

"Excellence is the ultimate goal in everything we do" - Chairman, Peggy Chan

# Excel

**2000** 年 報  
ANNUAL REPORT

**Excel Technology International Holdings Limited**

**(志鴻科技國際控股有限公司)**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

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## corporate information

### Executive Directors

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

### 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

### Compliance Officer

IP Kim Kuen

### Qualified Accountant

CHAN Yee Wah, *AHKSA, ACCA, ACIS, ACS*

### Company Secretary

CHAN Yee Wah, *AHKSA, ACCA, ACIS, ACS*

### Authorised Representatives

FUNG Din Chung, Rickie  
IP Kim Kuen

### Bermuda Resident Representatives

COLLIS John Charles Ross  
WHALEY Anthony Devon (Deputy)

### Audit Committee

CHEONG Ying-Chew, Henry  
CHANG Ka Mun

### Sponsor

The Hongkong and Shanghai Banking  
Corporation Limited

### Auditors

KPMG

### Legal Adviser

Baker & McKenzie

### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
The Bank of East Asia, Limited  
Dao Heng Bank Limited

### Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Central Registration Hong Kong Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

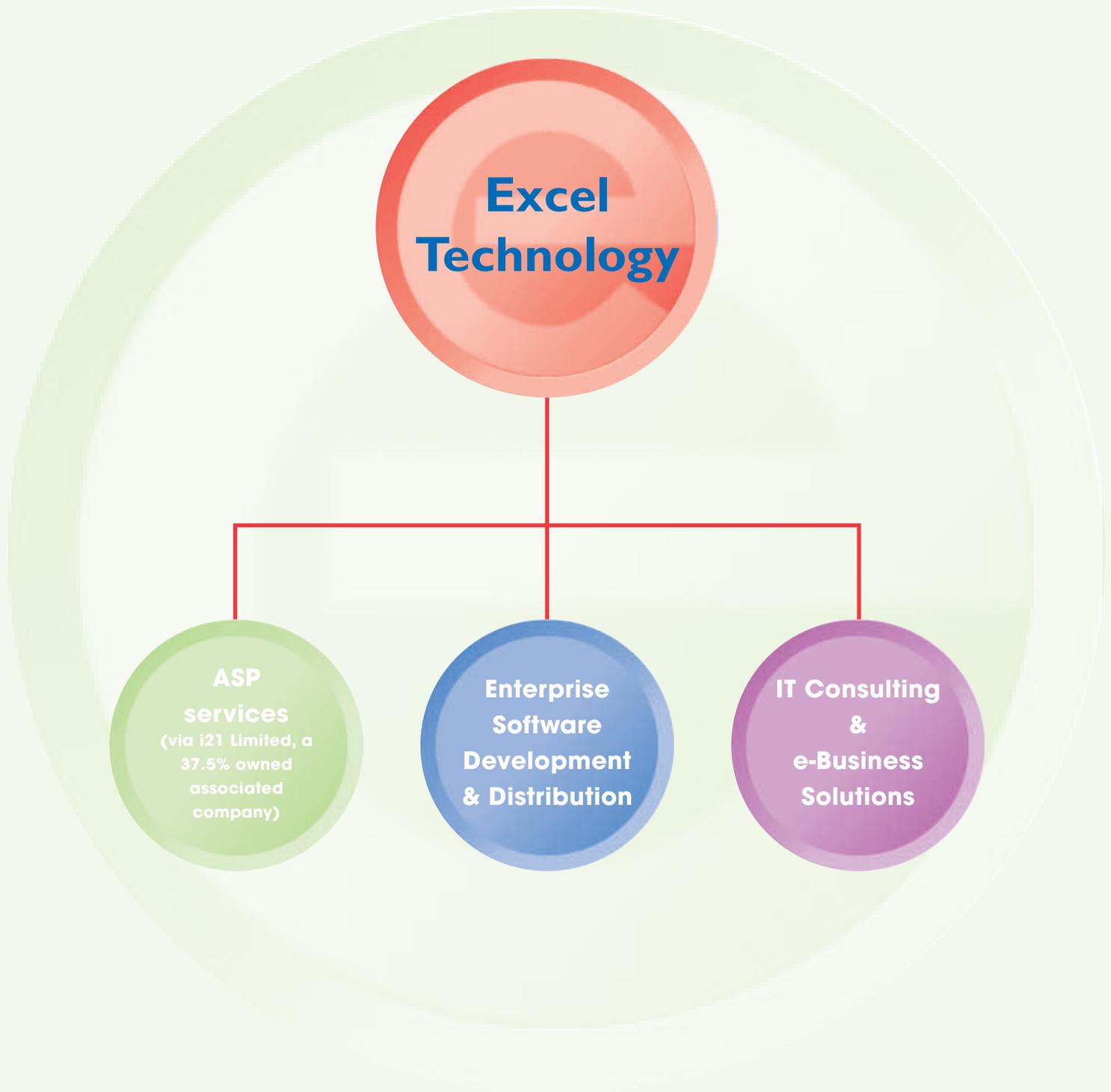
### Head Office and Principal Place of Business

46th Floor, The Center  
99 Queen's Road Central  
Hong Kong

### Website Address

[www.excel.com.hk](http://www.excel.com.hk)

Excel has a clear and focused business model concentrating on three major areas. Each of these business divisions has synergies with one another to create greater value for the Group.



## financial highlights

### SUMMARY OF PROFIT AND LOSS

(Expressed in Hong Kong dollars)

	2000 \$'000	1999 \$'000
Turnover	155,425	98,071
Profit/(loss) from operations	31,013	(9,662)
Profit/(loss) from ordinary activities before taxation	23,260	(11,799)
Taxation	(540)	227
Profit/(loss) after taxation	22,720	(11,572)
Dividends	—	(5,000)
Basic and diluted earnings/(loss) per share	2.65 cents	(1.65) cents



*From the  
Chairman's eye,  
innovative,  
flexible,  
and always  
excel*

*Peggy M. Chan*

## AN EXCITING ERA

The world of Information Technology has never been this exciting.

The last two years have produced many different breeds of "Internet adventurer". From venture capital investors to IT engineers, from investment bankers to the "dot-coms", all

forms of businesses and individuals have flocked to the Internet. Driven by the great potential for wealth and prosperity, we have overwhelmingly made the net the medium of choice for the 21st century. Its pioneers could never have imagined the magnitude of the Internet's impact on the world.

Yet it is certainly true that the initial frenzy surrounding anything "net-related" has been quiet somewhat. Does this forebode a trend away from e-Commerce in the coming years?

The answer is, emphatically, *no*.

Smart businesses know that, while the rules have changed, the boundless opportunities

## chairman's message



provided by the new Internet-driven economy remain. From my years of experience as an IT leader, I see a new *net* emerging, with a deep reliance on the convergence of the old economy and e-Commerce, or “bricks and clicks”. Those that do business on the net today are more cautious, working only with those companies that have established solid reputations within the business community. Excel, a pioneer in the Information Technology sector, has earned the respect and trust of the e-Commerce industry.

### Equipped for the challenge

The successful model for e-Commerce begins with the *creation* of technology solutions that will cultivate new opportunities for businesses, thus increasing the flow of money over the net. Clients look to Excel for new, green-field ideas and groundbreaking innovations to keep their

businesses one step ahead of the competition.

As a leading developer of application software for the banking and finance sector, Excel is prepared to meet the challenges ahead as financial institutions strive to find the very best e-Commerce solutions. We have accumulated a vast knowledge base within this sector, enabling our clients to receive the very best Internet based solutions to interface with their legacy systems.

With a dedicated research and development team and well-established software centers, it is not surprising that Excel has successfully developed and implemented 13 application software products in a span of only five years. We have literally amassed a horde of valuable intellectual property, products that are scalable and malleable to meet any customer's specific requirements. Based on our

current product suite, we are counted upon time and again to deliver time-to-market solutions for our clients. Our quality and reliability remain unquestioned.

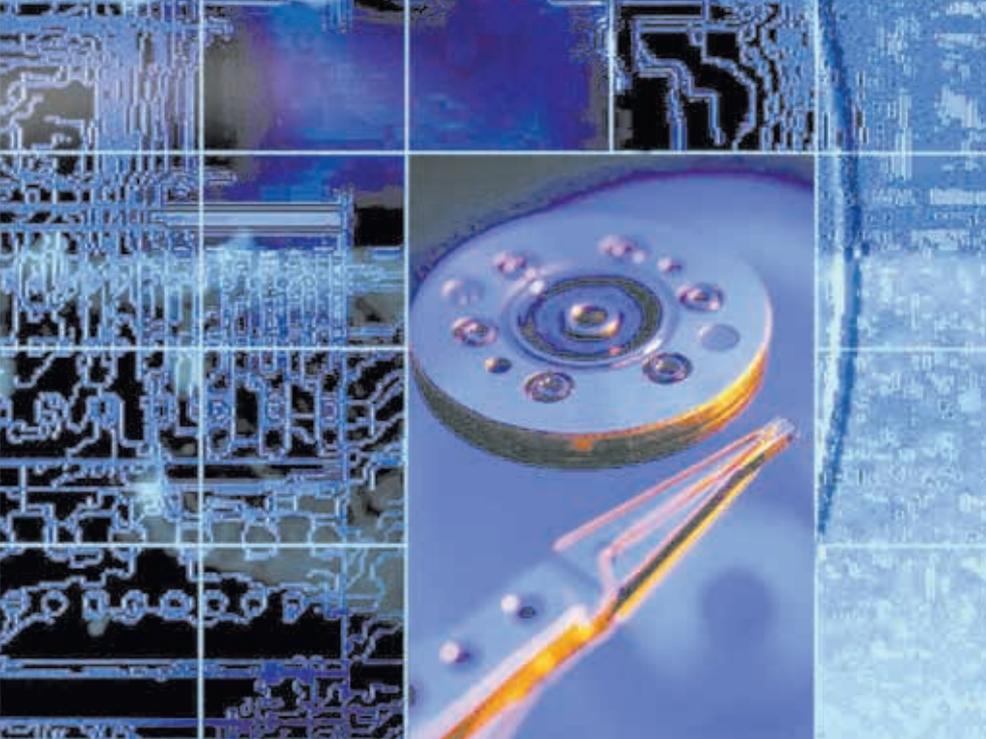
### Creating opportunities

While our products and services record truly set us apart, our consulting background further elevates Excel above other IT service providers.

Perhaps our greatest asset is our ability to deliver novel e-Commerce solutions that open up new revenue streams, which stretch far beyond our customers' traditional business income means.

Our accomplishments, to name only a few, consist of:

Building an eMarketplace based on our eSAM (Electronic Supply Chain Management System) for a major regional department store, enabling it to effectively link up



## chairman's message

The future couldn't be brighter. Excel will continue to use its vision and experience to create the most innovative solutions available on the net. We look forward to building on our already impressive client base, forging new partnerships with companies that share our vision of the unlimited potential of e-Commerce.

But our contribution to the new economy does not end there. By franchising some elements of our technology to clients or third party business operators, we will be facilitating new e-Commerce initiatives and building even more partnerships, thus ensuring that Excel remains at the forefront of the ever-evolving electronic business world years to come.

Technology is power. Our future does not lie solely in the licensing of software. In addition to our close relationships with our existing blue chip clients, Excel possesses the technological means to contribute meaningfully to future alliances, joint ventures, and new business pursuits.

its regional franchises and suppliers.

Launching the award-winning iHR21 ASP service based on our HRMS (Human Resources Management System) for two of Hong Kong's leading banks.

Implementing the iStock21 platform, via i21 Ltd., for a series of small and medium brokerage firms.

In addition, we have developed and launched the iTreasury product, a bold new e-Commerce initiative taken in partnership with a domestic investment firm.

### **Flexible revenue model to enjoy the "Up Side"**

Excel has taken pleasure in e-enabling banks to provide additional non-banking services to their customers, assuring a greater level of customer

loyalty and further revenue growth. But our responsibility to our clients is not completed once our e-Commerce solutions have been implemented.

To be successful in the fast paced world of e-Commerce, technology providers must forge close relationships with their clients instead of simply selling products. Excel offers continuous and unfailing support to each and every one of its clients, functioning as a close companion in the ever-evolving world of e-Commerce. Many of our partnerships have included revenue sharing models that have produced exceptionally lucrative returns for all parties.

## OUTLOOK

**Placing banks and financial institutions the center of e-Commerce is our critical mission.**



## chairman's message



**With a continued primary focus on the banking and finance sector, we will continue to accelerate toward new horizons, creating value for our shareholders by deploying our technology with skill and innovation.**

### NOTE OF THANKS

Excel is truly fortunate to have the continued support of such key strategic investors as Cheung Kong Group, the United Overseas Bank Group, and ChinaVest, as we continue our aggressive expansion plans. Each has provided value far beyond the dollar, lending their own networks and experience to enhance Excel's position as a primary player in today's e-business community.

I would be remiss if I did not acknowledge the vital contributions of the Group's non-executive directors. Their fervent and unrelenting support has, in no small way, shaped the corporate governance of the Group. Indeed, the hard work and dedication of all *Excellers* has contributed to what has been a record year of success for our company. I have the utmost confidence that, with the continued support and commitment to excellence that was shown this year, Excel will continue to break its own records for success, year after year.

Last but certainly not least, on behalf of Excel, I want to thank all of our clients, many of which have been with us for well over a decade. Without their valued patronage, Excel would not have the foundation necessary to become a leader in the economy of today. We pledge to continue to provide excellent service and "cutting edge" products to you well into the new century. ■

**OPERATING RESULTS**

The Group recorded an increase in revenue of 58.5% above the previous year, demonstrating the positive growth trend that continues at Excel. The following is a summary of results for the 12-month period, which ended 31 December 2000:

Turnover HK\$155.4 million.

Gross Margin 64.4% . Up from 56% in 1999.

Profit from operation is HK\$31 million.

Operating Margin improved to 20% from -9% in 1999.

Profits attributable to shareholders HK\$22.7 million.

Earnings per share 2.65 cents.

