
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Star Entertainment Limited** (the “**Company**”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of the Company (the “**SGM**”) to be held at Macau Jockey Club, 4/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 23 October 2015 at 3:00 p.m. is set out on pages 12 to 14 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

30 September 2015

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DEFINITIONS

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

“Board”	board of the Directors
“Bonus Convertible Bonds”	collectively, (i) the bonus convertible bond(s) constituted by the deed poll executed by the Company on 9 January 2013 carrying right entitling 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, details of such bonus convertible bond(s) are set out in the announcements of the Company dated 4 June 2012, 28 September 2012, 25 October 2012, 20 November 2012, 11 December 2012, 3 January 2013, the circular of the Company dated 28 September 2012 and the prospectus of the Company dated 12 December 2012, respectively; and (ii) the bonus convertible bond(s) constituted by the deed poll executed by the Company on 22 January 2014 carrying right entitling 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\$75,405.21 as at the Latest Practicable Date, details of such bonus convertible bond(s) are set out in the announcements of the Company dated 18 November 2013 and 20 January 2014 and the circular of the Company dated 2 December 2013, respectively
“Business Day(s)”	any day(s) (excluding a Saturday, Sunday and public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction of the par value of each of the issued Consolidated Shares from HK\$0.25 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.24 on each of the issued Consolidated Shares
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction and the Share Sub-division
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size for trading from 50,000 Existing Shares to 2,000 New Shares

DEFINITIONS

“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.25 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Share Sub-division
“Directors”	directors of the Company
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25 September 2015, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	the ordinary share(s) of par value HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“SGM”	the special general meeting of the Company to be convened and held at Macau Jockey Club, 4/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 23 October 2015 at 3:00 p.m. to consider and, if thought fit, approve the Capital Reorganisation
“Share(s)”	Existing Share(s), Consolidated Share(s) and/or New Share(s), as the case maybe

DEFINITIONS

“Share Consolidation”	the proposed consolidation of every twenty-five (25) Existing Shares of par value of HK\$0.01 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of par value of HK\$0.25 each in the issued and unissued share capital of the Company
“Share Option(s)”	share option(s) granted or to be granted under the old share option scheme of the Company adopted on 27 May 2002 or the new share option scheme of the Company adopted on 28 June 2012
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Consolidated Shares of par value of HK\$0.25 each into twenty-five (25) New Shares of par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reorganisation, the Change in Board Lot Size and the associated trading arrangements. *This timetable is indicative only and may be varied due to additional time required for compliance with regulatory requirements. Shareholders will be informed of any significant changes to the expected timetable by public announcement.*

(Hong Kong time and date)

Despatch of Company's circular with notice of SGM	on or before Wednesday, 30 September 2015
Latest time for lodging forms of proxy for the purpose of the SGM (<i>Note</i>)	3:00 p.m. on Wednesday, 21 October 2015
SGM	3:00 p.m. on Friday, 23 October 2015
Announcement of poll results of SGM	Friday, 23 October 2015
Effective date of the Capital Reorganisation	Monday, 26 October 2015
First day of free exchange of existing share certificates for new share certificates for New Shares	Monday, 26 October 2015
Dealing in New Shares commences	9:00 a.m. on Monday, 26 October 2015
Original counter for trading in Existing Shares in board lots of 50,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 26 October 2015
Temporary counter for trading in New Shares in board lots of 2,000 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 26 October 2015
Original counter for trading in New Shares in board lots of 2,000 New Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 9 November 2015
Parallel trading in New Shares (in the form of new share certificates in new board lots of 2,000 New Shares and the existing share certificates in board lots of 2,000 New Shares) commences	9:00 a.m. on Monday, 9 November 2015

EXPECTED TIMETABLE

(Hong Kong time and date)

Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of New Shares	9:00 a.m. on Monday, 9 November 2015
Temporary counter for trading in New Shares in board lots of 2,000 New Shares (in the form of existing share certificates) closes	4:00 p.m. on Friday, 27 November 2015
Parallel trading in New Shares (in the form of new share certificates in new board lots of 2,000 New Shares and the existing share certificates in board lots of 2,000 New Shares) ends	4:00 p.m. on Friday, 27 November 2015
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of New Shares	4:00 p.m. on Friday, 27 November 2015
Latest time for free exchange of existing share certificates for the new share certificates	4:30 p.m. on Tuesday, 1 December 2015

Note: Please note that 21 October 2015 is a public holiday in Hong Kong and the Registrar's office will not be open on that day for physical delivery of the forms of proxy. To be effective, all proxy appointments must be lodged with the Registrar before the deadline.

