



Excel

Technology International
Holdings Limited

(Incorporated in Bermuda with limited liability)



Excel
HRMS

Human Resources Management System

Excel
InterTrade
Securities Trading System

Interim report 2000

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 Stock Exchange of Hong Kong Limited 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 announcement.

This announcement, for which the directors of Excel Technology International Holdings Limited, 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 for the purpose of giving information with regard to Excel Technology International Holdings Limited. 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.

Highlights

- Turnover amounted to HK\$70.87 million, representing a 92.60% increase over the corresponding period in 1999.
- Profit attributable to shareholders amounted to HK\$6,260,000.
- Successful listing on the GEM on 30th June, 2000.

INTERIM RESULTS

The Board of Directors (the “Directors”) of Excel Technology International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30th June, 2000, together with comparative figures for the corresponding periods in 1999, as follows:

	<i>Notes</i>	For the three months ended 30th June,		For the six months ended 30th June,	
		1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000
Turnover	2	21,456	41,983	36,805	70,870
Operating profit/ (loss)		(333)	8,973	(1,912)	9,207
Share of loss of an associated company		—	(2,956)	—	(2,956)
Profit/(loss) before taxation		(333)	6,017	(1,912)	6,251
Taxation	3	(420)	—	(442)	—
Profit/(loss) before minority interests		(753)	6,017	(2,354)	6,251
Minority interests		(24)	9	(31)	9
Profit/(loss) attributable to shareholders		(777)	6,026	(2,385)	6,260
Earnings/(loss) per share	4	(0.11 cents)	0.83 cents	(0.34 cents)	0.88 cents
— Basic		(0.11 cents)	0.83 cents	(0.34 cents)	0.88 cents
— Fully diluted		N/A	0.83 cents	N/A	0.88 cents

Notes:

1. Basis of presentation

Excel Technology International Holdings Limited (“the Company”) was incorporated in Bermuda on 21st January, 2000 with its shares listed on the GEM of the Hong Kong Stock 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 reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the GEM, the Company became the ultimate holding company of the Group. Details of the Reorganisation, 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 customisation, consulting and system integration services, hardware and software resale and maintenance services.
3. No provision for Hong Kong profits tax has been made (1999: Nil), as there are sufficient tax losses of the Group brought forward to set off against the estimated assessable profit for the six months ended 30th June, 2000.

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.

4. **Earnings/(loss) per share**

The calculation of basic earnings per share for the six months ended 30th June, 2000 is based on the profit attributable to shareholders of approximately HK\$6,260,000 (1999: loss of approximately HK\$2,385,000) and the weighted average number of 714,737,515 shares (1999: 701,699,930 shares) in issue during the period.

The calculation of basic earnings per share for the three months ended 30th June, 2000 is based on the profit attributable to shareholders of approximately HK\$6,026,000 (1999: loss of approximately HK\$777,000) and the weighted average number of 727,774,749 shares (1999: 701,699,930 shares) in issue during the period.

The calculation of diluted earnings per share is based on profit attributable to shareholders of approximately HK\$6,280,000 for the six months ended 30th June, 2000 and HK\$6,046,000 for the three months ended 30th June, 2000 and on 715,489,339 shares and 729,278,398 shares respectively, being the weighted average number of shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

There were no potential shares outstanding during the three and six months ended 30th June, 1999, no dilutive loss per share is presented.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2000 (1999: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the development, sale and implementation of enterprise software, the operation of the ASP (application service provider) business through i21 Limited ("i21"), IT consultancy, systems integration and resale and maintenance of IT products, all with a principal focus on the banking and finance sector in the Greater China and Southeast Asia. For the six months ended 30th June, 2000, the unaudited turnover of the

Group was HK\$70,870,000, representing an increase of 92.60% over the same period in 1999, while the profit attributable to shareholders was HK\$6,260,000 as compared to a loss of HK\$2,385,000 over the same period in 1999. Strong growth in the unaudited turnover of the Group was mainly attributable to increased sales in the Group's enterprise software, custom development projects and resale of hardware and software immediately after the first quarter of 2000.

Sales in the first quarter of 2000 was slow due to the Y2K freeze till the end of February 2000. Sales bounced back significantly thereafter with demand in such leading products as Loans, InterTrade, and HRMS increased. The Group had concluded a contract to develop the iTreasury project which would be a corporate treasury bidding system on the Internet. This project will reap not only development fees but also equity income and potential capital gain for the Group.

