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

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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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **PROPOSED ISSUE OF NEW BONUS CBs AND NOTICE OF SPECIAL GENERAL MEETING**

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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 Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 18 December 2013 at 4:30 p.m. is set out on pages 29 and 30 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able 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 and, in such event, the form of proxy shall be deemed to be revoked.

2 December 2013

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## DEFINITIONS

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

“8% CBs”	the 8% convertible bonds in the aggregate principal amount of HK\$350.00 million issued by the Company to Eternity Finance on 7 July 2011 due on the 5th anniversary of the date of their issue, of which HK\$225.00 million was outstanding as at the Latest Practicable Date
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement of the Company dated 18 November 2013 in relation to, among others, the New Bonus CBs Subscription
“Board”	the board of Directors
“Bonus CB(s)”	bonus convertible bond(s) constituted by the Existing Deed Poll carrying right entitling the holders thereof to convert its principal amount into a new Share at an initial conversion price of HK\$0.01 per Share (subject to adjustment) with the aggregate outstanding principal amount of HK\$189,674.40 as at the Latest Practicable Date
“Bonus CB(s) Holder(s)”	the holder(s) of the Bonus CB(s)
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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, an exempted company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Eternity”	Eternity Investment Limited (stock code: 764), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange

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## DEFINITIONS

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“Eternity Finance”	Eternity Finance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity
“Existing Deed Poll”	the deed poll executed by the Company on 9 January 2013 to provide for and to protect the rights and interests of the Bonus CB Holders. Detailed terms and conditions of the Bonus CBs are disclosed in the appendix to the circular of the Company dated 12 December 2012
“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
“Latest Practicable Date”	27 November 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Last Trading Day”	5 November 2013, being the last trading day for the Shares before the date of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excluding the option market) operated by the Stock Exchange
“New Bonus CB(s)”	not more than 7,586,976 units of new Bonus CBs in the aggregate principal amount of HK\$75,869.76 to be constituted by the New Deed Poll and to be issued to the Bonus CBs Holders pursuant to the New Bonus CBs Subscription
“New Bonus CBs Subscription”	the proposed subscription of New Bonus CBs offered by the Company to the Bonus CBs Holders on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the New Bonus CBs Subscription Price of HK\$0.125 per New Bonus CB
“New Bonus CBs Subscription Record Date”	Tuesday, 31 December 2013, or such other date to be determined by the Company
“New Bonus CBs Subscription Price”	HK\$0.125 per New Bonus CB
“New Deed Poll”	the deed poll and any other documents (as from time to time altered in accordance with such deed poll and/or other documents) to be executed by the Company in order to provide for and to protect the rights and interests of the holders of New Bonus CBs. Detailed terms and conditions of the New Bonus CBs are disclosed in the appendix to this circular

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## DEFINITIONS

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“New Open Offer”	the revised proposed issue by the Company of not less than 2,626,923,658 new Shares and not more than 2,719,215,073 new Shares at the subscription price of HK\$0.125 per offer Share to the qualifying Shareholders whose names appear on the register of members of the Company on Tuesday, 31 December 2013, or such other date as may be agreed between the Company and the underwriter to the New Open Offer on the basis of 2 offer Shares for every 5 existing Shares held
“Options”	the share options granted under the Share Option Schemes
“Registrar”	Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share register and transfer office of the Company in Hong Kong and the registrar and transfer agent of the Bonus CBs
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the resolution in connection with the New Bonus CBs Subscription and the transactions contemplated thereunder, at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 18 December 2013 at 4:30 p.m., notice of which is set out on pages 29 and 30 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Share Option Schemes”	the share option schemes of the Company adopted on 27 May 2002 and 28 June 2012 respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Form”	the form of subscription to be used by the Bonus CBs Holder(s) to apply for the New Bonus CBs
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, 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 New Bonus CBs Subscription is set forth below:

**2013**

Latest time for lodging proxy form of the SGM ..... at 4:30 on Monday, 16 December

The SGM ..... at 4:30 on Wednesday, 18 December

Announcement of the result of the SGM ..... Wednesday, 18 December

Latest time for lodging transfers of Bonus CBs for registration  
in order to be entitled to the New Bonus CBs Subscription ..... at 4:30 p.m. on  
Tuesday, 24 December

Register of the Bonus CBs Holders closes  
(both days inclusive) ..... Friday, 27 December to  
Tuesday, 31 December

New Bonus CBs Subscription Record Date for determining  
entitlements to the New Bonus CBs Subscription ..... Tuesday, 31 December

Posting of the Subscription Form ..... Tuesday, 31 December

**2014**

Latest time for returning the Subscription Form and payment  
for the New Bonus CBs ..... at 4:00 p.m. on Wednesday, 15 January

The New Bonus CBs Subscription becoming unconditional ..... Monday, 20 January

Announcement of the results of the New Bonus CBs Subscription ..... Monday, 20 January

Despatch of bond certificates for the New Bonus CBs ..... Wednesday, 22 January

Despatch of refund cheques to the Bonus CBs Holders if the  
New Bonus CBs Subscription is terminated ..... Wednesday, 22 January

*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. Tang Chak Lam, Gibert

*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

2 December 2013

*To the Shareholders and, for information purpose only, the Bonus CBs Holders and the holders of Options*

Dear Sir or Madam,

### **PROPOSED ISSUE OF NEW BONUS CBs AND NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

On 18 November 2013, the Company announced that it proposed the subscription of New Bonus CBs on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the price of HK\$0.125 per New Bonus CB. The New Bonus CBs Subscription is available to all Bonus CBs Holders. No excess New Bonus CBs will be offered to the Bonus CBs Holders and there is no underwriting arrangement for the New Bonus CBs Subscription. Accordingly, unsubscribed New Bonus CBs will not be issued.

The purpose of this circular is to set out further details of the New Bonus CBs Subscription, including the summary of the principal terms and conditions of the New Bonus CBs, and the notice of the SGM.

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## LETTER FROM THE BOARD

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### ISSUE OF THE NEW BONUS CBs

Under the Existing Deed Poll, the terms and conditions of the Bonus CBs confer upon the holders thereof substantially the same economic interest attached to the Shares (including rights to receive payments representing any dividends declared and paid, assets distributed and shares or other securities issued under a capitalisation issue or scrip dividend scheme of the Company, to the Shareholders as if the outstanding Bonus CBs held by them had been converted into Shares on the relevant record date), but the Bonus CBs carry no voting rights at general meetings of the Company and have no maturity date.

