

# Excel

TECHNOLOGY

**EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**

**( 志 鴻 科 技 國 際 控 股 有 限 公 司 ) \***

*(Incorporated in Bermuda with limited liability)*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM..**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.*

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

*\* For identification purpose only*

## HIGHLIGHTS

- Turnover amounted to HK\$41,269,000, representing a 43% increase over the corresponding period in 2000.
- Profit from Operation was HK\$4,717,000 which is 11.4% of the turnover.
- Share of loss in the ASP associated company, i21 Limited, was HK\$2,191,000.
- Profit attributable to shareholders amounted to HK\$1,308,000.
- The Group is expanding the Shenzhen software development center to speed up the localization process and to prepare for the vast IT outsourcing markets.
- The Group had forged a strategic relationship with ehealthcareAsia, a dominant provider of managed healthcare services in Asia, to co-develop *iPolicy* - a fully integrated end-to-end application that covers the entire medical insurance processing cycle from quotation, policy administration, and policy renewal to claims submission and processing.

## FIRST QUARTERLY RESULTS ENDED 31ST MARCH, 2001

The Directors of the Company are pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months (the “Quarterly Period”) ended 31st March, 2001, together with comparative figures for the corresponding period in 2000, as follows:

		For the three months ended 31st March,	
		2001	2000
	Notes	HK\$'000	HK\$'000
Turnover	2	<u>41,269</u>	<u>28,887</u>
Profit from operation		4,717	485
Finance cost	3	(1,183)	(251)
Share of loss of an associated company		<u>(2,191)</u>	—
Profit before taxation		1,343	234
Taxation	4	<u>(35)</u>	—
Profit attributable to shareholders		<u>1,308</u>	<u>234</u>
Earnings per share			
Basic and diluted	5	<u>0.13 cents</u>	<u>0.03 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 in preparing the unaudited consolidated 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 share on the GEM, the Company became the ultimate holding company of the Group. Details of the Reorganization, which was completed in June 2000, are set out in the prospectus dated 20th June, 2000. The unaudited consolidated results of the Group have been prepared on a merger basis as if the Company had always been the holding company of the respective subsidiaries now comprising the Group.

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

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

### 3. Finance costs

	For the three months ended	
	2001	2000
	\$'000	\$'000
Interest on bank loans, overdraft, and other borrowings repayable within five years	3	251
Finance costs on convertible notes	<u>1,180</u>	<u>—</u>
	<u><u>1,183</u></u>	<u><u>251</u></u>

4. Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the period. No provision for Hong Kong profits tax has been made in previous period’s accounts as there were sufficient tax losses of the Group brought forward to set off against the assessable profit in the previous period.

No provision for Hong Kong profits tax has been made for the Group’s associated company as the associated company incurred a tax loss since its commencement of business activities in 2000.

### 5. Earnings per share

The calculation of basic earnings per share for the three months ended 31st March, 2001 is based on the profit attributable to shareholders of approximately HK\$1,308,000 (2000: HK\$234,000) and the weighted average number of 1,000,000,000 shares (2000: 701,699,930 shares) in issue during the period.

Diluted earnings per share for the periods ended 31st March, 2001 and 2000 are not presented because there was no dilutive effect in existence during the respective periods.

## RESERVES

Movement in reserves for the period ended 31st March, 2001 and 2000 were as follows:—

	<b>Share Premium</b> <i>HK\$'000</i>	<b>Retained Profit</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st January, 2000	—	1,488	1,488
Profit for the period	—	234	234
	<hr/>	<hr/>	<hr/>
At 31st March, 2000	—	1,722	1,722
	<hr/>	<hr/>	<hr/>
At 1st January, 2001	185,475	24,747	210,222
Profit for the period	—	1,308	1,308
	<hr/>	<hr/>	<hr/>
At 31st March, 2001	185,475	26,055	211,530
	<hr/>	<hr/>	<hr/>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2001 (2000: Nil).

## BUSINESS REVIEW AND OUTLOOK

For the three months ended 31st March, 2001, the unaudited turnover of the Group was HK\$41,269,000, representing an increase of 43% over the same period in 2000. The Group achieved a profit from operation of HK\$4,717,000 for the same period, which represents a significant increase over the same period in 2000. The profit attributable to shareholders was increased to HK\$1,308,000 when compared to a profit of HK\$234,000 in the same period in 2000.

