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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**If you have sold** all your shares and/or warrants in CEC International Holdings Limited, you should at once hand this circular and the accompanying annual report and form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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

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**CEC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**PROPOSED GENERAL MANDATES  
TO ISSUE AND REPURCHASE SECURITIES,  
PROPOSED SCRIP DIVIDEND SCHEME, PROPOSED BONUS SHARE ISSUE  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the Annual General Meeting of CEC International Holdings Limited to be held at Park Lane Room, 27th Floor, The Park Lane, Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong, on Thursday, 17th August, 2000 at 10:30 a.m. is set out on pages 19 to 23 of this circular.

Whether or not you are able to attend the Annual General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Central Registration Hong Kong Limited, the Hong Kong branch share registrar of CEC International Holdings Limited, at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen 街 Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Annual General Meeting (or any adjournment thereof). Completion and return of a form of proxy will not preclude you from attending and voting at the Annual General Meeting (or any adjournment thereof) in person if you so wish.

25th July, 2000

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## DEFINITIONS

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*In this document, the following expressions have the following meanings, unless the context requires otherwise:*

“Annual General Meeting”	the annual general meeting of the Company to be held on Thursday, 17th August, 2000 at 10:30 a.m., the notice of which is set out on pages 19 to 23 of this circular
“Board”	the board of Directors
“Bonus Share Issue”	the proposed bonus issue of Shares to the Shareholders on the basis of three Bonus Shares for every two existing Shares held on the Record Date
“Bonus Shares”	new Shares proposed to be issued by way of bonus by the Company as described herein
“Business Day”	a day (excluding Saturday) on which banks are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Clearing
“Company”	CEC International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“HK\$”and “cents”	Hong Kong dollars and cents respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	21st July, 2000, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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"Record Date"	17th August, 2000
"Register of Members"	the register of members of the Company
"Registrar"	the Company' Hong Kong branch share registrar, Central Registration Hong Kong Limited of Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Repurchase Proposal"	the general and unconditional mandate proposed to be granted to the Directors to empower the Directors to repurchase its securities, details of which are set out in the section headed "General Mandates to Issue and Repurchase Securities"
"Scrip Dividend Scheme"	the proposed scrip dividend scheme as more particularly described and set out on pages 12 to 15 of this circular whereby Shareholders may elect to receive new fully paid Shares in lieu of the payment in cash of the proposed final dividend of 5 HK cents per Share for the year ended 30th April, 2000
"Share(s)"	share(s) of HK\$0.10 each in the share capital of the Company
"Shareholders"	holders of Shares of the Company from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"2003 Warrants"	400,000,000 units of warrants issued by the Company in registered form by way of deed poll of subscription rights of HK\$1.475 for every 10 units of warrants entitling the holder(s) thereof to subscribe up to a maximum aggregate amount of HK\$59,000,000.00 in cash for new Shares at an initial subscription price of HK\$1.475 per new Share (subject to adjustment) at any time from the date of the issue of the warrants, which is 3rd July, 2000, to 30th September, 2003, both dates inclusive

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## EXPECTED TIMETABLE

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2000

Despatch of circular	Tuesday, 25th July
Last day of dealings in Shares cum entitlement to Bonus Shares and scrip dividend	Tuesday, 8th August
Latest time for lodging transfer of Shares and exercise of the subscription rights attached to the 2003 Warrants in order to be entitled to the Bonus Shares and scrip dividend	4:00 p.m. on Thursday, 10th August
Latest time for lodging forms of proxy for Annual General Meeting	10:30 a.m. on Tuesday, 15th August
Annual General Meeting	10:30 a.m. on Thursday, 17th August
Closure of Register of Members for Bonus Share Issue and Scrip Dividend Scheme	Friday, 11th August to Thursday, 17th August (both dates inclusive)
Record Date	Thursday, 17th August
Dispense of forms of election in respect of scrip dividend	Saturday, 19th August
Latest time for lodging the forms of election in respect of scrip dividend	4:00 p.m. on Tuesday, 5th September
Expected date for the despatch of Share certificates under the Bonus Share Issue and Scrip Dividend Scheme and dividend warrants for the proposed final dividend in case scrip dividend not elected	on or before Thursday, 14th September
Expected date of dealing in the new Shares issued under the Bonus Share Issue and Scrip Dividend Scheme	Monday, 18th September

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## **RESPONSIBILITY STATEMENT**

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This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The English text of this circular and form of proxy shall prevail over the Chinese text.