Under the Existing Deed Poll, if and whenever the Company shall offer to issue Shares or other securities by way of rights to its Shareholders (the “**Rights Issue**”), the Company shall, subject to compliance with the relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time offer to each Bonus CB Holder for subscription either, at the option of the Company (a) such number of Shares or securities which is equal to (i) the number of such Shares or securities offered by the Company to the Shareholders in respect of each issued Share held by them under the Rights Issue, multiplied by (ii) the number of Shares which the Bonus CB Holder would have become a holder of, had such Bonus CB Holder’s Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue, or (b) further convertible bonds on the same terms and conditions as the Bonus CBs in such amount which would on conversion thereof entitle the Bonus CB Holders of such convertible bonds to such number of Shares as is equal to (i) the number of Shares offered for subscription by the Shareholders in respect of each issued Share held by the Shareholders under the Rights Issue, multiplied by (ii) the number of Shares which the CB Holder would have become a holder of, had such Bonus CB Holder’s Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue.

As the Company has conducted the New Open Offer, the Board offers the New Bonus CBs Subscription, which is the proposed subscription of New Bonus CBs on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the price of HK\$0.125 per New Bonus CB, to all Bonus CBs Holders. Details of the New Bonus CBs Subscription are as follows:

### The New Bonus CBs Subscription

Under the New Bonus CBs Subscription, the Company proposes to raise not more than approximately HK\$0.95 million before expenses and details of which are set out as follows:

#### New Bonus CBs Subscription statistics

Basis of the New Bonus CBs Subscription:	2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date
New Bonus CBs Subscription Price:	HK\$0.125 per New Bonus CB



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## LETTER FROM THE BOARD

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Number and principal amount of outstanding Bonus CBs:	18,967,440 Bonus CBs with the aggregate principal amount of HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)
Number and principal amount of New Bonus CBs:	Not more than 7,586,976 New Bonus CBs with the aggregate principal amount of HK\$75,869.76 carrying rights entitling the holders thereof to convert their principal amount into 7,586,976 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)
Number of enlarged Bonus CBs in issue upon completion of the New Bonus CBs Subscription:	Not more than 26,554,416 Bonus CBs with the aggregate principal amount of HK\$265,544.16 carrying rights entitling the holders thereof to convert their principal amount into 26,554,416 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)

As at the Latest Practicable Date, there were 9 Bonus CBs Holders who are independent third parties of the Company and the aggregate outstanding principal amount of the Bonus CBs amounted to HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares, representing approximately 0.001% of the issued share capital of the Company as at the Latest Practicable Date, at an initial conversion price of HK\$0.01 per Share (subject to adjustment).

Assuming no outstanding Bonus CBs are exercised on or before the New Bonus CBs Subscription Record Date, a maximum of 7,586,976 New Bonus CBs in the aggregate principal amount of HK\$75,869.76 will be issued, representing 40% of the outstanding Bonus CBs as at the Latest Practicable Date and approximately 28.57% of the outstanding Bonus CBs as enlarged by the issue of the 7,586,976 New Bonus CBs in the aggregate principal amount of HK\$75,869.76 immediately after completion of the New Bonus CBs Subscription.

There is no underwriting arrangement for the New Bonus CBs Subscription. Accordingly, unsubscribed New Bonus CBs will not be issued.

### **Basis of entitlement**

The basis of the entitlement is 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the New Bonus CBs Subscription Price of HK\$0.125 per New Bonus CB. Acceptance for all or any part entitlement of a Bonus CBs Holder should be made by completing the Subscription Form and lodging the same with a remittance of the total New Bonus CBs Subscription Price payable for the New Bonus CBs being subscribed for.

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## LETTER FROM THE BOARD

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### **New Bonus CBs Subscription Price**

The New Bonus CBs Subscription Price is HK\$0.125 per New Bonus CB, payable in full upon application.

Given that each New Bonus CB carries right entitling the holder thereof to convert its principal amount into one new Share at an initial conversion price of HK\$0.01 (subject to adjustment), the New Bonus CBs Subscription Price of HK\$0.125 represents:

- (a) a discount of approximately 3.85% to the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 1.57% to the average closing price of approximately HK\$0.127 per Share for the last five consecutive trading days immediately prior to the Last Trading Day; and
- (c) a premium of approximately 13.64% over the closing price of HK\$0.110 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Qualifying Bonus CBs Holders**

The New Bonus CBs Subscription is available to all Bonus CBs Holders. The Company will send the Subscription Form to all Bonus CBs Holders on Tuesday, 31 December 2013.

To qualify for the New Bonus CBs Subscription, the name of the Bonus CBs Holders must at the close of business on the New Bonus CBs Subscription Record Date be registered on the register of Bonus CB Holders.

In order to be registered as Bonus CB Holders of the Company prior to the close of business on the New Bonus CBs Subscription Record Date, Bonus CBs Holders must lodge any transfers of Bonus CBs (together with the relevant Bonus CBs certificates) for registration with Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 December 2013.

For the avoidance of doubt, any of the existing Bonus CBs which is converted into Shares on or before Tuesday, 31 December 2013, being the record date for determining entitlements to the New Open Offer, will not be entitled to the New Bonus CBs Subscription but will be entitled to the New Open Offer. Please refer to the Announcement for details of the New Open Offer.

### **Closure of register of Bonus CBs Holders for the New Bonus CBs Subscription**

The register of Bonus CBs Holders will be closed from Friday, 27 December 2013 to Tuesday, 31 December 2013, both days inclusive in order to determine the entitlement of the New Bonus CBs Subscription. No transfer of Bonus CBs will be registered during the book closure period.

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## LETTER FROM THE BOARD

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### **Conditions of the New Bonus CBs Subscription**

The completion of the New Bonus CBs Subscription is conditional upon,

- (i) the obtaining of the Shareholder's approval, other than those who are the Bonus CBs Holders and those who are required to abstain from voting under the Listing Rules, on the New Bonus CBs Subscription and the transactions contemplated thereunder (including but not limited to the issue of the New Bonus CBs and the allotment and issue of the new Shares upon the exercise of the conversion rights attaching thereto) at the SGM;
- (ii) the New Open Offer having become unconditional; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be allotted and issued upon conversion of the New Bonus CBs.

### **Status of the New Bonus CBs to be issued under the New Bonus CBs Subscription and Shares issuable upon conversion of the New Bonus CBs**

The New Bonus CBs to be issued under the New Bonus CBs Subscription will be on the same terms and conditions as the existing Bonus CBs constituted by the Existing Deed Poll. Before conversion, the New Bonus CBs do not carry voting rights at general meetings of the Company.

