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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect about this prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Star Entertainment Limited** (the "Company"), you should at once hand the Prospectus Documents (as defined herein) to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Dealings in the Shares (as defined herein) and the Offer Shares (as defined herein) may be settled through CCASS (as defined herein) established and operated by HKSCC (as defined herein). You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange (as defined herein), the Offer Shares 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 Offer Shares on the Stock Exchange or, under contingent situation, such other dates 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 the CCASS Operational Procedures in effect from time to time.

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

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## CHINA STAR ENTERTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **OPEN OFFER OF 2,626,923,658 OFFER SHARES ON THE BASIS OF 2 OFFER SHARES FOR EVERY 5 EXISTING SHARES HELD ON THE RECORD DATE AT HK\$0.125 PER OFFER SHARE**

**Underwriter to the Open Offer**



**KINGSTON SECURITIES LTD.**

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The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. on Wednesday, 15 January 2014. The procedures for application are set out on pages 21 and 22 of this prospectus.

Shareholders (as defined herein) should note that the Underwriting Agreement (as defined herein) as supplemented by the Supplemental Underwriting Agreement (as defined herein) contains provisions entitling the Underwriter (as defined herein) to terminate its obligations thereunder if at any time prior to the Latest Time for Termination (as defined herein):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (2) any specified event comes to the knowledge of the Underwriter.

Shareholders should note that the Shares have dealt in on an ex-entitlement basis commencing from Friday, 20 December 2013 and that dealings in Shares will take place while the conditions to which the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be 4:00 p.m. on Monday, 20 January 2014), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

31 December 2013

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, the following expressions shall 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 outstanding as at the date of the Underwriting Agreement
“acting in concert”	has the meaning ascribed to it in the Hong Kong Code on Takeovers and Mergers
“Announcement”	the announcement of the Company dated 18 November 2013 in relation to the revised terms and conditions of the Open Offer pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement
“Application Form(s)”	the form(s) of application to be used by the Qualifying Shareholders to apply for the Offer Shares in the form agreed by the Company and the Underwriter
“Board”	the board of the Directors
“Bonus CB(s)”	bonus convertible bond(s) constituted by the 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
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong

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## DEFINITIONS

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“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
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“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 of the Bonus CBs are disclosed in the Company’s circular dated 12 December 2012
“Director(s)”	the director(s) 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
“Eternity Finance”	Eternity Finance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity
“Eternity Finance Undertaking”	the irrevocable undertaking given by Eternity Finance under the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement not to exercise its conversion rights attached to the 8% CBs held by it
“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
“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“HWKFE Undertaking”	the irrevocable undertaking given by HWKFE under the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement to take up in full its entitlements under the Open Offer to subscribe for 1,331,760,735 Offer Shares

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## DEFINITIONS

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“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Last Trading Day”	5 November 2013, being the last trading day for the Shares before the date of the Announcement
“Latest Lodging Date”	4:30 p.m. on Tuesday, 24 December 2013 as the latest time for lodging transfer of Shares for registration in order to qualify for the Open Offer
“Latest Practicable Date”	Tuesday, 24 December 2013, being the latest practicable date for ascertaining certain information for inclusion in this prospectus
“Latest Time for Acceptance”	the latest time for acceptance of and payment for the Offer Shares at 4:00 p.m. on Wednesday, 15 January 2014 or such other time as may be agreed between the Company and the Underwriter
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement at 4:00 p.m. on Monday, 20 January 2014, being the third Business Day after the Latest Time for Acceptance
“Listing Committee”	the Listing Committee of the Stock Exchange
“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
“Mr. Heung”	Mr. Heung Wah Keung, the Chairman of the Board, an executive Director and a controlling Shareholder (as defined under the Listing Rules)
“Mr. Lei”	Mr. Lei Hong Wai, 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
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the Vice Chairman of the Board, an executive Director and a controlling Shareholder (as defined under the Listing Rules)

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## DEFINITIONS

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“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 to be executed by the Company 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 Price”	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
“Offer Shares”	2,626,923,658 new Shares to be allotted and issued pursuant to the Open Offer
“Open Offer”	the revised proposed issue of the Offer Shares at the Subscription Price of HK\$0.125 per Offer Share on the basis of 2 Offer Shares for every 5 existing Shares held on the Record Date
“Options”	the share options granted under the Share Option Schemes
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside Hong Kong
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it 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 not to offer the Offer Shares to such Shareholders
“Prospectus”	this prospectus issued by the Company in relation to the Open Offer

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## DEFINITIONS

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“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Tuesday, 31 December 2013 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders (or the Prospectus only in the case of the Prohibited Shareholder(s))
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	Tuesday, 31 December 2013, being the date by reference to which entitlements to the Open Offer was determined
“Registrar”	Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share register and transfer office of the Company in Hong Kong
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Form”	the form of subscription to be used by the Bonus CBs Holders to apply for the New Bonus CBs
“Subscription Price”	the subscription price of HK\$0.125 per Offer Share
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 18 November 2013 entered into between the Company, the Underwriter, HWKFE and Eternity Finance to vary certain terms of the Underwriting Agreement
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the SFO

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## DEFINITIONS

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“Underwriting Agreement”	the underwriting agreement dated 5 November 2013 in relation to the Open Offer entered into between the Company, the Underwriter, HWKFE and Eternity Finance
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



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**TERMINATION OF THE UNDERWRITING AGREEMENT  
AS SUPPLEMENTED BY THE SUPPLEMENTAL UNDERWRITING AGREEMENT**

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It should be noted that the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder if at any time prior to 4:00 p.m. on the Latest Time for Termination (provided that for the purposes of the termination clause of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

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**TERMINATION OF THE UNDERWRITING AGREEMENT  
AS SUPPLEMENTED BY THE SUPPLEMENTAL UNDERWRITING AGREEMENT**

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- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (2) any specified event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

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## EXPECTED TIMETABLE

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**2014**

Latest time for acceptance of and payment for the Offer Shares .....	4:00 p.m. on Wednesday, 15 January
Latest time for termination of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement by the Underwriter .....	4:00 p.m. on Monday, 20 January
Announcement of the results of the Open Offer .....	Monday, 20 January
Despatch of share certificates for Offer Shares .....	Wednesday, 22 January
Despatch of refund cheques to the shareholders if the Open Offer is terminated .....	Wednesday, 22 January
Expected first day of dealings in fully-paid Offer Shares on the Stock Exchange .....	9:00 a.m. on Thursday, 23 January

*Notes:*

1. All times and dates refer to Hong Kong local times and dates.
2. The Latest Time for Acceptance will not take place if there is:
  - a tropical cyclone warning signal number 8 or above, or
  - a “black” rainstorm warning
  - (i) 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 Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 9:00 a.m. and 4:00 p.m. on Wednesday, 15 January 2014. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on Wednesday, 15 January 2014, the dates mentioned in this section headed “Expected timetable” may be affected. An announcement will be made by the Company in such event advising the revised dates.
3. Dates or deadlines specified in this Prospectus for events in the expected timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by agreement between the Company and the Underwriter and in accordance with the applicable rules and regulations. Any consequential changes to the expected timetable for the Open Offer will be published by way of an announcement.

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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, Gilbert

*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

31 December 2013

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

Dear Sir or Madam,

**OPEN OFFER OF 2,626,923,658 OFFER SHARES  
ON THE BASIS OF 2 OFFER SHARES FOR EVERY 5 EXISTING SHARES  
HELD ON THE RECORD DATE AT HK\$0.125 PER OFFER SHARE**

### INTRODUCTION

On 18 November 2013, the Company announced that it proposed to raise not less than approximately HK\$328.37 million and not more than approximately HK\$339.90 million before expenses, by way of open offer of not less than 2,626,923,658 Offer Shares and not more than 2,719,215,073 Offer Shares at the Subscription Price of HK\$0.125 per Offer Share on the basis of 2 Offer Shares for every 5 existing Shares held on the Record Date and payable in full upon application. Qualifying Shareholders are not entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Prohibited Shareholders.

