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If you are in any doubt as to any aspect of this circular 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, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

**CHINA STAR ENTERTAINMENT LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

**PROPOSED CAPITAL REORGANISATION
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting of China Star Entertainment Limited to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Thursday, 30 April 2009 at 4:30 p.m. is set out on pages 45 and 46 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

23 March 2009

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EXPECTED TIMETABLE

The timetable for implementation of the Capital Reorganisation and the associated trading arrangement are set out below:

2009

Latest time for lodging the form of proxy	4:30 p.m. on Tuesday, 28 April
SGM	4:30 p.m. on Thursday, 30 April
Announcement of the results of the Capital Reorganisation.	Monday, 4 May
Effective date of the Capital Reorganisation	Monday, 4 May
Dealings in New Shares commence.	9:30 a.m. on Monday, 4 May
Original counter for trading in Existing Shares in board lot size of 5,000 Existing Shares temporarily closes	9:30 a.m. on Monday, 4 May
Temporary counter for trading in New Shares in board lot size of 250 New Shares in the form of existing share certificates opens	9:30 a.m. on Monday, 4 May
First day for free exchange of share certificates of Existing Shares for new share certificates for New Shares	Monday, 4 May
Original counter for trading in New Shares in board lot size of 5,000 New Shares in the form of new share certificates for New Shares re-opens.	9:30 a.m. on Monday, 18 May
Parallel trading in New Shares in the form of new share certificates and existing share certificates commences.	9:30 a.m. on Monday, 18 May
Designated broker starts to stand in the market to purchase and sell odd lots of New Shares	Monday, 18 May
Parallel trading in New Shares in the form of new share certificates and existing share certificates ends	4:00 p.m. on Monday, 8 June

EXPECTED TIMETABLE

2009

Temporary counter for trading in New Shares
in board lot size of 250 New Shares in the
form of existing share certificates closes 4:00 p.m. on Monday, 8 June

Designated broker ceases to stand in the market
to purchase and sell odd lots of New Shares 4:00 p.m. on Monday, 8 June

Last day for free exchange of share certificates
of Existing Shares for new share certificates
for New Shares Thursday, 11 June

DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal hours
“Capital Reduction”	the proposed (i) reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01; and (ii) crediting of credit amount arising from the reduction of the issued share capital of the Company to the contributed surplus account of the Company
“Capital Reorganisation”	the proposed capital reorganisation of the Company involving the Share Consolidation, the Capital Reduction and the Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Company Act”	Companies Act 1981 of Bermuda (as amended)
“Consolidated Share(s)”	consolidated ordinary Share(s) of HK\$1.00 each in the issued and unissued share capital of the Company immediately after the Share Consolidation becoming effective
“Convertible Bonds”	the outstanding unsecured convertible bonds in an aggregate principal amount of HK\$120,000,000 issued by the Company on 18 March 2008 conferring rights to convert the same Existing Shares at an adjusted conversion price of HK\$0.59 per Existing Share (subject to further adjustments)
“Directors”	the directors of the Company
“Existing Share(s)”	existing ordinary Share(s) of HK\$0.05 each in the issued and unissued share capital of the Company before the implementation of the Capital Reorganisation

DEFINITIONS

“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	19 March 2009 being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company immediately after the Capital Reorganisation becoming effective
“SGM”	the special general meeting of the Company to be convened and held at 4:30 p.m. on Thursday, 30 April 2009 at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong to consider and, if thought fit, approve the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every twenty (20) Existing Shares of HK\$0.05 each into one (1) Consolidated Share of HK\$1.00 each
“Share Options”	the share options granted under the share option schemes adopted by the Company
“Share Subdivision”	the proposed subdivision of each of the authorised but unissued Consolidated Shares of HK\$1.00 each into one hundred (100) New Shares of HK\$0.01 each
“Share(s)”	Existing Share(s), Consolidated Share(s), and/or New Share(s), as the case may be
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“%”	per cent.

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. Leung Hok Man

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

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

23 March 2009

*To the Shareholders and, for information only,
the holders of the Convertible Bonds and options of the Company*

Dear Sir or Madam,

PROPOSED CAPITAL REORGANISATION AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 26 February 2009, the Board announced that the Company intended to put forward to Shareholders for their approval a proposal involving 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 a notice of the SGM at which resolution will be proposed to consider and if thought fit, approve the Capital Reorganisation.

