



Excel

TECHNOLOGY

Excel Technology International Holdings Limited
(Incorporated in Bermuda with limited liability)

3rd Quarterly Report 2003

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.

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The Exchange takes no responsibility for the contents of this report, 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 report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Highlights

- For the nine months ended 30 September 2003, turnover amounted to HK\$129,174,000, representing a growth of 10% when compared with the same period of last year.
- The turnover for the third quarter of 2003 is HK\$32,956,000 which is 9% lower than that of the second quarter of 2003.
- Loss from operations for the nine months ended 30 September 2003 was HK\$24,496,000.
- For the third quarter of 2003, the loss from operations was HK\$10,273,000.
- Loss attributable to shareholders for the nine months ended 30 September 2003 amounted to HK\$24,429,000.

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2003

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 and nine months ended 30 September 2003, together with the comparative figures for the corresponding periods in 2002, as follows:

		For the three months ended 30 September		For the nine months ended 30 September	
		2003	2002	2003	2002
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	32,956	41,497	129,174	117,285
Loss from operations		(10,273)	(18,854)	(24,496)	(32,601)
Finance costs	4	(81)	(53)	(359)	(3,148)
Diminution in value of investments		—	(1,003)	—	(1,003)
Share of profits less losses of associates		153	859	542	2,315
Loss before taxation		(10,201)	(19,051)	(24,313)	(34,437)
Taxation	5	(9)	(164)	62	(518)
Loss before minority interests		(10,210)	(19,215)	(24,251)	(34,955)
Minority interests		95	167	(178)	146
Loss attributable to shareholders		(10,115)	(19,048)	(24,429)	(34,809)
Loss per share					
Basic and diluted	6	(1.03) cents	(1.93) cents	(2.48) cents	(3.53) cents

*Notes:***1. Basis of Preparation**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the valuation of certain investments in securities.

In the current period, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax). The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

Other than as described above, the accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2002.

3. Turnover

Turnover represents the sale of enterprise software products, provision of customization, consulting & systems integration services, complementary computer hardware and software resale and maintenance services and ASP software subscriptions.

4. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans, overdraft & other borrowings repayable within five years	81	53	359	210
Finance costs on convertible note	—	—	—	2,938
	81	53	359	3,148

5. Taxation

	For the three months ended 30 September 2003		For the nine months ended 30 September 2003	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The (credit) charge comprises:				
Taxation in other jurisdictions				
Current year	—	23	—	65
Overprovision in prior years	—	—	(139)	—
	<u>—</u>	<u>—</u>	<u>(139)</u>	<u>—</u>
Taxation attributable to the Company and its subsidiaries	—	23	(139)	65
Share of taxation attributable to associates	9	141	77	453
	<u>9</u>	<u>164</u>	<u>(62)</u>	<u>518</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit for the respective periods.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. Loss per share

The calculation of basic loss per share for the nine months ended 30 September 2003 is based on the loss attributable to shareholders of approximately HK\$24,429,000 (2002: HK\$34,809,000) and the weighted average number of 985,050,000 shares (2002: 985,050,000 shares) in issue during the period.

The calculation of basic loss per share for the three months ended 30 September 2003 is based on the loss attributable to shareholders of approximately HK\$10,115,000 (2002: HK\$19,048,000) and the weighted average number of 985,050,000 shares (2002: 985,050,000 shares) in issue during the period.

Diluted loss per share for the periods ended 30 September 2003 and 2002 are the same as the basic loss per share because there was no dilutive effect in existence during the respective periods.

RESERVES

Movements in reserves for the periods ended 30 September 2003 and 2002 were as follows:—

	Share Premium <i>HK\$'000</i>	Retained Profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	179,650	(60,029)	119,621
Loss for the period	—	(34,809)	(34,809)
	<hr/>	<hr/>	<hr/>
At 30 September 2002	<u>179,650</u>	<u>(94,338)</u>	<u>84,812</u>
At 1 January 2003	179,650	(128,850)	50,800
Loss for the period	—	(24,429)	(24,429)
	<hr/>	<hr/>	<hr/>
At 30 September 2003	<u>179,650</u>	<u>(153,279)</u>	<u>26,371</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2003 (2002: Nil).

BUSINESS REVIEW

The Group achieved a turnover of HK\$129,174,000 for the nine months ended 30 September 2003, representing a growth of 10% when compared with the same period of last year (2002: HK\$117,285,000). The increase continued to be contributed by Excel China, which turnover was HK\$69,991,000, representing a growth of 72%.

The Group's turnover for the third quarter of 2003 was HK\$32,956,000, which was 9% lower than that of the second quarter of 2003 resulted in an amount of HK\$36,324,000.

Total operating expense in the third quarter decreased by about 2% and 7% when compared with the second quarter and the first quarter in 2003 respectively.

The loss attributable to shareholders for the nine-month period amounted to HK\$24,429,000. This represents an improvement of 30% when compared to that in 2002 (2002: loss of HK\$34,809,000). The loss for the third quarter of 2003 was HK\$10,115,000 (2002: HK\$19,048,000).