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## LETTER FROM THE BOARD

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As at the Latest Lodging Date, the Company had 6,567,309,145 Shares in issue. Given that the register of members was closed from Friday, 27 December 2013, being the next Business Day immediately after the Latest Lodging Date, to Tuesday, 31 December 2013 and no further Shares were issued or repurchased during the book close period, the total number of issued Shares on the Record Date was the same as the Latest Lodging Date. As such, on the basis of 2 Offer Shares for every 5 existing Shares held on the Record Date, 2,626,923,658 Offer Shares will be allotted and issued by the Company, of which 1,331,760,735 Offer Shares will be taken up by HWKFE pursuant to the HWKFE Undertaking and 1,295,162,923 Offer Shares will be underwritten by the Underwriter pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

The purpose of this Prospectus is to provide you with, among other things, further details of (i) the Open Offer including the procedures for application and payment for the Offer Shares; (ii) the financial information of the Group; and (iii) the general information of the Group.

### THE OPEN OFFER

#### Open Offer statistics

Basis of the Open Offer:	2 Offer Shares for every 5 existing Shares held on the Record Date
Subscription Price:	HK\$0.125 per Offer Share
Number of Shares in issue as at the date of the Announcement and this Prospectus:	6,567,309,145 Shares
Number of outstanding Options:	211,761,098 Options entitling the holders thereof to subscribe for 211,761,098 new Shares under the Share Option Schemes
Outstanding amount of Bonus CBs:	the outstanding 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 of Offer Shares:	Not less than 2,626,923,658 Offer Shares and not more than 2,719,215,073 Offer Shares
Number of Offer Shares to be taken up or procured to be taken up by HWKFE pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement:	HWKFE has irrevocably undertaken in favour of the Company and the Underwriter to subscribe for or procure the subscription for the 1,331,760,735 Offer Shares to be allotted to it under its entitlement pursuant to the Open Offer

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## LETTER FROM THE BOARD

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Number of Offer Shares underwritten by the Underwriter:	Not less than 1,295,162,923 Offer Shares and not more than 1,387,454,338 Offer Shares. The Open Offer is fully underwritten
Number of enlarged Shares in issue upon completion of the Open Offer:	Not less than 9,194,232,803 Shares and not more than 9,517,252,756 Shares

As at the Latest Practicable Date, the Company had (i) 211,761,098 outstanding Options entitling the holders thereof to subscribe for 211,761,098 new Shares; (ii) outstanding Bonus CBs in 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); and (iii) outstanding 8% CBs in the aggregate principal amount of HK\$225.00 million carrying rights entitling the holders thereof to convert their principal amount into 2,045,454,545 new Shares at an adjusted conversion price of HK\$0.11 per Share (subject to further adjustment, if required). Save for the Options, the Bonus CBs and the 8% CBs, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

The allotment and issue of 2,626,923,658 Offer Shares represents 40% of the Company's issued share capital as at the Latest Practicable Date and approximately 28.57% of the Company's issued share capital as enlarged by the allotment and issue of the 2,626,923,658 Offer Shares immediately after completion of the Open Offer.

The aggregate nominal value of the Offer Shares will be HK\$26,269,236.58.

### **Basis of entitlement**

The basis of the entitlement shall be 2 Offer Shares for every 5 existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.125 per Offer Share.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company has sent (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with this Prospectus, for information only, to the Prohibited Shareholders.

To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be Prohibited Shareholders. In order to be registered as a member of the Company on the Record Date, all transfer of Shares must be lodged for registration with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Tuesday, 24 December 2013.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company.

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## LETTER FROM THE BOARD

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The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange. The Directors consider that the arrangement of trading in nil-paid entitlements on the Stock Exchange will involve additional administrative work and costs for the Open Offer, which is not considered to be cost effective.

### **Subscription Price**

The Subscription Price is HK\$0.125 per Offer Share, payable in full upon application.

The Subscription Price 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 3.10% to the theoretical ex-entitlement price of HK\$0.129 based on the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) 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
- (d) a premium of approximately 3.31% over the closing price of HK\$0.121 per Share as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares. The Directors consider that each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date and the terms of the Open Offer, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging Qualifying Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. After deduct all relevant expenses relating to the Open Offer, the net price per Offer Share under the Open Offer will be approximately HK\$0.124.

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, the Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. Shareholder whose address on the register of members of the Company is in a place outside Hong Kong, may not be eligible to take part in the Open Offer. The Company will send this Prospectus (but not the Application Form), for information purposes only, to the Prohibited Shareholders (if any), if and to the extent legally and practically permissible.

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## LETTER FROM THE BOARD

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Having reviewed the register of members as at the Latest Practicable Date, the Company noted that there were two Overseas Shareholders whose addresses on the register of members were outside Hong Kong.

Based on the register of members of the Company as at the Latest Lodging Date, the Overseas Shareholders are situated in Macau and Singapore. Given that the register of members of the Company was closed from Friday, 27 December 2013 to Tuesday, 31 December 2013 and no Shares were transferred during the book closure period, the register of members of the Company on the Record Date was the same as that on the Latest Lodging Date. Pursuant to Rule 13.36(2) 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 issue of the Offer Shares to such Overseas Shareholders.

Based on the legal advice provided by the legal advisers of Macau and Singapore, either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the extension of the Open Offer to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempted from obtaining approval from, and/or registration of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the registered addresses in Macau and Singapore. The Prospectus Documents will be sent to each of such Overseas Shareholders.

No person receiving a copy of this Prospectus and/or the Application Form in any territory or jurisdiction outside Hong Kong may treat it as an offer or an invitation to apply for the Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person outside Hong Kong (including the ultimate beneficial owner(s) of the Qualifying Shareholders) wishing to make an application for the Offer Shares to satisfy himself as to the observance of the laws and regulations of all relevant jurisdiction, including obtaining any government or other consents, and payment of any taxes and duties required to be paid in such jurisdiction in connection therewith. Completion and return of the Application Form will constitute a warranty and representation by the relevant applicant(s) to the Company that all registration, legal and regulatory requirements of all relevant territories other than Hong Kong in connection with the acceptance of the Offer Shares have been duly complied with by such applicant(s). For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties. If you are in any doubt as to your position, you should consult your professional advisers.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares.



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## LETTER FROM THE BOARD

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### **Share certificates and refund cheques for the Open Offer**

Subject to the fulfillment of the conditions of the Open Offer, certificates for all fully-paid Offer Shares 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 Open Offer is terminated, refund cheques will be despatched on or before Wednesday, 22 January 2014 by ordinary post at the respective Shareholders' own risk.

Each Qualifying Shareholder will receive one share certificate for all the fully-paid Offer Shares issued to him/her/it.

Dealings in the Offer Shares are expected to commence on Thursday, 23 January 2014.

### **No application for excess Offer Shares**

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

### **Fractions of the Offer Shares**

Fractional entitlements to the Offer Shares will not be issued to the Qualifying Shareholders but will be aggregated and taken up by the Underwriter.

### **Application for the Offer Shares**

The Application Form in respect of the entitlement of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing the Application Form and lodging the same with a remittance for the Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC.

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## LETTER FROM THE BOARD

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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 or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

The Offer Shares will have the same board lot size of 50,000 Shares per board lot.