LETTER FROM THE BOARD

PROPOSED CAPITAL REORGANISATION

The Directors propose to reorganise the capital of the Company in the following manner:

(a) Share Consolidation

That every twenty (20) Existing Shares of HK\$0.05 each be consolidated into one (1) Consolidated Share of HK\$1.00 each;

(b) Capital Reduction

That (i) the issued share capital of the Company be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01; and (ii) the credit arising from the reduction of issued share capital of the Company be credited to the contributed surplus account of the Company; and

(c) Share Subdivision

That each of the authorised but unissued Consolidated Shares of HK\$1.00 each be subdivided into one hundred (100) New Shares of HK\$0.01 each.

The board lot size for trading in the Shares will remain unchanged upon the Capital Reorganisation becoming effective.

The Directors have duly resolved to put forward to Shareholders for their approval of the Capital Reorganisation comprising the Share Consolidation, the Capital Reduction and the Share Subdivision.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 divided into 10,000,000,000 Existing Shares, of which 4,790,187,360 Existing Shares have been in issue and are 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 Latest Practicable Date up to the date on which the Capital Reorganisation becoming effective, the authorised share capital of the Company will become HK\$500,000,000 divided into 50,000,000,000 New Shares and the issued share capital of the Company will become HK\$2,395,093.68 divided into 239,509,368 New Shares.

Based on 4,790,187,360 Shares in issue as at the Latest Practicable Date, an amount of credit of HK\$237,114,274.32 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 New Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other.

As at the Latest Practicable Date, save for the Share Options entitling the holders thereof to subscribe for 365,489,629 Existing Shares and the Convertible Bonds, the Company has no other outstanding warrants, options or convertible securities.

LETTER FROM THE BOARD

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 as well as the amount of credit arising from the Capital Reduction assuming no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective:

	Before the Capital Reorganisation	Immediately after the Capital Reorganisation	Amount of credit arising from the Capital Reduction
Nominal value per Share	HK\$0.05 per Existing Share	HK\$0.01 per New Share	–
Shares authorised but unissued	HK\$260,490,632 divided into 5,209,812,640 Existing Shares	HK\$497,604,906.32 divided into 49,760,490,632 New Shares	–
Shares in issued	HK\$239,509,368 divided into 4,790,187,360 Existing Shares	HK\$2,395,093.68 divided into 239,509,368 New Shares	HK\$237,114,274.32

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) 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 Subdivision;
- (b) compliance with the relevant procedures and requirements under the Listing Rules and Bermuda law to effect the Capital Reorganisation; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued forthwith upon the Capital Reorganisation becoming effective and any New Shares which may fall to be issued upon exercise of the Share Options and may be issued upon conversion of the Convertible Bonds.

The Capital Reorganisation will become effective on the Business Day immediately following fulfilment of the above conditions.

LETTER FROM THE BOARD

Reasons for the Capital Reorganisation and impact on the Company and the Shareholders

Taking into account the Capital Reorganisation will increase the trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the New Shares, the Directors are of the view that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The New Shares will rank pari passu in all respects with the Existing Shares in issue prior to the Capital Reorganisation becoming effective and each other and there will be no change in the respective rights of the Shareholders. Any fractional entitlements to the New Shares will be aggregated, sold and retained for the benefit of the Company.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, liabilities, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

Application for listing of the New Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for granting the listing of, and permission to deal in, the New Shares to be issued forthwith upon the Capital Reorganisation becoming effective and any New Shares which may fall to be issued upon exercise of the Share Options and may be issued upon conversion of the Convertible Bonds.

None of the securities of the Company is listed or dealt in on any of the stock exchange other than the Stock Exchange and no such listing or permission to deal is being on is proposed to be sought.

Free exchange of New Share certificates and trading arrangements

Subject always to the passing of the resolutions approving the Capital Reorganisation, Shareholders may, during business hours for the period from Monday, 4 May 2009 to Thursday, 11 June 2009 submit their share certificates for Existing Shares (in yellow colour) held by them to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in exchange for new share certificates for New Shares (in red colour) at the expense of the Company). The existing share certificates will be valid for trading and settlement up to 4:00 pm, Monday, 8 June 2009, being the latest date for trading in board lot size of 250 New Shares in the form of existing share certificates (or such other date which will be announced by the Company), thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified 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. Nevertheless, share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the New Shares at any time but are not acceptable for trading, settlement and registration purpose upon completion of the Capital Reorganisation. All New Shares will rank pari passu in all respects with each other.

