

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PROPOSED ADOPTION OF SHARE AWARD SCHEME AND PROPOSED AMENDMENTS TO SHARE OPTION SCHEME

The Board is pleased to announce that it has resolved to propose (i) the adoption of the Share Award Scheme with terms prepared in accordance with the Amended Rules; and (ii) the Proposed Amendments to be made to the Share Option Scheme to bring in line with the Amended Rules.

The Share Award Scheme will constitute a share scheme involving the grant of new Shares under the Amended Rules. Pursuant to the Amended Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, the adoption of the Share Award Scheme will be subject to, among others, Shareholders' approval at the AGM.

Pursuant to the Amended Rules and the Share Option Scheme, alterations to the terms and conditions of a share scheme which are of a material nature must be approved by the Shareholders in general meeting. As the Proposed Amendments are of a material nature, the Proposed Amendments will be subject to, among others, Shareholders' approval at the AGM.

Upon the adoption of the Share Award Scheme, the Company shall enter into a Trust Deed and appoint a trustee for the administration of the Share Award Scheme pursuant to the Amended Rules. The Trustee will be (a) a third party independent of the Company and not connected with any of its connected persons (as defined under the Listing Rules) or (b) a committee comprising a majority of the independent non-executive Directors. The Trustee will administer the Share Award Scheme in accordance with the Amended Rules and the Trust Deed.

A circular containing, among other things, the details of the Share Award Scheme and the Proposed Amendments, together with a notice of the AGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

INTRODUCTION

The Board is pleased to announce that it has resolved to propose (i) the adoption of the Share Award Scheme with terms prepared in accordance with the Amended Rules; and (ii) the Proposed Amendments to be made to the Share Option Scheme to bring in line with the Amended Rules.

THE SHARE AWARD SCHEME

The Share Award Scheme will constitute a share scheme involving the grant of new Shares for the purposes of the Amended Rules. Pursuant to the Amended Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, the adoption of the Share Award Scheme will be subject to, among others, Shareholders' approval at the AGM.

A summary of the principal terms of the Share Award Scheme is set out below. Further details of the terms of the Share Award Scheme will be set out in a circular to be despatched to the Shareholders in due course.

Purposes and objectives

The purposes and objectives of the Share Award Scheme are: (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Eligible Participants

Eligible Participants under the Share Award Scheme include any Eligible Employee, Related Entity Participants and Service Providers.

Duration

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the date on which the Share Award Scheme is adopted by the Company.

Administration

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Share Award Scheme, the Trust Deed and all applicable laws and regulations. Any Award to any of the Eligible Participants pursuant to the rules of the Share Award Scheme may be satisfied by (i) existing issued Shares to be transferred to the Trustee or purchased by the Trustee in the market; or (ii) new Shares to be allotted and issued by the Company and to be subscribed by the Trustee. The Company will appoint the Trustee to assist with the administration and vesting of the Awards granted pursuant to the Share Award Scheme, and the Trustee will hold the Awarded Shares (and the related income, if any) on trust for the benefit of the Selected Participants under the Share Award Scheme pursuant to the terms of the relevant Trust Deed.

Grant of awards

The Board may, from time to time, subject to the provisions of the Share Award Scheme, select any Eligible Participant (other than any Excluded Participant) for participation in the Share Award Scheme as a Selected Participant, and grant such number of Awarded Shares to any Selected Participant at nil consideration and in such number and on such terms and conditions as it may in its absolute discretion determine.