### UNDERWRITING ARRANGEMENT

#### Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement

Date of the Underwriting Agreement:	5 November 2013
Date of the Supplemental Underwriting Agreement:	18 November 2013
Underwriter:	Kingston Securities Limited
Number of Offer Shares to be underwritten:	Not less than 1,295,162,923 Offer Shares and not more than 1,387,454,338 Offer Shares. Accordingly, taking into account the HWKFE Undertaking, the Open Offer is fully underwritten.
Undertaking relating to the Offer Shares	HWKFE has given the HWKFE Undertaking in favour of the Company and the Underwriter to subscribe for 1,331,760,735 Offer Shares to which it is entitled under the Open Offer.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter was interested in 27 Shares. It is one of the conditions of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement that the Underwriter would enter into binding agreements with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Underwriter together with its parties acting in concert nor any of the placees and/or sub-underwriters and their respective parties acting in concert shall in aggregate be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer. Up to the Latest Practicable Date, the Company has been informed by the Underwriter that the Underwriter has already entered into sub-underwriting agreements with sub-underwriters to ensure the fulfillment of its obligations as set out in the paragraph above.

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## LETTER FROM THE BOARD

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### **Underwriting Commission**

The Company will pay the Underwriter an underwriting commission of 1.0% of the aggregate Subscription Price in respect of the maximum number of the underwritten Offer Shares. The Directors are of the view that the terms of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, including the commission, are fair and reasonable.

The Board considers the terms of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

### **Irrevocable undertaking given by HWKFE**

As at the date of the Underwriting Agreement, HWKFE was interested in 3,329,401,839 Shares, representing approximately 50.70% of the total issued share capital of the Company. HWKFE irrevocably undertakes to the Company and to the Underwriter:

- (1) not to dispose of, or agree to dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date;
- (2) to accept or procure the acceptance for the 1,331,760,735 Offer Shares to be allotted and issued to HWKFE under its entitlement pursuant to the Open Offer; and
- (3) to lodge the Application Form(s) in respect of the 1,331,760,735 Offer Shares referred to in paragraph (2) above accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

As at the Latest Practicable Date, other than HWKFE, the Company had not received any undertaking provided by any other Shareholders to subscribe for his/her/its entitlement under the Open Offer or any arrangement that may have an effect on the Open Offer.

### **Irrevocable undertaking given by Eternity Finance**

As at the date of the Underwriting Agreement, Eternity Finance was interested in the 8% CBs in the aggregate outstanding principal amount of HK\$225.00 million which entitled Eternity Finance to convert their principal amount into 2,045,454,545 new Shares at an adjusted conversion price of HK\$0.11 per Share (subject to further adjustment, if required). Eternity Finance irrevocably undertakes to the Company and to the Underwriter:

- (1) not to exercise its conversion rights attached to the 8% CBs held by it from the date of the Underwriting Agreement to the close of business on the Record Date; and
- (2) that the 8% CBs registered in the name of and beneficially owned by Eternity Finance will remain registered in the name of and beneficially owned by Eternity Finance from the date of the Underwriting Agreement to the close of business on the Record Date.

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## LETTER FROM THE BOARD

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### **Termination of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that for the purposes of the termination clause of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/ or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

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## LETTER FROM THE BOARD

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- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (2) any specified event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice in accordance with the above, the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

### **Conditions of the Open Offer**

The Open Offer is conditional upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

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## LETTER FROM THE BOARD

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- (2) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents duly signed by one Director (for and on behalf of all Directors) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) or otherwise in compliance with the Companies Act on or before the Prospectus Posting Date;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time for Termination or such other time as the Underwriter may agree with the Company in writing;
- (6) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is not terminated in accordance with its terms;
- (7) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement;
- (8) compliance with and performance of all undertakings and obligations of HWKFE under the HWKFE Undertaking;
- (9) compliance with and performance of all undertakings and obligations of Eternity Finance under the Eternity Finance Undertaking; and
- (10) the entering into of binding agreements by the Underwriter with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Underwriter together with its parties acting in concert nor any of the placees and/or sub-underwriters and their respective parties acting in concert shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

All of the above conditions are not waivable. If any of the conditions of the Open Offer is not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement shall terminate and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the condition (10) has been fulfilled.

### PROCEDURES FOR APPLICATION

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Qualifying Shareholders should note that they may subscribe for any number of Offer Shares only up to the number set out in the Application Form.

If Qualifying Shareholders wish to exercise their rights to subscribe for all the Offer Shares offered to them as specified in the Application Form or to exercise their rights to subscribe for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have subscribed for with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, 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 Application 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 assured allotment of Offer Shares and all rights and entitlements in relation thereto shall be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to accept the whole or part of your assured entitlement.

All cheques or cashier's orders accompanying completed Application Form will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an Application Form with a cheque and/or cashier's order, will constitute a warranty by the applicant that the cheque and/or cashier's order will be honoured on first presentation. Any application 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 assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled and/or the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is terminated in accordance with its terms before the Latest Time for Termination, the monies received in respect of acceptance of Offer Shares will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company on or before Wednesday, 22 January 2014.

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## LETTER FROM THE BOARD

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Save as described under the paragraph headed “Rights of Overseas Shareholders” above, no action has been taken to permit the offering of the Offer Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving this Prospectus or the Application Form in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Offer Shares to satisfy himself/herself/itself before subscribing for the assured allotted Offer Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Offer Shares will be accepted from any person who is a Prohibited Shareholder.

The Company will not allot any fractions of Offer Shares.

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

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

### **WARNING OF THE RISK OF DEALINGS IN THE SHARES**

**Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Friday, 20 December 2013 and that dealing in Shares will continue while the conditions to which the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is subject remain unfulfilled.**

**Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 20 January 2014), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.**

**Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement in accordance with the terms thereof.**

**Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**



## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Open Offer:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming all Offer Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Open Offer (assuming none of the Offer Shares are taken up by the Qualifying Shareholders other than HWKFE) (Note 3)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
HWKFE (Note 1)	3,329,401,839	50.70	4,661,162,574	50.70	4,661,162,574	50.70
Dorest Company Limited (Note 2)	41,106	0.00	57,548	0.00	41,106	0.00
<b>Public</b>						
Mr. Lei	9,425,652	0.14	13,195,912	0.14	9,425,652	0.10
Other public Shareholders	3,228,440,521	49.16	4,519,816,729	49.16	3,228,440,521	35.11
The Underwriter	27	0.00	40	0.00	845,162,950	9.19
Sub-underwriters procured by the Underwriter	–	–	–	–	450,000,000	4.90
<b>Total</b>	<b>6,567,309,145</b>	<b>100.00</b>	<b>9,194,232,803</b>	<b>100.00</b>	<b>9,194,232,803</b>	<b>100.00</b>

*Notes:*

- Pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, HWKFE irrevocably undertakes to the Company and to the Underwriter
  - not to dispose of, or agree to dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date;
  - to accept or procure the acceptance for the 1,331,760,735 Offer Shares to be allotted and issued to HWKFE under its entitlement pursuant to the Open Offer; and
  - to lodge the Application Form(s) accompanied by the appropriate remittances in respect of the 1,331,760,735 Offer Shares prior to the Latest Time for Acceptance.
- Dorest Company Limited is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung. The Shares held by Dorest Company Limited are under a charging order.
- Up to the Latest Practicable Date, the Company has been informed by the Underwriter that, for the purpose of fulfilling condition (10) as disclosed in the section headed “Conditions of the Open Offer” in this Prospectus, the Underwriter had entered into binding sub-underwriting agreements with five sub-underwriters, who are Independent Third Parties, for sub-underwriting an aggregate of 450,000,000 Offer Shares. Of these 450,000,000 underwritten Shares to be sub-underwritten by five sub-underwriters, (i) a maximum of 400,000,000 Offer Shares would be subscribed by four individuals in equal Shares; and (ii) a maximum of 50,000,000 Offer Shares would be subscribed by a company. The underwritten Shares will be first allocated to these five sub-underwriters procured by the Underwriter based on pro rata basis to their maximum amounts of the Offer Shares to be sub-underwritten. Any excess of these 450,000,000 underwritten Shares, the Underwriter will subscribe for or procure other sub-underwriters to subscribe for those Offer Shares in excess of the said 450,000,000 underwritten Shares. As a result, none of the Underwriter together with its parties acting in concert nor any of the places and/or sub-underwriters and their respective parties acting in concert shall in aggregate be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

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## LETTER FROM THE BOARD

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### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, sales of Chinese health products, investing in operations which receive the profit stream from gaming promotion business, property and hotel investment, and property development.

