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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF INTERESTS IN i21
AND SUBSCRIPTION OF NEW SHARES
AND RESUMPTION OF TRADING**

The directors of the Company are pleased to announce that on 9th July, 2001, the Company entered into the S&P Agreement and the Subscription Agreement both with iBusiness for the acquisition by the Company of a 42.6% interest in i21 from iBusiness at a consideration of HK\$63,900,800, which shall be satisfied by the issue of 67,264,000 Consideration Shares at a subscription price of HK\$0.95 per Share. As at the date hereof, the Company and iBusiness have a 37.5% and 62.5% interests in i21 respectively. Upon completion of the S&P Agreement, the Company and iBusiness will have 80.1% and 19.9% interests in i21 respectively.

The Acquisition constitutes a discloseable transaction for the Company pursuant to Chapter 19 of the GEM Listing Rules. A circular containing, amongst other things, details of the Acquisition will be despatched to shareholders of the Company within 21 days following the date of this announcement.

At the request of the Company, the trading of the shares of the Company on the GEM board of the Stock Exchange was suspended with effect from 10:00a.m. on 10th July, 2001 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading of the shares of the Company with effect from 10:00 a.m. on 11th July, 2001.

THE S&P AGREEMENT

Date

9th July, 2001

Parties

Vendor: iBusiness, a joint venture between Cheung Kong, HSBC, Hutchison Whampoa and Hang Seng Bank. Each of them is independent of and not connected with the Company, save for Cheung Kong's 7.2% interest in the Company. iBusiness is a leading facilitator of e-commerce business over the Internet.

Purchaser: the Company

Assets Acquired

As at the date hereof, the Company and iBusiness have 37.5% and 62.5% interests in i21 respectively. Upon completion of the S&P Agreement, the Company and iBusiness will have 80.1% and 19.9% interests in i21 respectively. For further details of i21, please refer to the section headed "Information on i21" below.

Consideration

The consideration for the Acquisition is HK\$63,900,800, which shall be satisfied by the issue of 67,264,000 Consideration Shares by the Company at a subscription price of HK\$0.95 per Share in accordance with the terms of the S&P Agreement and Subscription Agreement. Application will be made to the Stock Exchange for the listing of, and permission to deal, in the Consideration Shares. The consideration was arrived at after arm's length negotiation between the parties to the S&P Agreement, and was determined after taking into account the growth potential of i21 and other factors as set out in more detail in the section headed "Reasons for and benefits of the Acquisition" below.

Condition

Completion of the S&P Agreement shall be conditional upon:

- (a) the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares; and
- (b) no breach of representation, warranty or undertaking by the Company under the S&P Agreement and the Subscription Agreement, which represents or has resulted in a material adverse change in or effect on the financial or business position of i21 representing or resulting in a loss of HK\$1,000,000 or more to i21.

If such conditions are not fulfilled or waived by 31st July, 2001, the S&P Agreement shall be null and void and of no effect. Completion of the S&P Agreement shall be effected on the third business day following the fulfillment of the above conditions.

Other Terms

Upon completion of the S&P Agreement, the Company and iBusiness shall enter into a supplemental agreement to amend the joint venture agreement dated 14th March, 2000 in respect of i21. The joint venture agreement will be principally amended as follows:

- (a) any funding requirements of i21 for the purpose of its business shall be financed by advances from the Group, and any such advances shall carry interest at 2% above the prime rate quoted by HSBC. Prior to such amendment, the obligation of i21's shareholders to satisfy i21's funding requirement shall be proportional to their respective shareholding interests in i21; and

- (b) the Company shall have the right to appoint up to three directors to i21 and iBusiness shall have the right to appoint one director to i21. Prior to such amendment, the Company shall have the right to appoint up to two directors to i21 and iBusiness shall have the right to appoint up to three directors to i21.

THE SUBSCRIPTION AGREEMENT

Date

9th July, 2001

Parties

Issuer: the Company

Subscriber: iBusiness, a joint venture between Cheung Kong, HSBC, Hutchison Whampoa and Hang Seng Bank. Each of them is independent of and not connected with the Company, save for Cheung Kong's 7.2% interest in the Company. iBusiness is a leading facilitator of e-commerce business over the Internet.

Share to be Issued

The 67,264,000 Consideration Shares to be issued by the Company represent approximately 6.7% of the issued share capital of the Company prior to the completion of the Acquisition and approximately 6.3% of the enlarged issued share capital of the Company immediately after the Acquisition and the issue of the Consideration Shares. iBusiness has undertaken that it shall not sell, mortgage, charge, lend or otherwise dispose of any of the Consideration Shares for a period of 6 months commencing from the date of the issuance of the Consideration Shares. Application will be made to the Stock Exchange for the listing of, and permission to deal, in the Consideration Shares.

The Consideration Shares are to be issued and credited as fully paid pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 18th April, 2001.

Subscription Price

The subscription price of the Consideration Shares is HK\$0.95 per Share, representing a premium of 33.99% over the average closing price of the Shares of HK\$0.709 of the 10 consecutive trading days ended on 9th July, 2001 and a premium of 37.68% over the closing price of HK\$0.69 of the last trading date on 9th July, 2001 respectively.