All dates and times in this circular refer to Hong Kong local dates and times.

The expected effective date of the Capital Reorganisation is subject to the relevant conditions precedent (including Shareholders' approval) being fulfilled.

LETTER FROM THE BOARD



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:*

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

30 September 2015

*To the Shareholders and, for information only,
the holders of Share Options and Bonus Convertible Bonds*

Dear Sir or Madam,

**PROPOSED CAPITAL REORGANISATION
AND
CHANGE IN BOARD LOT SIZE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 21 September 2015, the Board announced that the Company intended to put forward to Shareholders for their approval the Capital Reorganisation.

The purpose of this circular is (i) to provide you with further information in respect of the Capital Reorganisation and (ii) to give you notice of the SGM at which a special resolution will be proposed to consider and if thought fit, approve the Capital Reorganisation.

LETTER FROM THE BOARD

PROPOSED CAPITAL REORGANISATION

As disclosed in the announcement of the Company dated 21 September 2015, the Board proposed to reorganise the share capital of the Company in the following manner:

- (a) *Share Consolidation*: that every twenty-five (25) Existing Shares of par value of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$0.25 each;
- (b) *Capital Reduction*: that the par value of each of the issued Consolidated Shares be reduced from HK\$0.25 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.24 on each of the issued Consolidated Shares, the credit arising from such reduction be credited to the contributed surplus account of the Company and that any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation be cancelled; and
- (c) *Share Sub-division*: that each of the authorised but unissued Consolidated Shares of par value of HK\$0.25 each be sub-divided into twenty-five (25) New Shares of par value of HK\$0.01 each.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary special resolution by the Shareholders at the SGM to approve the Capital Reorganisation involving the Share Consolidation, the Capital Reduction and the Share Sub-division;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the New Shares in issue arising from the Capital Reorganisation and any New Shares which may be issued upon exercise of the Share Options and conversion of the Bonus Convertible Bonds; and
- (iii) compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Capital Reorganisation.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 Existing Shares of par value of HK\$0.01, of which 18,827,587,348 Existing Shares have been issued and fully paid or credited as fully paid. Assuming there will be no change in the issued and unissued share capital of the Company from the the Latest Practicable Date up to the date on which the Capital Reorganisation becomes effective and there is no fractional Share arising from the Share Consolidation, the authorised share capital of the Company will become HK\$500,000,000 divided into 50,000,000,000 New Shares of par value of HK\$0.01 each and the issued share capital of the Company will become HK\$7,531,034.93 divided into 753,103,493 New Shares upon the Capital Reorganisation becoming effective.

LETTER FROM THE BOARD

Based on 18,827,587,348 Existing Shares in issue as at the Latest Practicable Date, an amount of credit of HK\$180,744,838.32 will arise as a result of the Capital Reduction. It is proposed that the total credit arising in the accounts of the Company from the Capital Reduction will be transferred to the contributed surplus account of the Company. The Board currently has no plan as to the use of such amount.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and immediately after the Capital Reorganisation assuming no further new Existing Shares will be issued prior to the Capital Reorganisation becoming effective:

	Before the Capital Reorganisation	Immediately after the Share Consolidation but before the Capital Reduction and the Share Sub-division	Immediately after the Capital Reorganisation
Par value per Share	HK\$0.01 per Existing Share	HK\$0.25 per Consolidated Share	HK\$0.01 per New Share
Authorised share capital	HK\$500,000,000 divided into 50,000,000,000 Existing Shares	HK\$500,000,000 divided into 2,000,000,000 Consolidated Shares	HK\$500,000,000 divided into 50,000,000,000 New Shares
Issued share capital	HK\$188,275,873.48 divided into 18,827,587,348 Existing Shares	HK\$188,275,873.25 divided into 753,103,493 Consolidated Shares	HK\$7,531,034.93 divided into 753,103,493 New Shares

Note: Any fraction arising from the Share Consolidation is not shown in the above table.

