



Excel

TECHNOLOGY

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

3rd Quarterly Report 2004

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 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 2004, turnover amounted to HK\$122,403,000, representing a slight decrease of 5% when compared with the same period of last year.
- Loss from operations was HK\$4,352,000 for the third quarter of 2004.
- Loss from operations was HK\$12,477,000 for the nine months ended 30 September 2004.
- Loss attributable to shareholders for the nine months ended 30 September 2004 amounted to HK\$8,696,000. This represents a significant improvement of 64% against the same period in 2003.

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2004

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group"; Stock Code: 8048) for the three months and nine months ended 30 September 2004, together with the comparative figures for the corresponding periods in 2003, as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	60,442	32,956	122,403	129,174
Loss from operations		(4,352)	(10,273)	(12,477)	(24,496)
Finance costs	3	(97)	(81)	(233)	(359)
Share of results of associates		1,971	153	3,598	542
Loss before taxation		(2,478)	(10,201)	(9,112)	(24,313)
Taxation	4	(312)	(9)	(363)	62
Loss before minority interests		(2,790)	(10,210)	(9,475)	(24,251)
Minority interests		191	95	779	(178)
Loss attributable to shareholders		(2,599)	(10,115)	(8,696)	(24,429)
Loss per share — Basic	5	(0.26) cents	(1.03) cents	(0.88) cents	(2.48) cents

*Notes:***1. Basis of preparation**

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 30 September		For the nine months ended 30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans, overdraft & other borrowings repayable within five years	97	81	233	359
	97	81	233	359

4. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The (credit) charge comprises:				
Taxation in other jurisdictions				
Current year	1	—	1	—
Overprovision in prior years	—	—	—	(139)
Taxation attributable to the Company and its subsidiaries	1	—	1	(139)
Share of taxation attributable to associates	311	9	362	77
	<u>312</u>	<u>9</u>	<u>363</u>	<u>(62)</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 nine months ended 30 September 2004 is based on the loss attributable to shareholders of HK\$8,696,000 (2003: HK\$24,429,000) 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 30 September 2004 and 2003 were as follows:—

	Share Premium <i>HK\$'000</i>	Retained Profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	179,650	(128,850)	50,800
Loss for the period	—	(24,429)	(24,429)
At 30 September 2003	<u>179,650</u>	<u>(153,279)</u>	<u>26,371</u>
At 1 January 2004	179,650	(155,379)	24,271
Loss for the period	—	(8,696)	(8,696)
At 30 September 2004	<u>179,650</u>	<u>(164,075)</u>	<u>15,575</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).

BUSINESS REVIEW

For the nine months ended 30 September 2004, the Group recorded a turnover of HK\$122,403,000, compared with HK\$129,174,000 in the same period of last year, representing a slight decrease of 5%.

Loss from operation, for the nine-months period of 2004, significantly reduced by 49% to HK\$12,477,000 (2003 : loss of HK\$24,496,000).

Loss attributable to shareholders for the nine months ended 30 September 2004 amounted to HK\$8,696,000. This represents a significant improvement of 64% when compared with the same period of last year (2003 : loss of HK\$24,429,000).

By sector performance comparison of nine months of 2004 with the same period of 2003, enterprise software products decreased by 22%, systems integration increased by 4%, professional services grew by 28% and ASP services dropped by 2%. The decrease of enterprise software is due to unexpected delays of new contracts signing and is expected to improve in the next quarter. The increase of professional services is a reflection of the Group's conscious effort in the development of outsourcing business to multi-national clients leveraging its China software centers.

FUTURE PROSPECTS

Management expects the Group's loss to further narrow and business outlook to improve through conscious cost control and a larger client base.

The Group plans to consolidate Excel China's various equity joint ventures to maximize cross selling and synergize expertise built in each Center of Excellence. China will continue to be the Group's growth focus, adding ASP services and outsourcing services to the traditional enterprise and systems integration business.

Excel Hong Kong is expected to benefit from Hong Kong's economic recovery and the maturing of overseas offices. Besides continuing to be Excel's breeding ground for its finance industry enterprise software, it has taken up the role of promoting outsourcing business to multi-national companies around the world. Hong Kong will be the gateway to our outsourcing resource in China, which can offer software development services to customers at good quality and attractive price.

With securing May Bank, the largest Malaysian bank as an anchor client, more focus will be placed in Malaysia. We expect the Group to start working with business partners to continue our business growth in this territory.

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

At 30 September 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	1,580,000	—	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:

Name of director	Date of grant	Exercise price HK\$	Number of options held	Number of underlying shares
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 30 September 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 30 September 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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>)	565,259,197	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 30 September 2004.

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

The Board comprises of:

Zee Chan Mei Chu, Peggy (*Executive Director*)
Leung Lucy, Michele (*Executive Director*)
Fung Din Chung, Rickie (*Executive Director*)
Wen Pei Sung (*Executive Director*)
Ip Tak Chuen, Edmond (*Non-executive Director*)
Cheong Ying Chew, Henry (*Independent non-executive Director*)
Chang Ka Mun (*Independent non-executive Director*)
Wong Mee Chun (*Independent non-executive Director*)

Hong Kong, 8 November 2004