Sales of enterprise software products continued to show a healthy growth momentum in Hong Kong. It contributed to about 50% of the total turnover. **LOANS** continued to be the most popular product of the Group. The enterprise software products of the Group are gaining wider acceptance in the market as institutional clients are turning to purchase customizable application solutions rather than developing the same internally.

Resale in third party hardware and software and related professional services to complement our enterprise software products had increased correspondingly with increase in the sales of the latter. It represents about 45% of the total turnover in the reporting period. To strengthen our offerings, the Group has a team of systems consulting and networking experts providing value-added service to our clients in implementing total solutions.

Following the inauguration of the Group's first software center in China in September 2000, the Group has already embarked on the second phase of development by expanding the software center. The software center has grown to about 40 persons and is expected to increase to 100 by the third quarter of this year. To cope with the expansion, the floor space for the software center has been increased from 434 m<sup>2</sup> to 1,032 m<sup>2</sup> in the first quarter of 2001.

Sales and marketing activities originated from the Singapore office provided positive feedback in the markets in Singapore and Malaysia. A number of major domestic corporations are reviewing the product offerings of the Group. It had initiated localization efforts for Singapore and Malaysia and identified a Malaysian domestic company as reseller for our software products. A letter of intent with a Malaysian customer had been signed for the implementation of the HRMS product. It is anticipated that the South East Asia market will start to generate revenue for the Group starting from the second quarter in this year.

A major achievement of i21 Limited ("i21"), the Group's associated company specializing in ASP business, during the reporting period has signed a binding letter of intent with ehealthcareAsia, a dominant provider of managed healthcare service in Asia. As reported separately, the transaction involves the sale of the entire business and technology platform of iClaims21 by i21 to ehealthcareAsia and co-development of the new insurance-related product called *iPolicy* between Excel and ehealthcareAsia. In this manner, the Group can forge a strategic relationship with a dominant player in the healthcare industry to accelerate its entrance into the healthcare and medical insurance industries.

In addition, iHR21 continued to receive encouraging sign up rate from the corporate customers of both HSBC and Hang Seng Bank. iStock21 also started to contribute revenue to i21 with transaction fees generated from brokers using its platform. As a result, the loss of i21 for this period was reduced when compared with the last period.

## **FUTURE PROSPECTS**

Traditionally, the first quarter of each calendar year has been relatively quiet. Nevertheless, the Group can still achieve a substantial increase in turnover. We believe this is attributable to the readiness of banking and financial institutions to purchase proven enterprise software products rather than to build everything from internally. The management is confident that the software products of the Group will witness a larger market as it is expanding into the Asian region.

The strategic significance of the Shenzhen (Shekou) software center is becoming apparent since it is providing low cost development support for the regional offices and the China market. As the skills of the software development team in Shenzhen grow into maturity, the software center has the potential of developing into a major IT outsourcing center for our overseas clients. We believe the China IT service export market of China will offer substantial opportunity for overseas corporations who are suffering from inadequate or substandard IT supports.

Revenue contribution from the China operations, including the joint venture in Beijing, is expected in the second quarter of this year. Although the other joint venture in Shenzhen is still awaiting for the business license, which is expected to be in late May, has already started on pre-marketing activities through the local partner. It has identified a Shenzhen based financial institution as a potential partner to promote the software products and co-develop new applications for the domestic market.

The Singapore office is coordinating activities for both Singapore and Malaysia. The way forward for Singapore is to build a strong technical team to support the regional sales effort. The local team in Singapore is also exploring opportunity in the healthcare industry using the hospital and clinical management system developed by the Group.

The Group continues to look for acquisition and joint venture opportunities to accelerate growth and the building up of a dominant position in the Asia region. From time to time, we are approached by different IT companies wishing to establish a strategic relationship with the Group. The management is carefully evaluating a few of these opportunities.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

As at 31st March, 2001, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

### **I. Shares in the Group:**

<b>Name of Director</b>	<b>Personal</b>	<b>Number of shares held</b>		
		<b>Family</b>	<b>Corporate</b>	<b>Other</b>
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	—	—	—

\* These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands and 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 and is wholly-owned by Leung Lucy, Michele.