Status of the New Shares

The New Shares in issue immediately following the Capital Reorganisation becoming effective will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Any fractional Share arising from the Share Consolidation will not be allocated to the Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company.

Arrangement for matching service for odd lots

In order to alleviate the difficulties arising from the existence of odd lots of New Shares as a result of the Capital Reorganisation, the Company has procured an agent to arrange for matching service on a best efforts basis regarding the sale and purchase of odd lots of New Shares on behalf of Shareholders. Holders of odd lots of New Shares who wish to take advantage of this trading facility to dispose of or top up odd lots should contact Ms. Rosita Kiu at telephone number: 2298-6200 or fax number: 2295-0682 of Kingston Securities Limited located at Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong during the office hours of the period from Monday, 9 November 2015 to Friday, 27 November 2015 (both days inclusive). Shareholders should note that matching of the sale and purchase of odd lots of New Shares is not guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above procedures.

LETTER FROM THE BOARD

Listing application

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue arising from the Capital Reorganisation and any New Shares which may be issued upon exercise of the Share Options and the conversion of the Bonus Convertible Bonds.

All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC. Subject to the granting of listing of, and permission to deal in, the New Shares, the New 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 New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Reasons for the Capital Reorganisation

The Board is aware that the Shares have been trading at a price below HK\$0.10 since 6 July 2015. Based on the recent trading prices of the Existing Shares, there is a risk that the price of the Shares may approach the extremity of HK\$0.01, being the trading limit allowed by the Stock Exchange. The proposed Share Consolidation will increase the nominal value of the Shares and reduce the total number of Shares currently in issue, thereby minimizing the possibility that the price of the Shares would approach such extremity.

The Capital Reduction and the Share Sub-division will keep the par value of the Shares at a lower level that can facilitate the Company's future fund raising activities as the Company will not be allowed to issue any Shares below its par value. The Share Sub-division is necessary to sub-divide the par value of each of the authorised but unissued Consolidated Shares from HK\$0.25 to HK\$0.01 so that the par value of all issued and unissued New Shares will be HK\$0.01 each.

The Board believes that the Capital Reorganisation will provide greater flexibility to the Company in pricing future capital raising exercise. Accordingly, the Board is of the view that the Capital Reorganisation is beneficial to the Company and Shareholders as a whole. As at the Latest Practicable Date, the Company was not considering any capital raising exercise.

Other than the expenses to be incurred by the Company in relation to the Capital Reorganisation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

Exchange of Share Certificates

Subject to the Capital Reorganisation becoming effective, which is currently expected to be Monday, 26 October 2015, being the business day immediately after the date of the SGM. Shareholders may on or after Monday, 26 October 2015 and until Tuesday, 1 December 2015 (both days inclusive) submit their existing share certificates in the colour of green for Existing Shares to the Registrar for exchange for new share certificates in the colour of orange for New Shares at the expense of the Company. Thereafter, share certificates for Existing Shares will be accepted for exchange only on

LETTER FROM THE BOARD

payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new share certificate issued for the New Shares or each share certificate for Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. With effect from 30 November 2015, existing share certificates in the colour of green for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates in the colour of orange for New Shares at any time but are not acceptable for trading, settlement and registration purposes.

New share certificates for the New Shares will be in orange colour in order to distinguish them from the existing share certificates which are in green colour.

It is expected that new share certificates for New Shares will be available for collection within ten (10) Business Days from the date of submission of the existing share certificates of Existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited.

Adjustments in relation to the number and/or exercise prices of the Share Options and the conversion price of the Bonus Convertible Bonds