The new Shares which may fall to be allotted and issued on conversion of the New Bonus CBs, upon issue, will rank *pari passu* in all respects with the Shares then in issue on the date of such allotment and issue, including the entitlement to receive dividends and other distributions on the relevant record date which is on or after the date of allotment and issue of those Shares.

### **New Bonus CBs certificates and refund cheques for the New Bonus CBs Subscription**

Subject to the fulfillment of the conditions of the New Bonus CBs Subscription, certificates for all fully-paid New Bonus CBs are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 22 January 2014. If the New Bonus CBs Subscription is terminated, refund cheques will be despatched on or before Wednesday, 22 January 2014 by ordinary post at the respective Bonus CBs Holders' own risk.

### **No application for excess New Bonus CBs**

No excess New Bonus CBs will be offered to the Bonus CBs Holders and unsubscribed New Bonus CBs will not be issued.

### **Fractions of the New Bonus CBs**

Fractional entitlements to the New Bonus CBs will not be issued to the Bonus CBs Holders.

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## LETTER FROM THE BOARD

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### **Principal terms and conditions of the New Bonus CBs**

The New Bonus CBs shall be constituted by the New Deed Poll. The terms and conditions of the New Bonus CBs would be the same as the Bonus CBs constituted by the Existing Deed Poll. The principal terms and conditions of the New Bonus CBs are set out in the appendix to this circular.

### **Overseas Bonus CBs Holders**

To participate in the New Bonus CBs Subscription by persons not being a resident of Hong Kong or with a register address in jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Bonus CBs Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdiction.

Please refer to “Subscription procedures for New Bonus CBs” below in this letter for details.

As at the Latest Practicable Date, no Bonus CBs Holders’ registered address was outside Hong Kong.

### **Application for listing**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be allotted and issued upon conversion of the New Bonus CBs as soon as possible. No application will be made for the listing of, or permission to deal on, the New Bonus CBs on the Stock Exchange or any other recognised stock or securities exchanges.

The new Shares to be allotted and issued upon conversion of the New Bonus CBs will be allotted and issued under a specific mandate to be sought from the Shareholders at the SGM.

### **Reasons for the New Bonus CBs Subscription and use of proceeds**

As the Company has conducted the New Open Offer, the Board offers the New Bonus CBs Subscription to the Bonus CBs Holders in order to fulfill the Company’s obligations under the Existing Deed Poll. As such, the Board considers that the New Bonus CBs Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole. After deducting all relevant expenses relating to the New Bonus CBs Subscription, the net price per New Bonus CBs under the New Bonus CBs Subscription will be approximately HK\$0.112.

The net proceeds of the New Bonus CBs Subscription will be used for the general working capital of the Company.

**However, those Bonus CBs Holders who do not subscribe for the New Bonus CBs to which they are entitled should note that their holdings in the Company would be diluted upon the conversion rights attached to the Bonus CBs and the New Bonus CBs into new Shares are exercised in full.**

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## LETTER FROM THE BOARD

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### Warning of the risk of dealings in the Bonus CBs

**Bonus CBs Holders and potential investors should note that the New Bonus CBs Subscription is subject to the satisfaction of the conditions as set out in the section headed “Conditions of the New Bonus CBs Subscription”. Accordingly, the New Bonus CBs Subscription may or may not proceed.**

**Bonus CBs Holders and potential investors should exercise extreme caution when dealing in the Bonus CBs, and if they are in any doubt about their position, they should consult their professional advisers.**

### Adjustments to the Options and the 8% CBs

Adjustments to the exercise prices and numbers of the Options and the conversion price of the 8% CBs may be required under the Share Option Schemes and the relevant terms under the deed poll constituting the 8% CBs as a result of the New Bonus CBs Subscription. An approved financial adviser or the auditors of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the Options and the conversion price of the 8% CBs. Further announcement will be made by the Company in this regard as and when appropriate.

### SUBSCRIPTION PROCEDURES FOR NEW BONUS CBs

The Subscription Form will be sent to the Bonus CBs Holders to whom it is addressed on the register of Bonus CBs Holders to subscribe for the New Bonus CBs as shown therein on Tuesday, 31 December 2013. The Bonus CBs Holders should note that they may only subscribe for any number of New Bonus CBs only up to the number set out in the Subscription Form.

If the Bonus CBs Holders wish to exercise their rights to subscribe for all the New Bonus CBs offered to them as specified in the Subscription Form or to exercise their rights to subscribe for any number less than their entitlements under the New Bonus CBs Subscription, they must complete, sign and lodge the Subscription Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of New Bonus CBs they have subscribed for with the Registrar of the Bonus CBs, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Wednesday, 15 January 2014. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers’ cashier’s orders must be issued by, a licensed bank in Hong Kong and made payable to **“China Star Entertainment Limited — Open Offer Account”** and crossed **“Account Payee Only”**.

It should be noted that unless the duly completed and signed Subscription Form, together with the appropriate remittance, have been lodged with the Registrar, Computershare Hong Kong Investor Services Limited, by not later than 4:00 p.m. on Wednesday, 15 January 2014, the relevant entitlement and rights of New Bonus CBs under the New Bonus CBs Subscription shall be deemed to have been lapsed and will be cancelled.

The Subscription Form contains full information regarding the procedures to be followed if the Bonus CBs Holder wishes to accept whole or part of his/her/its entitlement.

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## LETTER FROM THE BOARD

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All cheques or cashier's orders accompanying completed Subscription Form will be presented for payment upon receipt and all interests accrued thereon (if any) will be retained for the benefit of the Company. Completion and return of the Subscription Form with a cheque and/or cashier's order, will constitute a warranty by the Bonus CB Holder that the cheque and/or cashier's order will be honoured on first presentation. Any subscription in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the New Bonus CBs Subscription are not fulfilled or is terminated before the latest time for the New Bonus CBs Subscription becoming unconditional (i.e. Monday, 20 January 2014), the monies received in respect of the acceptance of the New Bonus CBs Subscription will be refunded, without interests, by sending a cheque made out to the Bonus CBs Holders (or in the case of joint holders, to the first named Bonus CB Holders) and crossed "Account Payee Only", through ordinary post at the risk of the Bonus CB Holders to the address specified in the Register on or before Wednesday, 22 January 2014.

To participate in the New Bonus CBs Subscription by persons not being a resident of Hong Kong or with a register address in jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Bonus CBs Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdiction.

It is the responsibility of any such persons who wish to subscribe for the New Bonus CBs to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any subscription application made by any person will be deemed to constitute a representation and warranty from such person to the Company that the local laws and requirements have been fully complied with. Bonus CBs Holders should consult their professional advisers if in doubt.