Pursuant to Rule 17.04(1), where any grant of Awarded Shares is proposed to be made to any Selected Participant who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, such grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the Selected Participant of the Awarded Shares). Such requirements do not apply where the Selected Participant is only a proposed Director or proposed chief executive of the Company. Pursuant to Rule 17.04(2), Shareholders' approval is required at a general meeting where any grant of Awarded Shares to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of his/her associates that would result in the Shares issued and to be issued in respect of the Award granted to such person under the Share Award Scheme (excluding any awards lapsed in accordance with the terms of the Share Award Scheme) in any 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the issued share capital of the Company. Pursuant Rule 17.04(3), Shareholders' approval is required at a general meeting where any grant of Awarded Shares to an independent non-executive Director or substantial shareholders of the Company, or any of his/her associates that would result in the Shares issued and to be issued in respect of all options and awards granted to such person under the Share Award Scheme and all other share schemes (excluding any awards lapsed in accordance with the terms of the Share Award Scheme) in any 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the issued share capital of the Company. In the circumstances described in Rules 17.04(2) and 17.04(3), the Company must send a circular to the Shareholders. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

In determining the number of Awarded Shares to be granted to any Selected Participant (excluding any Excluded Participant), the Board shall take into consideration matters including, but without limitation to (i) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group; (ii) the general financial condition of the Group; (iii) the Group's overall business objectives and future development plan; and (iv) any other matters which the Board considers relevant.

Vesting of Awarded Shares

The Share Award Scheme shall be subject to a minimum vesting period of twelve (12) months, subject to a shorter vesting period for the Awarded Shares granted to Employee Participants at the discretion of the Remuneration Committee or the Board under each of the following circumstances:

- (a) grants of "make-whole" rewards to new employees to replace the share awards they forfeited when leaving the previous employers;
- (b) grants to a participant whose employment is terminated due to death or disability or occurrence of any out-of-control event or retired at his/her normal retirement date or retired of an earlier retirement date (with prior written agreement given by the Company or the affected company);
- (c) grants with performance-based vesting conditions in lieu of time-based vesting criteria as determined in the conditions of grant;
- (d) grants that are made in batches during a year for administrative and compliance reasons; and
- (e) grants with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of twelve (12) months.

Such discretion gives the Company more flexibility to (i) adapt to exceptional and justified circumstances; or (ii) attract talents or reward exceptional performers with accelerated vesting.

Vesting shall only occur upon satisfaction (or where applicable, waived by the Remuneration Committee and the Board) of the conditions imposed by the Remuneration Committee and the Board. The Remuneration Committee and the Board or person(s) to which the Remuneration Committee and the Board delegated their authority may either direct and procure the Trustee(s) to release from the Trusts the Awarded Shares to the Selected Participants by transferring the number of Awarded Shares to the Selected Participants in such manner as determined by the Remuneration Committee and the Board from time to time.

Subject to the Amended Rules, save as determined otherwise by the Board at its sole discretion, the Selected Participant shall cease immediately to be entitled to all his/her rights and benefits to the Awarded Shares outstanding and unvested in the event that (i) the Selected Participant ceases to be an Eligible Participant (otherwise than by reason of redundancy or by unilateral termination of employment by the Company without cause); (ii) the Selected Participant has been summarily dismissed by the Company; (iii) the Selected Participant has been convicted for any criminal offence involving his/her integrity or honesty; (iv) the Selected Participant has been charged, convicted or held liable for any offence under the relevant securities laws in the PRC, Hong Kong or any other applicable laws or regulations in force from time to time; (v) the Selected Participant has committed any material breach of any contract entered into between the Selected Participant on the one hand and any member of the Group on the other hand; (vi) the Selected Participant has become bankrupt or unable to pay his or her debts, or is subject to any bankruptcy or analogous proceedings or has made any arrangement or composition with his or her creditors generally; (vii) the Selected Participant is deceased, disabled or becomes mentally incapacitated; (viii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company); (ix) any of the vesting conditions upon an Award to the relevant Selected Participant as determined by the Remuneration Committee and the Board was not fulfilled; or (x) the Selected Participant retires by agreement with the Company at any time prior to or on the Vesting Date.

Scheme Mandate Limit, Service Provider Sublimit and 1% Individual Limit

The maximum number of Shares which may be allotted and issued in respect of all awards to be granted under the Share Award Scheme, and the options and awards to be granted under the Amended Share Option Scheme and any other Share Scheme(s) shall not in aggregate exceed 10% of the number of Shares in issue as at the date on which the Share Award Scheme is adopted by the Company.