As at the Latest Practicable Date, save for the 1,648,984,482 Share Options and the Bonus Convertible Bonds, the Company does not have any other outstanding options, warrants or securities in issue which are convertible or exchangeable into the Shares. As the Capital Reorganisation will cause adjustment to the number and/or exercise prices of the Share Options as well as the conversion price of the Bonus Convertible Bonds and the resulting number of New Shares to be allotted and issue upon exercising of the conversion rights attaching to the Bonus Convertible Bonds, the Company will appoint the auditors of the Company to certify the necessary adjustment to the number and/or exercise prices of the Share Options as well as the conversion price of the Bonus Convertible Bonds. Further announcement(s) will be made by the Company in this regard as and when appropriate.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded in board lots of 50,000 Existing Shares. As disclosed in the announcement of the Company dated 21 September 2015, the Board also proposed to change the board lot size for trading in the Shares from 50,000 Existing Shares to 2,000 New Shares subject to and upon the Capital Reorganisation becoming effective. Based on the closing price of HK\$0.035 per Share on the Latest Practicable Date, the value of each board lot of New Shares, assuming the Capital Reorganisation and the Change in Board Lot Size had already been effective, would be HK\$1,750. The Company will closely monitor the market price of the Shares and will consider whether any amendments to the proposed change in board lot size is necessary. Further announcement(s) will be made by the Company should there be any change in the proposed change in board lot size and/or the expected timetable as and when appropriate in compliance with the Listing Rules.

WARNING

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” above, and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise 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

GENERAL

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

SGM

The notice convening the SGM is set out on pages 12 to 14 of this circular. The SGM will be convened at Macau Jockey Club, 4/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 23 October 2015 at 3:00 p.m. for the purpose of, considering and, if thought fit, to approve among other things, the Capital Reorganisation.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

VOTING BY POLL

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

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes 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 this circular 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 this circular misleading.

RECOMMENDATION

The Board considers that the Capital Reorganisation is in the best interests of the Company and its Shareholders as a whole and therefore recommends that the Shareholders vote in favour of the relevant resolution to be proposed at the SGM.

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

NOTICE OF SGM



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of China Star Entertainment Limited (the “**Company**”) will be held at Macau Jockey Club, 4/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 23 October 2015 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

SPECIAL RESOLUTION

“**THAT** subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the New Shares (as defined below) and the New Shares which may be allotted and issued upon exercise of the conversion rights attaching to the options to subscribe for shares under the share option schemes adopted by the Company on 27 May 2002 and 28 June 2012 respectively and the conversion of the bonus convertible bonds constituted by the deed polls executed by the Company on 9 January 2013 and 22 January 2014 respectively; and (ii) compliance by the Company with the relevant procedures and requirements under Bermuda law and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to effect the Capital Reorganisation (as defined below), with effect from the first business day (as defined under the Listing Rules) immediately following the date on which this resolution is passed by the shareholders of the Company:

- (a) every twenty-five (25) existing ordinary shares of par value of HK\$0.01 each in both the issued and unissued share capital of the Company (the “**Shares**” and each a “**Share**”) shall be consolidated into one (1) consolidated share of par value of HK\$0.25 each (the “**Consolidated Shares**” and each a “**Consolidated Share**”) (the “**Share Consolidation**”);
- (b) immediately following the Share Consolidation, the issued share capital of the Company shall be reduced through the cancellation of (i) the paid up capital of the Company to the extent of HK\$0.24 on each of the issued Consolidated Shares so that the par value of each issued Consolidated Share shall be reduced from HK\$0.25 to HK\$0.01 (the “**New Shares**” and each a “**New Share**”); and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation (the “**Capital Reduction**”);

NOTICE OF SGM

- (c) immediately following the Capital Reduction becoming effective, each unissued Consolidated Share in the authorised share capital of the Company shall be sub-divided into twenty-five (25) New Shares of par value of HK\$0.01 each (the “**Share Sub-division**”, together with the Share Consolidation and the Capital Reduction, the “**Capital Reorganisation**”);
- (d) the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company and the directors of the Company be and are hereby authorised to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as (subject to the Companies Act 1981 of Bermuda and the bye-laws of the Company) they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time (the “**Authorisation**”); and
- (e) any one or more of the directors of the Company be and is/are hereby authorised to take all such actions and execute all such actions and execute all such documents, including under seal where applicable, as he/she/they consider(s) necessary or expedient in his/her/their opinion to implement and/or give effect to the Capital Reorganisation and the Authorisation.”

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

Hong Kong, 30 September 2015

NOTICE OF SGM

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and principal place
of business:*

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

Notes:

1. A form of proxy for use at the SGM is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong (the "**Registrar**"), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Please note that 21 October 2015 is a public holiday in Hong Kong and the Registrar's office will not be open on that day for physical delivery of the forms of proxy. To be effective, all proxy appointments must be lodged with the Registrar before the deadline.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

As at the date of this notice, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; and the independent non-executive directors of the Company are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.