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## LETTER FROM THE CHAIRMAN

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### CEC INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. Lam Wai Chun  
Mr. Saito Misao  
Ms. Tang Fung Kwan  
Ms. Hu Yan Huan  
Mr. Iwata Kenji

*Registered Office:*

Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

*Non-executive Directors:*

Mr. Tang Tin Sek  
Mr. Au Son Yiu (*Independent*)  
Mr. Lee Wing Kwan, Denis (*Independent*)

*Principal Place of Business in Hong Kong:*

Flats A and B, 2nd Floor  
Hing Win Factory Building  
No. 110 How Ming Street  
Kwun Tong  
Kowloon  
Hong Kong

25th July, 2000

*To Shareholders of the Company and,  
for information only, the holders of the 2003 Warrants of the Company*

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES  
TO ISSUE AND REPURCHASE SECURITIES,  
PROPOSED SCRIP DIVIDEND SCHEME,  
PROPOSED BONUS SHARE ISSUE  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

### INTRODUCTION

It is proposed that at the Annual General Meeting of the Company to be held on Thursday, 17th August, 2000, the notice of which is set out on pages 19 to 23 of this circular, ordinary resolutions will be proposed to grant the Directors general mandates to issue and repurchase securities of the Company and to approve the proposed scrip dividend and the proposed Bonus Share Issue as set out in the announcement of the Company dated 13th July, 2000.

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## LETTER FROM THE CHAIRMAN

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In accordance with the Listing Rules, the Company is required to send to its Shareholders information in relation to the proposed Scrip Dividend Scheme and the Bonus Share Issue and an explanatory statement containing all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of a mandate to the Directors to exercise the powers of the Company to purchase its own securities. The purpose of this circular is to set out such information in relation to the proposed mandates, the proposed Scrip Dividend Scheme and the Bonus Share Issue and to convene the Annual General Meeting. Details of the proposed renewal of the general mandates to issue and repurchase securities of the Company, the proposed Scrip Dividend Scheme and the Bonus Share Issue are set out below.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlements of Shareholders to the proposed scrip dividend and the Bonus Share Issue and the entitlement to vote at the Annual General Meeting, the Register of Members will be closed from 11th August, 2000 to 17th August, 2000 (both dates inclusive), during which period no transfer of Shares will be effected and no Shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding 2003 Warrants.

In order to attend and vote at the forthcoming Annual General Meeting and be entitled to receive the description under the Scrip Dividend Scheme and the proposed Bonus Share Issue, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) and holders of the 2003 Warrants must lodge all the duly completed subscription forms (together with the relevant warrant certificates and subscription monies) with the Registrar, Central Registration Hong Kong Limited of Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on 10th August, 2000.

### **GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES**

At the Annual General Meeting, an ordinary resolution will be proposed whereby the Directors will be given a general and unconditional mandate to allot, issue and otherwise deal with new securities representing up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the proposed resolution (as enlarged by the Bonus Share Issue and the Scrip Dividend Scheme if the relevant resolutions are duly passed). In addition, conditional upon the proposed resolution to authorise the repurchase of its securities as more particularly described under the paragraph headed "Shareholders' Approval" under the section headed "Explanatory Statement on the Repurchase Proposal" being passed, an ordinary resolution will be proposed to authorise the Directors to allot, issue and otherwise deal with new Shares up to an amount equal to the aggregate nominal amount of the securities purchased under the authority to repurchase.

In accordance with the Listing Rules, the Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any purchase of Shares by it (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the Company to issue securities which are outstanding prior to such purchase) without the prior approval of the Stock Exchange.



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## LETTER FROM THE CHAIRMAN

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### EXPLANATORY STATEMENT ON THE REPURCHASE PROPOSAL

#### Shareholders' Approval

At the Annual General Meeting, an ordinary resolution will be proposed for Shareholders' approval whereby the Directors will be given a general and unconditional mandate to exercise all powers of the Company to repurchase its issued securities subject to the criteria set out in this circular.