Any grant of awards in excess of the 1% Individual Limit must be separately approved by the Shareholders in general meeting with such Selected Participant and his/her close associates (or his associates if the Selected Participant is a connected person of the Company) abstaining from voting. The number and terms of awards to be granted to such grantee must be fixed before Shareholders' approval.

Further, based on Rule 17.03B(2) of the Amended Rules and the Share Award Scheme (and other share scheme(s), where applicable), within the Scheme Mandate Limit, the Service Provider Sublimit, being the total number of Shares which may be allotted and issued in respect of all Options and Awards to be granted to the Service Providers under the Share Award Scheme, the Amended Share Option Scheme and any other Share Scheme(s) existing at such time, must not in aggregate exceed 1% of the total number of Shares in issue as at the date of separate approval of this sub-limit by the Shareholders at the AGM.

As at the date of this announcement, the Company had a total of 2,460,850,479 Shares in issue. Assuming that there is no change in the total number of Shares in issue between the period from the date of this announcement up to the adoption date of the Share Award Scheme, (i) the Scheme Mandate Limit will be 246,085,047 Shares, representing 10% of the total number of Shares in issue as at the adoption date of the Share Award Scheme; and (ii) the Service Provider Sublimit will be 24,608,504 Shares, representing 1% of the total number of Shares in issue as at the adoption date of the Share Award Scheme.

Lapse of Awards

In the event that prior to or on the Vesting Date, a Selected Participant is found to be an Excluded Participant or is deemed to cease to be an Eligible Participant pursuant to the Share Award Scheme, the relevant Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall remain part of the Trust Fund. Such Eligible Participant shall have no right or claim against the Company, any other member of the Group, the Board, the Trust or the Trustee or with respect to those or any other Shares or any right thereto or interest therein in any way.

Furthermore, unless otherwise waived by the Board, in the event that the vesting conditions specified in the relevant grant instrument are not fully satisfied prior to or on the relevant Vesting Date, the award of the Awarded Shares in respect of the relevant Vesting Date shall lapse, such Awarded Shares shall not vest on the relevant Vesting Date and the Selected Participant shall have no claims against the Company, the Board, the Trust or the Trustee.

Vesting conditions

The Board may at its discretion specify any condition in the offer letter at the grant of the Award which must be satisfied before the Awarded Shares may be vested. Save as determined by the Board and provided in the offer letter of the grant of the Award, there is no clawback mechanism for the Company to recover or withhold any Awards granted to any Eligible Participant.

Rights attaching to the Awards and the Awarded Shares

A Selected Participant shall not have any interest or rights (including the right to receive dividends) in the Awarded Shares prior to the Vesting Date. A Selected Participant shall also have no rights in the residual cash of the Trust or such other Trust Fund or property held by the Trust or any of the returned shares.

Voting rights

The Trustee holding unvested Shares in the Scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by the law to vote in accordance with the beneficial owner's discretion and such a discretion is given.

Alteration of the Share Award Scheme

Subject to the provisions of the Share Award Scheme, the Share Award Scheme may be altered in any respect by resolution of the Board except that certain provisions of the Share Award Scheme shall not be altered to the advantage of the Selected Participants or Eligible Participants except with the sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of any Award granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Selected Participants as would be required of the holders of the Shares under the Bye-laws for the time being of the Company for a variation of the rights attached to the Shares.

Termination

The Share Award Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the date on which the Share Award Scheme is adopted by the Company; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Participants.

PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

The key changes entailed by the Proposed Amendments are set out below:

- (a) to revise the definition of “eligible participants” by only including:
 - (i) any Employee Participant;
 - (ii) any Related Entity Participant; and
 - (iii) any Service Provider, who falls under the category(ies) or may meet with the eligibility criteria as stipulated under the Amended Share Option Scheme;
- (b) to include a scheme mandate limit of not exceeding 10% of the Company’s issued shares to all Share Schemes (which includes the Amended Share Option Scheme and the Share Award Scheme) and to set a sublimit under the Scheme Mandate Limit for share grants to Service Providers;
- (c) to require independent Shareholders’ approval for refreshment of Scheme Mandate Limit (and Service Provider Sublimit for share grants to Service Providers) within a three-year period from the date of Shareholders’ approval for the last refreshment (or, as the case may be, the date of the adoption of the Amended Share Option Scheme);
- (d) to require approval by the Shareholders for grant of Options over new shares of the Company to an individual participant if the maximum number of Shares which may be allotted and issued in respect of all Options and Awards granted under the Share Schemes (which includes the Amended Share Option Scheme and the Share Award Scheme) to an individual participant will exceed 1% of the issued share capital of the Company in any 12-month period (i.e. the 1% Individual Limit);

- (e) to require approval by the Shareholders for grant of Options over new shares of the Company to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates, if the maximum number of Shares which may be allotted and issued in respect of all Options and Awards granted under the Share Schemes (which includes the Amended Share Option Scheme and the Share Award Scheme) to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates, will exceed 0.1% of the issued shares of the Company in any 12-month period;
- (f) to include a minimum vesting period of 12 months, where grant of Options to Employee Participants are subject to a shorter vesting period under specific circumstances, and grant of Options to Directors and senior management of the Company with a shorter vesting period must be approved by the Board and/or Remuneration Committee;
- (g) to allow the Board or the Remuneration Committee (as the case may be) to establish (i) performance targets for the grant of Options; and (ii) clawback mechanism for the Company to recover or withhold the Options granted; and
- (h) to include other house-keeping amendments for the purpose of making consequential amendments in line with the Proposed Amendments, and to better align the wording with that of the Amended Rules.

Pursuant to the Amended Rules and the Share Option Scheme, alterations to the terms and conditions of a share scheme which are of a material nature must be approved by the Shareholders in general meeting. As the Proposed Amendments are of a material nature, the Proposed Amendments will be subject to, among others, Shareholders' approval at the AGM.

SHAREHOLDERS' APPROVAL

The Board will convene the AGM for the purposes of, among other things, seeking the approval from the Shareholders for the adoption of the Share Award Scheme and the Proposed Amendments.

A circular containing, among other things, the details of the Share Award Scheme and the Proposed Amendments, together with a notice of the AGM, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

As of the date of this announcement, the Share Award Scheme and the Proposed Amendments remain subject to the approval of the Shareholders. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“1% Individual Limit”	the limit that the maximum number of Shares which may be allotted and issued in respect of all options and awards granted under the Share Scheme(s) to an individual participant shall not exceed 1% of the issued share capital of the Company in any 12-month period
“AGM”	the annual general meeting of the Company to be convened and held for the purpose of, among other things, approving the adoption of the Share Award Scheme and the Proposed Amendments
“Amended Rules”	the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers, which took effect on 1 January 2023
“Amended Share Option Scheme”	the amended share option scheme which incorporates all of the Proposed Amendments
“associate(s)”	shall bear the meaning as defined in the Listing Rules
“Award(s)”	an award of the Awarded Shares (and/or Shares and/or cash representing any income, proceeds or distributions derived from or in respect of the Awarded Shares, where applicable) by the Board to a Selected Participant in accordance with the Share Award Scheme
“Awarded Share(s)”	in respect of a Selected Participant, such number of Shares as awarded by the Board
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company as adopted or amended from time to time
“close associate(s)”	shall bear the meaning as defined in the Listing Rules
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 326)

