



Excel

TECHNOLOGY

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

1st Quarterly Report 2004

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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 three months ended 31 March 2004, turnover amounted to HK\$36,348,000.
- Loss from operations was HK\$5,216,000 for the first quarter of 2004.
- Loss attributable to shareholders for the three months ended 31 March 2004 was HK\$5,169,000. This represents a significant improvement of 36% when compared with the same period of last year.

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2004

The Directors of the Company present herewith the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2004, together with the comparative figures for the corresponding period in 2003, as follows:

		For the three months ended 31 March	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<u>36,348</u>	<u>59,984</u>
Loss from operations		(5,216)	(8,694)
Finance costs	3	(49)	(182)
Share of results of associates		<u>170</u>	<u>269</u>
Loss before taxation		(5,095)	(8,607)
Taxation	4	<u>—</u>	<u>(55)</u>
Loss before minority interests		(5,095)	(8,662)
Minority interests		<u>(74)</u>	<u>562</u>
Loss attributable to shareholders		<u>(5,169)</u>	<u>(8,100)</u>
Loss per share — Basic	5	<u>(0.52) cents</u>	<u>(0.82) cents</u>

*Notes:***1. Basis of presentation**

The financial information has been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

This financial information also complies with the applicable disclosure requirements of the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited.

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

2. Turnover

The principal activities of the Group are the development, sales and implementation of enterprise software.

Turnover represents the aggregate of the net amounts received and receivable from the sale of enterprise software products, and the provision of application, systems integration and professional services during the period.

3. Finance costs

**For the three months
ended 31 March**

2004	2003
HK\$'000	HK\$'000

Interest on bank loans, overdraft &
other borrowings repayable
within five years

49	182
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4. Taxation

	For the three months ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
The Company and its Subsidiaries		
— Hong Kong Profits Tax	—	—
— Overseas Tax	—	12
Share of taxation of an associate	—	43
	<u>—</u>	<u>55</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.

5. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2004 is based on the loss attributable to shareholders of HK\$5,169,000 (2003: HK\$8,100,000) and the 985,050,000 (2003: 985,050,000) shares in issue during the period.

No diluted loss per share has been presented as the exercise price of the options was higher than the average market price per share. Thus no exercise of the Company's outstanding options is assumed.

RESERVES

Movements in reserves for the periods ended 31 March 2004 and 2003 were as follows:—

	Share Premium <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	179,650	(128,850)	50,800
Loss for the period	—	(8,100)	(8,100)
At 31 March 2003	<u>179,650</u>	<u>(136,950)</u>	<u>42,700</u>
At 1 January 2004	179,650	(155,379)	24,271
Loss for the period	—	(5,169)	(5,169)
At 31 March 2004	<u>179,650</u>	<u>(160,548)</u>	<u>19,102</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: Nil).

BUSINESS REVIEW

For the three months ended 31 March 2004, the Group achieved a turnover of HK\$36,348,000, compared with HK\$59,984,000 in the same period of last year, representing a decrease of 39%. By sector performance on a quarter-to-quarter comparison, enterprise software products increased by 2%, systems integration dropped by 57%, professional services grew by 6% and ASP services increased by 7%. The decrease in the turnover of the systems integration business is the

result of two factors. First, there is a conscious effort of the Group to increase its higher profit margin business in software and services. Second, there are timing elements in the signing and booking of major contracts under negotiation.

Total operating expenses in this quarter decreased by about 14% and 23% when compared with the first quarter and last quarter in 2003 respectively.

Loss from operation was significantly reduced by 40% to HK\$5,216,000 (2003 Q1: loss of HK\$8,694,000).

Loss attributable to shareholders was HK\$5,169,000. This represents a significant improvement of 36% on a quarter-to-quarter basis when compared with the same period of last year (2003 Q1: loss of HK\$8,100,000).

FUTURE PROSPECTS

Looking ahead in the coming quarters, management is confident that the positive trend will continue. Management is conscious of profitability and had taken significant steps to decrease operating cost and such steps are evident in the result so far.

The Group expects that software and service revenue will continue to grow healthily with significant increase in the development outsourcing and ASP area. This will further set the foundation for repeatable business based on our core competence in software development.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 March 2004, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long positions

- (a) Ordinary shares of HK\$0.10 each of the Company

Name of director	Number of ordinary shares held		
	Beneficial owner	Held by family	Held by controlled corporation
Zee Chan Mei Chu, Peggy	1,558,000	—	563,679,197 (note 1)
Fung Din Chung, Rickie	24,559,498	—	—
Leung Lucy, Michele	—	—	24,559,498 (note 2)
Wen Pei Sung	2,328,847	—	—
Wong Mee Chun	40,000	382,000	—

Notes:

- (1) These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Zee Chan Mei Chu, Peggy.
- (2) These shares were held by Mossell Green Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Leung Lucy, Michele.

(b) Share options

Details of the share options granted to and held by the directors under the Company's share option scheme adopted on 16 June 2000 and amended on 18 April 2001 (the "Old Scheme") are as follows:

<u>Name of director</u>	<u>Date of grant</u>	<u>Exercise price</u>	<u>Number of options held</u>	<u>Number of underlying shares</u>
		HK\$		
Fung Din Chung, Rickie	1 September 2000 (<i>note 1</i>)	0.90	8,000,000	8,000,000
Leung Lucy, Michele	1 September 2000 (<i>note 1</i>)	0.90	8,000,000	8,000,000
Wen Pei Sung	11 October 2001 (<i>note 2</i>)	0.70	2,000,000	2,000,000

Notes:

- (1) The option period is from 1 September 2000 to 31 August 2005 (both dates inclusive) (vesting period with 1st tranche of 20% from 1 March 2001, 2nd tranche of 20% from 1 September 2001, 3rd tranche of 15% from 1 March 2002, 4th tranche of 15% from 1 September 2002, 5th tranche of 15% from 1 March 2003 and the remaining tranche of 15% from 1 September 2003).
- (2) The option period is from 11 October 2001 to 10 October 2006 (both dates inclusive) (vesting period with 1st tranche of 20% from 11 April 2002, 2nd tranche of 20% from 11 October 2002, 3rd tranche of 15% from 11 April 2003, 4th tranche of 15% from 11 October 2003, 5th tranche of 15% from 11 April 2004 and the remaining tranche of 15% from 11 October 2004).

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company or its subsidiaries, at 31 March 2004, none of the directors or chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the shares of the Company, or had exercised any such right.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2004.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long position in the ordinary shares of HK\$0.10 each of the Company

Name of shareholders	No. of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	565,237,197	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%
Li Ka-shing (<i>Note 2</i>)	143,233,151	14.54%
Alps Mountain Agent Limited (<i>Note 2</i>)	71,969,151	7.31%
iBusiness Corporation Limited (<i>Note 2</i>)	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 and short positions 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"). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited ("Alps") and iBusiness Corporation Limited ("iBusiness").

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.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 143,233,151 shares of the Company of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness.

Save as disclosed above, the Company has not been notified of any other interests and short positions in the issued share capital of the Company at 31 March 2004.

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
Fung Din Chung, Rickie
Executive Director

Hong Kong, 10 May 2004