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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## CHINA STAR ENTERTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### PROPOSED BONUS WARRANT ISSUE

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Terms used in this cover page have the same meaning as defined in this circular.

A notice convening the SGM to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Tuesday, 8 June 2010, at 4:30 p.m. is set out on pages 22 to 24 of this circular. If you are unable to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

17 May 2010

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## DEFINITIONS

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

“Board”	board of Directors
“Bonus Warrant Issue”	the proposed bonus issue of Warrants by the Company to the Shareholders (other than Excluded Shareholders) whose names appear on the register of members on the Record Date, on the basis of one (1) Warrant for every five (5) Shares held on the Record Date
“Bye-laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Excluded Shareholder(s)”	Shareholder(s) whose address(es) (as shown on the register of members of the Company on the Record Date) are not in Hong Kong and whom the Directors are of the view that it would be necessary or expedient to exclude from the Bonus Warrant Issue under the laws of the places of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Latest Practicable Date”	Thursday, 13 May 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company which may fall to be issued upon the exercise of the subscription rights attaching to the Warrant(s)
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company at the close of business on the Record Date is/are outside Hong Kong
“Record Date”	Tuesday, 8 June 2010, being the record date for ascertaining the entitlements of Shareholders to the Bonus Warrant Issue
“Registrar”	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong
“SGM”	the special general meeting of the Company be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Tuesday, 8 June 2010 at 4:30 p.m., notice of which is set out on pages 22 to 24 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company as at the Latest Practicable Date
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Warrant(s)”	warrant(s) proposed to be issued by the Company to subscribe for New Shares at an initial subscription price of HK\$0.193 per New Share, subject to adjustment, at any time from the date of the issue of the Warrants and end on the date of the second anniversary thereof (both days inclusive)
“HK\$ and cents”	Hong Kong dollar and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

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## EXPECTED TIMETABLE

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### EXPECTED TIMETABLE

The expected timetable for implementing the Bonus Warrant Issue is set forth below:

**2010**

Last day of dealings in Shares cum-entitlements to the Bonus Warrant Issue . . . . .	Friday, 28 May
First day of dealings in Shares ex-entitlements to the Bonus Warrant Issue . . . . .	Monday, 31 May
Latest time for lodging forms of transfer of Shares to ensure entitlement to the Bonus Warrant Issue . . . . .	At 4:30 p.m. on Tuesday, 1 June
Closure of register of members of the Company . . . . .	Wednesday, 2 June to Tuesday, 8 June
Record Date . . . . .	Tuesday, 8 June
Date of SGM . . . . .	Tuesday, 8 June
Despatch of the Warrant certificates . . . . .	Tuesday, 15 June
Commencement of dealings in the Warrants . . . . .	Friday, 18 June

*Note:* All time refer to Hong Kong times.

The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

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## LETTER FROM THE BOARD

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## CHINA STAR ENTERTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

*Executive Directors:*

Mr. Heung Wah Keung (*Chairman*)  
Ms. Chen Ming Yin, Tiffany (*Vice Chairman*)  
Ms. Li Yuk Sheung

*Independent non-executive Directors:*

Mr. Hung Cho Sing  
Mr. Ho Wai Chi, Paul  
Mr. Leung Hok Man

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Unit 3409, Shun Tak Centre  
West Tower  
168-200 Connaught Road Central  
Hong Kong

17 May 2010

*To Shareholders,*

Dear Sir or Madam,

### PROPOSED BONUS WARRANT ISSUE

#### INTRODUCTION

It was announced on 26 April 2010 that the Directors proposed, subject to the satisfaction of the conditions set out in the paragraph headed "Conditions to the Bonus Warrant Issue", to make the Bonus Warrant Issue to its Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one (1) Warrant for every five (5) Shares held on the Record Date.

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## LETTER FROM THE BOARD

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### SUBSCRIPTION PRICE AND SUBSCRIPTION PERIOD

The Warrants will be issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for one new Share at an initial subscription price of HK\$0.193, subject to customary anti-dilutive adjustments in market transactions of this type in certain events as more particularly set out in the appendix to this circular, at any time during the period which is expected to commence on the date of the issue of the Warrants and end on the date of the second anniversary thereof (both dates inclusive).