The Group's profit attributable to shareholders of HK\$22.7 million exceeded the forecast profit of HK\$13 million as stated in the Company's prospectus dated 20 June 2000 (the "Prospectus"). The variance was mainly attributable to the strong demand for our enterprise software and custom development products, particularly in the fourth quarter. This is normal for the IT industry, where most major purchase decisions are made towards the end of each calendar year. In addition, the recognition of a sizeable license fee for certain component

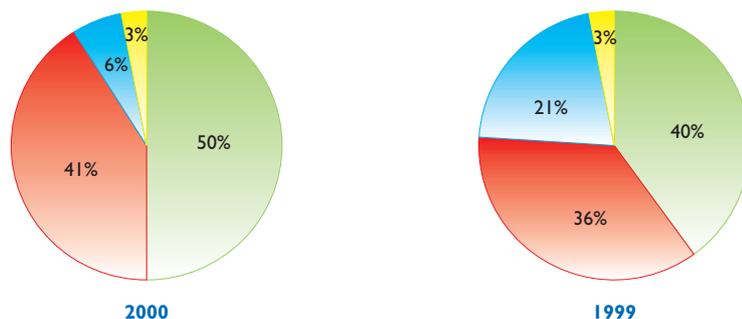
engines developed by the Group upon the conclusion of a major development contract with a regulatory authority in Hong Kong in the fourth quarter also contributes to this variance. Last but not least, i21 Limited, an associated company of the Group, recorded a loss which was significantly less than originally forecasted.

**BUSINESS OBJECTIVES AND PERFORMANCE**

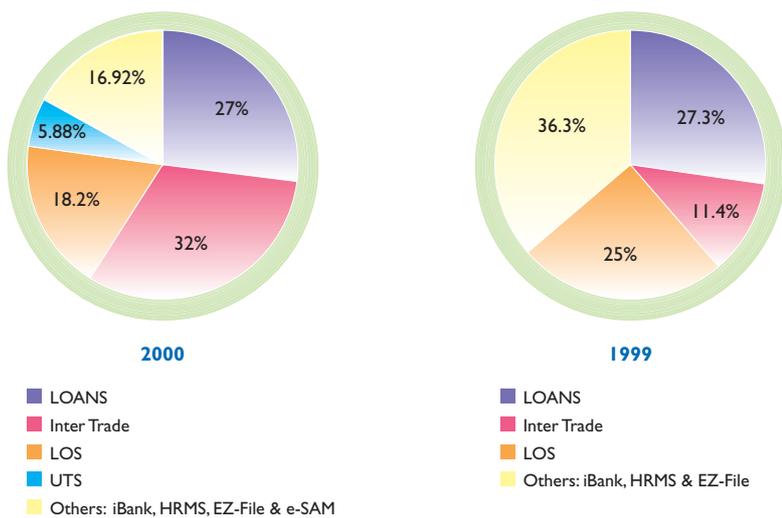
**Enterprise software & e-business solution development update**

Sales of Excel's own developed enterprise software and custom development products continued to enjoy a brisk rate of growth. The table below illustrates the composition of the total turnover and the breakdown of product sales:

**Composition of turnover**



**Breakdown of product sales**





The overall sales of enterprise software and custom development products increased to HK\$77.5 million from HK\$39.1 million in 1999, an increase of 98.2%.

In the year 2000, Excel's client base remained banking and finance dominated. Statistically, about 79.1% of our total revenue was derived from clients in this sector, representing a larger proportion than in previous years.

As a result of the strong demand for Excel's software products, re-sale of third party products as a complimentary service, including both computer hardware and software, recorded a substantial upsurge, peaking at HK\$64.2 million. This figure is up from HK\$35.7 million in 1999, an improvement of 80%.

### APPLICATION SERVICE PROVIDER (ASP)

The establishment of i2I Limited ("i2I"), the ASP business derivative of Excel in the form of associate with iBusiness Corporation Limited, heralds a new vision for the expansion of our current product suite. Utilizing the expansive client networks and solid reputations of its two principal shareholders, i2I successfully launched three services over the past year. By implementing existing Excel products over the Internet, i2I added significantly to its ever-growing client base.

The ASP model has proven to be a positive way of delivering economical business systems to SME clients, generating a repeatable revenue stream.

### GEOGRAPHICAL EXPANSION

It is the ambition of the Group to become a regional enterprise software leader for the banking and finance industry. Steps have already been taken to achieve our aspirations, beginning with the establishment of a wholly owned subsidiary in Singapore, an emerging hotbed for e-Commerce in Southeast Asia. In addition, sales and marketing offices in Guangzhou and Beijing have been established to spearhead our expansion into the mainland China. Both offices are managed and operated by local business partners who not only have vast experience in the IT field, but also possess a keen knowledge of the business climate in China.



### OUR TALENT

To cope with the increase in demand for our software products and to position ourselves as a prime regional player, the group recruited skilled individuals to join the team, increasing the total staff size from 175 in January 2000 to 256 by the end of the year. Competition for talented IT specialists in Hong Kong remains fierce and, in response to the decreasing number of available, qualified IT engineers in Hong Kong, the Group has established a software center in nearby Shenzhen, China to capitalize on the abundance of highly skilled IT personnel in the area. The close proximity to Hong Kong, combined with the relatively tranquil environment, make Shenzhen an ideal location for efficient and cost effective software development.

Last year saw the core management of the Group

double in size to include the following new members:

KK Ip  
(Executive Vice President and Chief Investment Officer)

Dennis Wen  
(Director of Greater China)

Tan Kim Seng  
(Director of Singapore)

Alfred Cheong  
(Director of Banking Products (MBS))

Eva Chan  
(Group Financial Controller and Company Secretary)

We feel very positive about each of these appointments, for these skilled individuals bring the leadership, experience and professionalism necessary to elevate Excel to new levels of prosperity.

Our sales team has also increased dramatically in size, growing from two to ten people. This further illustrates our determination to remain vigorous in our search for new clients to augment our existing client base.

### DIVIDEND

The Board of Directors has resolved not to recommend the payment of any year-end dividend. As an interim dividend was not declared during the year, there will be no dividend distribution for the 2000 financial year.

### FINANCIAL HEALTH

By the end of last year, the Group maintained a net cash balance of about HK\$290 million. ■



## interviews with the directors



**Rickie Fung**  
Executive Vice President

- we will target the small-to-medium enterprises (SMEs) as they make up a large portion of the business communities across many Asian countries. ■

### *What do you perceive to be the future ASP model in Asia?*

We believe ASP is the preferred mode of getting access to software in the future for everyone. ASP offers easy access to software without the hassle of purchasing, installing, upgrading and supporting the software by the users themselves. While the United States and Europe are taking the lead in moving towards this direction, Asia will not be too far behind. Some of the key supporting factors, such as telecommunication infrastructure and availability of ASP software in specific Asian languages, will continue to progress in favour of the ASP direction in many Asian countries in the coming years.

Therefore we can see that ASP will become a key mode of software delivery in Asia as well as in other marketplaces worldwide.

### *What are the strategies of i21 in establishing itself as a leader in ASP?*

i21's ASP strategies lie in three areas :

- we will offer quality software which are robust and reliable because users' businesses will depend on them;
- we will offer additional ASP solutions whenever we see there are driving factors behind them; and



**Michele Leung**  
*Executive Vice President*

### *What are the challenges of managing a first class software center?*

Despite of the economic slow-down since 1997, IT manpower demand in Hong Kong far exceeds manpower supply. Excel has the same share of this predicament but with the use of state-of-the-art technology, the interesting nature of the projects/products that we developed and the provision of regular training, both technical and business, we are able to retain conscientious professionals and to attract new talents willing to take on challenges.

### *What makes Excel's Software Center so unique from its competitors?*

The Excel Software Center is now a 'software development institute' of over 200 technical

professionals. An extension to this software center was established in Shekou of China in September, 2000 and has quickly grown to over 20 technical professionals by the end of 2000. They are already productive within a short period of time and are able to alleviate some of the workload of their Hong Kong counterparts. This has allowed Excel to be more flexible in our support for the client. It is our plan to grow the Shekou Software Center to over 100 technical professionals and to establish another software center in China by the end of 2001.

Besides providing software implementation and maintenance services to our clients, we continue to conduct both market and technical research for new products. Our banking client network and our robust knowledge in banking have

provided us with an advantage to react timely to change in market needs and emerging trends.

The Research and Development (R&D) Team of 5 to 6 technical professionals is instrumental to the success of our Software Center. The primary objective of this team is to evaluate the applicability of new or existing technology for the development of new software products. This team is also responsible for the development of the infrastructure or the fundamental building blocks where our products are built on. These building blocks have matured throughout the years and some of our clients have even expressed interest in standardizing their development platform using Excel's home-grown infrastructure. ■

## interviews with the directors



**King Ng**

*Executive Vice President &  
Chief Technology Officer*

### *How do you see the changes in banks in using technology?*

Year 2000 is a challenging year for banks. For banks, the year 2000 problem has left many system upgrades pending until the 2nd quarter of year 2000. While the banks are busy catching up with the backlogs, Internet fever has put pressure on the banks that has never been seen before. Internet has made the competition much more visible. Banks without some kind of Internet banking offering is deemed as out of the fashion. In order to be seen as technologically advanced, banks that offer Internet banking keep on rolling out with new features. The race has just started.

Among the few key players in the Internet banking scene, there is hardly any banks that developed

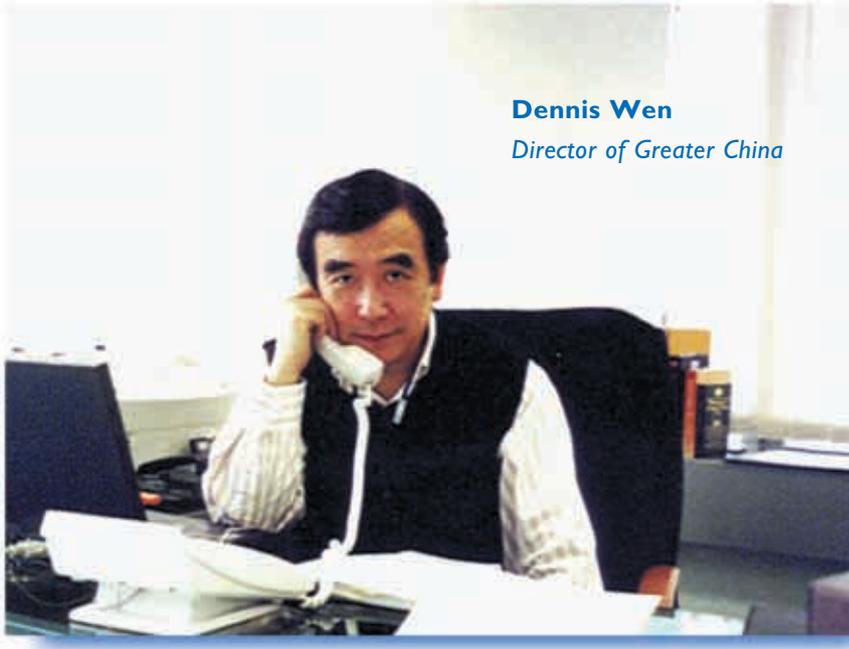
their own Internet banking solution. Even some of the banks that are well known for in-house development in the past make use of commercial packages.

Technology in the past few years has advanced in an alarming rate. Banks start to realize that it is more cost effective for them to concentrate on their core business that is banking rather than becoming an IT firm. On top of that banks with mainly mainframe technology and 2-tiered client server technology expertise would find it difficult to handle the current multi-tiered distributed application environment. In order for banks to catch up with the changing world, we are seeing more and more banks relying on commercial packages for other banking systems. Technology has become a tool for survival.

### *How would Excel maintain its leading edge?*

As a software company, there is a question that we keep on asking ourselves. How can we develop software faster, better and cheaper? Our answer to this question has always been software application infrastructure. Financial software applications share many common characteristics. With our years of experience in developing applications for financial sectors, we are in a position to conceptualize these common characteristics and turn them into infrastructure. Few years back when we diversified into package development, we started to develop a set of infrastructure for our packages. Over the years we have collected a rich set of infrastructures that we could leverage on all our packages.

With our establishment of software centers in China, it becomes even more important for us to have an in-house infrastructure. Distributed software development is never easy. We are right now developing and experimenting on infrastructure that would allow us to make the best use of distributed software development. ■



**Dennis Wen**  
*Director of Greater China*

*What are the IT needs of various banks and financial institutions in China?*

With the advent of China joining WTO, China local banks and financial institutions have to be well prepared to cope with the strong competition of new foreign entrants.

For the local banks and financial institutions to sustain their existing market share and leadership position, they have to streamline their operation and process, to use better IT infrastructure and solutions to provide better services to customers to increase customers' loyalty to stay with them.

For the new foreign entrants to penetrate into the new China market, they need to localize

their niche solutions to address Chinese requirement.

*How Excel position itself to capture these opportunities?*

With the strong presence of Excel, Excel can render her quality services and solutions to the parties aforementioned to enable them to meet their business needs.

In pursuit of economic growth, better quality life, people in China has high demand of personal financial loans, such as housing loan, car loan etc., of unit trust market and of better managed stock trading systems.

Excel has advanced, proven solutions and quite a few successful installations for all the above.

Besides sales offices in Hong Kong, Excel has established sales and marketing offices in Beijing and Shenzhen. Excel also has software development centers in Hong Kong and Shekou. Excel can leverage her existing resources, together with China local business partners, to provide local support services to her customers.

Having long term partnership with customers and growing with customers is the basic belief of Excel. Excel commits to invest and commits to the success of her customers in China. ■

## interviews with the directors



**Tan Kim Seng**  
*Director of Singapore*

Kong head office. Singapore offers a favourable business environment and platform for Excel to expand its operations into ASEAN countries as she continues to grow. ■

### *What is the landscape of Singapore's bank IT sector?*

With the liberalisation of the banking sector and also rationalisation of banks' resources and networks in Singapore, it is the opportune time for Excel to position and market its established products and services to the financial institutions here. Furthermore, financial institutions including banks, securities firms, fund managers and also financial advisors continue to leverage on the good communication infrastructure here to deliver various financial services over the Internet. We do see many business opportunities for Excel to provide cost-effective e-banking and e-business solutions including the launch of ASP services with total

outsourcing packages for corporate customers here.

### *How would you enter the market by leveraging on Excel's dominant position in Hong Kong?*

Given the strength of its well established products and impressive customer base, we would expect an easier and faster market acceptance as we enter the Singapore market. Our office in Singapore will replicate the various technology partnership programs as in Hong Kong to leverage on the channel support and also ready customer base of these technology partners. We are confident that Excel Singapore will do well in its initial years of operations with a committed and competent team and also the good support from the Hong

**Excel and Sun Microsystems established the FIRST Java Solution Development Center in Hong Kong for the banking & finance industry**



The critical success factor for banks today is the ability to deliver quality products and services to their customers “any time/any where”.

