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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED at www.excel.com.hk.

14th November, 2001

* For identification purpose only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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

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

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DEFINITIONS

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

“ASEAN”	Association of Southeast Asian Nations (comprising Thailand, Singapore, Indonesia, Philippine and Burma)
“ASP”	application service provider, which provides a contractual service offering to deploy, host, manage and rent access to computer applications from a centrally managed facility
“Assignment”	the assignment of the Computer Software Programs by Excel International to HR21 Holdings pursuant to the terms as set out in the Deed of Assignment
“Associates”	has the meanings ascribed thereto in the GEM Listing Rules
“Board”	means the board of Directors
“Company”	Excel Technology International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Assignment
“Computer Software Programs”	all the Intellectual Property Rights made, commissioned, devised, modified, discovered, developed, created or undertaken in relation to the computer software programs called “HRMS” and “HR Lite” and related Documentations, creations, designs, drawings, trade marks, trade names, service marks, domain names, inventions, techniques, ideas, processes, formulae, work, research, copyright or whatsoever together with all goodwill attached to such rights whenever and wherever they were created of which Excel International is the sole proprietor
“Consideration Shares”	means an aggregate of 32,500 ordinary shares of US\$1 each in the share capital HR21 Holdings, representing 65% of the enlarged issued share capital of HR21 Holdings upon Completion, to be allotted and issued to Excel International or such person or corporation as Excel International may direct on Completion pursuant to the Deed of Assignment for the Assignment
“Deed of Assignment”	the deed of assignment dated 26th October, 2001 executed by Excel International as assignor and HR21 Holdings as assignee in relation to the Assignment

DEFINITIONS

“Directors”	the directors of the Company
“Documentation”	all user, technical and operating manuals relating to HRMS and HR Lite
“Excel International”	Excel Technology International (BVI) Limited, a limited liability company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Greater China”	the PRC, Hong Kong, Taiwan and Macau
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HR Lite”	the application software product for human resource management designed and developed by Excel International to enable small and medium corporations to manage their human resource functions, the distribution of which will be by way of bundling with third party computer servers
“HR21 Holdings”	HR21 Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 80.1% by the Company
“HRMS”	the application software product for human resource management designed and developed by Excel International to enable corporations to manage their human resource functions
“Intellectual Property Rights”	all intellectual property rights (whether registrable or not registrable), which are now existing or which will come into existence in the future, including but not limited to patents, knowhow, technology, trade secrets and other confidential information, registered designs, copyrights, Internet domain names of any level, design rights, rights in circuit layouts, topography rights, trade marks, service marks, business names, registrations of, applications to register and rights to apply for registration of any of the aforesaid items, rights in the nature of any of the aforesaid items in any country, rights in the nature of unfair competition rights and rights to sue for passing off

DEFINITIONS

“Latest Practicable Date”	14th November, 2001, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market
“PRC”	the People’s Republic of China
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the laws of Hong Kong)
“Shareholders”	holders of Shares in issue
“Shares”	ordinary shares of HK\$0.1 each in the capital of the Company
“SME”	small and medium sized enterprises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of the America
“%”	per cent

LETTER FROM THE BOARD OF DIRECTORS



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

(Incorporated in Bermuda with limited liability)

Executive Directors:

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

*Head office and principal
place of business:*

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

Non-executive Directors:

IP Tak Chuen, Edmond
LAU Law Siu Hung, Monique

Independent non-executive Directors:

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

14th November, 2001

To the shareholders and convertible note holders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

1. INTRODUCTION

On 26th October, 2001, the Directors announced that HR21 Holdings, a wholly-owned subsidiary of i21 Limited in which the Company owns 80.1%, had entered into the Deed of Assignment with Excel International, a wholly-owned subsidiary of the Company, pursuant to which Excel International assigned the Computer Software Programs to HR21 Holdings.

The total consideration payable by HR21 Holdings for the Assignment was US\$6,500,000, which was satisfied by way of the allotment and issue to Excel (BVI) Limited, a wholly-owned subsidiary of the Company, at the direction of Excel International of the Consideration Shares. Upon Completion, the Consideration Shares represent 65% of the enlarged issued share capital of HR21 Holdings and i21 Limited's interest in HR21 Holdings has been reduced from 100% to 35%. In

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LETTER FROM THE BOARD OF DIRECTORS

effect, the Company will increase its attributable interests from 80.1% to 93.035% in HR21 Holdings upon Completion. The consideration was arrived at after arm's length negotiation between the parties to the Assignment.

Completion has taken place on 26th October, 2001, the date of the signing of the Deed of Assignment.