The initial subscription price of HK\$0.193 represents:

- (i) the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on 26 April 2010;
- (ii) a premium of approximately 3.32% over the average closing price of approximately HK\$0.1868 per Share as quoted on the Stock Exchange for the past five trading days ended on 23 April 2010, being the last trading day immediately prior to the date of the announcement in relation to the Bonus Warrant Issue; and
- (iii) a premium of approximately 28.67% over the closing price of HK\$0.15 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### SHARES TO BE ISSUED UPON EXERCISE OF THE WARRANTS

On the basis of 2,889,286,368 Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 577,857,273 Warrants would be issued pursuant to the Bonus Warrant Issue. Full exercise of the subscription rights attaching to the 577,857,273 Warrants at the initial subscription price of HK\$0.193 per New Share would result in the issue of 577,857,273 New Shares, representing approximately 20% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of such New Shares, and the receipt by the Company of subscription monies totaling of approximately HK\$111.53 million.

As at the Latest Practicable Date, the Company has 383,698,430 options (the "Option(s)") which entitles the holders thereof to subscribe 383,698,430 Shares. Save for the Options, the Company does not have any equity securities which remain to be issued on exercise of any other subscription rights as described in Rule 15.02(1) of the Listing Rules. Given options granted by the Company under share option schemes of the Company which comply with Chapter 17 under the Listing Rules are excluded for the purpose of Rule 15.02(1) of the Listing Rules, the Options will be excluded from twenty per cent limitation under Rule 15.02(1) of the Listing Rules. Therefore, if the Warrants are immediately exercised, such exercise will not exceed 20% of the issued equity capital of the Company at the time such Warrants are issued.



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## LETTER FROM THE BOARD

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All the issued Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. All the New Shares which will be issued upon exercise of the Warrants will rank pari passu in all respects with the existing Shares in issue including as regards to all rights as to dividends, voting and return of capital.

The issued Shares are listed on the Stock Exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

Save as disclosed in this circular, no share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

### **FRACTIONAL ENTITLEMENTS**

Fractional entitlements to the Warrants (if any) will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The net proceeds of sale will be retained for the benefit of the Company.

### **OVERSEAS SHAREHOLDERS**

In determining whether it would be necessary or expedient to exclude an Overseas Shareholder who is registered as a member of the Company on the Record Date, the Directors will make enquiry pursuant to Rule 13.36(2)(a) of the Listing Rules regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange of the relevant place in which such Overseas Shareholder is residing. If the Directors are of the view that, after such enquiry, the exclusion of such Overseas Shareholder is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Warrants will not be granted to such Overseas Shareholder(s).

In view of the above, the Warrants which would otherwise be issued to such Overseas Shareholder(s) under the Bonus Warrant Issue will be sold in the market as soon as possible if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to such Overseas Shareholder. Remittance thereof will be posted to it, at its own risk, unless the amount falling to be distributed to such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

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## LETTER FROM THE BOARD

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Based on the register of members of the Company as at the Latest Practicable Date, the Overseas Shareholders are situated in the Singapore, The People's Republic of China and Macau. Given that the register of members of the Company would be closed from Wednesday, 2 June 2010 to Tuesday, 8 June 2010 and no Shares would be transferred during the book closure period, the register of members of the Company on the Record Date would be the same as that on the date of latest time for lodging forms of transfer of Shares that is on Tuesday, 1 June 2010. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries with its legal advisers in these jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the Warrants to such Overseas Shareholders.

Based on the legal opinions provided by the relevant legal advisers in the Singapore, The People's Republic of China and Macau, the Directors are of the view that the Warrants can be offered to the Overseas Shareholders in these jurisdictions as there are no legal restrictions on the offering of the Warrant to these Overseas Shareholders which would be onerous for the Company to comply with. Accordingly, there are no Excluded Shareholders.

It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Warrant.