The Subscription Form is for use only by the person(s) name therein and is not transferable.

No receipt will be issued in respect of any subscription monies received.

### **LISTING, DEALING AND SETTLEMENT**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Shares to be allotted and issued upon conversion of the New Bonus CBs. Subject to the fulfillment of the conditions under the section headed "Conditions of the New Bonus CBs Subscription" above and the New Bonus CBs Subscription is not terminated by the Company, certificates for the New Bonus CBs are expected to be despatched by ordinary post to Bonus CBs Holders entitled thereto to their respective addresses shown on the register of Bonus CBs Holders on the New Bonus CBs Subscription Record Date at their own risk on or about Wednesday, 22 January 2014. In the case of joint interest, the certificates for the New Bonus CBs will be despatched by ordinary post to the address of the Bonus CBs Holder first named in the register of Bonus CBs Holders in respect of such joint interest at their own risk.

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## LETTER FROM THE BOARD

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Subject to the granting of the listing of, and permission to deal in, the new Shares to be allotted and issued upon conversion of the New Bonus CBs, as well as compliance with the stock admission requirements of HKSCC, the new Shares to be allotted and issued upon conversion of the New Bonus CBs will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of their dealings on the Stock Exchange or such other date as shall be 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.

None of the Shares are listed or dealt in on any stock exchange other than the Stock Exchange, and the new Shares to be allotted and issued upon conversion of the New Bonus CBs will not be listed or dealt on any stock exchange other than the Stock Exchange at the time of the allotment and issue of the new Shares, and no such listing or permission to deal is being or is proposed to be sought. Bonus CBs Holders should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements for the new Shares to be allotted and issued upon conversion of the New Bonus CBs and how such arrangements affect their rights and interests.

### **Subscription Form**

The Subscription Form is expected to be posted on Tuesday, 31 December 2013.

The Subscription Form has been prepared for use by the Bonus CBs Holders who wish to receive their entitlements under the New Bonus CBs Subscription wholly or partly in the New Bonus CBs. Please read carefully the instructions below and the instructions printed on the Subscription Form.

If the Bonus CBs Holder wishes to subscribe for all of his/her/its entitlements to the New Bonus CBs under the New Bonus CBs Subscription, please DULY COMPLETE, SIGN, DATE and RETURN the Subscription Form together with the remittance for the New Bonus CBs being subscribed for in accordance with the instructions printed on the Subscription Form.

If the Bonus CBs Holder does not specify the number of New Bonus CBs in respect of which the Bonus CBs Holder wishes to subscribe for the Bonus CBs Holder will be deemed to have elected to subscribe for all of the New Bonus CBs entitled in the Subscription Form. If the amount remitted is less than that required for the number of the New Bonus CBs inserted or entitled in the Subscription Form, the Bonus CBs Holders will be deemed to have subscribed for the number of the New Bonus CBs for which payment has been made.

If the amount remitted by the Bonus CBs Holder is greater than all of his/her/its entitled New Bonus CBs as stated in the Subscription Form, the Bonus CBs Holder will be deemed to subscribe for all of the Bonus CBs Holder's entitlements to the New Bonus CBs under the New Bonus CBs Subscription and refund cheque will be posted to the Bonus CBs Holders at their own risk on or before, Wednesday, 22 January 2014.



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## LETTER FROM THE BOARD

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The Subscription Form should be completed and returned in accordance with the instructions printed thereon, so that they are received by the Registrar no later than 4:00 p.m. on Wednesday, 15 January 2014.

The latest time for return of the Subscription Form mentioned above will not be valid if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- a. in force in Hong Kong at any local time at or before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 15 January 2014. Instead, the deadline for the submission of the Subscription Form will be extended to 5:00 p.m. on the same day; and
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 15 January 2014. Instead, the deadline for the submission of the Subscription Form will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force at any time between 9:00 a.m. and 4:00 p.m..

Failure to complete and return the Subscription Form in accordance with the instructions printed thereon will result in the relevant Bonus CBs Holder’s entitlements under the New Bonus CBs Subscription being rejected. No acknowledgement of receipt of the Subscription Form will be issued. After the relevant Subscription Form is signed and returned to the Registrar, the Subscription Form shall not be in any way withdrawn, revoked, superseded or altered.

### Stamp Duty

Dealings in the new Shares to be issued on conversion of the New Bonus CBs will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong. The Bonus CBs Holders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the new Shares to be issued and allotted upon conversion of the New Bonus CBs. It is emphasized that none of the Company, the Directors or any other parties involved in the New Bonus CBs Subscription accepts responsibility for any tax implication or liabilities of the Bonus CBs Holders.

### ACTION TO BE TAKEN

Subject to the fulfillment of the conditions of the New Bonus CBs Subscription and the New Bonus CBs Subscription is not terminated before the latest time for the New Bonus CBs Subscription becoming unconditional (i.e. Monday, 20 January 2014), the Subscription Form will be posted to the Bonus CBs Holders on Tuesday, 31 December 2013. The Bonus CBs Holder who wishes to subscribe for the New Bonus CBs must complete and return the Subscription Form in accordance with the instructions printed thereon by 4:00 p.m on Wednesday, 15 January 2014. Failure to do so may result in such Subscription Form being void or having no effect.



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## LETTER FROM THE BOARD

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### ATTENTION

Although each Bonus CBs Holder will be given an option to subscribe for the New Bonus CBs under the New Bonus CBs Subscription, the Board would like to draw the attention of the Bonus CBs Holders that:

- (a) although New Bonus CBs have substantially the same economic interest attached to the Shares (including rights to receive payments representing any dividends declared and paid, assets distributed and shares or other securities issued under a capitalisation issue or scrip dividend scheme of the Company), they carry no interest and no voting rights at general meetings of the Company;
- (b) the New Bonus CBs will be unlisted and irredeemable, they will have less marketability given the realisation of the New Bonus CBs requires their conversion into new Shares and subsequently selling the new Shares in the market;
- (c) the New Bonus CBs can only be assigned or transferred to the transferee subject to the consent of the Company; and
- (d) although Bonus CBs Holder(s) have the right at any time after the issue of the New Bonus CB to convert the whole or part of the outstanding principal amount of the New Bonus CB registered in its name into Shares provided that any conversion of the New Bonus CB (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bonus CB Holder which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (ii) will not cause the public float of the Company unable to meet the requirement under Rule 8.08 of the Listing Rules, the Bonus CB Holder shall, subject to compliance with the procedures set out in the New Deed Poll.