While it is not possible to anticipate in advance any specific circumstances in which the Directors might think it appropriate to repurchase securities of the Company, the Directors believe that the grant of a general mandate to repurchase securities of the Company would give the Company additional flexibility that would be beneficial. The repurchases may, depending on market conditions and funding arrangements of the Company at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Shareholders can be assured that the Directors would only make such purchases in circumstances where they consider them to be in the best interests of the Company. On the basis of the consolidated financial position of the Company as at 30th April, 2000 (being the date to which the latest published audited accounts of the Company have been made up) and in particular the working capital or gearing position of the Company at that time and the number of Shares now in issue, the Directors consider that there may be a material adverse impact on the working capital or gearing position of the Company in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period. However, no purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company (as compared with the financial position as at 30th April, 2000).

#### Source of Funds

The Company is empowered by its Memorandum of Association and Bye-laws to purchase its Shares and 2003 Warrants. Purchase of Shares and 2003 Warrants must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Bye-laws of the Company and Bermuda law.

#### Status of Repurchased Securities

The Listing Rules provide that all repurchased securities are automatically delisted and the issuer must ensure that the certificates for the repurchased securities are cancelled and are destroyed as soon as reasonably practicable following settlement of any such repurchase. Bermuda law provides that the amount of capital paid in connection with a securities purchase may only be paid out of the capital paid up on the relevant securities, or the funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of securities made for the purpose. The amount of premium payable on purchase may only be paid out of either the funds of the Company which would otherwise be available for dividend or distribution or out

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## LETTER FROM THE CHAIRMAN

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of the share premium account of the Company. In addition, under Bermuda law, in connection with any purchase of Shares, two Directors would be required to swear an affidavit on the date on which the purchase takes effect to the effect either that on that date, and taking into account the purchase, the Company is solvent or that all creditors of the Company have agreed to the purchase. Where a company is listed on an appointed stock exchange, such affidavit may, at the option of the company, be sworn within thirty days after the end of each calendar quarter giving details of the redemptions made during each quarter and the affidavit shall confirm that after taking into account the redemptions, the company is solvent at all material times during the quarter. Under Bermuda law, the Shares so purchased will be treated as cancelled and the amount of the Company's issued capital shall be diminished by the nominal value of these Shares accordingly but the aggregate amount of authorised share capital would not be reduced.

### **Directors and Connected Persons**

None of the Directors nor, to the best of their knowledge and belief, having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) of any of the Directors have any present intention, in the event that the grant to the Directors of a repurchase mandate is approved by the Shareholders, to sell Shares to the Company. None of the Directors have any interest in 2003 Warrants.

No persons who are connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares or 2003 Warrants to the Company nor have they undertaken not to sell any of the Shares or 2003 Warrants held by them to the Company in the event that the Company is authorised to make purchases of securities. In accordance with the Listing Rules, the Company shall not knowingly purchase Shares or 2003 Warrants from a connected person on the Stock Exchange and a connected person shall not knowingly sell his Shares or 2003 Warrants to the Company.

### **Undertaking to the Stock Exchange**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed resolution in accordance with the Listing Rules, all applicable law of Bermuda, the jurisdiction in which the Company is incorporated, and in accordance with the Memorandum of Association and Bye-laws of the Company.

### **Maximum Number of Securities to be Repurchased**

The Listing Rules contain a number of restrictions on the purchase by a listed company of its securities and impose certain reporting requirements.

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## LETTER FROM THE CHAIRMAN

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In particular, a listed company may only purchase fully paid-up shares on the Stock Exchange, either directly or indirectly, if the shareholders of the listed company have given a specific approval or a general mandate to the directors of the listed company to make such purchase(s), by way of an ordinary resolution which complies with the provisions of Rule 10.06(1)(c) of the Listing Rules and which has been passed at a general meeting of the listed company duly convened and held and the listed company has delivered a copy of such resolution, together with the necessary supporting documentation, to the Stock Exchange in accordance with Rule 10.06(1)(d) of the Listing Rules.

In any one calendar month, a listed company may not purchase its securities on the Stock Exchange representing more than 25 per cent. of the total number of that class of securities traded on the Stock Exchange in the preceding calendar month and a listed company cannot purchase its 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 from time to time.

A listed company such as the Company, the primary listing of which is on the Stock Exchange, may not purchase its securities on the Stock Exchange if that purchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage of 25 per cent.

