
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in Excel Technology International Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

**PROPOSED GENERAL MANDATE TO
ISSUE SHARES AND TO REPURCHASE SHARES**

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This circular, 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 for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular 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)

Executive Directors:

Zee Chan Mei Chu (*Chairman and Chief Executive Director*)
Fung Din Chung, Rickie
Leung Lucy, Michelle
Ng Wai King, Steve
Ip Kim Kuen

Registered Office:

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Church Street
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Non-executive Directors:

Ip Tak Chuen, Edmond
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of Business:*

46th Floor, The Center
99 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Cheong Ying Chow, Henry
Chang Ka Mun
Petro A. Frank

23rd March, 2001

To Shareholders of the Company

Dear Sir or Madam,

**PROPOSED GENERAL MANDATE TO
ISSUE SHARES AND TO REPURCHASE SHARES**

INTRODUCTION

At a meeting of the board of directors of the Company held on 15th March, 2001, the Directors announced the audited combined results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2000. It was also announced on the same day that at the annual general meeting to be held on 18th April, 2001 ("Annual General Meeting"), resolutions to grant to the Directors general mandate to issue shares of the Company ("Shares") and to repurchase Shares ("Repurchase Mandate") will be proposed. The purpose of this circular is to provide shareholders of the Company (the "Shareholders") with details of the proposed general mandate to be dealt with at the Annual General Meeting.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE

At the Annual General Meeting, separate ordinary resolutions will be proposed to renew the general mandate given to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of such resolution and shares representing the aggregate nominal amount (up to a maximum of 10% of the aggregate nominal amount of the Company's then issued share capital as at the date of passing of such resolution) of any Shares repurchased by the Company subsequent to the passing of such resolution; and (ii) to repurchase Shares comprising the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the share capital in issue of the Company at the date of passing of such resolution.

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), the general unconditional mandates granted on 16th June, 2000 will lapse at the conclusion of the coming Annual General Meeting, unless renewed at the Annual General Meeting. Resolutions Nos. 5 and 6 in the notice of Annual General Meeting will be proposed at the Annual General Meeting to renew these mandates. With reference to these resolutions, the Directors wish to state that they have no present intention to repurchase any Shares pursuant to the relevant mandates.

The explanatory statement, required by the GEM Listing Rules to be sent to Shareholders in connection with the proposed Repurchase Mandate is set out in the Appendix to this circular. This contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions.

ANNUAL GENERAL MEETING

A notice of the Annual General Meeting is set out in the 2000 Annual Report of the Company which is despatched to the Shareholders with this circular. At the Annual General Meeting, in addition to the ordinary business of the meeting, Resolutions Nos. 5 and 6 will be proposed to approve the general mandate for the issue of Shares and Repurchase Shares as special businesses.

A copy of the 2000 annual report of the Company incorporating copies of the audited combined results of the Group for the year ended 31st December, 2000 and the directors' and auditors' reports therein is despatched to all the Shareholders together with this circular.

A form of proxy for the Annual General Meeting is also enclosed. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

LETTER FROM THE CHAIRMAN

RECOMMENDATION

The Board of Directors is of the opinion that the proposals referred to above are in the best interests of the Company and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
Zee Chan Mei Chu, Peggy
Chairman

This is an explanatory statement given to all the Shareholders relating to a resolution to be proposed at the forthcoming Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules which is set out as follows:

1. REGULATIONS OF THE GEM LISTING RULES

(a) Shareholders' approval

All repurchases of securities on the Growth Enterprise Market ("GEM") by a company with its primary listing on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) Source of funds

Repurchase must be funded out of funds which are legally available for the purpose and in accordance with the memorandum of association and bye-laws of the company and the Companies Act 1981 of Bermuda (the "Companies Act"). A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Act, a company may only repurchase its shares out of capital paid up on the Shares to be repurchased or out of the funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase. Any amount of premium payable on a repurchase over the par value of the shares may only be effected out of funds of the company which would otherwise be available for dividend or distribution or out of the company's share premium account.

(c) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-yearly report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a company from making repurchases of its own securities on GEM if a company has breached the GEM Listing Rules.

(d) Connected parties

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at 20th March, 2001, being the latest practicable date prior to the printing of this circular (the "Latest Practicable Date") and to the best of the knowledge of the Directors who have made all reasonable enquires, none of the Directors or their associates has a present intention to sell Shares to the Company or has undertaken not to do so.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,000,000,000 Shares of HK\$0.10 each.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 100,000,000 Shares of HK\$0.10 each.

3. REASONS FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

4. FUNDING OF REPURCHASES

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws, the GEM Listing Rules and the applicable laws of Bermuda. The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

5. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum of association and bye-laws of the Company and the applicable laws of Bermuda.

7. TAKEOVER CODE

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

As at the Latest Practicable Date, Passion Investment (BVI) Limited ("Passion"), which is the substantial shareholder of the Company, held approximately 57.99% of the issued Shares of the Company. In the event that the Directors exercised in full the power to repurchase Shares of the

Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the total interests of Passion in the Shares of the Company would be increased to approximately 64.43% of the issued Shares of the Company and Passion will not be obliged to make a mandatory offer under Rules 26 and 32 of the Code in this respect.

8. SHARE REPURCHASE MADE BY THE COMPANY

No purchases of Shares have been made by the Company since the listing of the Shares on the GEM on 30th June, 2000, whether on the Stock Exchange or otherwise up to the date of this circular.

9. CONNECTED PERSON

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

10. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on GEM in each of the calendar months since the listing of the Shares were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2000		
June	1.93	1.38
July	1.58	0.77
August	0.99	0.68
September	0.95	0.61
October	0.66	0.42
November	0.68	0.55
December	0.64	0.56
2001		
January	0.73	0.60
February	0.73	0.62

11. PROXY

A form of proxy for use at the Annual General Meeting is also enclosed. Whether or not you intend to attend the meeting, you are requested to complete and return the form of proxy to the Company's branch share registrar and transfer office of the Company in Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the Annual General Meeting should the Shareholders so desire.