With the rapid increasing usage of Internet, it can be predicted that Internet related technologies such as Java and the network computing model will be key vehicles in developing this ability. Seeing the need to harness all these new technologies, Excel Technology and its close partner and the leading UNIX and Java technology provider, Sun Microsystems, jointly established a Java Solution Development Center in Hong Kong in July 2000 to promote the know-how and expertise in developing state-of-the-art Internet and Java solutions for the banking and finance sector.

*“Joining force with Sun Microsystems is no doubt a powerful match to provide value-added*

*services to our banking and finance clients through this new Java Solution Development Center. We combine the synergy of Internet technologies with industry domain knowledge.”*

Peggy Chan, Chairman and CEO Excel

The Java Solution Development Center at Excel Technology is part of the iForce initiative of Sun Microsystems to provide convergence of Sun Microsystems and its partners’ capability into creative forces to propel Internet solutions for its clients. Sun Microsystems contributed servers, software, training and support, while Excel Technology provided facility management and solutions development.

*“The establishment of the Java Solution Development Center with Excel is definitely our continuous collaboration in providing the front-line effective e-solutions and services to the industry.”*

Mr. Danny Tam, General Manager Global Sales Operations, Hong Kong Sun Microsystems

The Java Solution Development Center showcases a set of Excel Technology’s fully integrated Java-based solutions developed for the banking, securities, and insurance industries. So far, this Center has launched several important products including **InterTrade** — an on-line stock trading system for both Internet, mobile and branch trading; **iBank** — an Internet banking system; and **@Surance** — an on-line insurance policy and claims processing system via the Internet.

The Center will continue to develop products and provide service to assist banks and financial institutions in designing e-solutions strategies, and to help them to develop these e-solution applications using the latest Internet and Java technologies. ■

## outstanding achievements in 2000

### Excel Won the Microsoft® Asia E-Commerce Solution of the Year Award – 2000



Meeting the need to provide quality online Mandatory Provident Fund (MPF) solution at the right time is the winning edge.

Excel Technology does it successfully through its associate's ASP product, iHR21, which not only becomes the winning e-solution to the Hong Kong and Shanghai Banking Corporation Limited and Hang Seng Bank, but also wins the honorable Award of the "Microsoft® Asia E-Commerce Solution of the Year" from Microsoft® in 2000.

*"True to Excel's innovative spirit, the award-winning iHR21 solution represented a breakthrough to embody sophisticated ASP functions building upon the Microsoft® platform."*

Peggy Chan, Chairman and CEO  
Excel

To recognize Excel's success of iHR21 developed based on Microsoft® technologies, Microsoft® presented the "Microsoft® Asia E-Commerce Solution of the Year" Award to Excel at the Microsoft® Asia Fusion 2000. The Award was given to Excel to recognize Asia's most outstanding and innovative E-Commerce Solution developed on Microsoft® technologies.

*"We are thrilled to see a Hong Kong based partner to win this regional award of the best solution which is proven to possess the elements of technology innovation, successful implementation and business benefit."*

Mr. Herman Lam, Director,  
Partner Business Group  
Microsoft® Hong Kong Ltd

iHR21, the comprehensive human resources management solution offered by Excel's associated company, i21 Limited, was specially designed to allow corporations to manage their human resources, payroll, Mandatory Provident Fund (MPF) contribution effectively via Internet. Built upon Microsoft Windows® 2000 platform and developed based on Excel Technology's versatile human resources management system ("HRMS"), iHR21 helps the two banks to provide secured, reliable and quality online human resources management tool combined with the bank's auto pay services for its tens of thousand of users. ■

## CHINAVEST

*EXCEL has proven that it has what many technology companies don't have: products, customers, service quality, and track record. Like their name: they truly excel, even more so when the hype is over.*

**Monique Lau**  
Chief Operating Officer  
ChinaVest Ltd.



*What makes e-Commerce possible is the right e-Solution partner.*

**Edmond Ip**  
Executive Director & General Manager —  
Finance  
**Cheung Kong (Holdings) Ltd.**

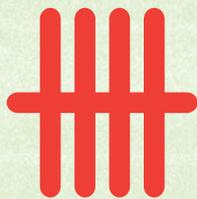


*Excel fully understands our business, our objectives, and is committed to growing with us.*

**Vincent Hui**  
Head of Electronic Banking Department  
**The Bank of East Asia, Ltd.**

*Swift development of e-Commerce is only possible with a trusted and pro-active IT partner, like Excel.*

**Gill Morton**  
Director  
**Marks & Spencer (Far East) Ltd.**



**Cher Teck Quek**  
Managing Director  
**UOB Venture Management Pte. Ltd.**

*UOB Venture Management is pleased to support Excel. We observed that she has grown from strength to strength and continues to win the endorsement of blue-chip clients. These clients have entrusted Excel with challenging projects critical to their individual operations. We are confident that Excel will deliver on each one of them.*

## corporate development history

### 1988 FEBRUARY

Excel Technology International (Hong Kong) Limited (formerly known as Excel Consultancy Limited), an information technology consulting company which provides management and strategic planning IT solutions for the banking and finance sector, is established in Hong Kong.



### 1988 FEBRUARY

Excel is selected to provide systems development and support services to Citibank and JP Morgan Chase & Co. (formerly known as Chase Manhattan Bank).

### 1990 NOVEMBER

Ms Peggy Chan, the founder of Excel, is awarded and recognized as the Young Entrepreneur of the Year.

### 1991 NOVEMBER

Excel is appointed by Bank Duta and Bank of Tabungan Negara, in Jakarta, to provide consulting and systems design services.

### 1993 SEPTEMBER

Appointed by the Hong Kong Airport Authority, Excel delivers analysis, design, development, enhancement and maintenance support to the Authority's administrative support systems.

### 1994 MARCH

Excel wins the contract to conduct an IT strategy study and systems development for UBS, AG (formerly known as United Bank of Switzerland — EARM Private Banking).

### 1996 JUNE

The first Excel Software Center commences operation in Hong Kong.

Excel diversifies into systems integration, widening its range of services available to its clients.



### 1996 DECEMBER

The first enterprise software, called Loans Processing and Management System (LOANS), is developed and successfully deployed for customer use.

### 1997 SEPTEMBER – DECEMBER

The second, third and fourth software products — Loan Origination System (LOS), Application Processing System (APS), and Property Leasing Management System (LMS) — are launched.

### 1998 SEPTEMBER

New enterprise software products — Unit Trust System (UTS) and Document Imaging Management System (EZ-file) — are launched.

### 1998 DECEMBER

The Group wisely invests in Net Fun Limited, via acquisition.



1999 SEPTEMBER

The “Cyberbanking” service, based on our Internet banking product (iBank), is developed and implemented for Bank of East Asia.

1999 DECEMBER

The birth of the InterTrade and HRMS products.

2000 MARCH

Cheung Kong Group, the United Overseas Bank Group and ChinaVest become the strategic investors of Excel.



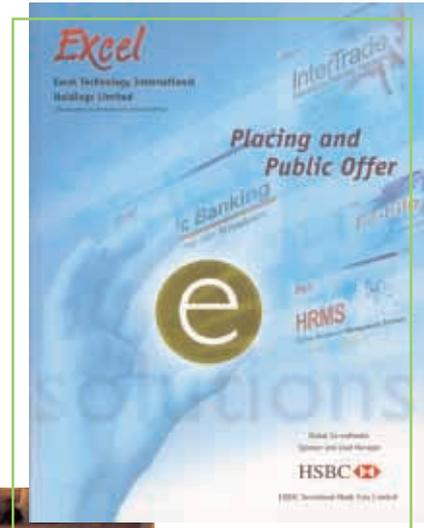
2000 MAY

Excel and iBusiness Corporation Limited jointly establish i21 Limited in providing Application Service Provider (ASP) solutions to business corporations.



2000 JUNE

Excel Technology International Holdings Limited is successfully listed on the Growth Enterprise Market (GEM) of the Hong Kong Stock Exchange. The new shares have been over subscribed by 14x and 43x by institutional investors and the public respectively.



2000 SEPTEMBER

Excel's first China Software Center is established in Shenzhen.





上海商業銀行  
SHANGHAI COMMERCIAL BANK LTD.

Shanghai Commercial Bank Limited (SCB) is one of the largest local banks and has one of the strongest IT shops in Hong Kong. SCB like most of the banks in Hong Kong also offers securities trading. Over the years, SCB developed its own integrated front and back office system for its securities trading business.

With the popularity of Internet, SCB also started to develop its Internet banking system. At the same time Hong Kong Stock Exchange (HKSE) planned to introduce its AMS/3 system. With AMS/3, brokers can choose to electronically connect to HKSE AMS/3 through an electronic gateway provided by HKSE using its own front office trading system. With these initiatives, SCB decided to look for a commercial package that can provide them a front office trading system that is Internet enabled as well as AMS/3 ready.

Excel was invited to participate in this project. Excel proposed InterTrade to SCB to fulfill its business needs. InterTrade is one of the flagship products of Excel. It was developed in 1998 for brokers and banks as a multi-channel front office system for securities trading. After a 3 month evaluation period, Excel was finally awarded the contract to provide its InterTrade system as well as a system integrator for the whole implementation. With implementation of InterTrade there were two challenges presented to both Excel and SCB. Firstly, InterTrade should meet the security requirement from both of the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong. Secondly, the system should be implemented in a tight schedule so as to meet the purpose of time to market.

Excel together with the help of SCB's IT department successfully implemented the system. At the same time, SCB's was also successfully connected to AMS/3 using Excel's InterTrade to provide a straight through trading environment to customers. With the launch of the Internet trading, new business opportunities were realized. Internet trading was very well received by SCB's customers. Significant transaction volume was recorded through Internet trading. ■

## Total solution for SE Global



SE Global, an Internet Financial Portal with worldwide coverage, had decided to install Excel's enterprise software InterTrade as its core online trading application to support its securities trading business in over 60 countries. The initial phase was implemented in the Asia Pacific Region, including: Hong Kong, South Korea, and the Philippines among others. SE Global made use of Excel's comprehensive implementation service provided by the systems integration team, and managed to set up its Internet financial portal business with minimum manpower resources from their side.

Excel's systems integration services began with data center selection and planning. Systems consultants and engineers were called in to develop the optimal configuration for supporting SE Global's online trading operation. All the required hardware, system and database software purchases were performed and coordinated by the administrative support staff. Systems engineers, working with various vendors and suppliers, performed the installation and delivered the platform to the Excel application team for installation of the InterTrade software.

Network engineers worked tirelessly on the overall design of the network and decided on the equipment to be used. They understood that online trading requires solid security measures to ensure user confidence, and have therefore implemented the latest and most advanced security features, such as SSL128 bit encryption, two levels of firewall, VPN encryptions and many other security features aimed at the prevention of unauthorized access.

With respect to the area of data study, Excel's database consultants developed an effective data storage plan and implemented it using the latest version of the Oracle relational database. Stringent data protection policies were used to ensure the privacy and integrity of the data being stored.

Excel's systems integration service came with a comprehensive technical service for not only implementing the system, but also provided 7x24 operation support to this system, including daily operations, performance monitoring, trouble-shooting and security monitoring. Working closely with SE Global, the team

also provided technical consultancy in the form of policies, procedures and documentation. This consultation service is essential for sustaining a smooth and stable operation over the long term. It is just another way that Excel has earned the trust and confidence of so many respected business. ■

## long service staff members

They are the solid foundation of Excel



Name	Position	Since
Peggy Chan	the Founder, Chairman & Chief Executive Officer	1988
Andy Mok	Senior Manager	1988
Twinkie Lai	Executive Assistant	1988
Michele Leung	Executive Vice President	1989
Susan Ting	Senior Systems Analyst	1991
Peony Lau	Human Resources Officer	1991
Wally Wu	Senior Systems Analyst	1993
Dick Chan	Senior Systems Analyst	1996
Jackson Yuen	Manager	1996

From left to right

*Back:* Dick Chan, Andy Mok, Peggy Chan, Peony Lau, Jackson Yuen.

*Front:* Twinkie Lai, Wally Wu, Michele Leung, Susan Ting.

### EXECUTIVE DIRECTORS



**Ms. ZEE CHAN Mei Chu, Peggy (徐陳美珠)**

Aged 46, the Founder, Chairman, and Chief Executive Officer of the Group, is responsible for setting and implementing the corporate strategic directions of the Group. She has over 17 years of experience in business re-engineering, strategy studies, technology planning and systems development, serving major multi-national corporations and government agencies. Starting her career as a manager in Arthur Young & Company in Washington D.C., United States, Ms. Chan returned to Hong Kong in 1988 to establish the local office of an Australian software

house, and later the Group. She received the Hong Kong Young Entrepreneur Business Award in 1990 by DHL/South China Morning Post for her outstanding contribution in the IT business. Ms. Chan is a founding member of the Cyber Youth people through innovative usage of information technology, and a founding member of Information and Software Industry Association, a trade organization dedicated to promoting the software industry in Hong Kong. Ms. Chan serves on the Internet Banking Committee and 21st Banking Initiatives Committee of several major U.S. banks and a monetary authority.

**Mr. FUNG Din Chung, Rickie (馮典聰)**

Aged 45, is the Executive Vice President responsible for developing the Group's networking and systems integration business. Prior to joining the Group in 1996, Mr. Fung worked for IBM Hong Kong for 17 years, going through various positions in different business areas, including technical support, training, marketing, and management. Mr. Fung was the manager in the Imaging Solution Center, a unit dedicated to the application of workflow and imaging technology in business usages. Mr. Fung is a frequent speaker on various information technology subjects. Mr. Fung was appointed as the Chief Executive Officer of i21 Limited in 2000.



## profile of directors and senior management



**Ms. LEUNG Lucy, Michele**  
(梁樂瑤)

Aged 48, is the Executive Vice President responsible for the sales, implementation and continuous improvement of the various software applications developed by the Group. Ms. Leung is managing the software centers of the Group in Hong Kong and China. She has over 18 years of experience in the development, conversion and migration of various computer systems in the credit card, retail banking, and insurance industries. Prior to joining the Group in 1989, Ms. Leung has worked for Mervyn's, United Grocers, Tymshare Transaction Services, Visa and the Bank of Montreal in the United States and Canada.

**Dr. NG Wai King, Steve**  
(吳偉經)

Aged 42, is the Executive Vice President and Chief Technology Officer of the Group. He is leading the research and development efforts on software technology and implementation methodology, as well as the development of the Group's software infrastructure and building blocks. Besides his strong technical capabilities, Dr. Ng also has extensive knowledge in private banking, stock brokerage, portfolio management and treasury business. Prior to joining the Group in 1996, Dr. Ng was the technology head for Citibank's Hong Kong Private Banking Group, in which, he managed the client/server development projects of the region for both local and global implementation.