The Bonus CBs Holders are recommended to review the terms and conditions of the New Bonus CBs which are set out in the appendix to this circular.

**The Company reserves the right to refuse to accept any application for the New Bonus CBs or any transfer of the Bonus CBs prior to the New Bonus CBs Subscription Record Date if it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdictions.**

### THE SGM

A notice convening the SGM to be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 18 December 2013 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 New Bonus CBs Subscription and the transactions contemplated thereunder is set out on pages 29 and 30 of this circular.

The issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs will be allotted and issued under a specific mandate to be sought at the SGM. The SGM will be convened for the Shareholders to approve the issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs. Given that the Bonus CB Holders have interests in the New Bonus CBs Subscription, the Shareholders who are the Bonus CBs Holders and those who are required to abstain from voting under the Listing Rules will be required to abstain from voting to approve the issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs at the SGM.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Bonus CBs were held by 9 Bonus CBs Holders who are independent third parties of the Company. To the best of Directors knowledge, information and belief having made all reasonable enquires, among the 9 Bonus CBs Holders, 9,425,652 Shares were held by Mr. Lei Hong Wai (“**Mr. Lei**”, an employee of the Company, the chairman of the board of directors of Eternity, an executive director of Eternity and a substantial shareholder (as defined under the Listing Rules) of Eternity) and 3,068 Shares were held by other 7 Shareholders as at the Latest Practicable Date. Assuming Mr. Lei and other 7 Shareholders do not transfer or convert their Bonus CBs or dispose of their Shares on or before the date of the SGM, Mr. Lei and other 7 Shareholders hold an aggregate of 9,428,720 Shares, representing approximately 0.14% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolution to approve the issue of New Bonus CBs at the SGM.

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 and, in such event, the form of proxy shall be deemed to be revoked.

### 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.

### VOTING BY POLL

Pursuant to the Listing Rules, any vote of the Shareholders at a general meeting (except resolution that relates purely to procedural or administrative matter) must be taken by poll. Therefore, the chairman of the SGM will demand a poll for the resolution set out in the notice of the SGM. After the conclusion of the SGM, the results of the poll will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at [www.chinastar.com.hk](http://www.chinastar.com.hk).

### RECOMMENDATION

The Directors consider the terms of the New Bonus CBs Subscription and the transactions contemplated thereunder to be 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 to be 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  
**China Star Entertainment Limited**  
**Heung Wah Keung**  
*Chairman*

The terms and conditions of the New Bonus CBs would be the same as the Bonus CBs. The New Bonus CBs will be issued under the New Bonus CBs Subscription subject to and with the benefit of the New Deed Poll to be executed by the Company and they shall be issued in registered form and have form one class and rank pari passu in all respects with each other.

The principal terms and conditions of the New Bonus CBs as set out in the certificates for the New Bonus CBs and will include provisions to the effect set out below.

The holders of the New Bonus CBs (the “**New Bonus CB Holders**”) will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and the provisions of the New Deed Poll, a copy of the draft of which is available for inspection by the Shareholders or the Bonus CB Holders at the head office and principal place of business of the Company located at Unit 3409 Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any Business Day, up to and including Wednesday, 15 January 2014.

## 1. STATUS AND VOTING RIGHTS

### (A) Status

The New Bonus CB constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the New Bonus CB shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. No application will be made for a listing of the New Bonus CB on the Stock Exchange or any other stock exchange.

### (B) Voting Rights

The New Bonus CB Holders shall not be entitled to attend or vote at any meetings of the Company by reason only it being the New Bonus CB Holder.

## 2. FORM AND TITLE

### (A) Form

The New Bonus CB is issued in registered form. A bond certificate (each, a “**Certificate**”) will be issued to each Bonus CB Holder in respect of its registered holding of the New Bonus CB. The New Bonus CB and the Certificate will be numbered with an identifying number which will be recorded on the relevant Certificate and in the register of the New Bonus CB Holders (the “**CB Register**”) kept by or on behalf of the Company.

### (B) Title

The holder of the New Bonus CB whose name is entered in the CB Register will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it or any entry on the CB Register) and no person will be liable for so treating the holder.

**3. TRANSFERS OF NEW BONUS CB AND ISSUE OF CERTIFICATES****(A) Transfer**

The New Bonus CB Holder may only assign or transfer the New Bonus CB to the transferee subject to the consent of the Company. The Company will promptly notify the Stock Exchange upon becoming aware of any dealings in the New Bonus CB by any connected person of the Company.

The New Bonus CB may be assigned or transferred in whole or in part (in whole multiples of HK\$100,000) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the New Bonus CB, including making any necessary applications to the Stock Exchange for the said approval (if required).

Notwithstanding the condition provided in this paragraph 3(A), the New Bonus CB Holder shall be permitted at any time to transfer the New Bonus CB to a transferee who is a wholly-owned subsidiary of the New Bonus CB Holder or a holding company of the New Bonus CB Holder who owns the entire issued share capital of the New Bonus CB Holder provided that the New Bonus CB will be re-transferred to the New Bonus CB Holder immediately upon the transferee ceasing to be a wholly-owned subsidiary of the New Bonus CB Holder or a holding company of the New Bonus CB Holder who owns the entire issued share capital of the New Bonus CB Holder.

**(B) Transfer form**

A transfer of the New Bonus CB shall be effected by completing and signing, by both the transferor and the transferee under the hand of one of their officers duly authorised in writing or otherwise by a duly authorised person thereof, a prescribed form of transfer which is available to be obtained at the office of the Company's branch share registrar in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (or such other registrar appointed from time to time to act as the registrar and transfer agent of the New Bonus CB) (the "CB Registrar").

**(C) Registration**

The Certificate must be delivered for registration during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the CB Registrar accompanied by (i) a duly executed transfer form (which is available at the above office of Company's branch share registrar in Hong Kong); (ii) in case of the execution of the transfer form on behalf of a corporation by its officers, the authority of that person or those persons to do so; and (iii) such other evidence (including legal opinions) as the Company may reasonably require if the transfer form is executed by some other person on behalf of the New Bonus CB Holder. The Company shall, within ten (10) Business Days of receipt of such documents from the New Bonus CB Holder, cancel the existing Certificate and issue a new Certificate in favour of the transferee or assignee as applicable.

**(D) Delivery of new Certificates**

The Certificate to be issued upon a transfer of New Bonus CB will, within ten (10) Business Days of receipt by the CB Registrar of the form of transfer accompanied by the documents referred to in paragraph 3(C) above, be made available for personal collection by the holder entitled to the New Bonus CB during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the CB Registrar and upon production of such identification papers as may be reasonably requested by the Company.

