

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)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

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 announcement, 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 announcement.

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 (“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 announcement 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 announcement misleading; and (3) 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.

* For identification purpose only

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2006

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 2006, together with the comparative figures for the corresponding period in 2005, as follows:

		For the three months ended 31 March	
	<i>Notes</i>	2006	2005
		HK\$'000	<i>HK\$'000</i> (Restated)
Turnover	2	35,198	35,786
Other net operating income		258	31
Change in inventories of hardware and software		11,483	(2,266)
Purchase of hardware and software		(19,918)	(12,911)
Professional fee		(6,020)	(1,000)
Staff cost		(19,475)	(19,128)
Depreciation and amortisation		(1,341)	(1,883)
Other expenses		(4,300)	(4,746)
Loss from operations		(4,115)	(6,117)
Finance costs	3	(92)	(64)
Share of results of associates		133	7
Loss before taxation		(4,074)	(6,174)
Taxation	4	(13)	–
Loss for the period		(4,087)	(6,174)
Attributable to:			
Equity holders of the parent		(3,680)	(6,065)
Minority interests		(407)	(109)
		(4,087)	(6,174)
Loss per share – Basic	5	(0.37) cents	(0.62) cents

Notes:

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“FRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively referred to as “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In this year, the accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2005.

This financial information also complies with the applicable disclosure requirements of the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of these financial statements is historical cost, except for certain available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value.

All inter-company transactions and balances within the Group have been eliminated on consolidation.

2. Turnover

The principal activities of the Group are engaged in the development, sales and implementation of enterprise software and the provision of systems integration, professional services and ASP services.

For the three months ended 31 March	
2006	2005
HK\$'000	HK\$'000

An analysis of the Group's turnover is as follows:

Enterprise software products	20,832	13,464
Systems integration	8,705	15,764
Professional services	4,485	5,228
ASP services	1,176	1,330
	<u>35,198</u>	<u>35,786</u>

3. Finance costs

For the three months ended 31 March	
2006	2005
HK\$'000	HK\$'000

Interest on bank loans, overdraft & other borrowings repayable within five years	<u>92</u>	<u>64</u>
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4. Taxation

	For the three months ended 31 March	
	2006	2005
	HK\$'000	HK\$'000 (Restated)
The Company and its Subsidiaries		
– Hong Kong Profits Tax	–	–
– Overseas Tax	13	–
	<u>13</u>	<u>–</u>
	<u><u>13</u></u>	<u><u>–</u></u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit for the respective periods.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2006 is based on the loss attributable to equity holders of the parent of HK\$3,680,000 (2005: HK\$6,065,000) and the 985,050,000 (2005: 985,050,000) shares in issue during the period.

No diluted loss per share has been presented because all the share options granted as at 31 March 2006 and 2005 were anti-dilutive.

RESERVES

Movements in reserves for the periods ended 31 March 2006 and 2005 were as follows:-

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
At 1 January 2005	179,650	–	(176,341)	3,309
Opening balance adjustment arising from the adoption of HKAS 39	–	(1,305)	–	(1,305)
As restated	179,650	(1,305)	(176,341)	2,004
Loss for the period	–	–	(6,065)	(6,065)
At 31 March 2005	<u>179,650</u>	<u>(1,305)</u>	<u>(182,406)</u>	<u>(4,061)</u>
At 1 January 2006	179,650	(1,515)	(192,907)	(14,772)
Loss for the period	–	–	(3,680)	(3,680)
At 31 March 2006	<u>179,650</u>	<u>(1,515)</u>	<u>(196,587)</u>	<u>(18,452)</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

BUSINESS REVIEW

The Group recorded a turnover of HK\$35,198,000 for the three months ended 31 March 2006, a slight decrease of 2% from HK\$35,786,000 for the corresponding period of last year.

By sector performance on a quarter-to-quarter comparison, revenue on enterprise software products grew by 55%, systems integration dropped by 45%, professional services decreased by 14% and ASP services decreased by 12%.

Revenue on enterprise software products records a significant growth in the quarter, which is a combination of rapid growth in China and continuance of existing projects in Hong Kong. The drop in the turnover of systems integration business was mainly a timing issue due to minor delays of business contracts.

The Group's loss attributable to equity holders for the three months ended 31 March 2006 was reduced to HK\$3,680,000. This represents an improvement of 39% on a quarter-to-quarter basis when compared with the same period of last year (2005: loss of HK\$6,065,000).

FUTURE PROSPECTS

Given the huge market in China and the current wide coverage of various offices, management believes that a consistent brand will further strengthen the company's image. Our joint venture companies in Beijing, Shanghai and Shenzhen are therefore being consolidated under a single brand name and management structure.

The effort to build up software development outsourcing capabilities in China continues. To enable us to get close to our potential customers, offices in Taipei and Tokyo are being set-up.

The impact of the continual pickup of economy in Hong Kong and Southeast Asia started to emerge. This is evidenced by the strong sales pipeline of the enterprise software products, particularly in the area of credit management, loans and wealth management. A number of sizeable contracts are under negotiation and the Management believes some of them could be materialized soon.

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

At 31 March 2006, 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	2,544,000	–	563,679,197 (Note 1)	566,223,197	57.48%
Fung Din Chung, Rickie	24,559,498	–	–	24,559,498	2.49%
Leung Lucy, Michele	–	–	24,559,498 (Note 2)	24,559,498	2.49%
Ng Wai King, Steve	21,050,998	–	–	21,050,998	2.14%
Wong Mee Chun	40,000	382,000 (Note 3)	–	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 Mossell Green Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Leung Lucy, Michele.
- (3) 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 2006.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, 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>)	566,223,197	57.48%
Passion Investment (BVI) Limited (<i>Note 1</i>)	563,679,197	57.22%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	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 Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	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 (<i>Note 2</i>)	143,233,151	14.54%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	7.31%
iBusiness Corporation Limited (<i>Note 2</i>)	67,264,000	6.83%

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 2006.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rule 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members - Cheong Ying Chew, Henry, Chang Ka Mun and Wong Mee Chun, all of whom are independent non-executive directors. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee. Its 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 2006 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.

COMPETING INTERESTS

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 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 TOM Group. Both CKH and CKI 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 2006, 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

The Board comprises of:

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

Leung Lucy, Michele (*Executive Director*)

Fung Din Chung, Rickie (*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*)

Hong Kong, 9 May 2006

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.excel.com.hk.