Based on the management accounts of the Group, as at 30 November 2013, the Group has cash and bank balances of approximately HK\$548.40 million. As disclosed in the statement of indebtedness of the Group under appendix I to this Prospectus, as at 30 November 2013, the indebtedness of the Group (excluding amounts due to non-controlling interest and an associate) reached approximately HK\$600.91 million. Such indebtedness are either repayable on demand or repayable within the next three years.

The gross proceeds from the Open Offer will not be less than approximately HK\$328.37 million and not more than approximately HK\$339.90 million. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be not less than HK\$324.47 million but not more than HK\$336.01 million. The net proceeds of the Open Offer intended to be used for property investment in Hong Kong and/or Macau when suitable opportunity arises. The Group is currently seeking possible property investment in Hong Kong and/or Macau in order to expand the source of income and enjoy the possible potential growth in the property market. The Board considers that it is prudent to finance the Group by long-term financing, preferably in the form of equity to finance long-term investment. As at the Latest Practicable Date, the Company does not have any agreement, understanding, intention or negotiation (concluded or otherwise) about any acquisitions in this respect.

While the financial resource of the Group is sufficient and there is no emergency need of the net proceeds of the Open Offer for its operations, the Board considers that the Open Offer presents an opportunity for the Company to enhance its financial position and also strengthen capital base of the Company. The Board also considers that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the future development of the Company.

**However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company would be diluted.**

### FINANCIAL AND TRADING PROSPECT OF THE GROUP

For the six months ended 30th June 2013, the Group's turnover increased by 20% to approximately HK\$713,130,000 as compared to HK\$593,521,000 for the same period in the previous year. Profit for the period amounted to approximately HK\$60,789,000 as compared to HK\$42,081,000 for the last corresponding period. The increase in the current period's profit was mainly attributable to the outstanding operation performance of Hotel Lan Kwai Fong Macau ("**Lan Kwai Fong**") and the effect is partially offset by the impairment loss of HK\$41,036,000 as compared to HK\$7,300,000 for the last corresponding period recognised in respect of the intangible asset in the gaming promotion operations with regard to the sharing of profit streams from investments in gaming and entertainment business in Macau. The profit attributable to owners of the Company for the six months ended 30th June 2013 was HK\$61,742,000, representing an increase of 22 times from HK\$2,691,000 for the last corresponding period.

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## LETTER FROM THE BOARD

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Hotel and gaming service operations in Lan Kwai Fong is considered to be the core profit and cash contributor of the Group. The successful transformation of Lan Kwai Fong to a boutique hotel that embraces gaming, recreation and tourist accommodation has solidified the role of the Group in Macau's hotel and gaming industry. The development of the properties over Lot 6B, Lot 6C, Lot 6D and Lot 6E, located in Macau at Zona de Aterros do Porto Exterior (ZAPE) would also be benefited by the profit and cash flow derived from the principal core business of Lan Kwai Fong. The foundation of the Group's various investments in Macau will be enhanced and synergistically boosted.

Lan Kwai Fong will continue its current marketing direction and do best to implement its goal "Our highest priority is guest satisfaction in a premium yet relaxed environment with outstanding service".

Capitalising on the profit and cash flow generated from Lan Kwai Fong and through the effective allocation of cash reserve, the Group managed to acquire Nam Pei Hong Sum Yung Drugs Company Limited ("**Nam Pei Hong**") speeding up the Group's debut into the Chinese healthcare products retailing market – an enormous potential market for growth. The envision of the Group that by entering into Hong Kong's retail market, the ultimate goal for preparing the even greater market in China's under-fledged healthcare industry in years to come. By develop of the flagship store of retail chain of Nam Pei Hong in Sheung Wan, the Group intends to reposition the image of Nam Pei Hong and thus solidify its image and market share in Hong Kong and China. It aims to provide creditworthy products with bargain prices. The Board is now planning to expand the retail network of Nam Pei Hong to Macau.

The Group will strive to achieve healthy and stable growth by enhancing profitability and diversifying its businesses progressively.

On 23 October 2013, the Board announced that the Company was approached by an Independent Third Party relating to the possible disposal (the "**Possible Disposal**") of Hotel Lan Kwai Fong Macau. The Board would like to inform the Shareholders and potential investors that the preliminary negotiation with the Independent Third Party regarding the Possible Disposal is still in progress. No terms and conditions of the Possible Disposal have been reached and no agreements or contracts have been signed in respect of such negotiation as at the Latest Practicable Date.

### FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THE ANNOUNCEMENT

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
10 January 2013	Placing of 400,000,000 new Shares at HK\$0.140 per Share	Approximately HK\$55.3 million	For property investment in Hong Kong	The net proceeds has been utilised for acquisition of properties in Hong Kong in April 2013

Save as abovementioned, the Company had not conducted any other fund raising activity in the past 12 months immediately preceding the date of the Announcement.

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## LETTER FROM THE BOARD

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### 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 Open Offer. 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.

### GENERAL

Your attention is drawn to the information contained in the appendices to this Prospectus.

### ISSUE OF NEW BONUS CBs

On 18 November 2013, the Company also announced that it proposed to issue the 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 New Bonus CBs Subscription Price 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. References are made to the circular of the Company dated 2 December 2013 relating to the New Bonus CBs Subscription and poll results announcement of the Company dated 18 December 2013 relating to the poll results of the special general meeting of the Company. Accordingly, the New Bonus CBs Subscription was duly approved by the Shareholders, other than those who are the Bonus CBs Holders who are required to abstain from voting under the Listing Rules, at the special general meeting of the Company held on 18 December 2013.

The Subscription Form which entitles the Bonus CBs Holders to whom it is registered on the register of Bonus CBs Holders to subscribe for the New Bonus CBs as shown therein on Tuesday, 31 December 2013 subject to payment in full by the latest time for returning the Subscription Form and payment for the New Bonus CBs on Wednesday, 15 January 2014. The Subscription Form contained full information regarding the procedures to be followed if the Bonus CBs Holders wish to accept the whole or part of his/her/its entitlement will be delivered to the Bonus CBs Holders contemporaneously with the despatch of the Prospectus Document to the Qualifying Shareholders.

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

## 1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2010, 31 December 2011 and 31 December 2012, including the notes thereto, have been disclosed in the annual reports of the Company for the years ended 31 December 2010 (pages 45 to 195) published on 26 April 2011 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0426/LTN20110426628.pdf>, 31 December 2011 (pages 53 to 214) published on 30 April 2012 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0430/LTN20120430305.pdf>, 31 December 2012 (pages 58 to 218) published on 29 April 2013 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0429/LTN20130429791.pdf> respectively and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 including the notes thereto has been disclosed in the interim report of the Company for the six months ended 30 June 2013 (pages 1 to 26) published on 27 September 2013 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0927/LTN20130927608.pdf>, which are incorporated by reference into this Prospectus. The management discussion and analysis of the Group for the years ended 31 December 2010, 31 December 2011, 31 December 2012 and the six months ended 30 June 2013 have been disclosed in the annual reports of the Company for the years ended 31 December 2010 (pages 9 to 18), 31 December 2011 (pages 10 to 23), 31 December 2012 (pages 9 to 23) and in the interim report of the Company for the six months ended 30 June 2013 (pages 28 to 34) respectively, which are incorporated by reference into this Prospectus.

