

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 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 (the “Directors”) of Excel Technology International Holdings Limited (the “Company”), 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 (“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 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.



**EXCEL TECHNOLOGY INTERNATIONAL
HOLDINGS LIMITED**

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

Highlights

- Turnover amounted to HK\$104.7 million, representing a 55% increase over the corresponding period in 1999.
- Profit attributable to shareholders amounted to HK\$10,155,000.
- The Group's first software development center in China and its Singapore office were operational.
- The Group has received E-Commerce Solution of the Year Award from Microsoft® Asia on the successful development of a large scale application system for human resource management via the Internet.

THIRD QUARTERLY RESULTS ENDED 30TH SEPTEMBER, 2000

The Directors of the Company are pleased to present the unaudited consolidated results of the Group and its subsidiaries (collectively referred to as the "Group") for the three months (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30th September, 2000, together with comparative figures for the corresponding periods in 1999, as follows:

	<i>Notes</i>	For the three months ended		For the nine months ended	
		30th September, 2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	30th September, 2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	2	<u>33,824</u>	<u>30,838</u>	<u>104,694</u>	<u>67,643</u>
Operating profit/(loss)		4,504	(3,631)	13,711	(5,543)
Share of loss of an associated company		<u>(609)</u>	<u>—</u>	<u>(3,565)</u>	<u>—</u>
Profit/(loss) before taxation		3,895	(3,631)	10,146	(5,543)
Taxation	3	<u>—</u>	<u>68</u>	<u>—</u>	<u>(374)</u>
Profit/(loss) before minority interests		3,895	(3,563)	10,146	(5,917)
Minority interests		<u>—</u>	<u>13</u>	<u>9</u>	<u>(18)</u>
Profit/(loss) attributable to shareholders		<u>3,895</u>	<u>(3,550)</u>	<u>10,155</u>	<u>(5,935)</u>
Earnings/(loss) per shares	4				
- Basic		<u>0.39 cents</u>	<u>(0.51 cents)</u>	<u>1.32 cents</u>	<u>(0.85 cents)</u>
- Fully diluted		<u>0.46 cents</u>	<u>N/A</u>	<u>1.41 cents</u>	<u>N/A</u>

Notes:

1. **Basis of presentation**

The Company was incorporated in Bermuda on 21st January, 2000 with its shares listed on the GEM of the 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 reorganization (the “Reorganization”) in preparation for the listing of the Company’s share on the GEM, the Company became the ultimate holding company of the Group. Details of the Reorganization, 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 customization, consulting & systems 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 nine months ended 30th September, 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 nine months ended 30th September, 2000 is based on the profit attributable to shareholders of approximately HK\$10,155,000 (1999: loss of approximately HK\$5,935,000) and the weighted average number of 766,450,904 shares (1999: 701,699,930 shares) in issue during the period.

The calculation of basic earnings per share for the three months ended 30th September, 2000 is based on the profit attributable to shareholders of approximately HK\$3,895,000 (1999: loss of approximately HK\$3,550,000) and the weighted average number of 1,000,000,000 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\$11,153,000 for the nine months ended 30th September, 2000 and HK\$4,870,000 for the three months ended 30th September, 2000 and on 788,782,818 shares and 1,065,022,960 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 nine months ended 30th September, 1999, no dilutive loss per share is presented.

INTERIM DIVIDEND

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

BUSINESS REVIEW AND OUTLOOK

Total sales of the Group continues to increase over the last quarter with business growth seen in all major business areas. For the nine months ended 30th September, 2000, the unaudited turnover of the Group was HK\$104,694,000, representing an increase of 55% over the same period in 1999. While the profit attributable to shareholders was HK\$10,155,000 as compared to a loss of HK\$5,935,000 over the same period in 1999. Sales in the e-Commerce related software, consulting service, systems integration service, resale of hardware and system software as well as maintenance services experienced a stronger than expected result, while sales of enterprise software products grew in a steadily manner. The management has re-allocated resources to step up the marketing and sales of the enterprise software to capture a higher share of the packaged software business.