FUTURE PROSPECTS

The Group's turnover growth continues to be attributed by mainland China expansion. Both packaged software and hardware sales had recorded healthy growth. The LOANS product has been sold and implemented in Chinese and foreign banks operating in China. The Wealth Management System received encouraging market reception among local commercial banks. The Modular Banking System is also under review by a few commercial banks in mainland China. Our Shenzhen subsidiary is developing an ASP platform upon which the governmental institutions can process application for funds via a centralized electronic channel. This is evident of the Group's capability in developing not just the banking and financial sectors, but also the government sector for funding applications.

Despite an improvement in the general economic sentiment in Hong Kong after the SARS period, big-ticket items spending in such area as packaged software and IT investment remained conservative.

The Singapore development is slow but encouraging with the potential of a few major projects under negotiation for regional implementation.

Looking forward, the management is reviewing individual business unit performance and viability. The Group continues to focus on its China expansion and core businesses in financial applications. We believe our software products have competitive edges in winning additional market share in China and SE Asia and will be reflected in the forth coming quarters.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2003, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:—

I. Long positions in the shares of the Company

Name of Director	Number of ordinary shares held			
	Personal	Family	Corporate	Other
Zee Chan Mei Chu, Peggy	1,538,000	—	563,679,197*	—
Fung Din Chung, Rickie	24,559,498	—	—	—
Leung Lucy, Michele	—	—	24,559,498#	—
Wen Pei Sung, Dennis	2,328,847	—	—	—
Ip Kim Kuen	2,403,400	—	—	—
Wong Mee Chun	40,000	382,000	—	—

* 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. Long positions in underlying shares of equity derivatives of the Company

Pursuant to the share option scheme for employees which was adopted on 16 June 2000 and amended on 18 April 2001 (the "Old Scheme"), 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 Old Scheme. The maximum number of ordinary shares in respect of which options may be granted under the Old Scheme shall not exceed 30% of the issued share capital of the Company from time to time. At the special general meeting of the Company held on 23 April 2002, a new share option scheme ("New Scheme") was adopted and approved in substitution for the Old Scheme. Upon adoption of the New Scheme, no further options will be granted under the Old Scheme but in all other respects, the provisions of the Old Scheme shall remain in force and all options granted prior thereto shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The following directors were granted share options under the Old Scheme for nominal consideration to subscribe for shares in the Company, details of which are as follows:

Name of Directors	Number of options granted on 1 September 2000 at exercise price of HK\$0.90 per share	Balance of options as at 30 September 2003
Fung Din Chung, Rickie	8,000,000	8,000,000
Leung Lucy, Michele	8,000,000	8,000,000
Ip Kim Kuen	8,000,000	8,000,000

The options at the exercise price of HK\$0.90 per share with the option period from 1 September 2000 to 31 August 2005 (both dates inclusive) are subject to the following vesting period:—

- (i) 20% of the options commencing on 1 March 2001;
- (ii) 20% of the options commencing on 1 September 2001;
- (iii) 15% of the options commencing on 1 March 2002;
- (iv) 15% of the options commencing on 1 September 2002;
- (v) 15% of the options commencing on 1 March 2003; and
- (vi) the remaining 15% of the options commencing on 1 September 2003.

Name of Director	Number of options granted on 11 October 2001 at exercise price of HK\$0.70 per share	Balance of options as at 30 September 2003
Wen Pei Sung	2,000,000	2,000,000

The options at the exercise price of HK\$0.70 per share with the option period from 11 October 2001 to 10 October 2006 (both dates inclusive) are subject to the following vesting period:—

- (i) 20% of the options commencing on 11 April 2002;
- (ii) 20% of the options commencing on 11 October 2002;
- (iii) 15% of the options commencing on 11 April 2003;
- (iv) 15% of the options commencing on 11 October 2003;
- (v) 15% of the options commencing on 11 April 2004; and
- (vi) the remaining 15% of the options commencing on 11 October 2004.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Group, as at 30 September 2003, 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.

III. Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein above, as at 30 September 2003, none of the Directors has short positions in shares or underlying share of equity derivatives of the Company.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 September 2003, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:—

I. Long position in the shares of the Company

Name of shareholders	No. of shares held	Percentage of total issued shares
Ms. Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	565,217,197	57.38%
Passion Investment (BVI) Limited (<i>Note 1</i>)	563,679,197	57.22%
Cheung Kong (Holdings) Limited (<i>Note 2</i>)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited (<i>Note 2</i>) (as trustee of another discretionary trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (<i>Note 2</i>) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Mr. Li Ka-shing (<i>Note 2</i>)	143,233,151	14.54%
Alps Mountain Agent Limited	71,969,151	7.31%
iBusiness Corporation Limited	67,264,000	6.83%

Notes:

1. These shares have been disclosed as the corporate interest of the director in the paragraph "Directors' and chief executive's interests in securities".
2. Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH").

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

Mr. Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the Securities and Futures Ordinance.

Other than disclosed above, the Company has not been notified of any long position in the shares or underlying shares of equity derivatives representing 5% or more of the Company's issued share capital as at 30 September 2003.

II. Short positions in shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, saved as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

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

During the nine 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
Zee Chan Mei Chu, Peggy
Chairman

Hong Kong, 10 November 2003