



TECHNOLOGY

EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

**FIRST QUARTERLY RESULTS FOR THE
THREE MONTHS ENDED 31 MARCH 2005**

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 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 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.

* For identification purpose only

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2005

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 2005, together with the comparative figures for the corresponding period in 2004, as follows:

	<i>Notes</i>	For the three months ended 31 March	
		2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	35,786	36,348
Other operating income		31	329
Cost of sales		(16,821)	(18,500)
Staff cost		(19,128)	(15,881)
Depreciation and amortisation		(1,883)	(2,926)
Other operating expenses		(4,102)	(4,586)
Loss from operations		(6,117)	(5,216)
Finance costs	3	(64)	(49)
Share of results of associates		11	170
Loss before taxation		(6,170)	(5,095)
Taxation	4	(4)	–
Loss before minority interests		(6,174)	(5,095)
Minority interests		109	(74)
Net loss attributable to shareholders		(6,065)	(5,169)
Loss per share – Basic	5	(0.62) cents	(0.52) cents

Notes:

1. Basis of presentation

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The financial information has been prepared in accordance with all applicable new HKFRSs issued by the HKICPA, 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.

The measurement basis used in the preparation of the financial information is historical cost modified by the marking to market of certain investments in securities at the balance sheet date.

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

2. Turnover

The principal activities of the Group are engaged in the development, sales and implementation of enterprise software and the provision of systems integration, professional services and ASP services.

	For the three months ended 31 March	
	2005	2004
	HK\$'000	HK\$'000
An analysis of the Group's turnover is as follows:		
Enterprise software products	13,464	15,133
Systems integration	15,764	18,157
Professional services	5,228	1,837
ASP services	1,330	1,221
	<u>35,786</u>	<u>36,348</u>

3. Finance costs

	For the three months ended 31 March	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans, overdraft & other borrowings repayable within five years	<u>64</u>	<u>49</u>

4. Taxation

	For the three months ended 31 March	
	2005 HK\$'000	2004 HK\$'000
The Company and its Subsidiaries		
– Hong Kong Profits Tax	–	–
– Overseas Tax	–	–
Share of taxation of an associate	4	–
	<u>4</u>	<u>–</u>
	<u>4</u>	<u>–</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 2005 is based on the net loss attributable to shareholders of HK\$6,065,000 (2004: HK\$5,169,000) and the 985,050,000 (2004: 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 2005 and 2004 were as follows:–

	Share Premium HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
At 1 January 2004	179,650	(155,379)	24,271
Loss for the period	–	(5,169)	(5,169)
	<u>179,650</u>	<u>(160,548)</u>	<u>19,102</u>
At 31 March 2004	<u>179,650</u>	<u>(160,548)</u>	<u>19,102</u>
At 1 January 2005	179,650	(176,341)	3,309
Loss for the period	–	(6,065)	(6,065)
	<u>179,650</u>	<u>(182,406)</u>	<u>(2,756)</u>
At 31 March 2005	<u>179,650</u>	<u>(182,406)</u>	<u>(2,756)</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2005 (2004: Nil).

BUSINESS REVIEW

The Group recorded a turnover of HK\$35,786,000 for the three months ended 31 March 2005, a slight decrease of 2% from HK\$36,348,000 for the corresponding period of last year.

By sector performance on a quarter-to-quarter comparison, revenue on professional services grew by 185%, ASP services increased by 9% but systems integration decreased by 13% and enterprise software products dropped by 11%.

Revenue on professional services records a significant growth in the quarter, which represents the result of the Group's conscious effort in the development of IT outsourcing business. The decrease in the turnover of systems integration business mainly reflects the shifting of hardware systems integration to software and services in China and the slow demand on computer hardware and infrastructure in Hong Kong. The decrease in the turnover of enterprise software products is the result of delays in the signing of certain customer contracts.

Net loss attributable to shareholders for the three months ended 31 March 2005 amounted to HK\$6,065,000. This represents an increase of 17% loss on a quarter-to-quarter basis when compared with the same period of last year (2004 Q1: loss of HK\$5,169,000).

FUTURE PROSPECTS

Although IT industry remains a highly competitive pricing tough sector and customer spending behavior is conservative at this moment, our management is confident that our current situation will soon improve as we are starting to see the positive signs such as stronger pipelines and keener customer interests in our products and services.

Maintaining a steady revenue stream with prospect for long-term growth is our key objective. To build a steady revenue stream, we are focusing in expanding our enterprise software base, as well as riding the IT outsourcing trend which is happening in China. With the opening up of the banking and finance industry in many Asian countries, the Group expects that its suite of banking enterprise software will see a steady and healthy growth in the coming years. On the IT outsourcing side, works are being done to open up offices in Dalian, Hangzhou and Taipei to capture the opportunities there. These two business areas, together with our ASP service, will set the foundation for repeatable business based on our core competence in software development.

Besides our business area focus, management has made conscious effort to broaden our geography coverage in Southeast Asia to reduce any dependence on any one country or location, and to put the Company on a truly regional footprint, which is of great importance. This would in turn generate more business with less sales effort as a wider geographic coverage would allow us to serve the multi-national companies, especially regional banks we are serving with a one-stop-service to their regional needs.

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

At 31 March 2005, the interests and short positions of the directors and the chief executives of the Company and their associates 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"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

Long positions

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

Name of director	Number of ordinary shares held				Total	Percentage of the issued share capital of the Company
	Beneficial owner	Held by family	Held by controlled corporation			
Zee Chan Mei Chu, Peggy	2,544,000	–	563,679,197	566,223,197	57.48%	
			(Note 1)			
Fung Din Chung, Rickie	24,559,498	–	–	24,559,498	2.49%	
Leung Lucy, Michele	–	–	24,559,498	24,559,498	2.49%	
			(Note 2)			
Wen Pei Sung	2,328,847	–	–	2,328,847	0.24%	
Wong Mee Chun	40,000	382,000	–	422,000	0.04%	
		(Note 3)				

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.
- (3) These shares were held by the spouse of Wong Mee Chun.

(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 exercisable period is from 1 September 2000 to 31 August 2005 (both dates inclusive) (vesting period with the 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 exercisable 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 2005, 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 2005.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, 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 positions in the ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy (<i>Note 1</i>)	566,223,197	57.48%
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 directors' interests held by controlled corporation in the paragraph headed "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 or short positions in the issued share capital of the Company at 31 March 2005.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. The audit committee comprises three members – Cheong Ying Chew, Henry, Chang Ka Mun and Wong Mee Chun, all of whom are independent non-executive directors. Its principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee.

The unaudited consolidated results of the Group for the three months ended 31 March 2005 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

COMPETING INTERESTS

Ip Tak Chuen, Edmond, a non-executive director of the Company, and Cheong Ying Chew, Henry, an independent non-executive director of the Company, are a non-executive director and an independent non-executive director of TOM Group Limited respectively. TOM Group Limited operates an Internet portal delivering Internet infotainment content and services, development of software and computer network systems, provision of related services and event production.

Ip Tak Chuen, Edmond is also a director of iBusinessCorporation.com Holdings Limited, which is a company facilitating e-commerce business on the Internet.

Save as disclosed above, at 31 March 2005, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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
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, 10 May 2005

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its posting and on the website of the Company at www.excel.com.hk.