**Mr. IP Kim Kuen**  
(葉劍權)

Aged 38, is the Executive Vice President and Chief Investment Officer of the Group. He is responsible for strategic acquisition and investment of the Group. Mr. Ip has over 11 years of experience in financial management and investments. He was the vice president of ChinaVest Limited, a leading US venture capital firm, director and general manager of Kleinwort Benson's China Direct Investment Fund, the head of investment of a public company in Hong Kong. He had also worked for Spectrum Mutual Fund and Richardson Greenshields in Canada, and Jardine Fleming in Hong Kong. Mr. Ip has extensive experience in investing in technology companies in Greater China and was heavily involved in cross-pacific venture deals between US and China.



## profile of directors and senior management

### NON-EXECUTIVE DIRECTORS



**Mr. IP Tak Chuen, Edmond (葉德銓)**

Aged 48, is a non-executive Director of the Group. He has been an executive director of Cheung Kong (Holdings) Limited since 1993. Mr. Ip is also an executive director of Chueng Kong Infrastructure Holdings Limited and a non-executive director of tom.com Limited. He was appointed as a non-executive Director of the Group on 21st February, 2000.



**Mrs. LAU LAW Siu Hung, Monique (劉羅少紅)**

Aged 44, is a non-executive Director of the Group. Ms. Lau is the Chief Operating Officer of ChinaVest Limited, and is responsible for development and implementation of investment strategies and corporate marketing activities in Greater China. In 1997, Ms. Lau joined ChinaVest from Citibank Hong Kong where she was the head of the Corporate Banking Group. Her 18-year banking career includes four years at Bankers Trust Company as the Head of the Hong Kong Credit Function. She was appointed as a non-executive Director of the Group on 21st February, 2000.

## profile of directors and senior management

### INDEPENDENT NON-EXECUTIVE DIRECTORS



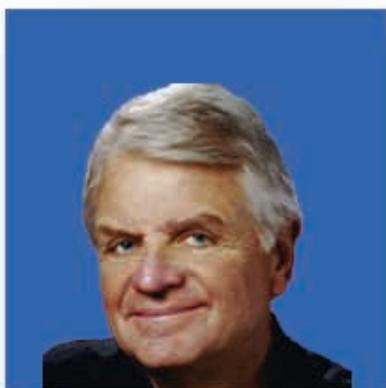
#### **Mr. CHEONG Ying Chew, Henry (張英潮)**

Aged 53, is an independent non-executive Director of the Group. Mr. Cheong is a member of the Corporate Advisory Council of the Hong Kong Securities Institute. From 1993 to 1999, Mr. Cheong was a member of the advisory Committee to the Securities and Futures Commission and, from 1994 to 2000, a member of the board of the Hong Kong Futures Exchange Limited. He is also a non-executive director of various other listed companies in Hong Kong. Mr. Cheong is currently the Chairman and Chief Executive Officer of Worldsec International Limited. He was appointed as an independent non-executive Director of the Group on 30th May, 2000.



#### **Mr. CHANG Ka Mun (張家敏)**

Aged 41, is an independent non-executive Director of the Group. Mr. Chang is the President of Corporate Niche Limited, Director of Global Chinese CyberCapital Group and Polyspring Enterprises Company Limited. He is also a member of the Chinese People's Political Consultative Committee. He was a member of the preparatory Committee as well as the Basic Law Consultative Committee of the National People's Congress, PRC. He was appointed as an independent non-executive Director of the company on 30th May, 2000.



#### **Mr. PETRO A. Frank**

Aged 58, is an independent non-executive Director of the Group. Mr. Petro is the Chairman and Chief Executive Officer of InnoVentry, which is an e-commerce company specializing in financial services applications with its headquarter in San Francisco, California, the United States of America. Prior to his present appointment to Innoventry, Mr. Petro was an executive vice president at Wells Fargo Bank and was also President, Asia Pacific for CSC Index, responsible for the firm's activity in Hong Kong, Japan and Korea. Mr. Petro is a certified practising accountant, licensed in New York and California. He was appointed as an independent non-executive Director of the Group on 30th May, 2000.

## profile of directors and senior management

### DIRECTORS



#### **Mr. WEN Pei-Sung, Dennis (文北崧)**

Aged 53, is the Director of Greater China of the Group. He is responsible for developing the China market for the Group. Mr. Wen has over 29 years of IT marketing and services experience. Mr. Wen previously worked for Oracle Greater China Region and IBM Greater China Region in various senior management positions. Mr. Wen has completed the Management Development Program at ASIA Institute of Management. Mr. Wen joined the Group in April 2000.



#### **Mr. CHEONG Ho Sang, Alfred (莊濠生)**

Aged 44, is the Director of Banking Products (MBS) of the Group responsible for the development and implementation of the new banking software application products of the Group. Mr. Cheong has over 20 years of working experience in IT especially in the banking industry where he has in-depth knowledge of corporate, investment and private banking products, accounting & MIS functions, and process management. Mr. Cheong previously worked for UBS AG and Citibank in various senior management positions. At Citibank, Mr. Cheong was in-charge of investment banking technology department for the Asia Pacific region. Prior to joining the Group in 2000, Mr. Cheong was the technology head for Private Banking in Hong Kong and Singapore of UBS AG. Mr. Cheong is also a Certified Management Accountant (CMA) in Canada.



#### **Ms. CHAN Yee Wah (陳綺華)**

Aged 35, is the group financial controller and company secretary of the Company. Prior to joining the Group in November 2000, Ms. Chan has been the group financial controller and company secretary of various listed companies in Hong Kong. Ms. Chan has over 15 years' experience in accounting and company secretarial matters. Ms. Chan is an Associate of the Hong Kong Society of Accountants and the Hong Kong Institute of Company Secretaries. Ms. Chan graduated from the City University of Hong Kong with her first degree in Accountancy and then obtained her Master of Business Administration from the University of Nottingham, United Kingdom.



#### **Mr. TAN Kim-seng (鄭金城)**

Aged 39, is a Director of Singapore of the Group. Mr. Tan is responsible for establishing the pioneer operations in Singapore office and advising on strategic directions for the Group's Southeast Asia expansion. Mr. Tan has over 15 years of working experience in various industries ranging from venture capital investment, banking, information technology, semiconductor and telecommunication. Prior to joining the Group in 2000, Mr. Tan was previously an Executive Director with the UOB Management Pte Ltd in Singapore.

## profile of directors and senior management

### PROFILE OF MANAGERS

#### Mr. MAK Ka Yan, Ken

(麥嘉仁) aged 33, is a senior sales manager of the Group. Mr. Mak has over 8 years of regional experience in marketing software solutions for the finance and banking sector. His sales territory previously covered Hong Kong, the Philippines, Taiwan, Korea and Singapore. Prior to joining the Group in June 2000, he worked for Thomson Financial Services, an international financial services provider.

#### Mr. MAK Tin Wah, Alfia

(麥天華) aged 42, is a senior manager of the Group. Mr. Mak currently is the project manager for a major systems development project for a monetary authority. He has over 17 years of IT experience in the banking industry. Mr. Mak previously worked in Citibank Asia Pacific Technology Capital Market group as the project manager for the region's Fixed Income system development. He joined the Group in 2000.

#### Mr. PANG Siu Wai, Peter

(彭兆威) aged 39, is a senior manager of the Group. Mr. Pang has over 17 years of experience in

Telecom and IT industries, most of which were on project management, e-Commerce business and IT-education. Mr. Pang has extensive knowledge and experience in data networking and the application of internet/intranet technology in education. Mr. Pang joined the Group in 2000.

#### Mr. CHEUNG Kwok Wang, Fred

(張國宏) aged 38, is a manager of the Group. Mr. Cheung has over 17 years of experience in the IT industry, most of which were on project management, feasibility studies, and application systems development. Mr. Cheung joined the Group in 1999.

#### Mr. WOO Wing Kong, John

(胡永光) aged 32, is a project manager of the Group in charge of internet banking, InterTrade settlement and infrastructure component development. Mr. Woo has 10 years of experience in the IT industry with focus on Internet and server oriented applications. Mr. Woo joined the Group in 1998.

#### Mr. LEUNG Chee Woo, David

(梁志和) aged 41, is a senior manager of the Group. Mr. Leung has over 16 years of professional

experience specializing in client server technology, relational databases, object oriented techniques and artificial intelligence techniques on a large variety of projects. Mr. Leung joined the Group in 1997.

#### Mr. MOK Wing Wah, Andy

(莫永華) aged 39, is a senior manager of the Group. Mr. Mok has over 15 years of experience in the IT industry, most of which were on project management, feasibility studies, and application systems development. Mr. Mok joined the Group in 1988.

#### Ms. NG Oi Lan, Teresa

(吳愛蘭) aged 40, is a senior manager of the Group. Ms. Ng currently is in our MBS development team and she has over 18 years of banking systems experience. Prior to joining the Group in 2000, Ms. Ng has previously worked in Midas – Kapiti International Limited.

#### Ms. SZETO Ming Yan, Catherine

(司徒名殷) aged 28, is a corporate finance manager of the Group. She has over 6 years of experience in investment banking and commercial banking from reputable international financial institutions. She has extensive experience in corporate finance activities with focus on initial public offerings, convertible equities, financial advisory, mergers and acquisitions and private placements. Ms. Szeto joined the Group in 1999.

#### Mr. YUEN Cheuk Kuen, Jackson

(袁焯權) aged 40, is a manager of the Group. Mr. Yuen has over 15 years of system development experience in the IT industry and in designing Consumer Loans & Syndication Loans System, Collection System, Liability Control System, Remittance System, Deposit & Saving System and other banking packages and 4GL tool, and data modelling methodology in particular. Mr. Yuen joined the Group in 1996. ■



(from left to right)

Back: Ken Mak, Alfia Mak, Peter Pang, Fred Cheung, John Woo, David Leung.

Front: Andy Mok, Teresa Ng, Catherine Szeto, Jackson Yuen.

## comparison of business objectives with actual business progress

### Actual business progress from June to December 2000

#### Key Business Initiatives

Marketing the Group's enterprise software aggressively	The Group had geared up its marketing efforts to promote its enterprise software among the banks and financial institutions. Seminars on product introduction were held for these prospective clients. Joint promotional efforts had been made with such technology partners as Microsoft and Sun Microsystems to increase the brand awareness of Excel.
Launching the first series of services of the ASP business — iStock21, iHR21 and iClaims21	<p>Two brokers who started using the iStock21 service was going through the Hong Kong Stock Exchange's AMS/3 testing in preparation for online trading. An agreement had also been signed with Cyberbrokers, a consortium comprising of over 30 brokers, to make iStock21 their preferred online stock trading platform.</p> <p>The private label version of iHR21 for HSBC and Hang Seng Bank, referred to as MPFDirect and e-Employer for these two banks, had been launched in November. As of end of 2000, over 1,000 companies had signed up for this service.</p> <p>A joint venture company was set up with an Australian insurance firm to complete the final stage of the development work for iClaims21 and to start off the initial marketing effort. Discussions were held with a number of individual doctors and medical groups with favourable reception of this service.</p>
Realising e-business solutions initiatives	The Group completed the electronic supply chain management modules of the e-Centre solution, which is the centerpiece of any e-Centre solution, and had successfully installed the same for a regional operation of a UK based retail chain store in the fourth quarter of 2000.
Identifying joint venture and acquisition targets	The Group had successfully identified two targets for joint venture in China to spearhead market entry. The equity joint venture with a Beijing partner was in the process of incorporation in late December 2000, in which the Group will own 85%. Another joint venture will be based in Shenzhen.

## comparison of business objectives with actual business progress

### Actual business progress from June to December 2000

#### Sales and Marketing

Expanding the sales and marketing team

The Group has strengthened its sales and marketing team by appointing 8 additional sales staff. A new Sales Director for the China region and a Senior Sales Manager were appointed. The total number of sales staff had grown to 10.

The Singapore subsidiary is gearing up for sales and marketing activities to build up the Group's presence in the local and regional markets. Two sales staff had been recruited to promote the non-banking products as an initial strategy.

Setting up a sales team for the ASP Business

The ASP business, under the name of i2I, set up its dedicated sales team with 5 staff members. They focused mainly on promoting the iStock2I and iHR2I services.

#### Product and service development

Completing the development of the InterTrade Settlement Module

Product design of the settlement module for Multi-Market had been completed. A first client was also identified. The core modules were completed by the end of 2000. The implementation was target at the first quarter of 2001 for the client.

Continuing the development of MBS

A dedicated team was formed with people who have extensive knowledge in treasury products. Development of the MBS commenced since October 2000.

Completing the first phase (medical insurance) and second phase (life insurance) of development of Insurance2I

Phase I development, which comprises of the web-based medical claims generation module, was completed by the end of June 2000. Phase II development, which comprises of modules for quotation, policy generation and claims processing, commenced in the fourth quarter of 2000 and will be completed by April 2001.

Completing the development of the software required for the operation of the first phase of the iTreasury project

The product design had been finished and accepted by the client. Product prototype was developed and accepted. Prototype was shown to a couple of potential users. Feedback from the users was incorporated into the product development. The core modules were completed in November 2000.

## comparison of business objectives with actual business progress

### Actual business progress from June to December 2000

#### Geographical expansion

Establishing the first PRC office (in Guangzhou)

A foreign wholly-owned subsidiary of the Group had been set up in Guangzhou. A branch office in Shenzhen was established as the Group's first China software center.

Establishing the first Southeast Asia office in Singapore

The Group had established a wholly-owned subsidiary in Singapore, which was officially operational on 23rd October, 2000. A Director and a Senior Manager were appointed. They are based in Singapore and have substantial experience within the local and the South East Asian markets. They will be responsible for implementing the Singapore expansion plan and sales and marketing activities.

The Singapore subsidiary initially focuses on products that do not require much localization and are best suited to the local needs. At the same time, it will be providing local and regulatory requirements for applications that required changes.

Identifying potential partners and acquisition targets in Singapore

The management had identified two potential acquisition targets in Singapore. However, the acquisition did not materialize due to the concern of excessive valuation. Efforts are being put to identify other targets which may create synergies with the Group.