During the period under review,

- (1) The Group received strong demand for its enterprise software as its core clienteles in the banking and finance sector were actively seeking new IT solutions in response to new business development. Effort has been made to step up the resources required to accommodate this increase in demand;
- (2) The resale of hardware and software products, together with the systems integration service business, were also in great demand as a result of the strong enterprise software sales;
- (3) i21, the ASP company of the Group, has signed up two broker consortia for offering their member brokers the iStock21 service, and has also signed up two major banks for providing the iHR21 service to the banks' customers for human resource administration including payroll processing and mandatory provident fund contribution;
- (4) The Group has completed the development of its enterprise software in the e-commerce area. This new enterprise software, referred to as "eSAM", is an electronic supply chain management system tailored for the retail business. The first installation of eSAM has been successfully completed for the regional operations of a major UK based retail chain store;
- (5) A wholly-owned subsidiary in each of Singapore and Guangzhou of China has been set up to inaugurate the Group's geographical expansion plan; and
- (6) On 28th June, 2000, the Company issued additional convertible notes to Alps Mountain Limited, a wholly-owned subsidiary of Cheung Kong (Holdings) Limited, for HK\$47,220,278. The terms and conditions of the additional convertible notes were disclosed in the listing prospectus dated 20th June, 2000.

FUTURE PROSPECTS

With the passage of the Y2K problem after the first quarter of 2000, the banking and financial sector in Hong Kong has been actively looking for new application solutions and new computer systems to replace or enhance existing operation platforms. Our sales and marketing team has built strong sales momentum in enterprise software packages, custom development projects and resale of hardware and software.

The Group was short-listed for a major custom development project for a treasury system by a regulatory body in Hong Kong and is in the midst of contract negotiation. The Group is confident that with its experience in the banking and financial sector and in-depth knowledge in treasury applications. The Group intends to use the reusable components developed for this project as the basis for its new treasury, modular banking system ("MBS") product. We foresee a promising market demand for this new product within the Asia region.

The PRC operation has been inaugurated with the setting up of an office in Guangzhou and a software development center in Shenzhen. The Group has appointed a Beijing based major banking and insurance systems integrator to resell its software products in the PRC. Other joint ventures and reseller appointments are being pursued in China.

The Singapore office has been established with the appointment of a Senior Vice President, recruitment of local technical staff and leasing an office. Establishment of joint ventures as an entry strategy is under consideration and the Group is in talk with potential partners.

i21 has launched its first service iStock21 in July 2000. The second ASP service of i21, called iHR21, will be launched in early September 2000. i21 has just set up its first joint venture with a leading insurance company from Australia to provide medical insurance claims service via the Internet. The new joint venture company is called iClaims21 Limited. The fourth ASP service is being considered and will be developed by the Group's development center. The management of i21 has investigated the Taiwan ASP market and received positive feedback from local financial institutions initially.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 20th June, 2000

Actual business progress up to 30th June, 2000

Enterprise software and product development

1. Technology research and infrastructure development

Formation of a dedicated research and development team

The Group has established an R&D team comprising of six technical professionals to further strengthen its research and development capability in the area of Java and mobile computing. The Group was discussing with Sun Microsystems (“Sun”) regarding the joint establishment of a Java Solutions Development Center (the “Center”) to be housed in the Group’s premises. Sun intends to provide the Center with the necessary hardware and software. The Group will be responsible for the Center’s day-to-day management. The Center aims to provide technical advice to financial institutions on the development of applications on Java technology.

2. Product Development

Modular Banking System (“MBS”)

This is a treasury and capital market system targeting financial institutions in Asia. A team with extensive knowledge of treasury operation had been formed to start this development project in the second half of 2000. The Group was short-listed and was under negotiation for a substantial contract to redesign the treasury system of a regulatory body in Hong Kong. The treasury components to be developed under this project will form the core system of MBS.

Insurance²¹

This is an insurance policy management system to be developed for general insurance and life insurance using the reusable framework of the Group. Phase one development, which comprises of the web-based medical claims generation module, was completed by the end of June 2000. Phase two development,

which comprises of modules for quotation, policy generation and claims processing, will commence in the second half of 2000 and will be completed by December 2000.

3. Other Development Projects

InterTrade Settlement Module Product design of the settlement module for the Hong Kong stock market was completed and the project is now in coding stage. The expected date of release of the first phase is October 2000.

Collection and Liability Control Modules Development of the Liability Control System, a sub-module of the LOANS enterprise software, is in progress. It is expected to be completed by the fourth quarter of 2000.

4. Development of the ASP Business

iStock21 i21 has signed a memorandum of understanding with two broker consortia to provide iStock21 service to their member brokers. Pilot testing has been started with a number of brokers.

iHR21 Memoranda of understanding were signed with two major banks in Hong Kong to provide their customers with a customized version of iHR21. Development of this customized iHR21 was on schedule and final contract is being negotiated with these two banks. It is expected that these two banks will bring in a substantial number of corporate customers to i21 in the fourth quarter of 2000.

iClaims21 The Web application for generating medical insurance claims via the Internet was being customized based on the Group's Insurance21 product. Negotiation was underway to set up a joint venture company to fully develop the product and to market the end product.