Where some but not all the amount of the New Bonus CB in respect of which a Certificate is issued are to be transferred or converted, a new Certificate in respect of the New Bonus CB not so transferred or converted will, within ten (10) Business Days of delivery of the original Certificate to the CB Registrar, be made available for collection by such holder during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the CB Registrar upon production of such identification papers as may be reasonably requested by the Company.

**(E) Formalities free of charge**

Registration of transfer of the New Bonus CB will be effected upon (a) payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each Certificate cancelled or each new Certificate issued, whichever number of the Certificates cancelled/issued is higher; and (b) payment (or the giving of such indemnity as the Company may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

**(F) Closure of CB Register**

The New Bonus CB Holder may not require the transfer of the New Bonus CB to be registered during the period of seven days ending on the due date for any payment of any interest on the New Bonus CB if any.

#### 4. DISTRIBUTIONS

The New Bonus CB will have no entitlement to interest but:

- (a) if and whenever the Company shall pay or make any cash dividend or distribution of any kind or any distribution of assets in specie (other than the Capitalisation Issue referred to in condition 4(b) below) to its Shareholders (the “**Distribution**”), the Company shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time pay or distribute to each New Bonus CB Holder an amount of cash or other assets the subject matter of the Distribution which is equal to (a) the amount of cash or other assets the subject matter of the Distribution per Share receivable by the Shareholders under the Distribution, multiplied by (b) the number of Shares which the New Bonus CB Holder would have become a holder of, had such New Bonus CB Holder’s New Bonus CB then outstanding been converted on the relevant date for determining entitlement to the Distribution;
- (b) if and whenever the Company shall issue any Shares, debentures or other securities, credited as full-paid, out of or by way of capitalisation of its profits or reserves, and/or share premium account to its Shareholders (the “**Capitalisation Issue**”), the Company shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, issue to each New Bonus CB Holder either, at the option of the Company (a) such number of Shares, debentures or securities which is equal to (1) the number of such Shares, debentures or securities receivable by the Shareholders in respect of each issued Share held by them under the Capitalisation Issue, multiplied by (2) the number of Shares which the New Bonus CB Holder would have become a holder of, had such New Bonus CB Holder’s New Bonus CB then outstanding been converted on the relevant record date for determining entitlement to the Capitalisation Issue, or (b) further convertible bonds on the same terms and conditions as the New Bonus CB in such amount which would on conversion thereof entitle the holders of such convertible bonds to such number of Shares as is equal to (1) the number of Shares receivable by the Shareholders in respect of each issued Share held by them under the Capitalisation Issue, multiplied by (2) the number of Shares which the New Bonus CB Holder would have become a holder of, had such New Bonus CB Holder’s New Bonus CB then outstanding been converted on the relevant record date for determining entitlement to the Capitalisation Issue; and

- (c) if and whenever the Company shall offer to issue Shares or other securities by way of rights to its Shareholders (the “**Rights Issue**”), the Company shall, subject to compliance with the relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time offer to each New Bonus CB Holder for subscription either, at the option of the Company (a) such number of Shares or securities which is equal to (i) the number of such Shares or securities offered by the Company to the Shareholders in respect of each issued Share held by them under the Rights Issue, multiplied by (ii) the number of Shares which the New Bonus CB Holder would have become a holder of, had such New Bonus CB Holder’s New Bonus CB then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue, or (b) further convertible bonds on the same terms and conditions as the New Bonus CB in such amount which would on conversion thereof entitle the holder of such convertible bonds to such number of Shares as is equal to (i) the number of Shares offered for subscription by the Shareholders in respect of each issued Share held by the Shareholders under the Rights Issue, multiplied by (ii) the number of Shares which the New Bonus CB Holder would have become a holder of, had such New Bonus CB Holder’s New Bonus CB then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue.

## 5. CONVERSION

### (A) Conditions

Provided that any conversion of the New Bonus CB (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the New Bonus CB Holder which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (ii) will not cause the public float of the Company unable to meet the requirement under Rule 8.08 of the Listing Rules, the New Bonus CB Holder shall, subject to compliance with the procedures set out in the Conditions, have the right at any time after the issue of the New Bonus CB to convert the whole or part of the outstanding principal amount of the New Bonus CB registered in its name into Shares (the “**Conversion Rights**”).

For the avoidance of doubt, no conversion of the New Bonus CB will be allowed in the event that the minimum public float requirements in respect of the Shares under Rule 8.08 of the Listing Rules could not be complied at the time of the conversion.

### (B) Number of conversion Shares

The number of Shares (the “**Conversion Shares**”) to be issued on each conversion will be determined by dividing the principal amount of the New Bonus CBs specified in the Conversion Notice (as defined below) by the Conversion Price (as defined below) applicable on the Conversion Date (as defined below). Fractions of Shares will not be issued on conversion and the amount representing such fraction will be retained by the Company and no payment will be made to the New Bonus CB Holder in respect of such fraction, provided always that for the purpose of determining whether any (and if so what) fraction of a share arises, if the Conversion Right represented by a Certificate and any one or more other Certificates are exercised on the same Conversion Date by the New Bonus CB Holder, then the Conversion Rights represented by the New Bonus CB shall be aggregated.



**(C) Conversion Price**

The conversion price (the “**Conversion Price**”) for the New Bonus CB shall be equal to HK\$0.01 per Share, subject to adjustments as hereinafter described.

The New Deed Poll contains detailed provisions relating to the adjustment of the Conversion Price. The following is a summary of, and is subject to, the provisions of the New Deed Poll:

- (a) The Conversion Price shall (except as otherwise mentioned in the following sub-paragraphs of this paragraph 5(C)) be adjusted as provided in the New Deed Poll in case of an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision.
- (b) Except as mentioned in the following sub-paragraphs of this paragraph 5(C), no such adjustment as referred to in sub-paragraph (a) of this paragraph 5(C) 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 any conversion of the New Bonus CB) to acquire Shares;
  - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or carrying rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
  - (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or carrying 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 any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or carrying rights to acquire Shares; or
  - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the New Deed Poll) of such Shares is not more than 120 per cent. of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash.



- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) of this paragraph 5(C), in any circumstances where the Directors shall consider that an adjustment to the Conversion 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 Conversion 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 rate or with a different time from that provided for under the said provisions, the Company may appoint an approved financial advisor or the auditors of the Company for the time being 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 advisor or auditors of the Company for the time being (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 advisor or auditors of the Company for the time being (as the case may be) to be in its opinion appropriate.
- (d) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved financial advisor or the auditors of the Company for the time being to consider whether any adjustment to the Conversion Price is appropriate (and if such approved financial advisor or auditors of the Company for the time being (as the case may be) shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly).
- (e) Any adjustment to the Conversion Price shall be made to the nearest one-tenth of a cent so that any amount under half one-tenth of a cent shall be rounded down and any amount of half one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Conversion 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.
- (f) Every adjustment to the Conversion Price will be certified by the auditors of the Company for the time being or an approved financial advisor and notice of each adjustment (giving the relevant particulars) will be given to the New Bonus CB Holder. Any such certificate(s) of the auditors of the Company for the time being or (as the case may be) of the relevant approved financial advisor will be available for inspection at the principal place of business of the Company in Hong Kong or any other office notified to the New Bonus CB Holder (the “**Specified Office**”).

- (g) If application of any of the provisions referred to in this paragraph 5(C) would but for this sub-paragraph (g) result in the Conversion Price being reduced so that on Conversion Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Share.

**(D) Conversion Procedure**

- (i) Conversion Notice: To exercise the Conversion Right attaching to the New Bonus CB, the holder thereof must complete, execute and deposit by personal delivery at its own expense during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the CB Registrar a notice of conversion (a “**Conversion Notice**”) in the prescribed form (which is available at the CB Registrar) together with the Certificate to the CB Registrar. The Conversion Notice once given shall not be revocable. In each case, compliance must be made by the New Bonus CB Holder of all applicable exchange control, fiscal and other laws and regulations relating to the exercise of the Conversion Rights and the allotment and issue to it and the holding by it of the Shares.

Any calculation by the Company of the number of Shares falling to be issued on a conversion shall, in the absence of manifest error, be conclusive and binding on the New Bonus CB Holder.

- (ii) Conversion Date: in respect of an exercise of a Conversion Right, the conversion date (the “**Conversion Date**”) in respect of the New Bonus CB will be deemed to be the 30th Business Day of the Stock Exchange following the surrender of the Certificate by the New Bonus CB Holder(s) with the Conversion Notice and the New Bonus CB Holder(s) will be deemed to be the holder(s) of the Conversion Shares with effect from the aforesaid conversion date.
- (iii) Stamp Duty etc.: The Company shall pay any capital, stamp and registration duties arising on the allotment and issue of the Conversion Shares.
- (iv) Delivery of share certificates: As soon as practicable, and in any event not later than 10 Business Days after the Conversion Date, the Company shall register the New Bonus CB Holder (or such other person(s) as it may direct in the Conversion Notice) as holder(s) of the relevant number of Shares in the Register and will be made available for personal collection by the holder of such New Bonus CB during normal business hours (Monday to Friday, 9:00 a.m. to 4:30 p.m.) at the CB Registrar for the time being) or send by post at the risk of the New Bonus CB Holder to the address of the New Bonus CB Holder in the Register a certificate (or certificates) for the relevant Shares in the name of the New Bonus CB Holder or such other person(s) as it may direct in the Conversion Notice.

If the number of Shares falling to be allotted and issued upon the exercise of any Conversion Rights shall exceed the number of unissued Shares in respect of which approval for listing has been granted by the Listing Committee of the Stock Exchange, the performance of the obligations of the Company under this paragraph 5(D)(iv) regarding the issue, deposit and delivery of Shares shall, in respect only of such excess number of Shares, be postponed to the Business Day next following the day on which approval for listing of such Shares has been granted (provided that such postponement shall not exceed 21 days after the Conversion Date).

- (v) **Ranking of Shares:** The Shares issued upon conversion of the New Bonus CB will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant Conversion Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Conversion Date. A holder of Shares issued on conversion of the New Bonus CB shall not be entitled to any rights the record date for which precedes the relevant Conversion Date.

**(E) Company's Undertakings**

The Company will give certain undertakings in the New Deed Poll that so long as any amount of the New Bonus CB remain outstanding it will (a) maintain a listing for all the issued Shares on the Stock Exchange, and (b) subject to the provisions of paragraph 5(D)(iv) above, obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on the Stock Exchange and will forthwith give notice to the New Bonus CB Holder of the de-listing of the Shares by the Stock Exchange.

**(F) Consolidation, Amalgamation or Merger**

In the case of any consolidation, amalgamation or merger of the Company with any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation), or in the case of any sale or transfer of all, or substantially all, of the assets of the Company, the Company will forthwith notify the New Bonus CB Holder of such event in accordance with paragraph 11 below and (subject to any restriction prescribed by law) cause the corporation resulting from such consolidation, amalgamation or merger or the corporation which shall have acquired such assets, as the case may be, to execute an instrument supplemental to the New Deed Poll to ensure that the New Bonus CB Holder will have the right (during the period in which such New Bonus CB shall be convertible) to convert such New Bonus CB into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares which would have become liable to be issued upon conversion of such New Bonus CB immediately prior to such consolidation, amalgamation, merger, sale or transfer. The above provisions of this paragraph 5(F) will apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

**6. PAYMENTS****(A) Method of payment**

Any payment payable under the New Bonus CB which would otherwise be due on a non-Business Day shall instead be due and payable on the immediately succeeding Business Day. All payments due under the conditions to the New Bonus CB will be paid to the New Bonus CB Holder as shown on the CB Register at the close of business on the due date for payment. Payments will be made net of any applicable bank charges by transfer in Hong Kong dollars to the registered account of the New Bonus CB Holder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed at the risk of the New Bonus CB Holder to the registered address of the New Bonus CB Holder if it does not have a registered account.

**(B) Registered Accounts and Addresses**

For the purposes of this paragraph 6, the New Bonus CB Holder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the CB Register at the close of business on the Business Day before the due date for payment, and the New Bonus CB Holder's registered address means its address appearing on the CB Register at that time.

**(C) Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws and regulations.

No commissions or (save as provided in paragraph 6(A) above) expenses shall be charged to the New Bonus CB Holder in respect of such payments.

**(D) Payment Initiation**

Where payment is to be made by transfer to a registered account, payment instructions will be given and, where payment is to be made by cheque, the cheque will be mailed, on the due date for payment.

**7. REDEMPTION, CANCELLATION****(A) Redemption**

The New Bonus CB shall not be subject to redemption save and except that in the event of voluntary dissolution, liquidation or winding up of the Company, the New Bonus CB shall be mandatorily converted into the Shares at the then applicable Conversion Price.