Commencing a program to localize products for the PRC and Southeast Asia

A software center was set up in Shenzhen (Shekou) of China to provide continuous localization and development support to the software centers in Hong Kong. The Shekou Center is manned by about 20 engineers.

## comparison of business objectives with actual business progress

### Actual business progress from June to December 2000

#### Use of Proceeds

The net proceeds from the public listing was about HK\$180 million. The proceeds had been applied in the following areas:

June to December 2000	Estimated (HK\$m)	Actual (HK\$m)
Development of the ASP business	25.0	11.30
Research & development cost	10.0	6.08
Geographical expansion	7.0	5.02
Setting up the e-Center	4.0	1.00
Marketing and promotional activities	2.0	2.00
Acquisitions and Investments	50.0	7.30
Total	98.0	32.70

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Excel Technology International Holdings Limited (the “Company”) will be held at Coral Room 2, 3rd Floor, Furama Hotel, One Connaught Road Central, Hong Kong on 18 April 2001 (Thursday) at 3:30 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended 31st December, 2000;
2. To re-elect retiring Directors;
3. To authorise the Board of Directors to fix their remuneration;
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration; and
5. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

### **ORDINARY RESOLUTION**

**“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue or deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution; and

## notice of annual general meeting

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended ) or any other applicable law to be held; and
- (iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution;

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

6. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

### ORDINARY RESOLUTION

**“THAT:**

- (a) the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to purchase its own shares, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

- (c) for the purpose of this Resolutions, “Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) or any other applicable law to be held; and
  - (iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolutions.”

7. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

### ORDINARY RESOLUTION

“**THAT** the general mandate granted to the Directors of the Company pursuant to the Resolution 5 above and for the time being in force to exercise the powers of the Company to allot, issue or deal with unissued shares of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power, be and is hereby extended by the aggregate nominal amount of shares in the share capital of the Company purchased by the share capital of the Company repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

8. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

### ORDINARY RESOLUTION

“**THAT** the deletion of the definition of “Participant” as set out in Clause 1.01 of the share option scheme of the Company adopted on 16th June, 2000 in its entirety and, in substitution thereof, the insertion of the following revised definition of “Participant” to the said Clause 1.01 be and are hereby approved and adopted:

“Participant” means any full-time employee or director of the Company or any Subsidiary who satisfies the following requirements:

- i. in the case of a director, any executive director of the Company or any Subsidiary;

## notice of annual general meeting

- ii. in the case of a full-time employee, the aggregate number of hours spent and/or to be spent by that employee in providing services to the Company or any Subsidiary is not less than 25 hours per week, determined by averaging out the total number of hours so spent and/or to be so spent since the employee commenced working for the Company or any Subsidiary.”

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

Hong Kong, 15 March 2001

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place of Business:*  
46th Floor, The Center  
99 Queen's Road Central  
Hong Kong

### **Notes:**

1. A member entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.
3. In relation to proposed Resolution 5 above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the allotment and issue of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The directors have no immediate plans to issue any new securities of the Company pursuant to the said general mandate other than shares which may fall to be issued upon the exercise of any options granted under the share option scheme of the Company or any scrip dividend scheme.

## notice of annual general meeting

4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

## report of the directors

The directors have pleasure in submitting their annual report together with the audited accounts for the financial year ended 31 December 2000.

### GROUP REORGANISATION AND LISTING ON THE HONG KONG GROWTH ENTERPRISE MARKET

The Company was incorporated on 21 January 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) operated by The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries comprising the Group at the time of the Reorganisation. Details of the Company’s subsidiaries at 31 December 2000 are set out in note 13 on the accounts.

Further details of the Reorganisation are set out in note 1 to the accounts and in the Company’s prospectus dated 20 June 2000.

Shares of the Company commenced listing and trading on the GEM of the Hong Kong Stock Exchange on 30 June 2000.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 13 on the accounts.

The Group’s turnover and contribution to operating result for the year is principally attributable to its development, sale and implementation of enterprise software in Hong Kong. An analysis of the turnover and contribution to profit from the principal activities of the Company and its subsidiaries during the year is set out in note 3 on the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group’s sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the group’s total	
	Sales	Purchases
The largest customer	12%	
Five largest customers in aggregate	38%	
The largest supplier		67%
Five largest suppliers in aggregate		83%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) had any interest in these major customers and suppliers.

## ACCOUNTS

The profit of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 48 to 83.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2000.

## FIXED ASSETS

Movements in fixed assets of the Company and the Group are set out in note 12 on the accounts.

## SHARE CAPITAL

During the year, a total of 1,000,000,000 shares were issued by the Company. Shares were issued on incorporation of the Company and to broaden the capital base of the Company for the purpose of the Company's listing on the GEM.

Details of the movements in the share capital of the Company during the year are set out in note 27 on the accounts and in the Company's Prospectus dated 20 June 2000.

## DIRECTORS

The directors during the year were:

### Executive directors

Zee Chan Mei Chu, Peggy	(appointed on 26 January 2000)
Fung Din Chung, Rickie	(appointed on 26 January 2000)
Leung Lucy, Michele	(appointed on 21 February 2000)
Ng Wai King, Steve	(appointed on 21 February 2000)
Ip Kim Kuen	(appointed on 23 March 2000)

### Non-executive directors

Ip Tak Chuen, Edmond	(appointed on 21 February 2000)
Lau Law Siu Hung, Monique	(appointed on 21 February 2000)
Quek Cher Teck	(appointed on 21 February 2000 and resigned on 21 September 2000)

### Independent non-executive directors

Cheong Ying-Chew, Henry	(appointed on 30 May 2000)
Chang Ka Mun	(appointed on 30 May 2000)
Petro A Frank	(appointed on 30 May 2000)

## report of the directors

In accordance with the Company's bye-laws, Fung Din Chung, Rickie, Ip Tak Chuen, Edmond and Lau Law Siu Hung, Monique retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS IN SHARES

The directors of the Company who held office at 31 December 2000 had the following interests in the issued share capital of the Company and its subsidiaries and other associated corporations (within the meaning of the Securities (Disclosures of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Beneficial interests	Shares of HK\$0.1 each			
	Personal interests	Family interests	Corporate interests	Other interests
Zee Chan Mei Chu, Peggy	—	—	*579,956,044	—
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	—	—	—
Ip Tak Chuen, Edmond	—	—	—	—
Lau Law Siu Hung, Monique	—	—	—	—
Cheong Ying-Chew, Henry	—	—	—	—
Chang Ka Mun	—	—	—	—
Petro A Frank	—	—	—	—

\* 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.

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

### Share option scheme

The Company operates a share option scheme under which the directors may, at their discretion, invite employees of the Company or its wholly owned subsidiaries, including directors, to take up options to subscribe for shares in the Company at a price which is the higher of the closing price of the Company's shares on 1 September 2000 of HK\$0.90 and the average closing price of the Company's shares on the GEM on the five trading days immediately preceding the date of offer of the option.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the share option scheme may not exceed 30% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options pursuant to the share option scheme. An option may be exercised within an option period, and shall not be less than three years and not more than ten years from the date upon which the option is granted and accepted.

## DIRECTORS' INTERESTS IN SHARES (continued)

At 31 December 2000, the directors of the Company had the following personal interests in options to subscribe for shares of the Company (market value per share is HK\$0.63 at the balance sheet date) granted at nominal consideration under the share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

Name of director	No. of options outstanding at the year end	Date granted	Period during which option exercisable (Note 1)	No. of shares acquired on exercise of options during the year	Price per share to be paid on exercise of options	Market value per share at date of grant of options	Market value per share on exercise of options
Fung Din Chung, Rickie	8,000,000	1 September 2000	1 September 2000 to 31 August 2005	—	HK\$0.90	HK\$0.90	—
Leung Lucy, Michele	8,000,000	1 September 2000	1 September 2000 to 31 August 2005	—	HK\$0.90	HK\$0.90	—
Ng Wai King, Steve	8,000,000	1 September 2000	1 September 2000 to 31 August 2005	—	HK\$0.90	HK\$0.90	—
Ip Kim Kuen	8,000,000	1 September 2000	1 September 2000 to 31 August 2005	—	HK\$0.90	HK\$0.90	—

Note 1: The option period commences from 1 September 2000 to 31 August 2005 (both dates inclusive) (vesting period with 1st tranche of 20% from 1 March 2001, 2nd tranche of 20% from 1 September 2001, 3rd tranche of 15% from 1 March 2002, 4th tranche of 15% from 1 September 2002, 5th tranche of 15% from 1 March 2003 and the remaining tranche of 15% from 1 September 2003).

Apart from the foregoing, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company or any their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares at 31 December 2000 amounting to 10% or more of the shares in issue:

	Shares held	Percentage of total issued shares
Passion Investment (BVI) Limited	*579,956,044	57.99%

\* These shares have been disclosed as the corporate interest of the director in the paragraph "directors' interests in shares".

## report of the directors

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2000.

### DIRECTORS' INTERESTS IN CONTRACTS

On 29 January 2000, a subsidiary of the Group (the "subsidiary") transferred to Rich-Pines Investments Company Limited, which is beneficially wholly owned by Zee Chan Mei Chu, Peggy, 8,500 shares of HK\$1 each in the share capital of Net Fun Limited at a consideration of HK\$1.

On 3 May 2000, the subsidiary and Net Fun Limited entered into a sub-tenancy agreement pursuant to which Net Fun Limited sub-leased office premises for a fixed term of 23 months and 24 days from 1 June 2000 to 24 May 2002. On 1 June 2000, the subsidiary and Net Fun Limited entered into an administrative services agreement pursuant to which the subsidiary agreed to provide accounting, general office administrative and company secretarial services as may be requested by Net Fun Limited from time to time. Zee Chan Mei Chu, Peggy was interested in these contracts as a director and shareholder of Net Fun Limited.

Apart from the foregoing, no contract of significance to which the Company, its holding company or any of its subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

### DIRECTORS' SERVICE CONTRACTS

Each of Zee Chan Mei Chu, Peggy, Fung Din Chung, Rickie, Leung Lucy, Michele and Ng Wai King, Steve has entered into a service contract with the Company for a term of three years commencing on 1 March 2000, which will continue thereafter until terminated by not less than six months' notice in writing by either party to the other.

Ip Kim Kuen has entered into a service contract with the Company for a term of three years commencing on 20 March 2000, which will continue thereafter until terminated by not less than six months' notice in writing by either party to the other.

Except for the above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

### COMPETING INTERESTS

As at 31 December 2000, the Directors were not aware of any business or interest of each director, chief executive, management shareholder and the respective associate of each that competes or may compete with the business of the Group and any other conflicts of interest which any such persons has or may have with the Group.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Save as set out in note 27 on the accounts, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and the law in Bermuda.

## SPONSOR'S INTEREST

The Company has been informed by HSBC Investment Bank Asia Limited (the "HIBA" or the "Sponsor") that, as at 31 December 2000, five of its employees held a total interest of 48,000 shares in the Company.

Save as disclosed above, neither the Sponsor nor any of its directors or employees or associates (as referred to in Note 6.35 of the GEM Listing Rules) had any interest in the securities of Excel including options or rights to subscribe for such securities.

Pursuant to a novation agreement (the "Agreement") entered into between the Company, HIBA and The Hongkong and Shanghai Banking Corporation Limited ("HSBC") (of which HIBA is an indirect wholly-owned subsidiary), the rights and obligations of HIBA under the sponsor agreement (the "Sponsor Agreement") dated 19 June 2000 entered into between the Company and HIBA appointing HIBA as the retained sponsor of the Company from 30 June 2000 to 31 December 2002, have been novated to HSBC. As a result of the Agreement, HSBC will act as the retained sponsor of the Company for the remaining term of the Sponsor Agreement. Apart from the aforementioned change in sponsorship, there was no change in the terms of the Sponsor Agreement.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2000 are set out in note 21 on the accounts.

## CONVERTIBLE NOTES

The Company issued convertible notes for a total of HK\$47,220,278 to Alps Mountain Agent Limited on the terms as set out in an agreement dated 15 June 2000. Details of the principal terms of the convertible notes are set out in note 26 on the accounts.

## RESERVES

Details of movements in reserves during the year are set out in note 28 on the accounts.

## COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied with the GEM Listing Rules of The Stock Exchange of Hong Kong Limited since the shares of the Company were listed on 30 June 2000.

In compliance with the revised Code of Best Practice, the Company established an audit committee in June 2000 which acts in an advisory capacity and makes recommendations to the Board. The committee comprises two independent non-executive directors, Cheong Ying Chew, Henry and Chang Ka Mun. The audit committee met twice during the year 2000.

## report of the directors

### AUDITORS

KPMG were first appointed as auditors of the Company in June 2000.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board  
**Zee Chan Mei Chu, Peggy**  
*Chairman*

Hong Kong, 15 March 2001



**To the shareholders of  
Excel Technology International Holdings Limited**  
(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 48 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

Hong Kong, 15 March 2001

## consolidated profit and loss account

for the year ended 31 December 2000

(Expressed in Hong Kong dollars)

	Note	2000 \$'000	1999 \$'000
<b>Turnover</b>	3	<b>155,425</b>	98,071
Cost of complimentary computer hardware and software		<b>(55,285)</b>	(43,623)
		<b>100,140</b>	54,448
Other revenue	4(a)	<b>11,815</b>	2,900
Other net income	4(b)	<b>1,804</b>	108
Staff costs		<b>(63,215)</b>	(53,395)
Depreciation		<b>(2,027)</b>	(2,783)
Amortisation of development costs	16	<b>(1,356)</b>	—
Other operating expenses		<b>(16,148)</b>	(10,940)
Profit/(loss) from operations		<b>31,013</b>	(9,662)
Amortisation of goodwill	15	—	(1,571)
Profit on disposal of a subsidiary	17	<b>1,243</b>	—
Finance costs	5(a)	<b>(3,158)</b>	(566)
Share of loss of an associate		<b>(5,838)</b>	—
<b>Profit/(loss) from ordinary activities before taxation</b>	5	<b>23,260</b>	(11,799)
Taxation	6(a)	<b>(540)</b>	227
<b>Profit/(loss) attributable to shareholders</b>		<b>22,720</b>	(11,572)
Dividends	10	—	(5,000)
<b>Retained profit/(loss) for the year</b>	28	<b>22,720</b>	(16,572)
Earnings/(loss) per share			
Basic and diluted	11	<b>2.65 cents</b>	(1.65) cents
<b>Profit/(loss) for the year is attributable as follows:</b>			
By the Company and its subsidiaries		<b>28,558</b>	(16,572)
By the associate		<b>(5,838)</b>	—
		<b>22,720</b>	(16,572)

No separate statement of recognised gains and losses has been prepared as the profit attributable to shareholders for the year would be the only component of this statement.