The timetable for implementation of the Capital Reorganisation and the associated trading arrangements are set out on pages 1 and 2 to this circular.

LETTER FROM THE BOARD

Arrangement for matching service for odd lots

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares, the Company has procured a designated broker to arrange for the matching of the sales and purchases of odd lots of the 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 2298-6200 of Kingston Securities Limited located at Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, during the period from Monday, 18 May 2009 to Monday, 8 June 2009, both dates inclusive.

Holders of New Shares in odd lots should note that successful matching of the sale and purchase of odd lots of New Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above procedures.

Adjustments in relation to the Share Options

As at the Latest Practicable Date, there were outstanding Share Options entitling the holders thereof to subscribe for up to an aggregate of 365,489,629 Existing Shares. The Capital Reorganisation may cause adjustments to the exercise prices and/or the number of New Shares to be issued under the Share Options. The Company will appoint the Company's auditors or an independent financial adviser to review and confirm that the basis of such adjustments to the Share Options comply with Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with the rules of the share option scheme of the Company. The Company will inform the holders of the Share Options of the adjustments accordingly.

Adjustments in relation to the conversion price of the Convertible Bonds

Under the terms and conditions of the Convertible Bonds, adjustments to the conversion price of the Convertible Bonds is required after the Capital Reorganisation. The Company will inform the holder of the Convertible Bonds of the adjustment accordingly.

GENERAL

The Group is principally engaged in film production, distribution of film and television drama series, the provision of post-production services, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

SGM

A notice convening the SGM to be held on Thursday, 30 April at 4:30 p.m. at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the special resolution to approve the Capital Reorganisation is set out on pages 45 and 46 of this circular.

LETTER FROM THE BOARD

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the 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.

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 this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Company Act;
- (c) the annual reports of the Group for the two financial years ended 31 December 2006 and 2007;
- (d) the interim report 2008 of the Company for the six months ended 30 June 2008; and
- (e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since the date of the latest published audited accounts of the Company.

RECOMMENDATION

The Directors (including the independent non-executive Directors) considers that the Capital Reorganisation is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolution proposed at the SGM.

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

CONSTITUTION OF THE COMPANY**1. MEMORANDUM OF ASSOCIATION OF THE COMPANY (“MEMORANDUM OF ASSOCIATION”)**

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the powers of the Company and the objects for which the Company was formed, including acting as a holding and investment company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS OF THE COMPANY (“BYE-LAWS”)

The Bye-laws were adopted on 23 October 1992 as amended on 27 May 1997, 28 June 2000, 9 September 2002, 25 June 2004 and 29 June 2005. The following is a summary of certain provisions of the Bye-laws.

a. Shares*(i) Classes of Shares*

The share capital of the Company consists of ordinary shares.

(ii) Share Certificates

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. In relation to the use of the securities seal for sealing certificates for shares or other securities of the Company, no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.

The Company shall not be bound to register more than four persons as joint holders of any share.

b. Directors*(i) Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder. The Board may, subject to the approval of the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine.

The Board may, subject to the approval by the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarized in section 4(n) of this Appendix.

(v) *Financial assistance to acquire shares of the Company*

(aa) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the members in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. An employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of the bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees;

(bb) Subject, where applicable, to the rules of any relevant stock exchange, the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and

(cc) The conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his associates has a material interest, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:

- (aa) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company and any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;
- (cc) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares of any class of shares of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his associate(s) and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s), as such any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- (gg) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.

(vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

Every Director, including those appointed for specific term, shall be subject to retirement by rotation at the annual general meeting at least once every three years and the Directors to retire at every annual general meeting shall be decided by the Board.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) Borrowing powers

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in

particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

c. Alterations to constitutional documents

The Memorandum of Association may, with the consent of the Minister of Finance of Bermuda (the “Minister”) (if required), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

d. Alterations of capital

The Company may from time to time by ordinary resolution:–

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company’s benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may

have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

- (vi) change the currency denomination of its share capital; and
- (vii) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

e. Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

f. Special resolutions – majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

g. Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote and on a poll, every member present in person or by a duly

authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

h. Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed

thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

j. Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by twenty-one days' notice in writing at least and any other special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given or issued under the Bye-laws shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by delivering or leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter.

k. Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless a fee of such sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more newspapers circulating in Hong Kong, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

