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If you have sold all your shares and/or warrants in CEC International Holdings Limited (the "Company"), you should at once hand this circular and the form of election 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.



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

Non-executive Directors:

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

Registered Office:

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

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

19th August, 2000

*To shareholders of the Company and,
for information only, the shareholders of the Company whose registered
addresses are outside Hong Kong and the holders of warrants of the Company*

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME

INTRODUCTION

The board of directors of the Company announced on 13th July, 2000 to recommend a final dividend of 5 HK cents per share of HK\$0.10 each held in the share capital of the Company (the "Shares") for the year ended 30th April, 2000 to be payable to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") at the close of business on 17th August, 2000 (the "Record Date") in cash with an option to receive new fully paid shares of HK\$0.10 each in lieu of cash (the "Scrip Dividend Scheme"). A resolution was passed at the Annual General Meeting of the Company held on Thursday, 17th August, 2000 to approve the final dividend of HK\$0.05 per Share and the related Scrip Dividend Scheme.

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company as, to the extent the Shareholders elect to receive new Shares in lieu of cash dividend, the cash which would otherwise have been paid to Shareholders will be retained for use by the Company.

The purpose of this circular is to set out such information in relation to the Scrip Dividend Scheme.

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:-

$$\begin{array}{rcl} \text{Number of new Shares to be received} & = & \begin{array}{l} \text{Number of Shares held} \\ \text{on the Record Date for} \\ \text{which share election is} \\ \text{made in lieu of cash} \end{array} \times \frac{\text{Final dividend of 5 HK cents}}{\text{HK\$1.778, being the average closing price per} \\ & & \text{Share of the five consecutive trading days} \\ & & \text{up to and including the Record Date}} \end{array}$$

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.

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. 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 from the imposition of any tax in Bermuda up to the year 2016, should tax be introduced in the future. Accordingly, at present 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

Save in respect of the approval of listing of the new Shares, all the conditions in respect of the Scrip Dividend Scheme described in the circular of the Company dated 25th July, 2000 have been satisfied.

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 enclosed 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 enclosed form of election in accordance with the instructions printed thereon and return it to the Registrar, Central Registration Hong Kong Limited at Rooms 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; or
- (c) to receive partly cash and partly new Shares. In this case, you should complete and sign the enclosed 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 Rooms 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 enclosed form of election before the time stated above, you will receive the whole of your dividend in cash.

If you complete the enclosed 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 upon 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.

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.

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 has been made to the Stock Exchange for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Scrip Dividend Scheme.

TRADING AND DEALINGS ARRANGEMENTS

The Shares to be issued pursuant to the Scrip Dividend Scheme will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") with effect from the commencement date of dealings, which is expected to be 18th September, 2000. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the new Shares will be subject to Hong Kong stamp duty.

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