The said annual reports and interim report of the Company are available on the Company's website at [www.chinastar.com.hk](http://www.chinastar.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

## 2. STATEMENT OF INDEBTEDNESS

### *Indebtedness*

As at the close of business on 30 November 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of the Prospectus, the Group had outstanding borrowings of approximately HK\$746,290,000 which comprised of (i) bank borrowings of approximately HK\$380,119,000 in which amounts of approximately HK\$364,561,000 are secured of the Group, by the leasehold land and buildings, pledged bank deposits and held for trading investments and quota capital of a subsidiary in Macau; (ii) amounts due to non-controlling interests of approximately HK\$127,503,000 which are unsecured, interest-free and have no fixed repayment terms; (iii) amount due to an associate of approximately HK\$17,874,000 which is unsecured, interest-free and repayable on demand; (iv) obligations under finance leases of approximately HK\$52,000; and (v) the liability component of the 8% CBs of approximately HK\$220,742,000.

### **Contingent liabilities**

As at 30 November 2013, the Company provided a corporate guarantee for securing general banking facilities granted by a bank to a subsidiary of the Company to the extent of HK\$265,500,000, the Group had no other material contingent liabilities.

**Disclaimer**

Save as referred to above and apart from intra-group liabilities, the Group did not have, any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 November 2013.

**3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable and after taking into account of the net proceeds from the Open Offer and the internal resources of the Group, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this Prospectus.

**4. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated accounts of the Group were made up, as at the Latest Practicable Date.

**5. BUSINESSES ACQUIRED AFTER 31 DECEMBER 2012**

The businesses acquired after 31 December 2012, being the date to which the latest published audited consolidated accounts of the Group was made up are as follow:

On 1 February 2013, Star Hope Investments Limited, a wholly owned subsidiary of the Company (the “Purchaser”) and an Independent Third Party (the “Vendor”) entered into a sale and purchase agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 1 share of HK\$1.00 in the entire issued share capital of Well Full Limited (the “Target Co”) and a sale loan amounted to approximately HK\$29,603,000 at a total consideration of HK\$93,700,000. The major assets of the Target Co are properties located at Cockloft Floor and the Ground Floor of Nos. 1 and 3 Mercer Street, Hong Kong (the “Properties”), bank deposits of approximately HK\$9,220,000 and Renminbi bonds of approximately RMB5,400,000 (equivalent to approximately HK\$6,750,000 as at 31 January 2013). The acquisition was completed on 28 February 2013 and the Target Co became a wholly owned subsidiary of the Company. The Board intended to develop the Properties into the flagship store of retail chain of Nam Pei Hong Sum Yung Drugs Company Limited in Hong Kong.

On 5 April 2013, Smart Value Developments Limited, a wholly owned subsidiary of the Company (the “Purchaser A”) entered into a conditional sale and purchase agreement with an Independent Third Party (the “Vendor A”, in its capacity as a confirmor) pursuant to which the Purchaser A has conditionally agreed to acquire the entire issued share capital of Big Century Limited (the “Target A”) and a sale loan (the “Sale Loan”) amounted to approximately HK\$10,730,000 at a total consideration of HK\$68,330,000. The major asset and liability of Target A are properties located at Ground Floor and its Cockloft, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong (the “Property A”) and the Sale Loan

respectively. Of the total consideration, HK\$10,730,000 was paid to the Vendor A as initial deposit upon signing of the sale and purchase agreement, HK\$5,400,000 was paid to the Vendor A on 27 September 2013 and the remaining balance of HK\$52,200,000 was paid by the Target A (financed by the Purchaser A) upon completion on 30 September 2013. The consideration was partially financed by the proceeds from the placing of the Company announced on 10 January 2013.

On 5 April 2013, Well Star Investments Limited, a wholly owned subsidiary of the Company (the “Purchaser B”) entered into a provisional sale and purchase agreement with an Independent Third Party (in its capacity as a confirmor) pursuant to which the Purchaser B has conditionally agreed to acquire a property located at First Floor, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong at a consideration of HK\$8,000,000, of which HK\$800,000 was paid as initial deposit upon the signing of provisional sale and purchase agreement and the remaining balance was paid upon completion on 30 September 2013.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE  
ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2013 (the “Unaudited Pro Forma Financial Information”) which has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrative the impact of the proposed open offer on the basis of 2 offer shares for every 5 existing shares held on the record date at HK\$0.125 per offer share (the “Open Offer”) on the unaudited consolidated net tangible assets of the Group assuming (1) none of the new bonus convertible bonds of the Company (the “New Bonus CBs”) is issued and (2) 7,586,976 units of New Bonus CBs in the aggregate principal amount of HK\$75,869.76 are issued.

The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2013 was extracted from the published interim report of the Company for the six months ended 30 June 2013.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, to provide the shareholders with information about the impact of the above scenarios (1) and (2), and, because of its hypothetical nature, may not give a true picture of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company had the Open Offer been completed as at 30 June 2013 or any future date.



**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
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**(1) Assuming none of the New Bonus CBs is issued:**

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2013 <i>(Note 1)</i> HK\$'000	Less: Intangible assets and goodwill of the Group as at 30 June 2013 <i>(Note 2)</i> HK\$'000	Add: Adjustment for effect of the Conversion <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 after the Conversion HK\$'000	Add: Estimated net proceeds from the Open Offer HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon completion of the Open Offer HK\$'000
Based on 2,626,923,658 offer shares at subscription price of HK\$0.125 per offer share to be issued	1,495,466	(37,468)	122,734	1,580,732	324,472	1,905,204
	<u>1,495,466</u>	<u>(37,468)</u>	<u>122,734</u>	<u>1,580,732</u>	<u>324,472</u>	<u>1,905,204</u>
					<i>(Note 4)</i>	
Based on 2,719,215,073 offer shares at subscription price of HK\$0.125 per offer share to be issued	1,495,466	(37,468)	122,734	1,580,732	336,009	1,916,741
	<u>1,495,466</u>	<u>(37,468)</u>	<u>122,734</u>	<u>1,580,732</u>	<u>336,009</u>	<u>1,916,741</u>
					<i>(Note 5)</i>	
Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 after the Conversion <i>(Note 6)</i>						<u>HK\$0.2407 per share</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon completion of the Open Offer based on 2,626,923,658 offer shares to be issued <i>(Note 7)</i>						<u>HK\$0.2072 per share</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon completion of the Open Offer based on 2,719,215,073 offer shares to be issued <i>(Note 8)</i>						<u>HK\$0.2064 per share</u>

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
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**(2) Assuming 7,586,976 units of New Bonus CBs in the aggregate principal amount of HK\$75,869.76 are issued:**

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2013 <i>(Note 1)</i> HK\$'000	Less: Intangible assets and goodwill of the Group as at 30 June 2013 <i>(Note 2)</i> HK\$'000	Add: Adjustment for effect of the Conversion <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 after the Conversion HK\$'000	Add: Estimated net proceeds from issue of the New Bonus CBs <i>(Note 9)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon issue of the New Bonus CBs HK\$'000	Add: Estimated net proceeds from the Open Offer HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon issue of the New Bonus CBs and completion of the Open Offer HK\$'000
Based on 2,626,923,658 offer shares at subscription price of HK\$0.125 per offer share to be issued and 7,586,976 units of New Bonus CBs at HK\$0.125 per New Bonus CB to be issued	<u>1,495,466</u>	<u>(37,468)</u>	<u>122,734</u>	<u>1,580,732</u>	<u>848</u>	<u>1,581,580</u>	<u>324,472</u>	<u>1,906,052</u>
							<i>(Note 4)</i>	
Based on 2,719,215,073 offer shares at subscription price of HK\$0.125 per offer share to be issued and 7,586,976 units of New Bonus CBs at HK\$0.125 per New Bonus CB to be issued	<u>1,495,466</u>	<u>(37,468)</u>	<u>122,734</u>	<u>1,580,732</u>	<u>848</u>	<u>1,581,580</u>	<u>336,009</u>	<u>1,917,589</u>
							<i>(Note 5)</i>	
Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 after the Conversion <i>(Note 6)</i>							<u>HK\$0.2407 per share</u>	
Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon issue of the New Bonus CBs and completion of the Open Offer based on 2,626,923,658 offer shares to be issued <i>(Note 10)</i>							<u>HK\$0.2073 per share</u>	
Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon issue of the New Bonus CBs and completion of the Open Offer based on 2,719,215,073 offer shares to be issued <i>(Note 11)</i>							<u>HK\$0.2065 per share</u>	

