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If you have sold or transferred all your shares in **EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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**

This circular 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 EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED at www.excel.com.hk.

27 July, 2001

CHARACTERISTICS OF GEM OF THE STOCK 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 of the Stock Exchange 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 Stock 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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of a 42.6% interest in i21 by the Company, the consideration of which is 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
“Associates”	has the meanings ascribed thereto in the GEM Listing Rules
“Board”	means the board of Directors
“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
“Completion Date”	24 July, 2001
“Consideration Shares”	the 67,264,000 Shares 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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

DEFINITIONS

“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
“Latest Practicable Date”	27 July, 2001, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the sale and purchase agreement dated 9 July, 2001 between the Company and iBusiness, pursuant to which the Company has agreed to purchase a 42.6% interest in i21 from iBusiness
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the laws of Hong Kong)
“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 9 July, 2001 between the Company and iBusiness, pursuant to which the Company has agreed to issue the Consideration Shares to iBusiness
“US\$”	United States dollars, the lawful currency of the United States of America

LETTER FROM THE BOARD OF DIRECTORS



EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED
(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

Executive Directors:

ZEE CHAN, Mei Chu Peggy (*Chairman*)
FUNG Din Chung, Rickie
LEUNG Lucy, Michele
NG Wai King, Steve
IP Kim Kuen

*Head office and principal
place of business:*
46th Floor, The Center,
99 Queen's Road Central,
Hong Kong.

Non-executive Directors:

IP Tak Chuen, Edmond
LAU Law Siu Hung, Monique

Independent non-executive Directors:

CHEONG Ying-Chew, Henry
CHANG Ka Mun
PETRO A. Frank

27 July, 2001

To the shareholders and convertible note holders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**ACQUISITION OF INTERESTS IN i21
AND SUBSCRIPTION OF NEW SHARES**

1. INTRODUCTION

On 10 July, 2001, the Directors announced that the Company had entered into the S&P Agreement and the Subscription Agreement on 9 July, 2001 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 was satisfied by the issue of 67,264,000 Consideration Shares at a subscription price of HK\$0.95 per Share. Immediate before the Completion Date, the Company and iBusiness had a 37.5% and 62.5% interests in i21 respectively. Upon completion of the S&P Agreement, the Company and iBusiness have a 80.1% and 19.9% interests in i21 respectively.

* For identification only

LETTER FROM THE BOARD OF DIRECTORS

The Acquisition constitutes a discloseable transaction for the Company pursuant to Chapter 19 of the GEM Listing Rules. The purpose of this circular is to provide you with further information relating to the Acquisition.

2. THE S&P AGREEMENT

Date

9 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 to be Acquired

Immediate before the Completion Date, the Company and iBusiness had a 37.5% and 62.5% interests in i21 respectively. Upon completion of the S&P Agreement, the Company and iBusiness have a 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 is 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. The approval for the listing of, and permission to deal, in the Consideration Shares has been obtained from the Stock Exchange. 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.

LETTER FROM THE BOARD OF DIRECTORS

Condition

Completion of the S&P Agreement was 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 were not fulfilled or waived by 31 July, 2001, the S&P Agreement should be null and void and of no effect. Completion of the S&P Agreement was effected on the Completion Date following the fulfillment of the above conditions.

Other Terms

Upon completion of the S&P Agreement, the Company and iBusiness had entered into a supplemental agreement to amend the joint venture agreement dated 14 March, 2000 in respect of i21. The joint venture agreement has been 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.

3. THE SUBSCRIPTION AGREEMENT

Date

9 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.

LETTER FROM THE BOARD OF DIRECTORS

Shares to be Issued

The 67,264,000 Consideration Shares 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. The approval for the listing of, and permission to deal, in the Consideration Shares has been obtained from the Stock Exchange.

The Consideration Shares are 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 18 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 9 July, 2001 and a premium of 37.68% over the closing price of HK\$0.69 of the last trading date on 9 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.

Completion of the Subscription Agreement was effected on the Completion Date following the fulfillment of the above conditions.

4. 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 would not proceed with completion if the other of them does not proceed with completion. Issue of the Consideration Shares upon completion of the Acquisition does not result in change of control of the Company.

LETTER FROM THE BOARD OF DIRECTORS

5. 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 31 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 18 February, 2000 (date of incorporation) up to 31 December, 2000 was approximately HK\$15,568,000.

6. 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 iStock21 and iHR21 ASP business. The Directors believe that being one of the first batch of companies successfully launched 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 enterprises (“SMEs”), and according to the Directors’ experience in Hong Kong, SMEs will be the principal users of the Group’s i21’s 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 a 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 the Directors 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 20 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.

Upon completion of the Acquisition, the result of i21, being a subsidiary of the Group, will be consolidated with the result of the Group.