The notes on pages 57 to 83 form part of these accounts.

## consolidated balance sheet

at 31 December 2000

(Expressed in Hong Kong dollars)

	Note	2000 \$'000	1999 \$'000
<b>Non-current assets</b>			
Fixed assets	12	15,819	8,704
Interest in an associate	14	4,166	—
Goodwill	15	—	29,735
Development costs	16	4,722	—
Other financial assets	17	3,903	—
		<u>28,610</u>	<u>38,439</u>
<b>Current assets</b>			
Work in progress	18	26,269	6,902
Trade receivables		28,808	20,736
Deposits, prepayments and other receivables	19	7,687	962
Taxation recoverable	6(b)	—	55
Amount due from an associate	14	11,256	—
Cash and cash equivalents	20	292,642	6,968
		<u>366,662</u>	<u>35,623</u>
<b>Current liabilities</b>			
Bank overdrafts	21	—	1,699
Bank loans	21	13	376
Other loan	22	—	2,539
Trade payables		10,534	9,138
Other payables and accrued expenses		13,531	4,182
Deferred income	23	10,167	4,458
Amount due to a director	24	—	37,949
Taxation payable	6(b)	650	—
Dividend payable	10	—	5,000
		<u>34,895</u>	<u>65,341</u>
<b>Net current assets/(liabilities)</b>		<u>331,767</u>	<u>(29,718)</u>
<b>Total assets less current liabilities</b>		<u>360,377</u>	<u>8,721</u>

The notes on pages 57 to 83 form part of these accounts.

## consolidated balance sheet (continued)

at 31 December 2000

(Expressed in Hong Kong dollars)

	Note	2000 \$'000	1999 \$'000
<b>Non-current liabilities</b>			
Bank loans	21	—	6,723
Convertible notes	26	<u>50,155</u>	—
		<u>50,155</u>	<u>6,723</u>
<b>NET ASSETS</b>			
		<u>310,222</u>	<u>1,998</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	27	100,000	510
Reserves	28	<u>210,222</u>	<u>1,488</u>
		<u>310,222</u>	<u>1,998</u>

Approved by the board of directors on 15 March 2001

**Zee Chan Mei Chu, Peggy**

*Director*

**Ip Kim Kuen**

*Director*

The notes on pages 57 to 83 form part of these accounts.

## balance sheet

at 31 December 2000

(Expressed in Hong Kong dollars)

	Note	2000 \$'000
<b>Non-current assets</b>		
Investments in subsidiaries	13	—
<b>Current assets</b>		
Amounts due from subsidiaries	13	337,838
Prepayments and other receivables	19	470
Cash and cash equivalents	20	2,605
		<u>340,913</u>
<b>Current liabilities</b>		
Trade and other payables		2,776
Amounts due to subsidiaries	13	55
		<u>2,831</u>
<b>Net current assets</b>		<u>338,082</u>
<b>Total assets less current liabilities</b>		<b>338,082</b>
<b>Non-current liabilities</b>		
Convertible notes	26	50,155
<b>NET ASSETS</b>		<u>287,927</u>
<b>CAPITAL AND RESERVES</b>		
<b>Share capital</b>	27	100,000
<b>Reserves</b>	28	187,927
		<u>287,927</u>

Approved by the board of directors on 15 March 2001

**Zee Chan Mei Chu, Peggy**  
Director

**Ip Kim Kuen**  
Director

The notes on pages 57 to 83 form part of these accounts.

## consolidated cash flow statement

for the year ended 31 December 2000

(Expressed in Hong Kong dollars)

	Note	2000	1999
		\$'000	\$'000
<b>Net cash inflow/(outflow) from operating activities</b>	(a)	<b>5,907</b>	<b>(11,168)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		10,731	202
Interest paid		(223)	—
Dividends paid		(5,000)	—
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>5,508</b>	<b>202</b>
<b>Taxation</b>			
Tax rebate from Hong Kong SAR Government		—	73
Hong Kong profits tax refund/(paid)		165	(341)
<b>Tax paid</b>		<b>165</b>	<b>(268)</b>
<b>Investing activities</b>			
Advances to an associate		(21,260)	—
Payment for purchase of other financial assets		(3,903)	—
Payment for purchase of fixed assets		(9,483)	(1,818)
Proceeds from disposal of fixed assets		—	108
Development costs capitalised		(6,078)	—
Net cash outflow from disposal of a subsidiary	(c)	(737)	—
Reserves arising from the Reorganisation		539	—
<b>Net cash outflow from investing activities</b>		<b>(40,922)</b>	<b>(1,710)</b>
<b>Net cash outflow before financing carried forward</b>		<b>(29,342)</b>	<b>(12,944)</b>

The notes on pages 57 to 83 form part of these accounts.

## consolidated cash flow statement (continued)

for the year ended 31 December 2000

(Expressed in Hong Kong dollars)

	Note	2000		1999	
		\$'000	\$'000	\$'000	\$'000
<b>Net cash outflow before financing brought forward</b>			<b>(29,342)</b>		<b>(12,944)</b>
<b>Financing</b>					
Proceeds from other loans	(b)	<b>(2,539)</b>		2,539	
Proceeds from new bank loans	(b)	—		2,682	
Repayment of bank loans	(b)	<b>(7,086)</b>		—	
Proceeds from shares issued	(b)	<b>284,965</b>		—	
Proceeds from issuance of convertible notes	(b)	<b>47,220</b>		—	
(Repayment to)/advance from a director	(b)	<b>(5,845)</b>		5,845	
<b>Net cash inflow from financing</b>			<b>316,715</b>		<b>11,066</b>
<b>Increase/(decrease) in cash and cash equivalents</b>			<b>287,373</b>		<b>(1,878)</b>
<b>Cash and cash equivalents at 1 January</b>			<b>5,269</b>		<b>7,147</b>
<b>Cash and cash equivalents at 31 December</b>			<b>292,642</b>		<b>5,269</b>
<b>Analysis of the balances of cash and cash equivalents</b>					
Deposits with banks and other financial institutions			<b>281,169</b>		100
Cash at bank and in hand			<b>11,473</b>		6,868
Bank overdrafts			—		(1,699)
			<b>292,642</b>		<b>5,269</b>

The notes on pages 57 to 83 form part of these accounts.

## notes to the consolidated cash flow statement

(Expressed in Hong Kong dollars)

### (a) Reconciliation of profit/(loss) from operations to net cash inflow/(outflow) from operating activities

	2000 \$'000	1999 \$'000
Profit/(loss) from operations	31,013	(9,662)
Interest income from bank deposits	(5,678)	(202)
Interest income from cash equivalents	(5,053)	—
Depreciation	2,027	2,783
Amortisation of development costs	1,356	—
Profit on disposal of fixed assets	—	(108)
Increase in work in progress	(19,367)	(5,469)
Increase in trade receivables	(8,289)	(10,977)
(Increase)/decrease in deposits, prepayments and other receivables	(6,737)	95
Increase in trade payables	1,442	7,274
Increase in other payables and accrued expenses	9,349	1,667
Increase in deferred income	5,844	3,431
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	5,907	(11,168)

The notes on pages 57 to 83 form part of these accounts.

## notes to the consolidated cash flow statement (continued)

(Expressed in Hong Kong dollars)

### (b) Analysis of changes in financing

	Share capital (including share premium) \$'000	Bank loans \$'000	Convertible notes \$'000	Other loan \$'000	Amount due to a director \$'000
At 1 January 1999	510	4,417	—	—	32,104
Cash flows from financing	—	2,682	—	2,539	5,845
<b>At 31 December 1999</b>	<b>510</b>	<b>7,099</b>	<b>—</b>	<b>2,539</b>	<b>37,949</b>
At 1 January 2000	510	7,099	—	2,539	37,949
Eliminated during the course of the Reorganisation	(510)	—	—	—	—
Cash inflows from issue of shares net of expenses	285,475	—	—	—	—
Cash inflows from issuance of convertible notes	—	—	47,220	—	—
Cash outflows from financing	—	(7,086)	—	(2,539)	(5,845)
Cash outflow from disposal of a subsidiary	—	—	—	—	(32,104)
Finance costs for the year	—	—	2,935	—	—
<b>At 31 December 2000</b>	<b>285,475</b>	<b>13</b>	<b>50,155</b>	<b>—</b>	<b>—</b>

The notes on pages 57 to 83 form part of these accounts.

## notes to the consolidated cash flow statement (continued)

(Expressed in Hong Kong dollars)

### (c) Disposal of a subsidiary

	<b>2000</b>
	<b>\$'000</b>
Net liabilities disposed of:	
Fixed assets	341
Trade and other receivables	229
Cash and cash equivalents	737
Trade payables and accrued charges	(46)
Deferred income	(135)
Amounts due to a director	<u>(32,104)</u>
	<b>(30,978)</b>
Goodwill written back upon disposal of a subsidiary (Note 17)	29,735
Gain on disposal of a subsidiary	<u>1,243</u>
Consideration of \$1	<u>—</u>

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<b>2000</b>
	<b>\$'000</b>
Cash consideration received of \$1	—
Cash and cash equivalents disposed of	<u>(737)</u>
	<u>(737)</u>

The subsidiary disposed of during the year ended 31 December 2000 contributed \$180,000 to the Group's net operating cash flows.

The notes on pages 57 to 83 form part of these accounts.

## I. GROUP REORGANISATION AND BASIS OF PRESENTATION OF ACCOUNTS

### (a) Group reorganisation

The Company was incorporated on 21 January 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited (“GEM”), the Company became the holding company of the subsidiaries comprising the Group at the time of the Reorganisation.

Further details of the Reorganisation are set out in the Company’s prospectus dated 20 June 2000.

All entities which took part in the Reorganisation were wholly owned by Zee Chan Mei Chu, Peggy before and immediately after the Reorganisation and consequently there was a continuation of the risks and benefits to the ultimate shareholder that existed prior to the Reorganisation.

### (b) Basis of presentation of the accounts

The Reorganisation has been accounted for as a reorganisation of businesses under common control under merger accounting. Accordingly, the consolidated accounts have been prepared on the basis of historical costs and as if the subsidiaries had been part of the Group throughout the periods presented, except for any acquisitions or disposals subsequent to the Reorganisation, which are accounted for under the acquisition basis of accounting.

The measurement basis used in the preparation of the accounts is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

In doing so, the directors have decided to adopt SSAP 29 “Intangible assets”, which is mandatory for accounting periods beginning on or after 1 January 2001, instead of SSAP 16 “Research and development costs” issued in September 1994.

These accounts also conform with the disclosure requirements of GEM. A summary of the significant accounting policies adopted by the Group is set out below.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all of its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material inter-company transactions and balances are eliminated on consolidation.

As explained in note 1, on 21 January 2000, the Company became the holding company of the Group. The Group has been treated as a continuing entity and accordingly the consolidated accounts have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from 21 January 2000. Accordingly, the results and cashflows of the Group for the years ended 31 December 1999 and 2000 include the results and cash flows of the Company and its subsidiaries with effect from 1 January 1999 or since their respective dates of incorporation, where this is a shorter period.

As the Company was incorporated on 21 January 2000, no comparative figures are presented in respect of the Company's balance sheet.

- (ii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the profit and loss account over its estimated useful economic life of not more than 20 years. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

#### (c) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Investments in associates

An associate is a company in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for goodwill charged to reserves and for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associate for the year.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the company and the company's right to receive the dividend is established before the accounts of the Company are approved by the directors. In the Company's balance sheet, its investments in associates are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each associate individually. Any such provisions are recognised as an expense in the profit and loss account.

### (e) Other investments in securities

Investment securities which are held on a continuing basis for an identified long term purpose are classified as "investment securities" and are stated in the balance sheet at cost less provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

Gains or losses on disposal of investment securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of such assets on a straight-line basis at the following rates per annum:

Land	Over the unexpired term of the lease
Leasehold improvements	25%
Buildings	2.5%
Computer and office equipment	20% to 33 $\frac{1}{3}$ %
Furniture and fixtures	25%
Motor vehicles	30%

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account.

Gains or losses arising from the disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset.

#### (g) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

##### (i) Income from sale of enterprise software products and custom development

The Group enters into contracts with customers whereby a number of elements are bundled together in one contract — for example, resale of complimentary hardware and software products, sale of software licences and the development of customised software including completion of services provided for post delivery service support. The contract price is fixed prior to the commencement of the contract and the company refers to these as “fixed price contracts”.

In instances where the contract price can be allocated on a reasonable basis into elements of resale of complimentary hardware and software products, sale of software licences and development of customised software, revenue is recognised in accordance with accounting policies as described in Section 2g(ii), (iii) and (iv) below.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Revenue recognition (continued)

- (i) Income from sale of enterprise software products and custom development (continued)

Where the contract price cannot be allocated into individual elements of the sale of enterprise software products and custom development, revenue is recognised by reference to the stage of completion of the sale of enterprise software products and custom development, including post delivery service support, at the balance sheet date.

Work in progress is recorded in the balance sheet at the amount of contract costs incurred plus attributable profit less progress billings.

Amounts received before the related work is performed are included as deferred income in the balance sheet.

- (ii) Income from complimentary hardware and software resale

Revenue is recognised when goods are delivered at the customers' premises, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after deduction of any trade discounts.

- (iii) Sale of software licences

Revenue from the sale of software licences to end-users is recognised upon delivery of the software products to the customer when there are no significant post-delivery obligations.

- (iv) Development of customised software

Revenue from the development of customised software is recognised in the profit and loss account by reference to the stage of completion of the customisation work, including post delivery service support, at the balance sheet date.

- (v) Income from consulting and system integration services

Consulting and system integration services generally call for the company to provide technical support to customers.

Revenue from consulting and system integration services is recognised in the profit and loss account upon the provision of services.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Revenue recognition (continued)

##### (vi) Income from maintenance services

Revenue from maintenance service contracts, which is received or receivable from customers once the maintenance service contracts are signed, is amortised and credited as revenue to the profit and loss account on a straight-line basis over the terms of the maintenance service contracts.

Where maintenance revenue is not separately invoiced, it is unbundled from licence fees and deferred and credited as revenue to the profit and loss account on a straight-line basis over the life of the maintenance service contract.

Other service revenue, primarily training and consulting, is recognised at the time the service is performed.