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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*Notes:*

1. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2013 of approximately HK\$1,495,466,000 is extracted from the published interim report of the Company for the six months ended 30 June 2013.
2. The intangible assets and goodwill of the Group as at 30 June 2013 of approximately HK\$33,527,000 and HK\$3,941,000 respectively are extracted from the published interim report of the Company for the six months ended 30 June 2013.
3. On 2 October 2013, Eternity Finance Group Limited (“Eternity Finance”) had partially converted outstanding convertible bonds in the principal amount of HK\$125,000,000 to 1,136,363,636 shares at the conversion price of HK\$0.11 per share (the “Conversion”). Assuming the Conversion had take place on 30 June 2013, the net tangible assets of the Group will increased by approximately HK\$122,734,000 which was attributed by decrease in convertible bonds and deferred tax liabilities with carrying amounts of approximately HK\$122,286,000 and HK\$448,000 respectively.
4. The estimated net proceeds from the Open Offer of approximately HK\$324,472,000 are based on 2,626,923,658 offer shares to be issued at HK\$0.125 per offer share and after deduction of estimated related expenses of approximately HK\$3,893,000.
5. The estimated net proceeds from the Open Offer of approximately HK\$336,009,000 are based on 2,719,215,073 offer shares to be issued at HK\$0.125 per offer share and after deduction of estimated related expenses of approximately HK\$3,893,000.
6. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 after the Conversion is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 after the Conversion of approximately HK\$1,580,732,000 divided by 6,567,309,145 shares in issue as at the date of the announcement of the Company dated 18 November 2013 (the “Announcement Date”).
7. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon completion of the Open Offer is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon completion of the Open Offer based on 2,626,923,658 offer shares to be issued of approximately HK\$1,905,204,000 divided by 9,194,232,803 shares which comprised 6,567,309,145 shares in issue as at the Announcement Date and 2,626,923,658 offer shares to be issued under the Open Offer as if the Open Offer had been completed on 30 June 2013.
8. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon completion of the Open Offer is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon completion of the Open Offer based on 2,719,215,073 offer shares to be issued of approximately HK\$1,916,741,000 divided by 9,286,524,218 shares which comprised 6,567,309,145 shares in issue as at the Announcement Date and 2,719,215,073 offer shares to be issued under the Open Offer as if the Open Offer had been completed on 30 June 2013.
9. The estimated net proceeds from issue of the New Bonus CBs of approximately HK\$848,000 are based on 7,586,976 units of New Bonus CBs in the aggregate principal amount of HK\$75,869.76 are issued at HK\$0.125 per New Bonus CB and after deduction of estimated related expenses of approximately HK\$100,000. Issuance of the New Bonus CBs is conditional upon the Open Offer having become unconditional.
10. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon issue of the New Bonus CBs and completion of the Open Offer is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon issue of 7,586,976 units of New Bonus CBs and completion of the Open Offer based on 2,626,923,658 offer shares to be issued of approximately HK\$1,906,052,000 divided by 9,194,232,803 shares which comprised 6,567,309,145 shares in issue as at the Announcement Date and 2,626,923,658 offer shares to be issued under the Open Offer as if the Open Offer and issue of the New Bonus CBs had been completed on 30 June 2013.
11. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 30 June 2013 upon issue of the New Bonus CBs and completion of the Open Offer is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 upon issue of 7,586,976 units of New Bonus CBs and completion of the Open Offer based on 2,719,215,073 offer shares to be issued of approximately HK\$1,917,589,000 divided by 9,286,524,218 shares which comprised 6,567,309,145 shares in issue as at the Announcement Date and 2,719,215,073 offer shares to be issued under the Open Offer as if the Open Offer and issue of the New Bonus CBs had been completed on 30 June 2013.
12. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2013.

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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### REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

*The following is the text of a report received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this Prospectus.*



31st Floor  
Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

31 December, 2013

The Directors  
China Star Entertainment Limited  
Unit 3409, Shun Tak Centre,  
West Tower,  
168-200 Connaught Road Central  
Hong Kong

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### TO THE DIRECTORS OF CHINA STAR ENTERTAINMENT LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Star Entertainment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 and related notes as set out on pages 30 to 33 of the prospectus issued by the Company dated 31 December 2013 (the "Prospectus"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 30 to 33 of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed open offer on the basis of 2 offer shares for every 5 existing shares held on the record date at HK\$0.125 per offer share (the "Open Offer") on the Group's net tangible assets attributable to owner of the Company as at 30 June 2013 as if the Open Offer had taken place at 30 June 2013. As part of this process, information about the Group's net tangible assets attributable to owners of the Company has been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013, on which interim report has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Open Offer on unadjusted financial information of the Group as if the Open Offer had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Open Offer at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully  
**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*  
**Yu Chi Fat**  
Practising Certificate Number: P05467  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

These Prospectus Documents, for which the Directors collectively and individually accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in these Prospectus Documents is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or these Prospectus Documents misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer are as follows:

*Authorised share capital:*

	<i>HK\$</i>
50,000,000,000 Shares	500,000,000.00

*Issued and fully paid share capital or credited as fully paid:*

6,567,309,145 Shares in issue as at the Latest Practicable Date	65,673,091.45
2,626,923,658 Offer Shares to be issued	26,269,236.58
9,194,232,803 Shares in issue and fully paid immediately upon completion of the Open Offer	91,942,328.03

As at the Latest Practicable Date, the Company had (i) 211,761,098 outstanding Options entitling the holders thereof to subscribe for 211,761,098 new Shares; (ii) outstanding Bonus CBs in 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); and (iii) outstanding 8% CBs in the aggregate principal amount of HK\$225.00 million carrying rights entitling the holders thereof to convert their principal amount into 2,045,454,545 new Shares at an adjusted conversion price of HK\$0.11 per Share (subject to further adjustment, if required). Save for the Options, the Bonus CBs and the 8% CBs, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

The issued Shares are listed and traded on the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### (i) Directors

##### (a) Directors' interests in the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares and the underlying Shares and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of interest held
Mr. Heung Wah Keung	Interest of spouse/ interest of controlled corporation	4,661,203,680 (note)	-	4,661,203,680	70.97
Ms. Chen Ming Yin, Tiffany	Interest of spouse/ interest of controlled corporation	4,661,203,680 (note)	-	4,661,203,680	70.97

All interests stated above represent long positions.

*Note:* These Shares are held as to 4,661,162,574 Shares (including 1,331,760,735 Shares undertaken under the HWKFE Undertaking) by HWKFE which is owned as to 50% by Ms. Chen and as to 50% by Mr. Heung and as to 41,106 Shares by Dorest Company Limited (a company beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung).



Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

*(b) Directors' interests in assets and contracts of the Company*

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up.