LETTER FROM THE BOARD OF DIRECTORS

7. 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. The approval for the listing of, and permission to deal in, the Consideration Shares has been obtained from the Stock Exchange.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board
ZEE CHAN, Mei Chu Peggy
Chairman

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which had notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transaction by directors, to be notified to the Company and the Stock Exchange:

Name of Director	Number of Shares			
	Personal Interest	Family Interest	Corporate Interest	Other Interest
ZEE CHAN, Mei Chu Peggy	—	—	576,521,544 ⁽¹⁾	—
FUNG Din Chung, Rickie	24,559,498	—	—	—
LEUNG Lucy, Michele	—	—	24,559,498 ⁽²⁾	—
NG Wai King, Steve	21,050,998	—	—	—
IP Kim Kuen	1,403,400	—	—	—

Notes:

- (1) These Shares were held by Passion Investment (BVI) Limited (“Passion”). Ms. ZEE CHAN, Mei Chu Peggy was deemed to have interests in these Shares under the SDI Ordinance since Passion was wholly owned by her. 8,700,368 Shares of the Shares owned by Passion were subject to share option deeds executed by Passion on 15 June, 2000 in favour of certain employees of the Group, pursuant to which the grantees of such options were entitled to acquire such Shares from Passion.
- (2) These Shares were held by Mossell Green Limited (“Mossell”). Ms. LEUNG Lucy, Michele was deemed to have interests in these Shares under the SDI Ordinance since Mossell was wholly owned by her.

Save as disclosed below, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, there was no person (other than a Director or chief executive of the Company) who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholders	No. of Shares held
Passion Investment (BVI) Limited	576,521,544 ⁽¹⁾

Note:

- (1) Ms. ZEE CHAN, Mei Chu Peggy was deemed to have interests in these Shares under the SDI Ordinance since Passion was wholly owned by her. 8,700,368 Shares of the Shares owned by Passion were subject to share option deeds executed by Passion on 15 June, 2000 in favour of certain employees of the Group, pursuant to which the grantees of such options were entitled to acquire such Shares from Passion.

Save as disclosed below, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, there was no person (other than a Director or chief executive of the Company or a member of the Group) who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meeting of any subsidiaries of the Company:

Name of subsidiary	Name of shareholder	Amount of registered capital	Percentage of registered capital
Excelsoft Technology Solutions Limited <i>(an equity joint venture established in the PRC)</i>	Beijing Inhave Science & Technology Co. Ltd.	US\$480,000	15%
Excelsolution Technology Limited <i>(an equity joint venture established in the PRC)</i>	Li Jun	RMB6,000,000	21.6%

3. LITIGATION

As at the Latest Practicable Date, two members of the Group were in dispute with a firm of lawyers (the “Previous Lawyers”) who had handled the Group’s restructuring in preparation of the listing of the Company’s Shares on GEM, the issue of the Company’s convertible notes and the registration of certain intellectual properties of the Group, and had issued invoices for their fees with an aggregate amount of around HK\$2.3 million in respect of the aforesaid services. Such invoices had been submitted to the court for taxation. The Group had already paid HK\$2.5 million into court which covered the full amount of such invoices and the cost of taxation. An amount of HK\$1 million (plus taxation cost) had been paid out from the said HK\$2.5 million to the Previous Lawyers as interim payment on a without prejudices basis so that the Group was entitled to demand the Previous Lawyers to refund any amounts overpaid after taxation. The hearing date for the taxation will be in late November 2001.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries is involved in any litigation or claims of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. SERVICE CONTRACTS

None of the Directors has entered into any service agreements with the Company (excluding contracts expiring or determinable by the Company within one year without payment of any compensation other than statutory compensation).

5. COMPETING INTERESTS

Mr. IP Tak Chuen, Edmond, a non-executive Director, and Mr. CHEONG Ying-Chew, Henry, an independent non-executive Director, are a non-executive director and an independent non-executive director of Tom.com Limited respectively. Tom.com Limited is operating an internet portal delivering internet infotainment content and services, development of software and computer network systems, provision of related services and event production.

6. GENERAL

- (a) The registered office of the Company is at Claredon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at 46th Floor, The Center, 99 Queen’s Road Central, Hong Kong. The branch share registrar and transfer office of the Company is Central Registration Hong Kong Limited at Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (b) Both the qualified accountant and company secretary of the Company is Ms. CHAN Yee Wah. She is an associate member of the Hong Kong Society of Accountants. The compliance officer of the Company is Mr. IP Kim Kuen, who is also an executive Director of the Company.

- (c) The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely Mr. CHEONG Ying-Chew, Henry and Mr. CHANG Ka Mun, further details of whom are set out below:

Mr. CHEONG Ying-Chew, Henry, aged 53, is an independent non-executive Director of the Company. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is a director of certain other listed companies in Hong Kong. Mr. CHEONG is a member of the Process Review Panel for the Securities and Futures Commission, a member of the Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute.

Mr. CHANG Ka Mun, aged 41, is the director of Li & Fung Development (China) Limited. He is also a member of the National Committee of Chinese People's Political Consultative Conference and a member of Transport Advisory Committee of Hong Kong Special Administrative Region. He was a member of the Preparatory Committee of Hong Kong Special Administrative Region as well as the Basic Law Consultative Committee of the National People's Congress of the PRC.

- (d) The authorised share capital of the Company is HK\$500,000,000 divided into 5,000,000,000 Shares. As at the Latest Practicable Date, 1,067,264,000 Shares was issued fully paid or credit as fully paid and the issued share capital of the Company was HK\$106,726,400.
- (e) Dealings in the Shares may be settled through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, and investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect their rights and interests.