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*This announcement, for which the directors (the “Directors”) of Excel Technology International Holdings Limited (the “Company”), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



**EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**

**(志鴻科技國際控股有限公司)\***

*(Incorporated in Bermuda with limited liability)*

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2000**

**Highlights**

- The Group achieved a record turnover of HK\$155.4M. for the year ended 31st December 2000.
- Profit from operation increased to HK\$31M. with a margin of 20%.
- The profit attributable to shareholders was reported at HK\$22.7M., which exceeds our profit forecast of HK\$13 million by about 75%.
- Earnings per share at 2.65 cents.
- Regional expansion into China and Singapore moved beyond the planning phase and began to take shape.
- New product development efforts continued to produce results with the completion of the Group's 13th product.
- i21 Limited, an associated company of the Company, launched 3 ASP services over the course of the year, each receiving encouraging sign-up rates.

## FINAL RESULTS

The Directors of the Company are pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2000, together with the comparative audited figures for the corresponding period in 1999, as follows:

		<b>For the year ended</b>	
		<b>31st December,</b>	
		<b>2000</b>	<b>1999</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<u>155,425</u>	<u>98,071</u>
Profit/(loss) from operations		31,013	(9,662)
Amortisation of goodwill	3	—	(1,571)
Profit on disposal of a subsidiary	4	1,243	—
Finance Costs	5	(3,158)	(566)
Share of loss of an associate		<u>(5,838)</u>	<u>—</u>
<b>Profit/(loss) from ordinary activities before taxation</b>		23,260	(11,799)
<b>Taxation</b>	6	<u>(540)</u>	<u>227</u>
<b>Profit/(loss) attributable to shareholders</b>		22,720	(11,572)
Dividends		<u>—</u>	<u>(5,000)</u>
<b>Retained profit/(loss) for the year</b>		<u>22,720</u>	<u>(16,572)</u>
Earnings/(loss) per share Basic and diluted	7	<u>2.65 cents</u>	<u>(1.65) cents</u>

*Notes:*

### 1. Basis of presentation

The Company was incorporated in Bermuda on 21st January, 2000 with its shares listed on the GEM of the Exchange on 30th June, 2000.

The principal accounting policies adopted by the Group in preparing the audited consolidated financial results of the Group conform with accounting principles generally accepted in Hong Kong.

Pursuant to a group reorganization (the “Reorganization”) in preparation for the listing of the Company’s shares on the GEM, the Company became the holding company of the Group. Details of the Reorganization, which was completed in January 2000, are set out in the Company’s prospectus dated 20th June, 2000.

The Reorganization has been accounted for as a Reorganization 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 Reorganization, which are accounted for under the acquisition basis of accounting.

## 2. Turnover

Turnover represents sale of enterprise software products, provision of customization, consulting & systems integration services, complimentary hardware and software resale and maintenance services.

All significant intra-group transactions and balances have been eliminated on consolidation.

## 3. Goodwill

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

## 4. Profit on disposal of a subsidiary

Subsequent to the Group Reorganisation, the group disposed of 8,500 shares of its 9,500 shares in the ordinary share capital of Net Fun Limited (“Net Fun”) on 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.

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.

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

## 5. Finance costs

	<b>2000</b>	<b>1999</b>
	<i>\$'000</i>	<i>\$'000</i>
Interest on bank loans, overdraft, and other borrowings		
Repayable within five years	223	566
Finance costs on convertible notes	<u>2,935</u>	<u>—</u>
	<u><u>3,158</u></u>	<u><u>566</u></u>

## 6. Taxation

	<b>2000</b>	<b>1999</b>
	<i>\$'000</i>	<i>\$'000</i>
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	<u>—</u>	<u>(73)</u>
Deferred taxation	540	(70)
	<u>—</u>	<u>(157)</u>
	<u><u>540</u></u>	<u><u>(227)</u></u>

## 7. Earnings/(loss) per share

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

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

## FINAL DIVIDEND

The Board of Directors (the “Board”) has resolved not to recommend the payment of any final dividend. Dividends for the year ended 31st December, 1999 represented the final dividend payable by Excel Technology International Hong Kong Limited to its then shareholder. As an interim dividend has not been declared in the year, there will be no dividend distribution for the whole year of 2000.