“connected person(s)”	shall bear the meaning as defined in the Listing Rules
“Core Connected Person(s)”	shall bear the meaning as defined in the Listing Rules
“Director(s)”	director(s) of the Company
“Eligible Employee(s)”	any Director or employee (whether full time or part time, including any executive Director and including any person who has entered into an employment contract with the Group, provided that the commencement date of his/her tenure under the employment contract shall fall on a date before the Vesting Date and such employment contract shall remain valid and subsisting up to and including the Vesting Date, and provided further that such person shall not be regarded as an Eligible Employee if he/ she dies before the commencement date of his/her tenure under the employment contract and including those who are granted Awards under the Share Award Scheme as an inducement to enter into employment contracts with any member of the Group) of the Company or any of its subsidiary
“Eligible Participant(s)”	any person who is eligible to receive an Award under the Share Award Scheme who could be (i) an Eligible Employee; (ii) a Related Entity Participant or (iii) a Service Provider and share option under the Amended Share Option Scheme who could be (i) an Employee Participant; (ii) a Related Entity Participant; or (iii) a Service Provider
“Employee Participant(s)”	any Director or employee (whether full time or part time, including any executive director, but excluding any non-executive director) of the Company or any of its subsidiaries (and including persons who are granted options under the Amended Share Option Scheme as an inducement to enter into employment contracts with these companies)

“Excluded Participant(s)”	any Eligible Participant who is resident in a place where the grant of an Award and/or the vesting and transfer of the Awarded Shares (and/or Shares and/or cash representing any income, proceeds or distributions derived from or in respect of the Awarded Shares, where applicable) pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Eligible Participant
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Option(s)”	option(s) to subscribe for Shares granted pursuant to the Share Option Scheme and the Amended Share Option Scheme
“Proposed Amendments”	the proposed amendments to the Share Option Scheme, key changes of which are set out in this announcement
“PRC”	The People’s Republic of China
“Related Entity Participant(s)”	any Director or employee (whether full time or part time) of the holding companies, fellow subsidiaries or associated companies of the Company
“Remuneration Committee”	the remuneration committee established by the Board from time to time

“Scheme Mandate Limit”	the total number of Shares which may be issued in respect of all Options and Awards to be granted under the Amended Share Option Scheme, the Share Award Scheme and any other Share Schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Amended Share Option Scheme, the Share Award Scheme and any other Share Schemes of the Group
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the Share Award Scheme for participation in the Share Award Scheme (or in the case of a Selected Participant, his legal personal representative or lawful successor as the case may be)
“Service Provider(s)”	any person (whether a natural person, a corporate entity or otherwise) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, and excludes (for the avoidance of doubt) (i) placing agents or financial advisers providing advisory services for fund-raising, mergers or acquisitions; and (ii) professional service providers (such as auditors or valuers) who provide assurance, or are required to perform their services with impartiality and objectivity
“Service Provider Sublimit”	the total number of Shares which may be issued in respect of all Options and Awards to be granted under the Amended Share Option Scheme, the Share Award Scheme and any other Share Schemes of the Group to the Service Provider shall not in aggregate exceed 1% of the total number of Shares in issue as at the date of approval of the Amended Share Option Scheme, the Share Award Scheme and any other Share Schemes of the Group
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“Share Award Scheme”	the share award scheme proposed to be adopted by the Company, the principal terms of which are set out in this announcement
“Share Option Scheme”	the share option scheme adopted by the Company on 29 June 2022
“Share Scheme(s)”	share option schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time, including the Share Award Scheme and the Amended Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	shall bear the meaning as defined in the Listing Rules
“Trust” or “Trustee”	such trustee or trustees (if any) as shall be from time to time appointed by the Company for the administration of Shares and other trust assets to be held by the Trustee for the implementation of the Share Award Scheme pursuant to and in accordance with the terms of the Trust Deed and to the extent that the trustee is a committee, it must comprise a majority of the independent non-executive Directors
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trust Fund”	the funds and properties held directly or indirectly under the Trust and managed by the Trustee for the benefit of the Selected Participants (other than the Excluded Participants)

“Vesting Date”

in respect of a Selected Participant, the date on which his entitlement to the relevant Award is vested in such Selected Participant in accordance with the Share Award Scheme

By Order of the Board
China Star Entertainment Limited
Heung Wah Keung
Chairman

Hong Kong, 29 May 2023

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; the independent non-executive directors of the Company are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tai Kwok Leung, Alexander.