### **CONDITIONS TO THE BONUS WARRANT ISSUE**

The Bonus Warrant Issue will be conditional upon the following conditions:

- (a) the passing by the Shareholders at the SGM of the necessary resolution to approve the issue of the Warrants and any New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants and any transactions contemplated thereunder; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrants and any New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

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## **LETTER FROM THE BOARD**

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### **REASONS FOR THE BONUS WARRANT ISSUE**

The Group is principally engaged in film production, distribution of film and television drama series, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment. The Directors believe that the Bonus Warrant Issue will provide the Shareholders with an opportunity to participate in the growth of the Company. The Bonus Warrant Issue will also strengthen the equity base of the Company and increase the Company's working capital if and when the subscription rights attaching to the Warrants are exercised.

The Company intends to apply any subscription monies received as and when subscription rights are exercised towards the general working capital of the Group or for the future business development or for such other purposes as the Directors deem necessary, taking into consideration the requirements of the Company prevailing at the relevant time.

### **LISTING**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. The New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will rank pari passu in all respects with the then existing issued Shares.

Subject to the granting of listing of, and permission to deal in, the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. No part of the securities of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought.

### **CERTIFICATES FOR THE WARRANTS AND BOARD LOT**

Subject to the satisfaction of the conditions to the Bonus Warrant Issue, it is expected that certificates for the Warrants will be posted on or before Tuesday, 15 June 2010 at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company.

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## **LETTER FROM THE BOARD**

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Dealings in the Warrants are expected to commence on the Stock Exchange on Friday, 18 June 2010. The Warrants are expected to be traded on the Stock Exchange in board lots of 5,000 Warrants carrying rights to subscribe for 5,000 Shares at HK\$965 at the initial subscription price of HK\$0.193 per Share (subject to adjustment).

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

The register of members of the Company will be closed from Wednesday, 2 June 2010 to Tuesday, 8 June 2010 (both days inclusive) in order to establish entitlements of the Shareholders to the Bonus Warrant Issue.

The last day for dealing in Shares cum-entitlements to the Bonus Warrant Issue will be on Friday, 28 May 2010. In order to qualify for the Bonus Warrant Issue, all outstanding transfer of Shares should be lodged with the branch share registrar of the Company in Hong Kong, Computershares Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 1 June 2010.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the constitution of the Company and Bermuda company law pursuant to Rule 19.10(3) of the Listing Rules is available for inspection during normal business hours from Monday to Friday at the principal place of business in Hong Kong of the Company at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong, from the date of this circular up to and including Tuesday, 1 June 2010, being the latest time for lodging forms of transfer of Shares to ensure entitlement to the Bonus Warrant Issue.

### **THE SGM**

A notice convening the SGM to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Tuesday, 8 June 2010 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolution to approve the Bonus Warrant Issue are set out on pages 22 to 24 of this circular.

No Shareholder is required to abstain from voting on the relevant resolution in respect of the Bonus Warrant Issue.

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## LETTER FROM THE BOARD

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A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### RESPONSIBILITY STATEMENT

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 not contained herein the omission of which would make any statement herein misleading.

### RECOMMENDATION

The Directors consider the terms of the Bonus Warrant Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution proposed at the SGM.

### GENERAL

Your attention is also drawn to the information set out in the appendix to this circular.

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

The Warrants will be issued subject to and with benefit of an instrument by way of deed poll (the “**Instrument**”) and they will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The principal terms and conditions of the Warrants will be set out in the Warrant Certificates (as defined in the Instrument) and will include provisions to the effect set out below. Warrantholders (as defined in the Instrument) will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