## RESERVES

Movement in reserves during the year ended 31st December, 2000 were as follows:

	<b>Share Premium</b> \$'000	<b>Retained profits</b> \$'000	<b>Total</b> \$'000
At 1st January, 1999	—	18,060	18,060
Loss for the year	<u>—</u>	<u>(16,572)</u>	<u>(16,572)</u>
At 31st December, 1999	<u>—</u>	<u>1,488</u>	<u>1,488</u>
At 1st 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	<u>—</u>	<u>22,720</u>	<u>22,720</u>
At 31st December, 2000	<u><u>185,475</u></u>	<u><u>24,747</u></u>	<u><u>210,222</u></u>

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## REVIEW OF OPERATIONS AND PROSPECTS

The Group recorded an increase in revenue of 58 % 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 31st December, 2000:

Turnover	HK\$155.4 million.
Gross Margin	64% up from 56% in 1999.
Profit from Operations	HK\$31 million.
Operating Margin improved to	20% from –10% in 1999.
Profit attributable to shareholders	HK\$22.7 million.
Earnings per share	2.65 cents.

**The improvement in both turnover and profitability was mainly attributable to the strong demand for our enterprise software products and custom development projects. Product sales enjoyed a particularly robust fourth quarter, rising nearly 48% above third quarter sales. This is normal for the IT industry, where most major purchase decisions are made towards the end of each calendar year. The overall sales of enterprise software products and custom development projects increased to HK\$ 77.5million from HK\$39.1 million in 1999, an increase of 98.2%.**

### Financial Health

As at 31st December, 2000, the Group maintained a net cash balance of HK\$292.6 million.

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

Sales of the enterprise software products and custom development projects continued to enjoy a brisk rate of growth. The tables below illustrate the composition of the total turnover and the breakdown of product sales:

<b>Composition of Turnover — 2000</b>	<b>Percentage of Total Turnover</b>
Sales of enterprise software products & custom development	49.9
Complimentary hardware and software resale	41.3
Consulting and systems integration services	6.1
Maintenance services	<u>2.7</u>
<b>TOTAL</b>	<b><u><u>100</u></u></b>

## Sales of enterprise software products — 2000

	<b>Percentage of Total Breakdown by product types</b>
LOANS	27.92%
LOS	18.20%
InterTrade	31.93%
HRMS	4.80%
APS	0.27%
UTS	5.08%
EZ-file	0.76%
iBank	7.62%
e-SAM	2.65%
LoanEase	0.77%
	<hr/>
TOTAL	<u>100%</u>

In the year 2000, the Group'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. Our total revenue from sales in this area reached record heights, reconfirming Excel's leadership position in providing e-solutions to the banking and finance sector.

As a result of the strong demand for Excel's enterprise software products, re-sale of third party products, 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 i21 Limited, the ASP business of Excel (37.5%) in the form of a joint venture with iBusiness Corporation.com Limited (62.5%), heralds a new vision for the expansion of our current product suite. Utilizing the expansive client networks and solid reputations of its two principle shareholders, i21 successfully launched three lucrative services over the past year. By implementing existing Excel products over the Internet, i21 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 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 talents**

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 173 in January 2000 to 228 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 (Shekou), 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 (Shekou) 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 SE Asia**

**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.

## **Outlook**

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

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 remain 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.

*With a continued primary focus on the banking and finance sector, we will continue to accelerate toward new horizons, creating revenue 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 Holdings, United Overseas Bank, 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.

## **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

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. A definite contract had also been signed with Cyberbrokers, a consortium comprises of over 30 brokers, to make iStock21 their preferred online stock trading platform.

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.

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.

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.

## **Actual business progress from June to December 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 incorporated in late December 2000, in which the Group owns 85%. Another joint venture will be based at Shenzhen.

### **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 Greater China region and a Senior Sales Manager for non-banking products were appointed. The total number of sales staff had grown to 10.

The Singapore subsidiary is gearing up to 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 i21, set up its dedicated sales team with 5 staff members. They focused mainly on promoting the iStock21 and iHR21 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 1st Qtr 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.

## **Actual business progress from June to December 2000**

Completing the first phase (medical insurance) and second phase (life insurance) of development of Insurance21

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.

### **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.

## Actual business progress from June to December 2000

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 35 engineers.

Use of Proceeds

The net proceeds from the public listing was about HK\$191.8 million. The proceeds had been applied in the following areas:

<b>June to December 2000</b>	<b>Estimated</b>	<b>Actual</b>
	<i>(HK\$mn)</i>	<i>(HK\$mn)</i>
Development of the ASP business	25.0	11.3
Research & development cost	10.0	6.08
Geographical expansion	7.0	5.02
Setting up the e-Center	4.0	1.0
Marketing and promotional activities	2.0	2.0
Acquisitions and Investments	<u>50.0</u>	<u>7.3</u>
Total	<u>98.0</u>	<u>32.7</u>

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

Hong Kong, 15th March, 2001

*This announcement will remain on the website of the GEM of the Exchange on the "Latest Company Announcement" page for seven days from the day of its posting.*

\* *For identification only*