March, 2001;
- (ii) 20% of the options commencing on 1st September, 2001;
- (iii) 15% of the options commencing on 1st March, 2002;
- (iv) 15% of the options commencing on 1st September, 2002;
- (v) 15% of the options commencing on 1st March, 2003; and
- (vi) the remaining 15% of the options commencing on 1st September, 2003.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Group, as at 31st March, 2002, none of the directors or chief executive or their respective spouses or children under 18 years of age had any right to subscribe for the shares of the Company or its associated corporations.

The interest of the initial management shareholders (as defined in the GEM Listing Rules) in the share capital of the Company are the same as disclosed above.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, according to the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance and so far as is known to the Directors in the Company and were the shareholders who had an interest of 10% or more in the issued share capital of the Company are as following:—

Name of shareholder	No. of shares held	Percentage of total issued shares
Ms. Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	574,764,044	58.35%
Passion Investment (BVI) Limited (<i>Note 1</i>)	574,536,044	58.33%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Holdings Limited (<i>Note 2</i>)	143,233,151	14.54%
Mr. Li Ka Shing (<i>Note 2</i>)	143,233,151	14.54%

Notes:

1. These shares have been disclosed as the corporate interest of the director in the paragraph “Directors and chief executive’s interests in securities”.
2. Li Ka-Shing Unity Holdings Limited, of which Mr. Li Ka Shing owns the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited which as trustee of The Li Ka-Shing Unity Discretionary Trust, holds a majority of units in The Li Ka-Shing Unity Trust.

Other than disclosed above, the Company has not been notified of any other interest representing 10% or more of the Company’s issued share capital as at 31st March, 2002.

SPONSOR’S INTERESTS

As notified by the Company’s retained sponsor, The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), two employees of the corporate finance and advisory department of HSBC (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) who were involved in providing advice to the Company were interested in a total of 18,000 shares of HK\$0.10 each in the issued share capital of the Company as at 31st March, 2002. As at the same date, a non-executive director of HSBC, by virtue of his deemed interests in the share capital of Cheung Kong (Holdings) Limited (“CKH”) pursuant to the SDI Ordinance, is deemed to be interested in 143,233,151 shares and HK\$47,220,278 convertible notes in the Company held by a CKH’s subsidiary.

Pursuant to the sponsor agreement dated 19th June, 2000 (“Sponsor Agreement”) entered into between the Company and HSBC Investment Bank Asia Limited (“HIBA”) and the novation agreement dated 29th January, 2001 entered into between the Company, HIBA and HSBC, HSBC will receive a fee for acting as the Company’s retained sponsor for the period from 30th June, 2000 to 31st December, 2002.

Save as the above, neither HSBC nor any of its directors or employees of corporate finance and advisory department or associates (as referred to in rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company including options or rights to subscribe for such securities as at 31st March, 2002.

COMPETING INTERESTS

Mr. Ip Tak Chuen, Edmond, a non-executive director of the Company, and Mr. Cheong Ying Chew, Henry, an independent non-executive director of the Company, are a non-executive director and an independent non-executive director of TOM.COM LIMITED respectively. TOM.COM LIMITED is in operation of an internet portal delivering Internet infotainment content and services, development of software and computer network systems, provision of related services and event production.

Mr. Ip Tak Chuen, Edmond is also a director of iBusinessCorporation.com Holdings Limited, which is a company facilitating e-commerce business on the internet.

Save as disclosed above, as at 31st March, 2002, the Directors were not aware of any business or interest of each director, chief executive, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the three months ended 31st March, 2002, 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, 13th May, 2002