The Group won the custom development project of a treasury system for a regulatory body in Hong Kong and was in the final stage of contract negotiation with this customer. Major components of this treasury system will be re-used for the Excel MBS (Modular Banking System) software to be developed.

The Group has received the E-Commerce Solution of the Year Award from Microsoft® Asia for its pioneering work in developing the iHR21 software using the latest Microsoft DNA (Distributed Net Architecture) software technology which is designed for ASP applications.

The inauguration of the Group's first software center in China and the Singapore office in September strengthened the Group's presence in a wider geographical area. Located in Shekou of Shenzhen, the software center started off with providing technical support to the Hong Kong team, with sales and marketing capability being added to penetrate the local market. The Shenzhen technical team had been providing efficient and good quality services yet at a cost-effective manner. The Singapore office was established to spearhead expansion into South East Asia.

i21 Limited ("i21"), the Group's associated company specializing in ASP business, has started to generate revenue from its iStock21 service, and is

expected to pick up a significant number of customers with its iHR21 service to be launched in November. i21 has also entered into business alliance with other medical solution companies and medical groups in pushing forward with its iClaims21 business.

FUTURE PROSPECTS

With the launch of AMS/3 in late October in Hong Kong, the Group has escalated its marketing efforts for InterTrade, an integrated stock trading system which is AMS/3 compliant. It is expected that traditional stock brokers will increase their demand for online trading capability. The Group intends to increase awareness of its packaged software solutions by participating in technology exhibitions and organizing focused marketing events.

The Group continues to strengthen its product offerings in the banking and financial industries so as to differentiate itself from the other software companies. The Excel MBS, the new enterprise software addressing the needs of treasury departments of banks and finance companies, represents another major thrust into this direction. Detailed discussions are already underway with an initial corporate sponsor.

Our scope of expertise had expanded from banking to the insurance sector, one which has substantial growth potential. The Group is commissioned by a regional insurance company to develop a medical insurance software which could be sold to other insurance companies when completed. The medical claim processing functions of this software will be used by i21 in its iClaims21 service. This software will be expanded to form yet another new product, the Excel @urance, a general insurance and claims system to include general, medical, life, disability and other types of insurance and re-insurance.

The Group will establish a sales office in Beijing to coordinate sales and marketing efforts for the North China market in the coming period. This office will drive market development initiatives in a manageable and steady pace. With a foothold in Singapore, the Group will begin selling some of its packaged software solutions into Singapore.

The Group is pushing its geographic expansion plan through a number of initiatives, including the setting up of its own offices in strategic locations throughout Asia, actively looking into acquisition or joint venture opportunities, and developing business relationships with local business and technology companies in these locations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September, 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 Group:

Name of Director	Number of shares held			Other
	Personal	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 Group:

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 Group 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 Group 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 following are details of the option granted to directors:

Name of Directors	Number of Share Options
Zee Chan Mei Chu, Peggy	Nil
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 and other than certain nominee shares in subsidiaries held by a director in trust for the Group, as at 30th September, 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 in the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”)) in the share capital of the Group are the same as disclosed above.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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 Group and was the only shareholder who had an interest of 10% or more in the issued share capital of the Group.

* These shares have been disclosed as the corporate interest of the director in the Paragraph “Directors and chief executive’s interests in securities”.

Other than disclosed above, the Group has not been notified of any other interest representing 10% or more of the Group's issued share capital as at 30th September, 2000.

SPONSOR'S INTERESTS

The Company has been informed by HSBC Investment Bank Asia Limited (the "Sponsor") that, as at 30th September, 2000, five of its employees held a total of 48,000 shares in the Company.

Save as disclosed above, neither the Sponsor nor any of its directors or employees or associates (as referred to in Note 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.

Pursuant to an 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

As at 30th September, 2000, the Directors were not aware of any business or interest of each director, chief executive, management shareholder and the respective associate 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 products 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 Group has established an audit committee with written terms of reference which deal clearly with its authority and duties. It's principal duties are the review and supervision of the Group'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 GROUP'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, 13th November, 2000

This announcement will remain on the website of the GEM of the Exchange on the "Latest Group Announcement" page for seven days from the day of its posting.

** For identification only*