**(B) Cancellation**

Any amount of the New Bonus CB which is converted will forthwith be cancelled. Certificate in respect of the New Bonus CB cancelled will be forwarded to or to the order of the Company and such New Bonus CB may not be reissued or resold.

**8. TAXATION**

The Company shall be entitled to withhold from all payments of principal by the Company any amounts required to be withheld under the applicable law, rule and regulations for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (including without limitation, deduction or withholding on account of taxation on the overall turnover, income, taxation income or capital gain of the New Bonus CB Holder imposed or levied by or on behalf of Hong Kong or other jurisdiction or any authority thereof or therein having the power to tax). If the Company is so required to make such withholdings or deductions, payment of the net amount after such deduction or withholdings to the New Bonus CB Holder will constitute full discharge of the Company's obligations to make such payments.

**9. RESTRICTED HOLDERS**

No Conversion Rights represented by the New Bonus CB may be exercised by any person who is a Restricted Holder (as hereinafter defined), and the exercise of any Conversion Rights by the New Bonus CB Holder shall constitute a confirmation, representation and warranty by the New Bonus CB Holder to the Company that the New Bonus CB Holder is not a Restricted Holder and that all necessary governmental, regulatory or other consents or approvals and all formalities have been obtained and observed by the New Bonus CB Holder to enable it to exercise legally and validly the relevant Conversion Rights, to hold (or, if applicable, to have such person(s) as it may nominate in the Conversion Notice hold) the Shares allotted and issued upon exercise of the Conversion Rights and the Company to legally and validly allot the Shares. For the purposes of this paragraph, a "**Restricted Holder**" means a New Bonus CB Holder (or, if applicable, such person(s) as it may nominate in the Conversion Notice to whom the Shares arising on conversion are to be issued) who is a resident or national of any jurisdiction other than Hong Kong under the laws and regulations of which an exercise of Conversion Rights by such New Bonus CB Holder in the manner provided in the Conversion Notice and the conditions or the performance by the Company of the obligations expressed to be assumed by it under the New Deed Poll or the conditions to the Bonus CB or the allotment and issue and holding of the Conversion Shares cannot be carried out lawfully or cannot be carried out lawfully without the Company first having to take certain actions in such jurisdiction.

**10. REPLACEMENT OF CERTIFICATES**

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced the Certificate upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company may reasonably require and on payment of reasonable fee as the Company may determine as permitted under the Company's bye-laws or the Companies Act 1981 of Bermuda. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

**11. NOTICES**

- (A) The New Bonus CB Holder shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent and if the New Bonus CB Holder shall fail to do so, notice may be given to the New Bonus CB Holder 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 up the same for three days at the Specified Office for the time being of the Company.
- (B) A notice shall be given by personal delivery, prepaid registered mail (registered airmail in the case of an overseas address to where airmail service is available).
- (C) Notices sent by personal delivery or prepaid registered mail or the posting of the same at the Specified Office as provided by sub-paragraph (A) of this paragraph shall be deemed to have been served on the first day after such delivery or the deposit of the letter with postal authorities or in a postbox or, as the case may be, the first day after the first posting up of such notice.
- (D) All notices to the New Bonus CB Holder shall be validly given if mailed to them at its address in the CB Register.
- (E) Any communication to the Company shall be by letter delivered personally or by facsimile transmission to it at Unit 3409, Shun Tak Centre, West Tower, 168 – 200 Connaught Road Central, Hong Kong or (if different) its head office or principal place of business for the time being in Hong Kong, fax no. (+852) 2191-9888, Attention: Company Secretary (or such other number as shall be notified in writing by the Company to the New Bonus CB Holder). Any such communication will take effect, in the case of delivery, at the time of delivery or, in the case of facsimile transmission, at the time of despatch.

**12. GOVERNING LAW AND JURISDICTION**

The New Bonus CB and the New Deed Poll are governed by, and shall be construed in accordance with the laws of Hong Kong. In relation to any legal action or proceedings arising out of or in connection with the New Deed Poll and/or the New Bonus CB, the Company has in the Deed Poll and the New Bonus CB Holder shall irrevocably submit to the non-exclusive jurisdiction of courts 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 (the “**Company**”) will be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 18 December 2013 at 4:30 p.m. for the purpose of considering as special business and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the New Open Offer (as defined below) having become unconditional and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new Shares (as defined below) which may fall to be allotted and issued upon the exercise of the conversion right attaching to the New Bonus CBs (as defined below):

- (a) the New Bonus CBs Subscription (as defined below) and the transactions contemplated thereunder be and are hereby approved,

For the purpose of this resolution,

“**New Bonus CBs Subscription**” means the proposed issue of by way of subscription of not more than 7,586,976 units of convertible bonds (the “**New Bonus CB(s)**”), the terms and conditions of which are set out in the appendix to the circular (the “**Circular**”) of the Company dated 2 December 2013, to be constituted by the deed poll to be executed by the Company carrying rights entitling the holders thereof to convert their principal amount into an aggregate of not more than 7,586,976 new shares (the “**Share(s)**”) of HK\$0.01 each in the share capital of the Company at an initial conversion price of HK\$0.01 per Share (subject to adjustment) to the holders of the Bonus CBs (as defined below) on the basis of 2 New Bonus CBs for every 5 Bonus CBs held on 31 December 2013 (or such other date to be determined by the board of directors of the Company) at the subscription price of HK\$0.125 per New Bonus CB;

“**Bonus CB(s)**” means the bonus convertible bonds constituted by the deed poll executed by the Company on 9 January 2013 carrying rights entitling the holders thereof to convert its principal amount into new Share(s) at an initial conversion price of HK\$0.01 per Share (subject to adjustment) with aggregate outstanding principal amount of HK\$189,674.40 as at the date of this notice; and

“**New Open Offer**” means the proposed issue of not less than 2,626,923,658 new Shares and not more than 2,719,215,073 new Shares by way of open offer to qualifying shareholders of the Company on the basis of 2 new Shares for every 5 existing Shares held on 31 December 2013 or such other date as may be agreed between the Company and the underwriter to the New Open Offer at the subscription price of HK\$0.125 per new Share;



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## NOTICE OF SGM

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- (b) the allotment and issue of the new Shares to the relevant holders of New Bonus CBs upon the exercise of the conversion rights attaching to the New Bonus CBs be and is hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the New Bonus CBs Subscription and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the New Bonus CBs Subscription, and the allotment and issue of the Conversion Share(s) of which may fall to be issued upon exercise of the conversion rights attaching to the New Bonus CBs.”

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

Hong Kong, 2 December 2013

*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

*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 or attorney duly 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 if he is the holder of two or more shares, more than one proxy 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.