Save as the interest of Mr. Heung and Ms. Chen in the HWKFE Undertaking, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

*(c) Directors' Service Contracts*

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## (ii) Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares or underlying Shares held	Approximate % of interest held
HWKFE	Beneficial owner	4,661,162,574 ( <i>note a</i> )	70.97
Eternity Investment Limited	Beneficial owner/ Interest of controlled corporation	2,727,272,727 ( <i>note b</i> )	41.53
Riche (BVI) Limited	Interest of controlled corporation	2,045,454,545 ( <i>note c</i> )	31.15
Eternity Finance Group Limited	Beneficial owner	2,045,454,545	31.15
Kingston Securities Limited	Beneficial owner	1,387,454,365 ( <i>note d</i> )	14.57
Chu Yuet Wah	Interest of controlled corporation	1,387,454,365 ( <i>note e</i> )	14.57
Active Dynamic Limited	Interest of controlled corporation	1,387,454,365 ( <i>note e</i> )	14.57
Galaxy Sky Investments Limited	Interest of controlled corporation	1,387,454,365 ( <i>note e</i> )	14.57
Kingston Capital Asia Limited	Interest of controlled corporation	1,387,454,365 ( <i>note e</i> )	14.57
Kingston Financial Group Limited	Interest of controlled corporation	1,387,454,365 ( <i>note e</i> )	14.57

All interests stated above represent long positions.

*Notes:*

- (a) These Shares included 1,331,760,735 Shares undertaken under the HWKFE Undertaking.
- (b) These underlying Shares are held as to 681,818,182 underlying Shares by Eternity Investment Limited and as to 2,045,454,545 underlying Shares by Eternity Finance Group Limited.
- (c) These underlying Shares are held by Eternity Finance Group Limited.
- (d) These Shares included 1,387,454,338 Shares held by Kingston Securities Limited as Underwriter in the Open Offer.
- (e) These Shares are held by the Underwriter.

Other than disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or any persons (other than the Directors and chief executive of the Company) who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstance at general meeting of any member of the Group.

As at the Latest Practicable Date, save and except for information above, no other Director nor any parties acting in concert with any of them was interested in any Shares or any convertible securities, warrants, options or derivative in respect of Shares.

**4. CORPORATE INFORMATION****Board of Directors***Executive Directors*

Mr. Heung Wah Keung  
Ms. Chen Ming Yin, Tiffany  
Ms. Li Yuk Sheung

*Independent Non-executive Directors*

Mr. Hung Cho Sing  
Mr. Ho Wai Chi, Paul  
Mr. Tang Chak Lam, Gilbert

*Audit Committee*

Mr. Ho Wai Chi, Paul  
Mr. Hung Cho Sing  
Mr. Tang Chak Lam, Gilbert

*Remuneration Committee*

Mr. Hung Cho Sing  
Ms. Chen  
Mr. Tang Chak Lam, Gilbert

*Nomination Committee*

Mr. Tang Chak Lam, Gilbert  
Mr. Heung  
Mr. Hung Cho Sing

**Registered office**

Canon's Court  
22 Victoria Street  
Hamilton HM12  
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

**Company secretary**

Ms. Wong Shuk Han, Dorothy  
Member of Hong Kong Institute of Certified Public Accountants  
Unit 3409 Shun Tak Centre  
West Tower  
168-200 Connaught Road Central  
Hong Kong

<b>Authorised representatives</b>	Ms. Wong Shuk Han, Dorothy and Ms. Li Yuk Sheung Unit 3409 Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
<b>Auditors</b>	HLB Hodgson Impey Cheng Limited Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street, Central, Hong Kong
<b>Legal advisers</b>	Robertsons 57/F., The Center 99 Queen's Road Central Hong Kong  Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong  Clifford Chance 29th Floor, Jardine House One Connaught Place, Central, Hong Kong  Leonel Alberto Alves Advogado e Notario Privado Avenida da Praia Grande, 517 Edf. Commercial Nam Tung, 20th Floor Macau, China
<b>Principal registrar and transfer office</b>	MUFG Fund Services (Bermuda) Limited (Formerly known as Butterfield Fulcrum Group (Bermuda) Limited) 26 Burnaby Street Hamilton HM11, Bermuda
<b>Hong Kong branch share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Principal bankers</b>	Bank of China (Hong Kong) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China (Macau) Limited Standard Chartered Bank (Hong Kong) Limited The Bank of East Asia, Limited
<b>Stock code</b>	326
<b>Website</b>	<a href="http://www.chinastar.com.hk">www.chinastar.com.hk</a> <a href="http://www.irasia.com/listco/hk/chinastar">www.irasia.com/listco/hk/chinastar</a>

**5. PARTIES INVOLVED IN THE OPEN OFFER**

<b>The Company</b>	China Star Entertainment Limited Unit 3409, Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
<b>Underwriter</b>	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Hong Kong
<b>Financial adviser to the Company</b>	Nuada Limited Unit 1805-08, 18/F. New Victory House 93-103 Wing Lok Street Sheung Wan Hong Kong
<b>Legal advisers to the Company</b>	<i>As to Hong Kong Law:</i> Michael Li & Co. 19/F., Prosperity Tower No. 39 Queen's Road Central Central Hong Kong  <i>As to Bermuda Law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Reporting Accountants</b>	HLB Hodgson Impey Cheng Limited Certified Public Accountants 31/F., Gloucester Tower, The Landmark 11 Pedder Street, Central, Hong Kong
<b>Hong Kong branch share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Announcement:

- (i) the conditional sale and purchase agreements dated 11 January 2012 entered into between the Exceptional Gain Profits Limited, a wholly owned subsidiary of the Company, and SJM – Investimentos Limitada relating to the acquisition of 1% equity interest of the issued quotas of Hotel Lan Kwai Fong (Macau) Limited and 1% equity interest in the issued share capital of Charm Faith Holdings Limited at a total consideration of approximately HK\$13,000,000;
- (ii) the deed of termination dated 15 February 2012 entered into between Bestjump Holdings Limited and Ms. Chen in relation to the termination of the a conditional sale and purchase agreement entered into between Bestjump Holdings Limited and Ms. Chen dated 29 April 2009 relating to the proposed acquisition of the entire issued share capital of Modern Vision (Asia) Limited and Reform Base Holdings Limited;
- (iii) the conditional sale and purchase agreement dated 15 February 2012 entered into between China Star Entertainment (BVI) Limited, a wholly owned subsidiary of the Company (“China Star (BVI)”) as purchaser and Mr. Heung as vendor relating to the acquisition of the 100% of the entire issued share capital of Most Famous Enterprises Limited and a sale loan amounted to approximately HK\$277.42 million as at 31 January 2012 at a total consideration of HK\$618,000,000;
- (iv) the conditional placing agreement dated 10 January 2013 entered into between the Company and the Underwriter in relation to a placing of up to 400,000,000 new Shares on a best effort basis at a price of HK\$0.14 per new Share;
- (v) the sale and purchase agreement dated 1 February 2013 entered into between Star Hope Investments Limited, a wholly owned subsidiary of the Company, as purchaser and Wing Shan Int’l Limited as vendor relating to the acquisition of the entire issued share capital of Well Full Limited and a sale loan amounted to approximately HK\$29,603,000 at a total consideration of HK\$93,700,000;
- (vi) the conditional sale and purchase agreement dated 5 April 2013 entered into between Smart Value Developments Limited, a wholly owned subsidiary of the Company, as purchaser and an Independent Third Party as vendor (in its capacity as a confirmor) relating to the acquisition of the entire issued share capital of Big Century Limited and a sale loan amounted to approximately HK\$10,730,000 at a total consideration of HK\$68,330,000;

- (vii) the provisional sale and purchase agreement dated 5 April 2013 entered into between Well Star Investments Limited, a wholly owned subsidiary of the Company, as purchaser and an Independent Third Party as vendor (in its capacity as a confirmor) relating to the acquisition of the property located at First Floor, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong at a consideration of HK\$8,000,000;
- (viii) the conditional sale and purchase agreement dated 21 October 2013 entered into between China Star BVI as vender and Mighty Chief Limited as purchaser relating to the disposal of the 375 shares of US\$1.00 each in the issued share capital of Ace Season Holdings Limited, representing 37.5% issued share capital of Ace Season Holdings Limited and a sale loan amounted to approximately HK\$95,630,000 at a total consideration of HK\$93,750,000;
- (ix) the conditional sale and purchase agreement dated 21 October 2013 entered into between China Star BVI as vender and with Rosy Mile Limited as purchaser relating to the disposal of the 125 shares of US\$1.00 each in the issued share capital of Ace Season Holdings Limited, representing 12.5% issued share capital of Ace Season Holdings Limited and a sale loan amounted to approximately HK\$31,880,000 at a total consideration of HK\$31,250,000;
- (x) the Underwriting Agreement; and
- (xi) the Supplemental Underwriting Agreement.