### **II. Options to subscribe for shares in the Group:**

Pursuant to the share option scheme for employees which was adopted on 16th June, 2000, the Directors may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the share option scheme. The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

On 1st September, 2000, options comprising a total of 59,531,000 underlying shares were granted to employees (including executive directors) of the Group at an exercise price of HK\$0.90 per share with the option period from 1st September, 2000 to 31st August, 2005 (both dates inclusive) (1st tranche of 20% from 1st March, 2001, 2nd tranche of 20% from 1st September, 2001, 3rd tranche of 15% from 1st March, 2002, 4th tranche of 15% from 1st September, 2002, 5th tranche of 15% from 1st March, 2003 and the remaining tranche of 15% from 1st September, 2003). The following are details of the option granted to the Directors:

<b>Name of Directors</b>	<b>Number of Share Options</b>
Fung Din Chung, Rickie	8,000,000
Leung Lucy, Michele	8,000,000
Ng Wai King, Steve	8,000,000
Ip Kim Kuen	8,000,000

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Group, as at 31st March, 2001, none of the directors or chief executive or their respective spouses or children under 18 years of age had any right to subscribe for the shares of the Company or its associated corporations.

The interest of the initial management shareholders (as defined in the GEM Listing Rules) in the share capital of the Group are the same as disclosed above.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2001, according to the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance and so far as is known to the Directors, Passion Investment (BVI) Limited had an interest of 579,956,044 shares\* in the Company and was the only shareholder who had an interest of 10% or more in the issued share capital of the Company.

\* These shares have been disclosed as the corporate interest of the director in the Paragraph “Directors and chief executive’s interests in securities”.

Other than disclosed above, the Company has not been notified of any other interest representing 10% or more of the Company’s issued share capital as at 31st March, 2001.

## **SPONSOR’S INTERESTS**

As notified by the Company’s retained sponsor, The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), five employees of corporate finance and advisory department of HSBC (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) who were involved in providing advice to the Company were interested in a total of 48,000 shares of HK\$0.10 each in the issued share capital of the Company as at 31st March, 2001. As at the same date, a non-executive director of HSBC, by virtue of his deemed interests in the share capital of Cheung Kong (Holdings) Limited (“CKH”) pursuant to the SDI Ordinance, is deemed to be interested in 71,969,151 shares and HK\$47,220,278 convertible notes in the Company held by a CKH subsidiary.

Pursuant to the sponsor agreement dated 19th June, 2000 (“Sponsor Agreement”) entered into between the Company and HSBC Investment Bank Asia Limited (“HIBA”) and the novation agreement dated 29th January, 2001 entered into between the Company, HIBA and HSBC, HSBC will receive a fee for acting as the Company’s retained sponsor for the period from 30th June, 2000 to 31st December, 2002.

Save as the above, neither HSBC nor any of its directors or employees of corporate finance and advisory department or associates (as referred to in rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company including options or rights to subscribe for such securities as at 31st March, 2001.

## **COMPETING INTERESTS**

Mr. Ip Tak Chuen, Edmond, a non-executive director of the Company, and Mr. Cheong Ying Chew, Henry, an independent non-executive director of the Company, are a non-executive director and an independent non-executive director of Tom.com Limited respectively. Tom.com Limited is in operation of an internet portal delivering internet infotainment content and services, development of software and computer network systems, provision of related services and event production.

Mr. Ip Tak Chuen, Edmond is also a director of iBusinessCorporation.com Holdings Limited, which is a company facilitating e-commerce business on the internet.

Save as disclosed above, as at 31st March, 2001, the Directors were not aware of any business or interest of each director, chief executive, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

As required by Rule 5.23 of the GEM Listing Rules, the Group has established an audit committee with written terms of reference which deal clearly with its authority and duties. It’s principal duties are the review and supervision of the Group’s financial reporting and internal control procedures and any other duties as required under Rule 5.25 of the GEM Listing Rules. The audit committee has two members comprising the two independent non-executive directors, namely, Cheong Ying Chew, Henry and Chang Ka Mun.

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

During the three months period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board  
**Ip Kim Kuen**  
*Executive Director*

Hong Kong, 14th May, 2001

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting.*