The Assignment, resulting in the increase of the Company's attributable interests from 80.1% to 93.035% in HR21 Holdings, constitutes a discloseable transaction for the Company pursuant to Chapter 19 of the GEM Listing Rules. The purpose of this circular is to provide you with further information relating to the Assignment.

2. THE DEED OF ASSIGNMENT

Date

26th October, 2001

Parties

- (i) Assignor: Excel Technology International (BVI) Limited, a limited liability company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company.
- (ii) Assignee: HR21 Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 100% by i21 Limited in which the Company has 80.1% equity interests.

Assets assigned

On 26th October, 2001, Excel International assigned the Intellectual Property Rights in relation to the computer software programs called "HRMS" and "HR Lite" to HR21 Holdings.

Consideration

The consideration for the Assignment is US\$6,500,000, which was satisfied by way of the allotment and issue to Excel (BVI) Limited, a wholly-owned subsidiary of the Company, at the direction of Excel International of the Consideration Shares. Upon Completion, the Consideration Shares represent 65% of the enlarged issued share capital of HR21 Holdings and i21 Limited's interests in HR21 Holdings has been reduced from 100% to 35%. In effect, the Company will increase its attributable interests from 80.1% to 93.035% in HR21 Holdings upon Completion.

The consideration for the Assignment was arrived at after arm's length negotiation between the parties to the Deed of Assignment, and was determined after taking into account the historical and prospective profitability of the computer software programs assigned and other factors as set out in more detail in the section headed "Reasons for and Benefits of the Assignment" below.

LETTER FROM THE BOARD OF DIRECTORS

Completion

Completion has taken place on 26th October, 2001, the date of the signing of the Deed of Assignment.

3. REASONS FOR AND BENEFITS OF THE ASSIGNMENT

The Directors believe that the Assignment would provide an opportunity for the Company to consolidate its enterprise software business with the ASP service to form a vertical product company, HR21 Holdings, which is purposely formed to focus on the provision of human resources management computer application systems and its support services. It undertakes the development of computer application software systems for managing human resources matters. These computer software systems can be licensed to corporations which would like to build an internal system of their own. For SME enterprises, they can access to these computer software systems via the Internet, or in another terminology, via the ASP service at a monthly fee. HR21 Holdings is positioned to become a dominant computer application system provider in the Greater China and ASEAN region for human resources related applications.

The Directors are of the view that the terms of the Deed of Assignment are fair and reasonable and in the interests of the Shareholders as a whole.

4. GENERAL

The Group is a business application solutions provider in the banking and finance sector in Hong Kong, and is principally engaged in (i) the development, sale and implementation of enterprise software, (ii) the operation of the ASP business through the i21 Group companies, (iii) information technology consultancy (including the provision of e-business solutions) and customized application system development, and (iv) systems integration and resale and maintenance of information technology products, all with a principal focus on providing solutions to the banking and finance sectors.

The Assignment, resulting in the increase of the Company's attributable interests from 80.1% to 93.035% in HR21 Holdings, constitutes a discloseable transaction for the Company pursuant to Chapter 19 of the GEM Listing Rules.

5. ADDITIONAL INFORMATION

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

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

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

2. DISCLOSURE OF INTERESTS

(I) Directors and Chief Executive's Interests

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

Name of Director	Number of Shares			
	Personal Interest	Family Interest	Corporate Interest	Other Interest
ZEE CHAN Mei Chu, Peggy	—	—	575,286,044 ⁽¹⁾	—
FUNG Din Chung, Rickie	24,559,498	—	—	—
LEUNG Lucy, Michele	—	—	24,559,498 ⁽²⁾	—
NG Wai King, Steve	21,050,998	—	—	—
IP Kim Kuen	1,403,400	—	—	—

Notes:

- (1) These Shares were held by Passion Investment (BVI) Limited ("Passion"). Ms. ZEE CHAN Mei Chu, Peggy was deemed to have interests in these Shares under the SDI Ordinance since Passion was wholly owned by her. 5,822,022 Shares of the Shares owned by Passion were subject to share option deeds executed by Passion on 15th June, 2000 in favour of certain employees of the Group, pursuant to which the grantees of such options were entitled to acquire such Shares from Passion. 4,462,000 option shares have been exercised and 4,006,500 option shares have been cancelled and 5,822,022 option shares remains outstanding as at the Latest Practicable Date.

- (2) These Shares were held by Mossell Green Limited (“Mossell”). Ms. LEUNG Lucy, Michele was deemed to have interests in these Shares under the SDI Ordinance since Mossell was wholly owned by her.