### **Reporting Requirements**

The reporting requirements contained in the Listing Rules specify that, inter alia, a listed company shall report all purchases of its securities (whether on the Stock Exchange or otherwise) to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the business day following the date of purchase of any of its securities and shall include in its annual report a monthly breakdown of purchases of its securities made during the year showing the number of shares purchased each month, the purchase price per share, and the aggregate price paid for such purchases. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchase and other relevant details. A company shall procure that any broker appointed by the company to effect purchases of its securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

### **Dealing Restrictions**

The Listing Rules prohibit any repurchase of securities at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules. A listed company may not make a new issue of shares or announce a proposed new issue of

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## LETTER FROM THE CHAIRMAN

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shares for a period of 30 days after any purchase by it of shares, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the listed company to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the Stock Exchange.

The maximum number of Shares that the Company may repurchase pursuant to the mandate will be such number of Shares representing 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue (as enlarged by the Bonus Share Issue and the Scrip Dividend Scheme if the relevant resolutions are duly passed) and such number of 2003 Warrants representing 10 per cent. of the outstanding 2003 Warrants respectively as at the date of passing the resolution. Furthermore, the authority relates only to purchase of securities which are fully paid up and purchases which are made on the Stock Exchange and otherwise in accordance with the Listing Rules.

As at the Latest Practicable Date, there were in issue an aggregate of 200,000,000 Shares and 400,000,000 units of 2003 Warrants. Assuming that no further Shares are issued (whether or not under the existing employee share option scheme of the Company or upon the exercise of the 2003 Warrants) or repurchased prior to the Annual General Meeting, not more than 20,000,000 Shares and 40,000,000 units of 2003 Warrants may be repurchased on the Stock Exchange. Assuming full exercise the 2003 Warrants and no other Shares are issued or repurchased prior to the Annual General Meeting, not more than 24,000,000 Shares may be repurchased on the Stock Exchange.

In addition, Shareholders should note that the general mandates cover purchases made only during the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the date by which the next annual general meeting of the Company is required to be held by applicable laws or the Company's Bye-laws and (iii) the date upon which such authority is revoked or varied by passing an ordinary resolution of the Company in general meeting.

### **Hong Kong Code on Takeovers and Mergers**

If, as a result of a share repurchase, a shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code and, if such increase results in a change in control, may in certain circumstances give rise to an obligation to make a general offer for shares under Rule 26 of the Takeovers Code.

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## LETTER FROM THE CHAIRMAN

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As at the Latest Practicable Date, and according to the register of substantial shareholders' interests maintained pursuant to the Securities (Disclosure of Interests) Ordinance (Chapter 396) of the Laws of Hong Kong, the following persons were interested in 10 per cent, or more of the issued share capital of the Company:

Name	Number of Shares held	Percentage of Shareholding
Mr. Lam Wai Chun ( <i>Note 1</i> )	131,550,000	65.775%
Ka Yan China Development (Holding) Company Limited ( <i>Notes 1&amp;2</i> )	131,550,000	65.775%
Ka Yan China Investments Limited ( <i>Note 2</i> )	131,550,000	65.775%
HSBC Holdings plc ( <i>Note 3</i> )	131,550,000	65.775%
HSBC Finance (Netherlands) ( <i>Note 3</i> )	131,550,000	65.775%
HSBC Holdings B.V. ( <i>Note 3</i> )	131,550,000	65.775%
HSBC Investment Bank Holdings B.V. ( <i>Note 3</i> )	131,550,000	65.775%
HSBC International Trustee Limited ( <i>Note 3</i> )	131,550,000	65.775%

*Notes:*

1. The 131,550,000 Shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited, the entire issued share capital of which was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun, a Director.
2. The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, in respect of 131,550,000 Shares duplicated with each other.
3. The interests of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V., HSBC International Trustee Limited in respect of 131,550,000 Shares in the Company duplicated with each other.

The 131,550,000 Shares in which HSBC International Trustee Limited was interested were the Shares referred to in Note 2 above.

Assuming all Shareholders elect to receive Shares in lieu of cash payment under the Scrip Dividend Scheme, in the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Proposal, then (if the present shareholdings otherwise remain the same) the attributable shareholdings of the substantial shareholders in the Company would be increased to approximately 73.08% per cent. of the issued share capital of the Company. The Directors consider that such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors are not aware of any other consequence which would arise under the Takeovers Code as a consequence of any purchases by the Company of its Shares.

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## LETTER FROM THE CHAIRMAN

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### Miscellaneous

During the six months preceding the Latest Practicable Date, no Shares were purchased by the Company.