##### (vii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

##### (viii) Dividends

Dividend income from unlisted investments other than associates is recognised when the shareholder's right to receive the payment is established.

#### (h) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

Costs incurred in research and development of software products of the Group are expensed as incurred unless the development costs satisfy the criteria for the recognition of such costs as an asset.

Development costs which satisfy the criteria for capitalisation as an asset are amortised to the profit and loss account on a straight-line basis over the estimated useful lives of the developed software.

#### (i) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Translation of foreign currencies

The functional currency of the Group's operations is the Hong Kong dollar.

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences arising on foreign currency translation are dealt with in the profit and loss account.

The results of overseas subsidiaries are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

### (k) Deferred taxation

Deferred taxation is provided under the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (l) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the periods of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

### (m) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### (n) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 3. TURNOVER

The principal activities of the Group are the development, sale and implementation of enterprise software.

Turnover represents income from complimentary computer hardware and software sales and computer services rendered to customers during the year, net of returns and discounts allowed, after eliminating intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Group turnover		Contribution to profit/(loss) from operations	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Principal activities</b>				
Sale of enterprise software products and custom development	<b>77,498</b>	39,097	<b>13,532</b>	(15,218)
Complimentary hardware and software resale	<b>64,211</b>	35,699	<b>1,743</b>	1,306
Consulting and systems integration services	<b>9,409</b>	20,575	<b>1,452</b>	917
Maintenance services	<b>4,307</b>	2,700	<b>667</b>	325
	<b>155,425</b>	98,071	<b>17,394</b>	(12,670)
Other revenue			<b>11,815</b>	2,900
Other net income			<b>1,804</b>	108
			<b>31,013</b>	(9,662)

The Group's turnover and contribution to profit from operations for the year is principally derived in Hong Kong.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 4. OTHER REVENUE AND OTHER NET INCOME

	2000 \$'000	1999 \$'000
<b>(a) Other revenue</b>		
Interest income from bank deposits	5,678	202
Interest income from deposits placed with other financial institutions	5,053	—
Management fee income from a related company	540	240
Rental income from a related company	—	180
Sundry income	544	2,278
	<u>11,815</u>	<u>2,900</u>
<b>(b) Other net income</b>		
Realised gain on other investments	1,804	—
Profit on disposal of fixed assets	—	108
	<u>1,804</u>	<u>108</u>

### 5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging:

	2000 \$'000	1999 \$'000
<b>(a) Finance costs:</b>		
Interest on bank loans, overdrafts, and other borrowings repayable within five years	223	566
Finance costs on convertible notes	2,935	—
	<u>3,158</u>	<u>566</u>

## notes on the accounts

(Expressed in Hong Kong dollars)

### 5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION (continued)

	2000 \$'000	1999 \$'000
(b) To the extent that staff costs and direct overheads can be allocated by management on a reasonable basis to research and development activities, research and development expenses are as follows:		
— staff costs	10,318	9,758
— direct overheads	2,337	2,053
	<u>12,655</u>	<u>11,811</u>
Less: Costs capitalised (Note 16)	(6,078)	—
	<u>6,577</u>	<u>11,811</u>

Other costs such as depreciation of fixed assets and indirect overheads have not been included in the above analysis.

	2000 \$'000	1999 \$'000
(c) Other items:		
Auditors' remuneration	433	331
Rentals payable under operating leases in respect of land and buildings	5,498	3,653
Retirement contributions	6	—
	<u>6</u>	<u>—</u>

## 6. TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	The Group	
	2000 \$'000	1999 \$'000
Provision for Hong Kong profits tax at 16% of the estimated assessable profits for the year	650	—
(Over)/under provision in respect of prior years	(110)	3
Tax rebate from Hong Kong SAR Government	—	(73)
	<b>540</b>	<b>(70)</b>
Deferred taxation (note 25(b))	—	(157)
	<b>540</b>	<b>(227)</b>

(b) Taxation in the consolidated balance sheet represents:

	The Group	
	2000 \$'000	1999 \$'000
Provision for Hong Kong profits tax for the year	650	—
Taxation receivable in respect of prior year	—	(55)
	<b>650</b>	<b>(55)</b>
Taxation payable/(recoverable)	<b>650</b>	<b>(55)</b>

## 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 \$'000	1999 \$'000
Fees	—	—
Salaries and other emoluments	6,452	5,285
Retirement scheme contribution	—	—
	<b>6,452</b>	<b>5,285</b>

## notes on the accounts

(Expressed in Hong Kong dollars)

### 7. DIRECTORS' REMUNERATION (continued)

During the years ended 31 December 1999 and 2000, no emoluments were paid or payable to non-executive and independent non-executive directors.

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "directors' interests in shares" in the directors' report.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

The remuneration of the executive directors is within the following bands:

	Number	
	2000	1999
Not more than \$1,000,000	—	1
\$1,000,001 – \$1,500,000	5	2
\$1,500,001 – \$2,000,000	—	1
	<hr/>	<hr/>
	5	4

The directors received emoluments of approximately \$1,300,000, \$1,200,000, \$1,224,167, \$1,320,000, and \$1,408,065 for the year ended 31 December 2000 and approximately \$1,789,160, \$1,200,000, \$976,080 and \$1,320,000 for the year ended 31 December 1999.

Each of Zee Chan Mei Chu, Peggy, Fung Din Chung, Rickie, Leung Lucy, Michele and Ng Wai King, Steve has entered into a service contract with the Company for a term of three years commencing on 1 March 2000.

Ip Kim Kuen has entered into a service contract with the Company for a term of three years commencing on 20 March 2000.

Based on the terms of these service contracts, each of the directors are entitled to a monthly salary, housing and other allowances.

During the years ended 31 December 1999 and 2000, there were no amounts paid as an inducement to join or upon joining the Group and no director waived any emoluments.

## 8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, all (1999: four) are directors whose emoluments are disclosed in note 7 on the accounts. The aggregate of the emoluments in respect of the individual in 1999 who was one of the five individuals with the highest emoluments amounted to \$975,000.

No amounts were paid or payable to senior management as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 1999 and 2000.

## 9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of \$2,452,000 which has been dealt with in the accounts of the Company.

## 10. DIVIDENDS

No dividends has been paid or declared by the Company since its incorporation.

Dividends in the consolidated profit and loss account for the year ended 31 December 1999 represented the final dividend payable by Excel Technology International (Hong Kong) Limited to its then shareholder.

## 11. EARNINGS/(LOSS) PER SHARE

### Basic and diluted earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders of \$22,720,000 (1999: loss of \$11,572,000) and the weighted average number of 858,557,892 shares (1999: 701,699,930) after adjusting for the capitalisation issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 2000 and 1999 is not presented because there was no dilutive effect in existence during the respective periods.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 12. FIXED ASSETS

#### The group

	Land and buildings \$'000	Leasehold improvements \$'000	Computer and office equipment \$'000	Furniture and fixtures \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost:</b>						
At 1 January 2000	7,856	—	7,228	4,603	416	20,103
Additions	—	2,370	5,826	1,287	—	9,483
Disposals	—	—	(2,098)	—	—	(2,098)
<b>At 31 December 2000</b>	<b>7,856</b>	<b>2,370</b>	<b>10,956</b>	<b>5,890</b>	<b>416</b>	<b>27,488</b>
<b>Aggregate depreciation:</b>						
At 1 January 2000	712	—	6,313	4,249	125	11,399
Charge for the year	103	348	1,074	377	125	2,027
Written back on disposals	—	—	(1,757)	—	—	(1,757)
<b>At 31 December 2000</b>	<b>815</b>	<b>348</b>	<b>5,630</b>	<b>4,626</b>	<b>250</b>	<b>11,669</b>
<b>Net book value: At 31 December 2000</b>	<b>7,041</b>	<b>2,022</b>	<b>5,326</b>	<b>1,264</b>	<b>166</b>	<b>15,819</b>
At 31 December 1999	7,144	—	915	354	291	8,704

The analysis of the net book value of land and buildings is as follows:

	The Group	
	2000 \$'000	1999 \$'000
In Hong Kong under long leases	<u>7,041</u>	<u>7,144</u>

### 13. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>
	<b>2000</b>
	<b>\$'000</b>
Investments in subsidiaries	<u>—</u>
Amounts due from subsidiaries	<b>337,838</b>
Amounts due to subsidiaries	<u>(55)</u>
	<b>337,783</b>

- (a) The following list contains all of the subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity			Principal activity
			Group's effective holding	Held by the Company	Held by a subsidiary	
Excel (BVI) Limited	British Virgin Islands	5,000 shares of US\$1 each	100%	100%		Investment holding
Excel Technology International (Hong Kong) Limited	Hong Kong	1,000 shares of HK\$1 each	100%	—	100%	Development of computer software, systems integration and maintenance
Guangzhou Excel Technology Company Limited	The People's Republic of China	HK\$1,000,000	100%	—	100%	Operation of IT software centre in Shekou
Excelink Technology Pte Limited (formerly known as Xena Trading Pte Limited)	Singapore	500,000 shares of S\$1 each	100%	—	100%	Provision for sale and marketing services on Excel's enterprise software
Excel Systems Limited	Hong Kong	1,000,000 shares of HK\$1 each	100%	—	100%	Development of computer software, systems integration and maintenance

## notes on the accounts

(Expressed in Hong Kong dollars)

### 13. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity			Principal activity
			Group's effective holding	Held by the Company	Held by a subsidiary	
Excel International Limited	Hong Kong	10,000 shares of HK\$1 each	100%	—	100%	Note
Excel Technology International (BVI) Limited	British Virgin Islands	1 share of US\$1 each	100%	—	100%	Investment holding
New Crest Technology Limited	British Virgin Islands	1 share of US\$1 each	100%	—	100%	Investment holding
Wise Success Limited	British Virgin Islands	1 share of US\$1 each	100%	—	100%	Investment holding

Note: The principal activities of Excel International Limited for the year ended 31 December 1999 was investment holding. Immediately following the completion of the Reorganisation, Excel International Limited no longer holds any investments and became inactive with effect from February 2000.

- (b) The amounts due from/(to) subsidiaries are unsecured, interest free and recoverable/repayable within one year.

### 14. INTEREST IN AN ASSOCIATE

	The Group		The Company
	2000	1999	2000
	\$'000	\$'000	\$'000
Unlisted shares, at cost	—	—	—
Share of net losses other than goodwill	(5,838)	—	—
Amount due from an associate	10,004	—	—
	<b>4,166</b>	—	—

- (a) The amount due from an associate of \$10,004,000 (1999: \$Nil) is unsecured, interest free and is not expected to be recoverable within one year.

- (b) The amount due from an associate of \$11,256,000 (1999: \$Nil) included in current assets at 31 December 2000 is unsecured, interest free and repayable on demand.

## 14. INTEREST IN AN ASSOCIATE (continued)

(c) Details of the associate at 31 December 2000 are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity			Principal activity
			Group's effective holding	Held by the Company	Held by a subsidiary	
i21 Limited	Hong Kong	1,000 shares of \$1 each	37.5%	—	37.5%	Application service provider

## 15. GOODWILL

	The Group	
	2000 \$'000	1999 \$'000
<b>Cost:</b>		
At 1 January	31,422	31,422
Written back upon disposal of a subsidiary (Note 17)	(31,422)	—
At 31 December	—	31,422
<b>Accumulated amortisation:</b>		
At 1 January	1,687	116
Amortisation for the year	—	1,571
Written back upon disposal of a subsidiary (Note 17)	(1,687)	—
At 31 December	—	1,687
<b>Carrying value:</b>		
Goodwill at 31 December	—	29,735

## notes on the accounts

(Expressed in Hong Kong dollars)

### 16. DEVELOPMENT COSTS

	The Group	
	2000	1999
	\$'000	\$'000
Additions during the year (Note 5(b))	6,078	—
Amortisation charge for the year	(1,356)	—
	<hr/>	<hr/>
	4,722	—

Development costs of \$6,078,000 capitalised during the year ended 31 December 2000 are amortised to the profit and loss account on a straight-line basis over the estimated useful lives of the developed software of 3 years.

### 17. OTHER FINANCIAL ASSETS

	The Group	
	2000	1999
	\$'000	\$'000
Investment securities		
— unlisted private equity fund (Note a)	3,903	—
— unlisted equity securities (Note b)	—	—
	<hr/>	<hr/>
	3,903	—

Notes:

- (a) The investment in the private equity fund is stated at cost. The private equity fund principally invests in unquoted companies in high growth technology industries. One of the directors of the Group is an executive director of the unlisted private equity fund at 31 December 2000.
- (b) Subsequent to the Group Reorganisation as described in note 1 on the accounts, the group disposed of 8,500 shares of its 9,500 shares in the ordinary share capital of Net Fun Limited ("Net Fun") on 29 January 2000 to Zee Chan Mei Chu, Peggy, who was the controlling shareholder of the Company immediately prior to and after the Reorganisation.

As a result, the activities of Net Fun were demerged with those of the Group and Net Fun ceased to be a subsidiary of the Group.

The Group has accounted for the change in its interest in Net Fun as a disposal of a subsidiary, with a residual investment in investment securities. The attributable cost of the residual investment in Net Fun has been calculated as the proportionate cost to the Group of its remaining interest in 1,000 shares of Net Fun based on the original cost of the Group's initial investment in 9,500 shares of Net Fun.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 17. OTHER FINANCIAL ASSETS (continued)

The gain on disposal of \$1,243,000 comprises the proceeds arising from the transfer of the 8,500 shares in Net Fun, as adjusted for the net liabilities of Net Fun which were disposed of during the year and as further adjusted for the unamortised part of goodwill which arose on acquisition of Net Fun.

	\$'000
Sale proceeds of \$1	—
Net liabilities disposed of	30,978
Goodwill written back on disposal (Note 15)	<u>(29,735)</u>
Gain on disposal of Net Fun	<u>1,243</u>

### 18. WORK IN PROGRESS

Work in progress represents the amount of contract costs incurred plus attributable profit less progress billings. All the amounts are expected to be recovered within one year.

### 19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company
	2000	1999	2000
	\$'000	\$'000	\$'000
Utilities and rental deposits	3,445	876	—
Other debtors and prepayments	<u>4,242</u>	<u>86</u>	<u>470</u>
	<u>7,687</u>	<u>962</u>	<u>470</u>

Utilities and rental deposits which are expected to be recovered after more than one year amounted to \$3,445,000 (1999: \$876,000).