## 1. EXERCISE OF SUBSCRIPTION RIGHTS

- (A) The registered holder for the time being of a Warrant will have the rights (the “**Subscription Rights**”) for each unit of the Warrants to subscribe in cash the whole or part (in integral multiples of HK\$0.193) of the amount in respect of which the Warrant is issued for fully paid new Shares at an initial subscription price of HK\$0.193 per Share (subject to the adjustments referred to below) (the “**Subscription Price**”). The Subscription Rights attaching to the Warrants may be exercised during the subscription period being the period of 24 calendar months from the date of issue of the Warrants which is expected to be Tuesday, 15 June 2010 (the “**Subscription Period**”). The business day falling during the Subscription Period on which any of the Subscription Rights are duly exercised is referred to in this summary as a “**Subscription Date**”. Any Subscription Rights which have not been exercised during the Subscription Period will lapse and the relevant Warrant Certificates will cease to be valid for any purpose. Reference in this summary to “**Shares**” are to the existing Shares of the Company and all other (if any) Shares from time to time and for the time being ranking pari passu therewith.
- (B) Each Warrant Certificate will contain a subscription form. In order to exercise his Subscription Rights, a Warrantholder must complete and sign the subscription form (which shall, once signed and completed, be irrevocable) and deliver the Warrant Certificate (and, if the subscription form used is not the form endorsed on the Warrant Certificate, the separate subscription form) to the Registrar (as defined in the Instrument), together with a remittance for the relevant subscription monies (or in a case of a partial exercise, the relevant portion of the subscription monies), for the new Shares in respect of which the Subscription Rights are being exercised. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (C) No fraction of a Share will be allotted but any balance representing fractions of the subscription monies paid on the exercise of the Subscription Rights will be refunded to the person or persons whose name(s) stand(s) in the register of Warranholders as the holder(s) of the relevant Warrant, provided always that if the Subscription Rights comprised in two or more Warrant Certificates are exercised at the same time by the same Warranholder then, for the purpose of determining whether any (and if so, what) fraction of a Share arises, the Subscription Rights represented by such Warrant Certificate shall be aggregated.
- (D) The Company undertakes in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted, subject to any shorter period as prescribed or required by the Stock Exchange from time to time, not later than 28 days after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date and other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (E) As soon as practicable after the relevant allotment of Shares (and, subject to any shorter period as prescribed by the Stock Exchange from time to time, not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warranholder:
- (i) a certificate (or certificates) for the relevant Shares in the name of such Warranholder;
  - (ii) (if applicable) a balance Warrant Certificate in registered form in the name of such Warranholder in respect of any Subscription Rights remaining unexercised; and
  - (iii) (if applicable) a refund cheque representing the fractional entitlement to Shares not allotted as mentioned in sub-paragraph (C) above.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balance Warrant Certificate (if any) and the refund cheque in respect of the fractional entitlements (if any) will be sent by post at the risk of such Warranholder to the address of such Warranholder or (in the case of a joint holding) to that one of them whose name stands first in the Register. If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Registrar to await collection by the relevant Warranholder.

**2. ADJUSTMENTS OF SUBSCRIPTION PRICE**

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

- (A) The Subscription Price shall (except as mentioned in sub-paragraphs (B) and (C) below) be adjusted as provided in the Instrument in each of the following cases:
- (i) an alteration of the nominal amount of each Share by reason of any consolidation or sub-division;
  - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of its Shares in their capacity as such;
  - (iv) a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
  - (v) an offer or grant being made by the Company to Shareholders of new Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 90% of the market price (calculation as provided in the Instrument);
  - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90% of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of the market price;
  - (vii) an issue being made wholly for cash of Shares (other than pursuant to an Employee Share Option Scheme (as defined in the Instrument)) at a price less than 90% of the market price (calculated as provided in the Instrument); and



- (viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchases made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (B) Except as mentioned in sub-paragraph (C) below, no such adjustment as is referred to in sub-paragraphs (ii) to (vii) of sub-paragraph (A) above shall be made in respect of:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
  - (ii) an issue of Shares or other securities of the Company or any of its subsidiaries wholly or partly convertible into, or rights to acquire, Shares to directors or employees of the Company or any of its subsidiaries pursuant to an Employee Share Option Scheme;
  - (iii) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) (or other profits or reserves) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or rights to acquire, Shares); or
  - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount of not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which Shareholders could elect to or would otherwise receive in cash.