During each of the eight months from the date of listing of the Company up to the month preceding the Latest Practicable Date, the highest and lowest traded prices for the Company's securities on the Stock Exchange are also set out in the Appendix to this circular.

### PROPOSED SCRIP DIVIDEND SCHEME

The Board announced on 13th July, 2000 its recommendation of a final dividend of 5 HK cents per Share held in the share capital of the Company for the year ended 30th April, 2000 be payable to Shareholders whose names appear on the Register of Members at the close of business on the Record Date in cash with an option to receive new fully paid shares of HK\$0.10 each in lieu of cash.

### Payment of Scrip Dividend

Your entitlement to new Shares will be calculated by dividing the cash dividend you would otherwise be entitled to receive by the average of the closing prices per Share on the Stock Exchange on the five consecutive trading days from 11th August, 2000 up to and including the Record Date and then rounding down the resultant figure (if a fraction) to the nearest whole number. The formula is set out below:-

$$\begin{array}{lcl} \text{Number of new Shares} & & \text{Number of Shares held on} \\ \text{to be received} & = & \text{the Record Date for which} \\ & & \text{share election is made} \\ & & \text{in lieu of cash} \end{array} \times \frac{\text{Final dividend of 5 HK cents}}{\text{average closing price per Share of} \\ \text{the five consecutive trading days} \\ \text{up to and including the Record Date}}$$

An announcement will be made in due course to confirm the average closing price per Share referred to above.

Fraction of new Shares under the Scrip Dividend Scheme will not be issued to Shareholders. The benefit of fractional entitlements will be aggregated and sold and the net proceeds from such sales will be retained for the benefit of the Company. The new Shares to be issued under the Scrip Dividend Scheme are identical and will rank pari passu in all respects with the existing Shares when issued, save for the entitlement to the final dividend for the year ended 30th April, 2000 but will rank in full for all future dividends and distributions which may be declared, made or paid after the date of issue thereof.

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## LETTER FROM THE CHAIRMAN

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### **Effect of the Scrip Dividend Scheme**

If no elections for the scrip dividend are received, the total cash dividend payable by the Company would be HK\$10,000,000, assuming no further issue of Shares from the date of this circular to the Record Date. The Company, being an exempted company in Bermuda, is designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966. Accordingly, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital assets, gain or appreciation will be payable by it or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the Company held by non-residents of Bermuda.

### **Overseas Shareholders**

Shareholders whose registered addresses in the Register of Members are outside Hong Kong will not be permitted to participate in the Scrip Dividend Scheme in accordance with the Company's Bye-laws, and accordingly they will receive the final dividend wholly in cash. No form of election will be sent to Shareholders whose registered addresses in the Register of Members are outside Hong Kong and no person receiving in any territory outside Hong Kong, a copy of this circular and/or a form of election may treat the same as an invitation to him/her.

### **Conditions of the Scrip Dividend Scheme**

The Scrip Dividend Scheme described in this circular are conditional upon Shareholders' approval at the Annual General Meeting, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, such new Shares, and the Bermuda Monetary Authority granting permission for the issue and transfer of the Shares to be allotted and issued under the Scrip Dividend Scheme. If these conditions are not satisfied before 31st August, 2000, the Scrip Dividend Scheme described in this circular will not be effective and the form of election will be void. The proposed final dividend for the year ended 30th April, 2000 will then be paid wholly in cash.

Upon satisfaction of the above conditions, a circular setting out information in respect of the paragraph headed "Payment of Scrip Dividend" above together with a form of election will be despatched to Shareholders.

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## LETTER FROM THE CHAIRMAN

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### **Election for Scrip Dividend**

You will have the choice of receiving your dividend in the following form:

- (a) to receive your dividend of 5 HK cents per Share wholly in cash. In this case, you need not complete the form of election; or
- (b) to receive new Shares in lieu of the cash dividend in whole. In this case, you should complete and sign the form of election in accordance with the instructions printed thereon and return it to the Registrar, Central Registration Hong Kong Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on 5th September, 2000.
- (c) to receive partly cash and partly new Shares. In this case, you should complete and sign the form of election in accordance with the instructions printed thereon and specify the number of Shares as at the Record Date in respect of which you wish to receive new Shares in lieu of the cash dividend and return it to the Registrar, Central Registration Hong Kong Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on 5th September, 2000.

If you do not complete and return the form of election before the time stated above, you will receive the whole of your dividend in cash.