Condition

Completion of the Subscription Agreement shall be conditional upon:

- (a) the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares; and
- (b) no breach of representation, warranty or undertaking by the Company under the Subscription Agreement, which represents or has resulted in a material adverse change in or effect on the financial or business position of the Group representing or resulting in a loss of HK\$5,000,000 or more to the Group.

If such conditions are not fulfilled or waived by 31st July, 2001, the Subscription Agreement shall be null and void and of no effect. Completion of the Subscription Agreement shall be effected on the third business day following the fulfillment of the above conditions.

Entire agreement

The S&P Agreement together with the Subscription Agreement constitute the whole agreement between the Company and iBusiness. The Company and iBusiness had agreed that any one of the S&P Agreement and Subscription Agreement shall not proceed with completion if the other of them does not proceed with completion.

INFORMATION ON i21

i21 is a joint venture between the Group and iBusiness, and is engaged in the provision of ASP. i21 is the primary technology provider of the Internet-based “iStock21”, an electronic securities trading system; iHR21, a human resources software solution offered to HSBC and Hang Seng Bank MPF customers under the names “MPFDirect” and “e-Employer”; and other business application software. i21 also owns the intellectual properties of these ASP softwares.

According to the latest audited accounts of i21 as at 31st December, 2000, the net liabilities of i21 was approximately HK\$15,567,000. The audited net loss of i21 both before and after taxation and extraordinary items for the period from 18th February, 2000 (date of incorporation) up to 31st December, 2000 was approximately HK\$15,568,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the core businesses of the Group is the operation of the ASP business through i21. By virtue of the strategic partnership with the shareholder companies of iBusiness, namely, Cheung Kong, HSBC, Hutchison Whampoa and Hang Seng Bank, i21 has been successful in capitalising on their strong customer bases to establish the iStock 21 and iHR21 ASP business. The Directors believe that being one of the first company to successfully launch ASP service in Hong Kong, i21 has the first-mover advantage to replicate this success in other parts of Asia and to build major presence in the region. Asia’s economy is made up of largely small-to-medium companies (“SMEs”), and according to our experience in Hong Kong, SMEs will be the principal users of our ASP solutions because of its cost effectiveness. Based on the foregoing, the Directors consider that it will be beneficial to the Company to increase its interest in i21 from 37.5% to 80.1%, and to have i21 as its subsidiary, such that i21 can be taken into the next higher horizon of becoming a regional company with more focused attention on the Company. The Directors further believe that this regional expansion direction of i21 will augment, and to also ride on the Company’s expansion in Asia and will create synergy between the Company and i21 as we are seeing in Hong Kong. In addition, the Acquisition is in line with the statement of business objectives of the Company as disclosed in its prospectus dated 20th June, 2000. The Directors are of the view that the terms of the S&P Agreement and the Subscription Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL

The Group is a leading business application solutions provider in the banking and finance sector in Hong Kong, and is principally engaged in (i) the development, sale and implementation of enterprise software, (ii) the operation of the ASP business through i21, (iii) information technology consultancy (including the provision of e-business solutions) and customized application system development, and (iv) systems integration and resale and maintenance of information technology products, all with a principal focus on providing solutions to the banking and finance sectors. The Group also has a strategic investment of a 7.15% interest in Net Fun Limited, a company which owns and operates a multi-lingual portal offering on-line interactive games and on-line Internet services.

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules, a circular containing details of the Acquisition will be dispatched to the shareholders of the Company within 21 days from the date of this announcement. The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued under the Acquisition.

At the request of the Company, the trading of the shares of the Company on the GEM board of the Stock Exchange was suspended with effect from 10:00 a.m. on 10th July, 2001 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading of the shares of the Company with effect from 10:00 a.m. on 11th July, 2001.

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Acquisition”	the acquisition of a 42.6% interest in i21 by the Company, the consideration of which shall be satisfied by the Company by the issue of the Consideration Shares
“ASP”	application service provider, which provides a contractual service offering to deploy, host, manage and rent access to computer applications from a centrally managed facility
“Cheung Kong”	Cheung Kong (Holdings) Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Main Board
“Company”	Excel Technology International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“Consideration Shares”	the 67,264,000 Shares to be issued pursuant to the S&P Agreement and the Subscription Agreement for the Acquisition
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM

“Group”	the Company and its subsidiaries
“Hang Seng Bank”	Hang Seng Bank Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Main Board
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Main Board
“Hutchison Whampoa”	Hutchison Whampoa Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Main Board
“iBusiness”	iBusinessCorporation.com Limited, a joint venture between Cheung Kong, HSBC, Hutchison Whampoa and Hang Seng Bank. Each of them is independent of and not connected with the Company, save for Cheung Kong’s 7.2% interest in the Company. iBusiness is a leading facilitator of e-commerce business over the Internet.
“i21”	i21 Limited, a company incorporated in Hong Kong with limited liability, which is a joint venture between the Company and iBusiness
“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market
“S&P Agreement”	the sale and purchase agreement dated 9th July, 2001 between the Company and iBusiness, pursuant to which the Company has agreed to purchase a 42.6% interest in i21 from iBusiness
“Shares”	ordinary shares of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 9th July, 2001 between the Company and iBusiness, pursuant to which the Company has agreed to issue the Consideration Shares to iBusiness

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

Hong Kong, 10th July, 2001

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of www.excel.com.hk.

** For identification purpose only*