5. E-business solutions initiative

e-Centre solution Progress on the further development of this business initiatives have slowed down due to priority being given to promoting the Group's enterprise software products and starting the operation of i21. Nevertheless, the

	<p>Group has completed the electronic supply chain management modules (called “eSAM”) of the e-Center solution, which is the centerpiece of the solution. The first installation of eSAM has been successfully completed for the regional operation of a UK-based retail chain store in June 2000. Phase 2 development of eSAM, which includes finance, logistics and reporting functions, will start from the second half of 2000.</p>
iTreasury	<p>The product design was completed and accepted by the client. Product prototype is being developed.</p>
6. Geographic expansion into PRC and Southeast Asia	
PRC	<p>A foreign wholly-owned subsidiary of the Group has been set up in Guangzhou to spearhead expansion in China. The Group is also seeking to establish operational presence in Shanghai and Beijing.</p> <p>To establish a quick entry point into the PRC market, the Group is in discussion with several software and IT companies who have technical support in the PRC. Some of these potential business partners have expressed interest in distributing and/or the localization of the Group's software products. The Group has appointed a Beijing based major systems integrator in the banking and insurance sector to resell its banking and insurance products in the PRC.</p> <p>A new software center is being set up in Shenzhen to share some of the development and localization works of the software center in Hong Kong. Office accommodation has been leased and recruitment of IT professional is underway.</p>
Southeast Asia	<p>The Group has established a wholly-owned subsidiary in Singapore and has appointed a Senior Vice President as the country manager. This senior executive is based in Singapore and has substantial experience with a major local bank. He will be responsible for implementing the Singapore expansion plan and</p>

coordinating sales and marketing activities. The Group has identified a local IT firm as a possible partner in rolling out the operation in Singapore.

7. Sales and marketing Capabilities

The Group has strengthened its sales and marketing team by appointing 2 additional sales staff. A new business director for the Greater China region has been appointed. He will concentrate his efforts initially in building sales channels and operation support in the PRC. The Group targets to appoint local distributors to build a wide marketing network in the PRC.

A senior sales manager for non-banking products has also joined the Group from a multinational software product company. His focus will be on the Hong Kong market.

In order to increase awareness of its products and services and to raise its corporate image, the Group has been actively hosting and participating in various technology seminars and exhibitions in Hong Kong, Singapore and China.

8. Human resource developments
Headcount

	Actual Dec 1999	Actual June 2000	Net Change
Senior management/Director	4	6	2
Finance & Administration	11	18	7
Sales & Marketing	7	11	4
Development and Implementation	150	167	17
Research & Infrastructure Development	1	6	5
Overseas Offices	0	1	1
	<u>173</u>	<u>209</u>	<u>36</u>

The total staff force of the Group has increased by about 20% since the end of 1999 to cater for the expansion in corporate development, strengthening of the sales and marketing team and the increase in business activities.

9. Use of Proceeds

Since the Group was listed on the last day of June 2000, the proceeds of the new issue and placing of shares have not been used during the reporting period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June, 2000, 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 Company:

Name of Director	Personal	Number of shares held			Other
		Family	Corporate		
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 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.

No share options were granted by the Company during the six months ended 30th June, 2000.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company, as at 30th June, 2000, 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 under the GEM Listing Rules) in the share capital of the Company are the same as disclosed above.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2000, 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 of the issued share capital of the Company.

- * These shares have been disclosed as the corporate interest of the directors in the paragraph headed "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 30th June, 2000.

SPONSOR'S INTERESTS

As updated and notified by HSBC Investment Bank Asia Limited (the "Sponsor"), as at 30th June, 2000, three employees of the Sponsor held a total of 28,000 shares in the Company.

Save as disclosed above, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement dated 19th June, 2000 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 30th June, 2000 to 31st December, 2002.

COMPETING INTERESTS

Quek Cher Teck, a non-executive director of the Company, is the managing director of UOB Venture Management Pte. Ltd., which presently manages three venture capital funds out of Singapore. These are UOB Venture Investments Limited, UOB Investments II Limited and UOB Venture Technology Investments Limited, any or all of which may invest in business which compete or may compete with that of the Group.

Save as disclosed above, as at 30th June, 2000, 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.

YEAR 2000 COMPLIANCE

The Group has completed a full review of all the hardware and software for internal use. All hardware and software were confirmed to be Year 2000 compliant in the review. The Group has also verified that its enterprise software are Year 2000 compliant. As of the date of this report, the Group has not received any complaint from customers to whom the Group has rendered services and solutions.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are the review and supervision of the Company'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 six-month 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
Zee Chan Mei Chu, Peggy
Chairman

Hong Kong, 11th August, 2000

This announcement will remain on the website of the Growth Enterprise Market of the Stock Exchange on the "Latest Company Announcement" page for seven days from the day of its posting.

* For identification only