If you complete the form of election but do not specify the number of Shares in respect of which you wish to receive new Shares in lieu of the cash dividend, or if you elect to receive new Shares in respect of a greater number of Shares than your registered holding as at the Record Date then you will be deemed to have exercised your election to receive entirely new Shares in respect of all the Shares registered in your name.

No acknowledgement of receipt of the form of election will be issued.

Any election made pursuant to the form of election lodged with the Registrar will be irrevocable.

It is the responsibility of the Shareholders to decide whether or not to exercise their rights to receive their entitlements to the scrip dividend in new Shares in lieu of cash. Whether it is to their advantage to receive the dividend in cash or new Shares, in whole or in part, will depend upon their own individual circumstances. The decision in this regard, and all effects resulting thereon, is solely the responsibility of each Shareholder. In addition, the tax effects of an election may vary from Shareholder to Shareholder. If you are in doubt as to your tax position, you should consult your financial adviser. Shareholders who are trustees are recommended to take professional advice as to whether the election to receive new Shares in lieu of cash is within their powers and as to its effect having regard to the terms of the relevant trust instruments.



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## LETTER FROM THE CHAIRMAN

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Shareholders should note that an acquisition of Shares under the Scrip Dividend Scheme may give rise to notification requirements under the Securities (Disclosure of Interests) Ordinance (Chapter 396) of Hong Kong for Shareholders who have notifiable interests (i.e. 10% or more interest in the issued share capital) in the Company. Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

### **Despatch of Dividend Warrants and Share Certificates**

Dividend warrants and/or share certificates for the new Shares to be issued under the Scrip Dividend Scheme are expected to be sent by ordinary post to the addresses of Shareholders on or before 14th September, 2000 at their own risk.

### **Registration of the Circular**

This circular will not be registered under any securities legislation of any jurisdiction outside Hong Kong.

### **PROPOSED BONUS SHARE ISSUE**

The Directors also proposed a Bonus Share Issue to the Shareholders on the basis of three Bonus Shares, credited as fully paid by way of capitalisation, for every two existing Shares held on the Record Date. Based on 200,000,000 Shares in issue as at the Latest Practicable Date and assuming no 2003 Warrants are exercised from the date hereof up to the Record Date, an aggregate of 300,000,000 new Shares would fall to be issued pursuant to the proposed Bonus Share Issue.

### **Conditions of the Proposed Bonus Share Issue**

The proposed Bonus Share Issue will be conditional upon the approval by the Shareholders at the Annual General Meeting to be held on 17th August, 2000, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares and (if required) the Bermuda Monetary Authority granting permission for the issue and transfer of the Bonus Shares.

### **Reasons for the Proposed Bonus Share Issue**

The Directors believe that the proposed Bonus Share Issue will enhance the liquidity of the Shares in the market and provide Shareholders with an opportunity to obtain further equity participation in the Company on favourable terms, thereby enlarging the Company's shareholder and capital base.

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## LETTER FROM THE CHAIRMAN

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### **Applications for Listing**

Applications will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Shares to be issued under the Bonus Share Issue.

### **Status of the Bonus Shares**

The Bonus Shares will be credited as fully paid by way of capitalisation of amounts in the Company's share premium account and/or contributed surplus account that are in aggregate equivalent to the nominal value of the Bonus Shares, and will rank equally in all respects with the existing Shares when issued.

### **Fractions of Bonus Shares**

The Company will not allot any fractions of Bonus Shares pursuant to the Bonus Share Issue. Bonus Shares representing fractional entitlement will be aggregated and issued to a nominee to be nominated by the Directors. The Bonus Shares (if any) will be sold and the net proceeds thereof (if any) will be retained by the Company for its own benefits.

### **Certificates for the Bonus Shares**

Subject to the conditions being satisfied, certificates for the Bonus Shares are expected to be despatched to the Shareholders by ordinary post on or before 14th September, 2000.

### **LISTING OF NEW SHARES**

The Shares are listed and dealt in on the Stock Exchange. No part of the equity or debt securities of the Company is otherwise listed or dealt in on any other stock exchange nor is any such listing or permission to deal in the Company's securities being or proposed to be sought. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Scrip Dividend Scheme and the Bonus Share Issue.