- (C) Notwithstanding the provisions referred to in sub-paragraphs (A) and (B) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint either an approved financial adviser (as defined in the Instrument) or auditors of the Company to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved financial adviser or the auditors of the Company (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved financial adviser or the auditors of the Company (as the case may be) to be in their opinion appropriate.
- (D) Any adjustment to the Subscription Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one-tenth of a cent and any adjustment which would otherwise then be required shall not be carried forward. No adjustment may be made (except on a consolidation of Share into Shares of a larger nominal amount) which would increase the Subscription Price.
- (E) Every adjustment to the Subscription Price will be certified by the auditors of the Company or an approved financial adviser in accordance with sub-paragraph (C) above and notice of each adjustment (giving the relevant particulars) will be given to the Warranholders. In giving any certificate or making any adjustment hereunder, the auditors of the Company or the approved financial adviser shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on the Company and Warranholders and all persons claiming through or under them respectively. Any such certificate of the auditors of the Company and/ or approved financial adviser will be available at the principal place of business for the time being of the Company in Hong Kong, where copies may be obtained without charge.

**3. REGISTERED WARRANTS**

The Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not except as ordered by a Court of competent jurisdiction or required by law be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

**4. WINDING UP OF THE COMPANY**

- (A) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company (such surrender to occur not later than two business days prior to the proposed shareholders' meeting referred to above) with the subscription form(s) duly completed, together with payment of the subscription monies or the relative portion thereof, to exercise the Subscription Rights represented by such Warrants and the Company shall as soon as practicable and in any event not later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrants. The Company shall give notice to the Warrantholder of the passing of such resolution within 7 days after the passing thereof.
  
- (B) If an effective resolution is passed during the Subscription Period for the voluntary winding up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by special resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and the Warrant Certificates will cease to be valid for any purpose.

**5. TRANSFER, TRANSMISSION AND REGISTER**

The Subscription Rights represented by the Warrant Certificate are transferable, in whole amounts or integral multiples of the Subscription Price for the time being in force, by instrument of transfer in any usual or common form or such other form as may be approved by the Directors, by an instrument of transfer executed under the hands by the authorized person(s). Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the board of Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s), as the case may be. For this purpose, the Company shall maintain the Register and the provisions of the bye-laws of the Company for the time being in relation to the registration, transfer and transmission of Shares shall apply, mutatis mutandi, to the registration, transfer and transmission of the Warrants and shall have full effect as if the same had been incorporated herein.

Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, particularly during the period commencing ten business days prior to and including the last day for subscription.

Since the Warrants will be admitted to the Central Clearing and Settlement System (“CCASS”), so far as applicable laws or regulations of relevant regulatory authorities, terms of the instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before Thursday, 14 June 2012.

**6. CLOSURE OF REGISTER OF WARRANTHOLDERS**

The registration of transfers may be suspended and the Register may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed for a period of more than 60 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the Register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the Register.

**7. PURCHASE AND CANCELLATION**

The Company or any of its subsidiaries may at any time purchase Warrants:

- (i) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (ii) by private treaty upon terms to be agreed between the parties, but the price of which shall in any event not exceeding 110% of the Exercise Monies (as defined in the Instrument),

but not otherwise.

All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or resold.

**8. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (A) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by special resolution of the provisions of the Instrument and/or the terms and conditions endorsed in the Warrant Certificate. A special resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (B) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up), be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the conditions endorsed on the Warrant Certificate and/or the Instrument) and the sanction of a special resolution shall be necessary and sufficient to effect such alteration or abrogation.
- (C) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder of the Company.

**9. OVERSEAS WARRANTHOLDERS**

If a Warrantholder has a registered address in any territory other than Hong Kong where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall as soon as practicable after exercise by such Warrantholder of any Subscription Rights either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or
- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company; in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relevant Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all brokerages, commissions, stamp duty, withholding tax and all other payments, charges or taxes incurred by the Company in respect thereof) by posting the relevant remittance to him at his risk.

**10. REPLACEMENT OF WARRANT CERTIFICATES**

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the Registrar on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such scrip fee not exceeding the maximum fee as may from time to time be permitted by the Stock Exchange as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, section 71A subsections (2), (3), (4), (6), (7) and (8) of the Company Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if “shares” referred to herein included Warrants.

**11. PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument contains undertakings by and restrictions on the Company designed to protect the Subscription Rights.