I. Power for the Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

n. Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

o. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes on a poll may be given either personally or by a duly authorised corporate representative or by proxy. On a vote of a show of hands, only a member present in person or by a duly authorized corporate representative may vote. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

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 seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that member is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the

clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands.

p. Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

q. Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members.

r. Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy or by a duly authorised corporate representative one-third in nominal value of the issued shares of that class.

s. Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 4(o) of this Appendix.

t. Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily must be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. Under the Companies Act the liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. Under the Companies Act, the liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

u. Untraceable members

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:–

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-Laws of the Company have remained uncashed;
- (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (iii) the Company has caused an advertisement to be inserted in the newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and
- (iv) the Company has notified the Stock Exchange of its intention to effect such sale.

v. Other provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

Note: The Companies Act prevents a company from giving financial assistance in the subscription of its shares (subject to certain exceptions). A subscription right reserve may only be created and used for the above purpose if an exception applies.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting and if the Company intends to carry on any “restricted business activity” for the purposes of the Companies Act, the prior consent of the Minister will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where permitted, by proxy at a general meeting of which not less than 21 days’ notice specifying the intention to propose the resolution as a special resolution has been duly given. The requirement of 21 days’ notice may be waived (a) in the case of a special general meeting, by a majority number of the

members having the right to attend and vote at the relevant meeting, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right; and (b) in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat.

4. BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act on 10 August 1992. The Company was brought into existence by depositing the Memorandum of Association with the Registrar of Companies in Bermuda (the “Registrar”).

b. Constituent Documents

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association shall not be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required

that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister's consent if the Company carries on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending 28 March 2016.

d. Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1 April 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted

company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

e. Prospectus issues and public offers

The Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying: (i) that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company; or (ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:–

Appointed Stock Exchanges

The Alberta Stock Exchange	London Stock Exchange –
American Stock Exchange, Inc.	Alternative Investment
Australian Stock Exchange Ltd.	Market (AIM)
The Bermuda Stock Exchange	Societe de la Bourse de
The Bolsa de Madrid	Luxembourg S.A.
Boston Stock Exchange, Inc.	Bourse de Montreal
Canadian Dealing Network	National Association
Canadian Venture Exchange	of Security Dealers Automated
The Commission de Surveillance	Quotations System (NASDAQ)
du Secteur Financier	New York Stock Exchange, Inc.
European Association of Security Dealers	New Zealand Stock Exchange
Automated Quotation S.A. (EASDAQ)	Oslo Børs
Frankfurt Stock Exchange	Paris Bourse
The Stock Exchange of Hong Kong Ltd.	Sao Paulo Stock Exchange
The Irish Stock Exchange	Shanghai Stock Exchange
JASDAQ Market	Singapore Exchange Securities
The Johannesburg Stock Exchange	Trading Limited
The Kuala Lumpur Stock Exchange	Swiss Exchange
London Stock Exchange	Tokyo Stock Exchange
	The Toronto Stock Exchange
	Vancouver Stock Exchange
	Viennese Stock Exchange

Competent Regulatory Authorities

Australian Securities and Investments Commission
Austrian Federal Ministry of Finance
Bermuda Monetary Authority
The Commission de Surveillance du Secteur Financier
Financial Services Authority
Hong Kong Securities and Futures Commission
Japanese Financial Services Agency and its delegate,
the Kanto Local Finance Bureau of the Ministry of Finance of Japan
Luxembourg Commissariat aux Bourses
The Monetary Authority of Singapore
Ontario Securities Commission
Securities and Exchange Commission of Brazil
Swiss Exchange
United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:—

- (i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
- (ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;
- (iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;
- (iv) working capital; and
- (v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange Control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (“BMA”). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Under the terms of the consent given to the Company by the BMA, the issue of shares and warrants up to the authorised share capital from time to time of the Company to and any transactions in issued shares and warrants between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission from that Authority.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share Capital

The Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company’s shares in specific circumstances.

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called “the share premium account” and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of Share Capital

A company may if authorised by a general meeting of the members of the company and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

i. Purchase by the Company of its own shares

The Companies Act permits the Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see “Dividends” below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company’s share premium account, or

out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company's authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of Securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister ie. through the mechanism required or permitted by an appointed stock exchange.

k. Dividends and Distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

i. Charges on the Assets of the Company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

m. Management and Administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:

- (a) a secretary and a resident representative; or
- (b) a secretary and a director; or
- (c) two directors,

all of whom **must** be individuals ordinarily resident in Bermuda.