### **TRADING AND DEALINGS ARRANGEMENTS**

Subject to the granting of listing of, and permission to deal in, the Bonus Shares and the new Shares to be issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, the Bonus Shares and the new Shares to be issued pursuant to the Scrip Dividend Scheme will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares and the new Share to be issued pursuant to the Scrip Dividend Scheme or such other date as determined by Hongkong Clearing. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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## LETTER FROM THE CHAIRMAN

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Dealings in the Bonus Shares and new Shares to be issued pursuant to the Scrip Dividend Scheme are expected to commence in Hong Kong on 18th September, 2000 and will be subject to Hong Kong stamp duty.

### **ADJUSTMENT TO THE SUBSCRIPTION PRICE OF THE 2003 WARRANTS**

As at the Latest Practicable Date, the total amount of outstanding 2003 Warrants was HK\$59,000,000.

Subject to the Bonus Share Issue becoming unconditional and on the basis of the adjustment formula contained in the warrant instrument dated 19th June, 2000 (the “Instrument”) constituting the 2003 Warrants, the subscription price payable upon the exercise of the subscription rights attaching to the 2003 Warrants will be adjusted from HK\$1.475 per Share to HK\$0.59 per Share with effect from 18th August, 2000, being the Business Day immediately following the Record Date, as a result of the Bonus Share Issue. Such adjustment to the subscription price of the 2003 Warrants has been confirmed by the auditors of the Company as properly adjusted according to the terms and conditions of the Instrument.

### **RECOMMENDATION**

The Directors are of the opinion that the proposed Scrip Dividend Scheme, the Bonus Share Issue, the general mandates to issue securities and the Repurchase Proposal are in the best interests of the Company and recommend that you vote in favour of the ordinary resolutions to be proposed at the forthcoming Annual General Meeting. Those Directors who are also Shareholders intend to vote in favour of such resolutions.

### **NOTICE OF ANNUAL GENERAL MEETING**

Notice of the Annual General Meeting is set out on pages 19 to 23 of this circular.

A form of proxy is enclosed with this circular for use at the Annual General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the enclosed form of proxy to the office of the Registrar, Central Registration Hong Kong Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the Annual General Meeting (or any adjournment thereof). Completion and return of a form of proxy will not preclude you from attending and voting at the Annual General Meeting (or any adjournment thereof) in person if you so wish.

Yours faithfully,  
For and on behalf of  
**CEC International Holdings Limited**  
**Lam Wai Chun**  
*Chairman*

During the six months preceding the date of this letter, no Shares were purchased by the Company.

During the period from 15th November, 1999, being the date of listing of the Company on the Stock Exchange, up to the month preceding the Latest Practicable Date, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:-

<b>Month</b>	<b>Per Share</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>1999</b>		
November	2.000	1.230
December	2.750	1.840
<b>2000</b>		
January	2.975	2.100
February	2.650	1.750
March	2.100	1.770
April	1.900	1.670
May	2.600	1.860
June	3.500	2.325

The 2003 Warrants commenced dealings on 6th July, 2000 and accordingly there is no record of highest and lowest traded prices for the 2003 Warrants for the month preceding the Latest Practicable Date.

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## NOTICE OF ANNUAL GENERAL MEETING

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### **CEC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of CEC International Holdings Limited (the “Company”) will be held at Park Lane Room, 27th Floor, The Park Lane, Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 17th August, 2000 at 10:30 a.m. for the following purposes:-

1. To receive and adopt the audited accounts of the Company and the Reports of the Directors and the Auditors of the Company for the year ended 30th April, 2000.
2. To re-elect the retiring Directors and to approve the proposed Directors’ fees for the independent non-executive Directors.
3. To re-appoint Messrs Arthur Andersen & Co as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
4. To declare a final dividend of HK\$0.05 per share for the year ended 30th April, 2000 and to approve that conditional upon the listing of, and permission to deal in, such shares to be issued by the Company pursuant to this resolution having been or being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited and (if required) the permission having been or being granted by the Bermuda Monetary Authority, the final dividend be distributed, at the election of the shareholders of the Company (the “Shareholders”) in the form of new shares in lieu of cash payment under the Scrip Dividend Scheme (as described in the circular to the Shareholders dated 25th July, 2000) and that Shareholders with registered addresses outside Hong Kong on 17th August, 2000 shall receive the final dividend wholly in cash and that no fractional shares shall be allotted and distributed, but shares representing fractional entitlements shall be aggregated and sold for the benefit of the Company and the Directors be authorized to do all acts and things as may be necessary and expedient to give effect to the Scrip Dividend Scheme.