(II) Substantial Shareholders

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

Name of shareholders	No. of Shares held
Passion Investment (BVI) Limited (<i>Note 1</i>)	575,286,044
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>)	143,233,151
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>)	143,233,151
Li Ka-Shing Unity Holdings Limited (<i>Note 2</i>)	143,233,151
Mr. Li Ka Shing (<i>Note 2</i>)	143,233,151

Note:

- (1) Ms. ZEE CHAN Mei Chu, Peggy was deemed to have interests in these Shares under the SDI Ordinance since Passion was wholly owned by her. 5,822,022 Shares of the Shares owned by Passion were subject to share option deeds executed by Passion on 15th June, 2000 in favour of certain employees of the Group, pursuant to which the grantees of such options were entitled to acquire such Shares from Passion.
- (2) The shares in which Cheung Kong (Holdings) Limited was interested represent the shares in which Li Ka-Shing Unity Trustee Corporation Limited was interested; the shares in which Li Ka-Shing Unity Trustee Corporation Limited was interested represent the shares in which Li Ka-Shing Unity Trustee Company Limited was interested; the shares in which Li Ka-Shing Unity Trustee Company Limited was interested represent the shares in which Li Ka-Shing Unity Holdings Limited was interested and the shares in which Li-Ka-Shing Unity Holdings Limited was interested represent the shares in which Mr. Li Ka Shing was interested.

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

Name of subsidiary	Name of shareholder	Amount of registered capital	Percentage of registered capital
Excelsoft Technology Solutions Limited <i>(an equity joint venture established in the PRC)</i>	Beijing Inhave Science & Technology Co. Ltd.	US\$480,000	15%
Excelsolution Technology Limited <i>(an equity joint venture established in the PRC)</i>	Li Jun	RMB6,000,000	21.6%
i21 Limited	iService21 Holdings Limited	HK\$14,000	19.9%

(III) Options to subscribe for shares in the Company:

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 followings are details of the option granted to directors:

Name of Director	Number of options held
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, as at the Latest Practicable Date, none of the Directors had any interest in options to subscribe for Shares under the share option scheme of the Company:

On 11th October, 2001, a share option comprising a total of 28,880,000 underlying shares were granted to employees of the Group at an exercise price of HK\$0.70 per share with the option period from 11th October, 2001 to 10th October, 2006 (both dates inclusive) (1st tranche of 20% from 11th April, 2002, 2nd tranche of 20% from 11th October, 2002, 3rd tranche of 15% from 11th April, 2003, 4th tranche of 15% from 11th October, 2003, 5th tranche of 15% from 11th April, 2004 and the remaining tranche of 15% from 11th October, 2004).

(IV) Sponsor's Interests

As notified by the Company's retained sponsor, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), four 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 38,000 shares of HK\$0.10 each in the issued share capital of the Company as at the Latest Practicable Date. As at the same date, a non-executive director of HSBC, by virtue of his deemed interests Cheung Kong (Holdings) Limited ("CKH") pursuant to the SDI Ordinance, is deemed to be interested in 143,233,151 shares and HK\$53,696,634 convertible notes in the Company held by companies in which CKH is entitled to exercise or control the exercise of more than one third of the voting power at their general meetings.

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 30th September, 2001.

3. LITIGATION (no outstanding litigation)

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

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

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. In addition, Mr. Ip is also a non-executive director of ehealthcareasia Limited which is a company for provision of online healthcare information, product and services on the Internet and the creation of an e-commerce platform linking doctors, hospitals pharmacies, suppliers and insurance companies.

Save as disclosed above, as at 30th September, 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.

6. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at 46th Floor, The Center, 99 Queen's Road Central, Hong Kong. The branch share registrar and transfer office of the Company is Central Registration Hong Kong Limited at Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) Both the qualified accountant and company secretary of the Company is Ms. Chan Yee Wah. She is an associate member of the Hong Kong Society of Accountants. The compliance officer of the Company is Mr. Ip Kim Kuen, who is also an executive Director of the Company.
- (c) The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely Mr. CHEONG Ying-Chew, Henry and Mr. CHANG Ka Mun, further details of whom are set out below:

Mr. CHEONG Ying-Chew, Henry, aged 53, is 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 currently the Chairman and chief executive officer of Worldsec International Limited.

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

- (d) The authorised share capital of the Company is HK\$500,000,000 divided into 5,000,000,000 Shares. As at the Latest Practicable Date, 987,044,000 Shares were issued fully paid or credited as fully paid and the issued share capital of the Company was HK\$98,704,400.