Exempted companies, the shares of which are listed on an appointed stock exchange, may appoint a resident representative in Bermuda in place of the other Bermuda resident officers, who or which may be either an individual or a corporate entity, whose statutory rights, duties and obligations are established by the Companies Act.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

n. Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

o. The Investigation of the Affairs of a Company and the Protection of Minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

p. Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:

- (i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;
- (ii) take any mortgage of land in Bermuda (subject to certain exceptions); and
- (iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an “exempted company”. Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as “non resident” for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

r. Accounting and Auditing Requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to: –

- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the

Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD\$500.00 (approximately equivalent in value to US\$500.00), for the time being.

s. Auditing Requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting: –

- (i) financial statements for the period, which shall include: –
 - (aa) a statement of the results of operations for such period;
 - (bb) a statement of retained earnings or deficits;
 - (cc) a balance sheet at the end of such period;
 - (dd) a statement of changes in the financial position for the period;
 - (ee) notes to the financial statements;
 - (ff) such further information as required by the Companies Act and the company's memorandum of association and its bye-laws;
- (ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and
- (iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Bermuda Act also provides that companies listed on an appointed stock exchange may send summarized financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarized financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarized financial statements must be derived from the company's financial statements and shall include:

- (a) a summarized report of the unabridged financial statements;
- (b) such further information extracted from the financial statements as the board of directors considers appropriate; and
- (c) a statement that it is only a summarized version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and Discontinuation of Companies

- (i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and
- (ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

u. Winding-Up and Liquidation Provisions of Bermuda Legislation*(i) Introduction:*

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

- (aa) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and
- (bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) Voluntary Winding-Up:

- (aa) Members' Voluntary Winding-up – A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

- (bb) Creditors' Voluntary Winding-up – A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) *Compulsory Winding-Up:*

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

- (aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;
- (bb) that the company is unable to pay its debts;
- (cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver – a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

v. General

Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

NOTICE OF SGM



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

NOTICE IS HEREBY GIVEN that a special general meeting of China Star Entertainment Limited (the “**Company**”) will be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central Hong Kong on Thursday, 30 April 2009 at 4:30 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT** subject to and conditional upon, (i) compliance with the relevant procedures and requirements under The Rules (the “**Listing Rules**”) Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Bermuda to effect the Capital Reorganisation (as defined below); and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares (as defined below) to be issued forthwith upon the Capital Reorganisation (as defined below) becoming effective and any New Shares (as defined below) which may fall to be issued upon exercise of the share options granted under the share option schemes adopted by the Company and may be issued upon conversion of the outstanding unsecured convertible bonds in an aggregate principal amount of HK\$120,000,000 issued by the Company on 18 March 2008, the capital of the Company will be reorganise in the following manner with effect from 4 May 2009:

- (a) every twenty (20) existing issued and unissued shares (the “**Existing Shares**”) of par value of HK\$0.05 each in the share capital of the Company be consolidated into one (1) consolidated share (each a “**Consolidated Share**”) of HK\$1.00 each (the “**Share Consolidation**”);
- (b) (i) the issued share capital of the Company be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduce from HK\$1.00 to HK\$0.01; and (ii) the credit arising from the reduction of issued share capital of the Company be credited to the contributed surplus account of the Company (the “**Capital Reduction**”);
- (c) the directors of the Company be authorised to utilise the credit balance in the contributed surplus account in accordance with the bye-laws of the Company and all applicable laws (including the application to set off against accumulated losses of the Company);

NOTICE OF SGM

- (d) each of the authorised but unissued Consolidated Shares of HK\$1.00 each be subdivided into one hundred (100) shares of HK\$0.01 each of the Company (the “**Share Subdivision**”, together with the Share Consolidation and the Capital Reduction are herein referred to as the “**Capital Reorganisation**”); and
- (e) the Capital Reorganisation and the transactions contemplated thereby be and are hereby approved and any one of the directors of the Company be and is hereby authorised to do all such acts and things and execute all documents he/she considers necessary, desirable, expedient or appropriate to give effect to the Capital Reorganisation and the transactions contemplated thereunder.”

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

Hong Kong, 23 March 2009

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

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice 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, Computershare Hong Kong Investor Services Limited, at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, 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.