**12. CALL**

If, at any time Warrants which have not been exercised carry rights to subscribe less than 10% in value of all Subscription Rights, the Company may, on giving not less than 3 months' notice, require the Warranholders either to exercise their Subscription Rights represented or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without any compensation to the holders of such Warrants.

**13. FURTHER ISSUE**

The Company shall subject to the Listing Rules from time to time be at liberty to issue further subscription warrants, including warrants ranking *pari passu* with the Warrants, however, the Warranholders will not be entitled to participate in any distributions or further issues of securities by the Company as a result of them being Warranholders.

**14. NOTICES**

- (A) The Instrument contains provisions relating to notices to be given to the Warranholders.
- (B) Every Warranholder shall register with the Company an address in Hong Kong or elsewhere to which notices can be sent and if any Warranholder shall fail to do so, notice may be given to such Warranholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for 3 days at the principal place of business for the time being of the Company in Hong Kong.
- (C) A notice may be given by delivery, prepaid letter (airmail in the case of an overseas address), facsimile or by way of announcement in accordance with the requirements of the Stock Exchange.
- (D) All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the holders of such Warrants.

**15. GOVERNING LAW**

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

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## NOTICE OF SGM

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### CHINA STAR ENTERTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

**NOTICE IS HEREBY GIVEN** that the special general meeting of China Star Entertainment Limited (“**Company**”) will be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Tuesday, 8 June 2010 at 4:30 p.m. for the purpose to consider as special business and, if thought fit, pass with or without modifications, the following resolution as ordinary resolution of the Company:

“**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Warrants (as defined below) and any new shares of the Company (the “**Shares**”) which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, the directors of the Company be and are hereby authorised:

- (a) to create warrants (“**Warrants**”), which shall be in registered form, carrying rights to subscribe for new Shares at the initial subscription price of HK\$0.193 per Share (subject to adjustment) and shall be exercisable at any time from the date of the issue of the Warrants and end on the date of the second anniversary thereof (both dates inclusive) on the terms and conditions set out in the warrant instrument (the “**Warrant Instrument**”) (a copy of a draft of which marked “A” is produced to this meeting and signed for the purpose of identification by the Chairman of this meeting) and to issue the same by way of bonus to and among the persons who are registered as shareholders of the Company as at the close of business on the date to be determined by the directors as the record date for the determination of entitlements to the bonus issue of the Warrants (the “**Record Date**”) in the proportion of one (1) Warrant for every five (5) Shares then held on the Record Date, provided that:
  - (i) in the case of persons having registered addresses outside Hong Kong and the directors of the Company are of the view that their exclusion from the issue of Warrants is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the relevant Warrants shall not



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## NOTICE OF SGM

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be issued to such persons but shall be aggregated and sold in the market and the net proceeds of sale, after deduction of expenses, distributed pro rata to such persons unless such amount falling to be distributed to any such person is less than \$100 in which case such amount will be retained for the benefit of the Company; and

- (ii) fractional entitlements to the Warrants will not be issued, but will be aggregated and sold for the benefit of the Company. The net proceeds of the sale will be retained for the benefit of the Company. The directors of the Company shall do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements;
- (b) as a specific mandate to the directors of the Company, to allot and issue new Shares upon exercise of the subscription rights attaching to the Warrants or any of them, such new Shares shall rank pari passu in all respects with the then existing issued Shares;
- (c) to execute the said Warrant Instrument, certificates for the Warrants and all other documents, deeds and instruments under hand or, where necessary, under seal of the Company in accordance with the bye-laws of the Company as the directors of the Company consider necessary or expedient to give effect to the Warrant Instrument and other transactions contemplated in this resolution; and
- (d) to do all such acts and things as the directors of the Company consider necessary or expedient to give effect to the transactions contemplated under this resolution or the Warrant Instrument.”

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

Hong Kong, 17 May 2010

*Registered office:*  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Unit 3409, Shun Tak Centre  
West Tower  
168-200 Connaught Road Central  
Hong Kong

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## NOTICE OF SGM

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*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the 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 such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.