## 8. PARTICULARS OF DIRECTORS

**Mr. HEUNG Wah Keung**, aged 65, is the Chairman of the Company. He is the husband of Ms. Chen Ming Yin, Tiffany, Vice Chairman of the Company. He has over 30 years of experience in the entertainment and multimedia industries. He was the founder of Win's Entertainment Limited ("Win's") and One Hundred Years of Film Company Limited ("One Hundred Years"), which produces films recommended by audiences and distributors around the world. He is also the vice-chairman of Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited. He was an executive director of China Media and Films Holdings Limited (formerly known as KH Investments Holdings Limited) (a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) during the period from 6th August 2009 to 20th January 2010 and the chairman and executive director of Eternity Investment Limited ("Eternity", a company listed on the Main Board of the Stock Exchange) during the period from 2nd August 2001 to 31st January 2010. Mr. Heung was appointed as an executive director of the Company in 1996.

**Ms. CHEN Ming Yin, Tiffany**, aged 56, is the Vice Chairman of the Company. She is the wife of Mr. Heung Wah Keung and has over 25 years of experience in the entertainment and multimedia industries. Ms. Chen has produced a number of blockbuster films for Win's and One Hundred Years. In 2003, she was selected as one of 2003 Women in Entertainment – International Power by The Hollywood Reporter. Ms. Chen was responsible for all planning and monitoring of the purchase of Macau Kingsway Hotel in 2007 and then renovated and designed it into two years later's Hotel Lan Kwai Fong Macau that launched in August 2009. Hotel Lan Kwai Fong Macau has been awarded with several international accolades, which included the "5th China Hotel Starlight Awards 2009 – Best Designed Boutique Hotel of China" and the "2012 TripAdvisor Travelers' Choice 2012 Winner – Trendiest". In respect of promoting



the notion of environmental protection, Hotel Lan Kwai Fong Macau has won the “AHF Asia Awards 2010 – Leading Green Hotel of Asia” and the “Macao Green Hotel Award 2010 – Bronze Award”. The result has been obvious and encouraging. She was the vice chairman and executive director of Eternity during the period from 2nd August 2001 to 31st January 2010. Ms. Chen was appointed as an executive director of the Company in 1996.

**Ms. LI Yuk Sheung**, aged 46, is an executive director of the Company. She has more than 20 years experience of management in the entertainment and multimedia industries. She is responsible for the overall operations, and is familiar with the Group’s system. Ms. Li was appointed as an executive director of the Company in 2001.

**Mr. HUNG Cho Sing**, aged 72, is an independent non-executive director of the Company. He has over 30 years of experience in the film distribution industry and founded Delon International Film Corporation in 1970. He has been the chairman of Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited since 1991 and was the chairman of Hong Kong Film Awards Association from 1992 to 1995. He was also appointed as a consultant of the China Film Association. Mr. Hung is also a member of the 1,200-member-HKSAR Election Committee and a vice-chairman of the Cultural Profession Committee of the Guangdong, Hong Kong and Macau Cooperation Promotion Council (廣東省粵港澳合作促進會文化專業委員會副主任委員). Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the HKSAR Government in 2005 in recognition of his contribution to the Hong Kong film industry. Recently, Mr. Hung has been appointed by the HKSAR as a member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission on an ad personam basis for a term of two years with effect from 17th January 2013. Mr. Hung is currently a non-executive director of Capital VC Limited, a company listed on the Main Board of the Stock Exchange. He was also appointed as an independent non-executive director of Freeman Financial Corporation Limited and Mascotte Holdings Limited since 9th January 2013 and 22nd January 2013 respectively, and was appointed as an executive director of Universe International Holdings Limited since 16th October 2013. All these companies are listed on the Main Board of the Stock Exchange. Mr. Hung was appointed as a non-executive director of the Company in 1996.

**Mr. HO Wai Chi, Paul**, aged 62, is an independent non-executive director of the Company. He is the managing partner of Paul W. C. Ho & Company, Certified Public Accountants (Practising), and is an associate of the Institute of Chartered Accountants in England and Wales, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants. He was an independent non-executive director of Eternity during the period from 30th September 2004 to 24th May 2010. He is currently an independent non-executive director of Bel Global Resources Holdings Limited and Ngai Hing Hong Company Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Ho was appointed as a non-executive director of the Company in 1996.

**Mr. TANG Chak Lam, Gilbert**, aged 62, is an independent non-executive director of the Company. He is a practising solicitor in Hong Kong since 1987 and is a senior partner of Messrs. Gilbert Tang & Co.. He was a director of Pok Oi Hospital in 1993 and a member of the Kowloon West Advisory Committee of Hong Kong Bank Foundation District Community Programme between July 1991 and November 1995. Mr. Tang holds a Bachelor of Law Degree from the University of Buckingham in the United Kingdom, and a Diploma in Chinese Law from the University of East Asia in Macau. He was an independent non-executive director of Eternity during the period from 6th February 2002 to 30th August 2011. Mr. Tang was appointed as an independent non-executive director of the Company in 2011.

**9. MISCELLANEOUS**

- (i) The secretary and the qualified accountant of the Company is Ms. Wong Shuk Han, Dorothy. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The business address of all Directors is Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.
- (iii) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The head office and principal place of business is located at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. The principal transfer office of the Company is at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.
- (iv) The Hong Kong branch share registrar and transfer office of the Company are Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (vi) As at the Latest Practicable Date, save for the HWKFE Undertaking, the Board had not received any information from any Substantial Shareholders (as defined under the Listing Rules) of their intention to take up the Offer Shares to be provisionally allotted or offered to them under the Open Offer.
- (vii) The English text of the Prospectus shall prevail over the Chinese text.

**10. EXPERT AND CONSENT**

The following are the qualification of the expert who has given opinion or advice contained in the Prospectus:

<b>Name</b>	<b>Qualification</b>
HLB Hodgson Impey Cheng Limited ("HLB")	Certified Public Accountants

HLB has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion of its report and references to its name in the form and context in which it appear.

HLB does not has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

HLB does not have or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up.

#### **11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

A copy of this Prospectus, together with copies of the Application Form and the written consent referred to in the paragraphs headed “Expert and Consent” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of the Companies Ordinance.

#### **12. LEGAL EFFECT**

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance.

#### **13. EXPENSES**

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges, registration and other related expenses, are estimated to amount to approximately HK\$3.9 million and are payable by the Company.

#### **14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays from the date of the Prospectus, up to and including the Latest Time for Acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (c) the annual reports of the Company for each of the two financial years ended 31 December 2011 and 2012 and the interim report of the Company for the six months ended 30 June 2013;
- (d) the accountants’ report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to the Prospectus;
- (e) the HWKFE Undertaking and Eternity Finance Undertaking;
- (f) the letter from the Board the text of which is set out on pages 10 to 26 to the Prospectus;

- (g) the written consent of the expert referred to in the section headed “Expert and Consent” in this Appendix;
- (h) the Companies Act; and
- (i) the Prospectus Documents.