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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

PROPOSED CAPITAL REORGANISATION

The Board proposes to reorganise the share capital of the Company in the following manner:

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

CHANGE IN BOARD LOT SIZE

The Board also proposes to change the board lot size for trading in the Shares from 50,000 Existing Shares to 2,000 New Shares subject to and upon the Capital Reorganisation becoming effective.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, (i) further information on the Capital Reorganisation and the Change in Board Lot Size; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 30 September 2015.

PROPOSED CAPITAL REORGANISATION

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

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

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

Effects of the Capital Reorganisation

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

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

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

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

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

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

Status of the New Shares

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

Arrangement for matching service for odd lots

In order to alleviate the difficulties arising from the existence of odd lots of New Shares as a result of the Capital Reorganisation, the Company has agreed to procure an agent to arrange for matching service on a best efforts basis regarding the sale and purchase of odd lots of New Shares from Monday, 9 November 2015 to Friday, 27 November 2015 (both days inclusive). Shareholders should note that matching of the sale and purchase of odd lots of New Shares is not guaranteed. Further details in respect of the odd lots trading arrangement will be set out in the circular to be despatched to the Shareholders.

Listing application

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

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

Reasons for the Capital Reorganisation

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

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

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

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

Exchange of Share Certificate

Subject to the Capital Reorganisation becoming effective, which is currently expected to be Monday, 26 October 2015, being the business day immediately after the date of the SGM. Shareholders may on or after Monday, 26 October 2015 and until Tuesday, 1 December 2015 (both days inclusive) submit their existing share certificates in the colour of green for Existing Shares to the Registrar for exchange for new share certificates in the colour of orange for New Shares at the expense of the Company. Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new share certificate issued for the New Shares or each share certificate for Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. With effect from 30 November 2015, existing share certificates in the colour of green for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates in the colour of orange for New Shares at any time but are not acceptable for trading, settlement and registration purposes.

CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded in board lots of 50,000 Existing Shares. The Board also proposes to change the board lot size for trading in the Shares from 50,000 Existing Shares to 2,000 New Shares subject to and upon the Capital Reorganisation becoming effective. Based on the closing price of HK\$0.052 per Share on the Last Trading Day, the value of each board lot of New Shares, assuming the Capital Reorganisation and the Change in Board Lot Size had already been effective, would be HK\$2,600.00.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, (i) further information on the Capital Reorganisation and the Change in Board Lot Size; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 30 September 2015. To the best of the Directors' knowledge, no Shareholder has a material interest in the Capital Reorganisation and is required to abstain from voting at the SGM.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reorganisation, the Change in Board Lot Size and the associated trading arrangements are as follows:

(Hong Kong time and date)

Despatch of Company’s circular with Wednesday, 30 September 2015
notice of SGM on or before

Latest time for lodging forms of proxy 3:00 p.m. on Wednesday,
for the purpose of the SGM *(Note)* 21 October 2015

SGM 3:00 p.m. on
Friday, 23 October 2015

Announcement of poll results of SGM Friday, 23 October 2015

Effective date of the Capital Reorganisation Monday, 26 October 2015

First day of free exchange of. Monday, 26 October 2015
existing share certificates for
new share certificates for New Shares

Dealing in New Shares commences. 9:00 a.m on Monday,
26 October 2015

Original counter for trading in 9:00 a.m. on Monday,
Existing Shares in board lots of 26 October 2015
50,000 Existing Shares
(in the form of existing share certificates)
temporarily closes

Temporary counter for trading in 9:00 a.m. on Monday,
New Shares in board lots of 2,000 26 October 2015
New Shares (in the form of
existing share certificates) opens

Original counter for trading in 9:00 a.m. on Monday,
New Shares in board lots of 2,000 9 November 2015
New Shares (in the form of
new share certificates) re-opens

(Hong Kong time and date)

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

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

The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Board”	board of the Directors
“Bonus Convertible Bonds”	collectively, (i) the bonus convertible bond(s) constituted by the deed poll executed by the Company on 9 January 2013 carrying right entitling holders thereof to convert its principal amount into a new Share at an initial conversion price of HK\$0.01 per Share (subject to adjustment) with the aggregate outstanding principal amount of HK\$189,674.40 as at the date of this announcement, details of such bonus convertible bond(s) are set out in the announcements of the Company dated 4 June 2012, 28 September 2012, 25 October 2012, 20 November 2012, 11 December 2012, 3 January 2013, the circular of the Company dated 28 September 2012 and the prospectus of the Company dated 12 December 2012, respectively; and (ii) the bonus convertible bond(s) constituted by the deed poll executed by the Company on 22 January 2014 carrying right entitling holders thereof to convert its principal amount into a new Share at an initial conversion price of HK\$0.01 per Share (subject to adjustment) with the aggregate outstanding principal amount of HK\$75,405.21 as at the date of this announcement, details of such bonus convertible bond(s) are set out in the announcements of the Company dated 18 November 2013 and 20 January 2014 and the circular of the Company dated 2 December 2013, respectively
“Capital Reduction”	the proposed reduction of the par value of each of the issued Consolidated Shares from HK\$0.25 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.24 on each of the issued Consolidated Shares
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction and the Share Sub-division
“CCASS”	the Central Clearing and Settlement System operated by HKSCC

“Change in Board Lot Size”	the proposed change in board lot size for trading from 50,000 Existing Shares to 2,000 New Shares
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.25 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Share Sub-division
“Directors”	directors of the Company
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	21 September 2015, being the last trading day for the Shares immediately prior to the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	the ordinary share(s) of par value HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong

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

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

Hong Kong, 21 September 2015

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