### 20. CASH AND CASH EQUIVALENTS

	The Group		The Company
	2000	1999	2000
	\$'000	\$'000	\$'000
Deposits with banks and other financial institutions	281,169	100	—
Cash at bank and in hand	<u>11,473</u>	<u>6,868</u>	<u>2,605</u>
	<u>292,642</u>	<u>6,968</u>	<u>2,605</u>

## notes on the accounts

(Expressed in Hong Kong dollars)

### 21. BANK LOANS AND OVERDRAFTS

The above bank loans and overdrafts were repayable as follows:

	The Group	
	2000 \$'000	1999 \$'000
Within one year or on demand	<u>13</u>	<u>2,075</u>
After one year but within two years	—	409
After two years but within five years	—	1,711
After five years	<u>—</u>	<u>4,603</u>
	<u>—</u>	<u>6,723</u>
	<u>13</u>	<u>8,798</u>

At 31 December 2000, bank loans and overdrafts were as follows:

	The Group	
	2000 \$'000	1999 \$'000
Bank overdrafts		
— secured	—	583
— unsecured	<u>—</u>	<u>1,116</u>
	<u>—</u>	<u>1,699</u>
Bank loans (unsecured)	<u>13</u>	<u>7,099</u>
	<u>13</u>	<u>8,798</u>

### 22. OTHER LOAN

The loan was from Applied Research Council, bearing interest at the Hong Kong dollar prime rate, and was repaid in cash in March 2000.

### 23. DEFERRED INCOME

Deferred income represents amounts received from customers before the related services have been rendered. All the amounts included in the deferred income are expected to be credited to the profit and loss account within one year.

## 24. AMOUNT DUE TO A DIRECTOR

Amount due to a director at 31 December 1999 was unsecured, interest free and was repaid in cash in March 2000.

## 25. DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group		The Company
	2000	1999	2000
	\$'000	\$'000	\$'000
At 1 January	—	157	—
Transfer to the profit and loss account (Note 6(a))	—	(157)	—
	<hr/>		
At 31 December	—	—	—

(b) Major components of deferred tax liabilities/(assets) of the Group are set out below:

	2000		1999	
	Provided	Potential liabilities unprovided	Provided	Potential liabilities unprovided
	\$'000	\$'000	\$'000	\$'000
Depreciation allowances in excess of related depreciation	—	1,466	—	107
Future benefit of tax losses	—	—	—	(1,840)
	<hr/>			
	—	1,466	—	(1,733)

The potential deferred tax liability at 31 December 2000 has not been provided in the accounts as, in the opinion of the directors of the Company and after taking into account the Group's medium-term financial and capital plans and projections, the timing differences are not expected to reverse in the foreseeable future.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 26. CONVERTIBLE NOTES

	The Group and the Company		
	Principal amount \$'000	Finance costs \$'000	Carrying value \$'000
Proceeds from issuance of convertible notes	47,220	—	47,220
Finance costs	—	2,935	2,935
<b>Balance at 31 December 2000</b>	<b>47,220</b>	<b>2,935</b>	<b>50,155</b>

On 15 June 2000, the Company entered into an agreement with Alps Mountain Agent Limited, a wholly owned subsidiary of Cheung Kong (Holdings) Limited, to issue the convertible notes with a principal amount of \$47,220,278.

The convertible notes or any part thereof is convertible into the Company's shares at a price of \$0.88 per share (subject to adjustments), at the option of the noteholder at any time during the period commencing from 1 April 2001 and up to and including 31 May 2002 (i.e. maturity date).

Unless previously converted, the convertible notes will be redeemed by the Company on the maturity date at redemption amounts equal to 125% of the principal amount, which implies a yield-to-maturity of approximately 10% per annum to the noteholder.

The finance costs represent the difference between the yield to maturity and the principal amount and is accrued and charged to the profit and loss account.

## 27. SHARE CAPITAL

	<b>The Company</b>	
	<b>Number of shares</b>	<b>2000 \$'000</b>
<b>Authorised:</b>		
Shares of \$0.1 each	5,000,000,000	<b>500,000</b>
<b>Issued and fully paid:</b>		
At 1 January	—	—
Shares issued upon incorporation	1,000,000	<b>100</b>
Shares issued on 31 January 2000	1,000,000	<b>100</b>
Shares issued upon conversion of convertible notes	422,688	<b>42</b>
Capitalisation issue	847,577,312	<b>84,758</b>
Shares issued pursuant to the initial public offering of the Company	150,000,000	<b>15,000</b>
<b>At 31 December</b>	<b>1,000,000,000</b>	<b>100,000</b>

The Company was incorporated on 21 January 2000 with an authorised share capital of \$100,000 represented by 1,000,000 shares of \$0.1 each, all of which were allotted and issued.

On 31 January 2000, the authorised share capital of the Company was increased from \$100,000 to \$400,000 by the creation of an additional 3,000,000 shares each ranking pari passu with the then existing shares in all respects and 1,000,000 shares were issued for cash at par.

On 15 June 2000, 422,688 shares were allotted and issued pursuant to the exercise of the rights of conversion under the convertible notes issued in January 2000.

On 16 June 2000, the Company increased its authorised share capital from \$400,000 to \$500,000,000 by the creation of an additional 4,996,000,000 shares each ranking pari passu with the then existing shares in all respects.

On 27 June 2000, a capitalisation issue of 847,577,312 shares of \$0.1 each was made by the capitalisation of \$84,757,731 from the share premium account of the Company. The purpose of this issue was to broaden the capital base of the Company.

Pursuant to the initial public offering by the Company in June 2000, the Company issued a total of 150,000,000 shares for cash for an aggregate consideration of \$179,195,000 after deduction of underwriting and other expenses.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 27. SHARE CAPITAL (continued)

The combined share capital as at 31 December 1999 represents the issued share capital of the entities directly owned by Zee Chan Mei Chu, Peggy prior to the Reorganisation and which were acquired by the Group.

Pursuant to the share option scheme, options to purchase shares in the Company were granted during the year which are exercisable at a price of HK\$0.90 per share.

### 28. RESERVES

#### (a) The Group

	Share premium \$'000	Retained profits \$'000	Total \$'000
At 1 January 1999	—	18,060	18,060
Loss for the year	—	(16,572)	(16,572)
			<hr/>
At 31 December 1999	—	1,488	1,488
			<hr/>
At 1 January 2000	—	1,488	1,488
Reserves arising from the Reorganisation	—	539	539
Premium on shares issued upon conversion of convertible notes	106,038	—	106,038
Capitalisation issue	(84,758)	—	(84,758)
Share premium arising on issue of IPO shares	192,000	—	192,000
Share issue expenses	(27,805)	—	(27,805)
Retained profit for the year	—	22,720	22,720
			<hr/>
<b>At 31 December 2000</b>	<b>185,475</b>	<b>24,747</b>	<b>210,222</b>

## 28. RESERVES (continued)

### (b) The Company

	Share premium \$'000	Retained profits \$'000	Total \$'000
At 1 January 2000	—	—	—
Premium on shares issued upon conversion of convertible notes	106,038	—	106,038
Capitalisation issue	(84,758)	—	(84,758)
Share premium arising on issue of IPO shares	192,000	—	192,000
Share issue expenses	(27,805)	—	(27,805)
Profit for the year	—	2,452	2,452
<b>At 31 December 2000</b>	<b>185,475</b>	<b>2,452</b>	<b>187,927</b>

Included in the figure for retained profits of the Group is an amount of \$5,838,000 (1999: \$Nil), being the loss attributable to an associate.

## 29 COMMITMENTS AND CONTINGENCIES

### (a) Commitments under operating lease at 31 December 2000

The Group had commitments under operating leases to make payments in the next year in respect of land and buildings as follows:

	The Group	
	2000 \$'000	1999 \$'000
<b>Leases expiring:</b>		
After 1 year but within 5 years	<b>9,185</b>	2,872

### (b) Capital commitments

At 31 December 2000, the Group had an outstanding commitment to inject a further investment amount of US\$500,000 into a private equity fund.

## notes on the accounts

(Expressed in Hong Kong dollars)

### 30. MATERIAL RELATED PARTY TRANSACTIONS

The following transactions represent material and significant related party transactions during the relevant period between the Group and related parties identified by management.

	Note	2000 \$'000	1999 \$'000
Sale of enterprise software products and custom development	(i)	8,500	—
Rental receivable on land and buildings	(ii)	2,993	180
Management fee receivable	(iii)	540	240
Gain on disposal of a subsidiary	17(b) & (iv)	<u>1,243</u>	—

Notes:

- (i) This represents the sale of enterprise software products and custom development to i21 Limited.
- (ii) This represents office rental receivable from i21 Limited for the year ended 31 December 2000 and Net Fun Limited for the year ended 31 December 1999. Rentals have been calculated based on the percentage of floor space occupied by i21 Limited and Net Fun Limited.
- (iii) This represents management fees receivable from Net Fun Limited. The amount is based on estimated staff costs and overheads incurred by the Group.
- (iv) Details of the gain on disposal of a subsidiary are set out in note 17(b) on the accounts.

Staff quarters have been provided to two directors during the years ended 31 December 1999 and 31 December 2000. The related benefits in kind have been included in the emoluments of directors and senior management detailed in note 7 on the accounts.

At 31 December 1999, a subsidiary of the Group owed \$6,055,128 to the principal shareholder and managing director of the Company, which was repaid in March 2000.

At 31 December 1999, two directors provided personal guarantees to banks for facilities of \$12,877,000 granted to the Group, of which \$7,700,000 was outstanding at 31 December 1999, which were secured on the Group's land and buildings. On 9 May 2000, these personal guarantees were released and replaced by guarantees given by the Company.

### **31. ULTIMATE HOLDING COMPANY**

The directors consider the ultimate holding company at 31 December 2000 to be Passion Investment (BVI) Limited, which is incorporated in the British Virgin Islands.

## four-year summary

(Expressed in Hong Kong dollars)

### COMPARATIVE TABLES OF RESULTS, ASSETS AND LIABILITIES

The following table summarises the results, assets and liabilities of the Group for each of the last four financial years:

	2000 \$'000	1999 \$'000	1998 \$'000	1997 \$'000
Turnover	<b>155,425</b>	98,071	74,984	77,126
Profit/(loss) from ordinary activities				
before taxation	<b>23,260</b>	(11,799)	2,083	1,562
Taxation	<b>(540)</b>	227	(764)	(382)
Profit/(loss) attributable to shareholders	<b>22,720</b>	(11,572)	1,319	1,180
Total assets	<b>395,272</b>	74,062	60,745	29,901
Total liabilities	<b>(85,050)</b>	(72,064)	(42,175)	(12,650)
Net asset	<b>310,222</b>	1,998	18,570	17,251

Notes: In the preparation of the accountants' report included in the Prospectus (the "Accountants' Report"), as is the usual practice in respect of accountants' reports included in the prospectuses, the financial results of the Group represented the combined results of the Group during the three years ended 31st December, 1999 as if the Group structure set out on page 73 of the Prospectus had been in existence during the relevant period covered by the Accountants' Report. As a result, the Group accounted for its investment in Net Fun Limited ("Net Fun") as investment securities to the extent of dividend income in respect of the relevant period in the Accountants' Report. This basis of preparation was disclosed in the Accountants' Report.

In accordance with Hong Kong Statements of Standard Accounting Practice applicable to statutory accounts, the financial results of the Group for the years ended 31st December, 1998, 31st December, 1999 and 31st December, 2000 included the financial results of Net Fun up to the Group's disposal of Net Fun on 29th January, 2000. Since the date of disposal, the Group accounted for its remaining investment in Net Fun as investment securities to the extent of dividend income attributable to each financial period. As a result, the Group's loss for the year ended 31st December, 1998 and 31st December, 1999 as shown above incorporates a net charge of \$406,000 and \$914,000 respectively attributable to Net Fun.

Had the results of the Group for the year ended 31st December, 2000 been prepared on the same basis as that set out in the Accountants' Report, for comparative purpose, the audited results would be \$21.6 million. It is confirmed that the Group met the profit forecast of \$13 million as stated in the Prospectus.



TECHNOLOGY

EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)\*

(Incorporated in Bermuda with limited liability)

Proxy form for Annual General Meeting

I/We, (1) \_\_\_\_\_ of \_\_\_\_\_
being the registered holder(s) of (2) \_\_\_\_\_ shares of HK\$0.10 each
in the capital of Excel Technology International Holdings Limited (the "Company"), hereby appoint (3) the Chairman of
the Meeting (as defined below) or \_\_\_\_\_ of \_\_\_\_\_
\_\_\_\_\_ or failing him \_\_\_\_\_

of \_\_\_\_\_
to act as my/our proxy to attend and in the event of a poll vote for me/us and on my/our behalf at the Annual General
Meeting of the Company to be held at Coral Room 2, 3rd Floor, Furama Hotel, One Connaught Road Central, Hong Kong
on Thursday, 18th April, 2001 at 3:30 p.m. and at any adjournment thereof (the "Meeting") on the undermentioned
resolutions as indicated or, if no such indication is given, as my/our proxy or proxies think(s) fit.

Table with 3 columns: Resolution description, For (4), Against (4). Rows include: 1. To receive and adopt the Audited Financial Statements... 2. To re-elect Mr. Fung Din Chung, Rickie as Director; (ii) To re-elect Mr. Ip Tak Chuen, Edmond as Director; (iii) To re-elect Mrs. Lau Law Siu Hung, Monique as Director; 3. To authorise the Board of Directors to fix the Directors' remuneration. 4. To re-appoint Messrs. KPMG as the Company's Auditors... 5. To give a general mandate to the Directors to allot and issue additional shares... 6. To give a general mandate to the Directors to repurchase issued shares... 7. To extend the general mandate under Resolution 5... 8. To approve the revised definition of "Participant"...

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2001

Signature (5) \_\_\_\_\_

Notes:

- 1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. Please insert the number of shares registered in your name(s). If a number is inserted, this form of proxy will be deemed to relate only to those shares.
3. If any proxy other than the Chairman is preferred, delete the words "the Chairman of the Meeting" and insert the name and address of the proxy desired in the space provided.
4. Please indicate with an "x" in the appropriate space beside each of the resolutions how you wish the proxy to vote on your behalf on a poll.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, if the appointor is a corporation, must be either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
6. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
7. To be valid, this form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Central, Hong Kong, not less than 48 hours before the time for holding the Meeting or any adjourned Meeting.
8. A proxy need not be a shareholder of the Company but must attend the Meeting in person to represent you.
9. Completion and deposit of the proxy form will not preclude you from attending and voting at the Meeting if you wish.

\* For identification only