

Press Release

【For immediate release】

EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

2001 WAS A YEAR OF INVESTMENT IN THE FUTURE

- Turnover increased by about 11% over the previous year to approximately HK\$173,000,000.
- Before amortization and provisions, the Group turned into a loss in operation to about HK\$9,000,000.
- The Group made a total of about HK\$58,000,000 provisions, which are one-off, and non-recurring.
- Loss attributable to shareholders is about HK\$85,000,000.
- Loss per share is 8.42 cents.

Financial Summary

Audited Consolidated Results	31 st December, 2001	31 st December, 2000	Net Change
	HK\$'000	HK\$'000	
Turnover	173,111	155,425	11%
EBITDA	(10,624)	23,665	N/A
(Loss)/Profit from operations	(15,643)	31,013	N/A
Provisions	58,585	-	N/A
(Loss)/Profit attributable to shareholders	(84,776)	22,720	N/A
(Loss)/Earnings per share Basic and fully diluted	(8.42 cents)	2.65 cents	N/A

(18th March, 2002, HONG KONG) - Excel Technology International Holdings Limited ('Excel' or the 'Company', together with its subsidiaries, the 'Group'; stock code: 8048) is pleased to announce its audited consolidated results for the year ended 31 December, 2001.

Despite it was a rough ride in 2001, the Group had continued to grow its business. Total turnover recorded for 2001 was HK\$173,111,000, representing 11% increase over 2000. The growth was mainly attributable to the Group's conscious strategy to expand into new markets in Mainland China and SE Asia.

Sales in enterprise software products and provision of related services in 2001 decreased 12% over the last year. Bank mergers during the year directly affected sales. The worst impact was seen in the last quarter, which is traditionally our best quarter, as the economy rapidly deteriorated after the September-11 incident and that put purchase decisions of the majority of our clients on hold.

Increase in sales was recorded in consulting & systems integration services, computer hardware and software resale and maintenance services. The percentage of increase was 103%, 22% and 42% respectively.

An operating loss of HK\$15,643,000 (2000: operating profit HK\$31,013,000) was recorded for the Group in 2001 as we continue to invest in our geographic and business expansion despite of the current unfavourable economic climate. The total operating expenses of the Group increased by 46.6% because of i21, the subsidiaries in Singapore and the Mainland China. and the Hong Kong operation was maintained at a healthy level. The Management sees the investment in Mainland China, Singapore and in new product development a conscious effort to build our profitability for the future.

The Management had taken a number of cost reduction measures including reduction of headcounts in Hong Kong; shifting research and development work to our software center in Shekou; making adjustment to our employee compensation scheme; and instituting stringent cost controls on operational expenses.

To position the Group for a stronger turnaround, several provisions were made for an aggregated amount of HK\$58,585,000. HK\$3,123,000 and HK\$30,000,000 were made to write off fixed assets and goodwill of ASP business. The remaining provision was made on the diminution in value of the *ehealthcareAsia* ("EHA") shares. They are one-off and non-recurring provisions.

Believing the ASP business will become a solid source of recurring revenue in the longer term, the Group acquired control of the i21 Limited from the other shareholder iBusiness Corporation. Subsequently, a new subsidiary company HR21 Holdings Limited (HR21) was set up to

consolidate the human resource enterprise software (HRMS) business and the iHR21 ASP business of i21. HR21 will focus on marketing and selling HR related products and services, including e-Learning and HR consultancy, in locations across Asia.

Major effort and attention were put into our joint ventures companies in Mainland China to build their business pipelines and to localize our packaged software to fit the Mainland China market. Detailed negotiation had commenced with a number of multi-national and large local companies to implement local versions of our enterprise software. The Group also acquired 21.5% in Camelot Information Systems Inc. ("Camelot") to gain strategic presence in certain parts of Mainland China, and Camelot contributed a profit of HK\$660,000 to the Group in 2001.

During the year, the Company repurchased on the Stock Exchange a total of 85,334,000 shares at an aggregate price of HK\$56,326,119. The average purchase price was HK\$0.66 per share. The repurchase were made with a view to enhancing the net asset and earnings per share of the Company. As at 31 December 2001, the Company's issued shares were 985,050,000 (2000: 1,000,000,000).

Ms Peggy Chan, CEO of the Group said, "**2001 was all about investing in the future.** With the resources and efforts we have put into Mainland China in the past year, we will soon be getting good returns from the enormous potential we see in this huge market. In fact, our Mainland China's joint ventures had already made major inroad to Chinese banks in its first year of operation. Similarly, we expect our Singapore operation to achieve profitability very soon."

"The Management believes that 2002 will be a challenging year," continued Ms. Chan, "but the most important thing is that we are well positioned to capture strong business growth in the coming period. The trend of business downsizing will indeed work towards our advantage because more companies will choose packaged software over in-house development, and the SMEs (small to medium enterprises) will turn more to the ASP service for their business solutions."

The Group had been looking for merger and acquisition targets to further expand its market share and eventually build a dominant position in the region, but the priority of the Management effort is to put the Group back on its profitability track by realizing the potentials we have been working on in the past.

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Company Background:

Excel is a leading business application solutions provider and is principally engaged in the development, sale and implementation of enterprise software. The Group is also a major player in the ASP (application service provider) business through i21, a joint venture with iBusiness Corporation ('iBusiness'). With a further focus on IT consultancy, systems integration, maintenance and resale of IT products, Excel maintains its reputation as a leading IT provider, with a principal focus on the banking and finance sector.

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For further information, please contact:

Flora Wong

Tel: (852) 2186 2800

Fax: (852) 2186 8062

E-mail: PR@excel.com.hk

Web-site: www.excel.com.hk