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## NOTICE OF ANNUAL GENERAL MEETING

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As special business, to consider and, if thought fit, passing the following resolutions as Ordinary Resolutions:-

5. **“THAT** conditional upon the listing of, and permission to deal in, Bonus Shares (as defined below) to be issued by the Company pursuant to this Resolution having been or being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and (if required) the permission having been or being granted by the Bermuda Monetary Authority:
- (a) upon the recommendation of the Directors, it is desirable that such part of the amount standing to the credit of the share premium account and/or the contributed surplus account of the Company would be required to be applied in paying up in full at par bonus shares of HK\$0.10 each in the capital of the Company (“Bonus Shares”), such shares to be allotted and distributed (subject as referred to in paragraph (c) below) and credited as fully paid among the persons who are registered as holders of the existing issued shares in the capital of the Company on 17th August, 2000 on the basis of three Bonus Shares for every two existing shares held, be capitalised and applied in such manner and the Directors be and they are hereby authorized to allot and issue Bonus Shares;
  - (b) Bonus Shares shall rank *pari passu* in all respects with the existing issued shares of HK\$0.10 each in the capital of the Company at the date of issue;
  - (c) no fractional Bonus Shares shall be allotted and distributed as aforesaid, but Bonus Shares representing fractional entitlements shall be aggregated and sold for the benefit of the Company; and
  - (d) the Directors be authorised to do all acts and things as may be necessary and expedient in connection with the issue of Bonus Shares referred to in paragraph (a) of this Resolution, including but not limited to, determining the amount to be capitalised out of the share premium account and/or the contributed surplus account of the Company and the number of unissued shares to be allotted and distributed in the manner referred to in paragraph (a) of this Resolution.”
6. **“THAT:-**
- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into shares of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares or securities convertible into or exchangeable for shares of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares or securities convertible into or exchangeable for shares of the Company, which might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF ANNUAL GENERAL MEETING

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(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); (b) the exercise of any options granted under the share option scheme of the Company; (c) the exercise of rights of subscription or conversion under the terms of any warrants or any securities convertible into shares of the Company or similar instruments requiring the Company to issue shares, or (d) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Company's Bye-laws, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution as extended by the number of shares to be allotted and issued pursuant to Resolutions numbered 4 and 5 passed at this Meeting to which this Resolution forms part, and the said approval shall be limited accordingly; and

(iv) for the purposes of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws or the Bye-laws of the Company to be held; and
- (c) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this Resolution;

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).

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## NOTICE OF ANNUAL GENERAL MEETING

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7. “**THAT:-**

- (i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its issued shares and warrants of the Company in each case on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares and warrants of the Company which are authorised to be repurchased by the Directors of the Company pursuant to the approval in paragraph (i) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution as extended by the number of shares to be allotted and issued pursuant to Resolutions numbered 4 and 5 passed at this Meeting to which this Resolution forms part and 10 per cent. of the aggregate amount of 2003 Warrants outstanding as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (iii) for the purposes of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Bye-laws of the Company; and
- (c) the passing of an ordinary resolution of the Company in the general meeting revoking or varying the authority set out in this Resolution.”



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## NOTICE OF ANNUAL GENERAL MEETING

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8. “**THAT** conditional upon the passing of the Resolution No. 7 set out in the notice of convening this Meeting at which this Resolution is considered, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with new shares pursuant to the Resolution No.6 set out in the said notice be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the shares repurchased by the Company under the authority granted pursuant to the Resolution No. 7, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution as extended by the number of shares to be allotted and issued pursuant to Resolutions numbered 4 and 5 passed at this Meeting to which this Resolution forms part.”

By Order of the Board  
**Li Lai Sheung**  
*Company Secretary*

Hong Kong, 25th July, 2000

*Notes:*

1. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and, including on a poll, vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise. On a show of hands every member present in person (or being a corporation, is present by a representative duly authorised) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a clearing house (or its nominee) each such proxy shall have one vote on a show of hands.
2. A form of proxy for the Meeting is enclosed herewith. Completion and return of the form of proxy will not preclude a member from attending the Meeting if he so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.
3. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the office of the Hong Kong branch share registrar of the Company, Central Registration Hong Kong Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting thereof.
4. In the case of joint holders of any share, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, the said holder whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of that share.