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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Star Entertainment Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank manager, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

(1) PROPOSED GENERAL MANDATES TO ISSUE AND TO REPURCHASE SECURITIES; (2) PROPOSED RE-ELECTION OF DIRECTOR; (3) PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND (4) NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of China Star Entertainment Limited (the “**Company**”) to be held at Golden Restaurant, 1/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 29 June 2022 at 4:00 p.m. is set out on pages 28 to 33 of this circular. A proxy form of for use at the Annual General Meeting is enclosed with this circular. Such proxy form of is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.chinastar.com.hk.

Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed proxy form of in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form of will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the coronavirus pandemic, the following precautionary measures will be implemented at the Annual General Meeting of the Company:

- (1) Limiting the number of attendees to avoid over-crowding
- (2) Compulsory temperature checks
- (3) Mandatory wearing of surgical face mask
- (4) No provision of corporate gift and refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above or is subject to any Hong Kong Government prescribed quarantine measures may be denied entry to the Annual General Meeting venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the Annual General Meeting by appointing the Chairman of the Annual General Meeting as their proxy and to return their proxy forms by the time specified above, instead of attending the Annual General Meeting in person.

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is conditionally adopted by an ordinary resolution of the Shareholders in general meeting
“Annual General Meeting”	the annual general meeting of the Company to be held at Golden Restaurant, 1/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 29 June 2022 at 4:00 p.m., a notice of which is set out on pages 28 to 33 of this circular
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors for the time being or a duly authorised committee thereof
“Bonus CBs”	the outstanding bonus convertible bonds constituted by the deed polls executed by the Company on 9 January 2013 and 22 January 2014 respectively and issued on the respective dates which are convertible into Shares at the conversion price of HK\$0.25 per Share (after adjustment)
“Bye-laws”	the Bye-laws of the Company, as may be amended from time to time
“chief executive”	has the meaning ascribed thereto under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	China Star Entertainment Limited (stock code: 326), an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“core connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Eligible Participant(s)”	full time or part time employees of the Group or any Invested Entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any Invested Entity); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, producers or licensors, licensees (including any sub-licensees) or distributors of the Group or any Invested Entity, as determined by the Board in its absolute discretion
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the provisions of the New Share Option Scheme, and subject to any adjustments made thereunder
“Existing Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders on 28 June 2012
“General Mandates”	the Repurchase Mandate and the general mandate to issue securities to be sought at the Annual General Meeting
“Grantee(s)”	any Eligible Participant(s) who accept(s) an Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) his Personal Representative(s)
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds an equity interest
“Latest Practicable Date”	25 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme of the Company proposed to be adopted at the Annual General Meeting, the principal terms of which are set out in Appendix III to this circular

DEFINITIONS

“Nomination Committee”	the Nomination Committee of the Company
“Offer”	an offer for the grant of an Option made in accordance with the New Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Participant
“Option”	an option to subscribe for Shares granted pursuant to the New Share Option Scheme
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination thereof contained in the New Share Option Scheme
“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised)
“Remuneration Committee”	the Remuneration Committee of the Company
“Repurchase Mandate”	the proposed new general mandate, to be sought at the Annual General Meeting, to authorise the Directors to repurchase Shares in the manner as set out in the notice of the Annual General Meeting
“Scheme Period”	means the period commencing on the Adoption Date and expiring on the earlier of the Termination Date or the date on which the New Share Option Scheme is terminated pursuant to the provisions of the New Share Option Scheme
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subsidiary”	a company which is for the time being and from time to time a subsidiary of the Company (within the meaning of the Companies Act 1981 of Bermuda), whether incorporated in Hong Kong, the Macau Special Administrative Region, the British Virgin Islands, or elsewhere
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Termination Date”	close of business of the Company on the date immediately preceding the tenth anniversary of the Adoption Date
“HK\$”	Hong Kong dollars, the lawful currency of 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. Tang Chak Lam, Gilbert

Registered office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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

30 May 2022

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

Dear Sir or Madam,

**(1) PROPOSED GENERAL MANDATES TO ISSUE
AND TO REPURCHASE SECURITIES;
(2) PROPOSED RE-ELECTION OF DIRECTOR;
(3) PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

PROPOSED GENERAL MANDATES TO ISSUE AND TO REPURCHASE SECURITIES

The Directors have taken the opportunity to convene a meeting of the Shareholders to propose a resolution to grant a general mandate to the Directors to exercise the powers of the Company to allot, issue and deal with securities not exceeding 20% of the total number of Shares in the issued share capital of the Company as at the date of the passing of the resolution. As at the Latest Practicable Date, there were 2,485,850,479 Shares in issue. Assuming there is no further Shares are allotted and issued or repurchased between the Latest Practicable Date and the date of the Annual General Meeting, the general

LETTER FROM THE BOARD

mandate to be sought at the Annual General Meeting will allow the Company to allot, issue and deal with securities not exceeding 497,170,095 Shares. An ordinary resolution will also be proposed at the Annual General Meeting to grant to the Directors a general mandate to repurchase Shares not exceeding 10% of the total number of Shares in the issued share capital of the Company as at the date of the passing of such resolution. In addition, if the General Mandates are granted, an ordinary resolution will also be proposed at the Annual General Meeting to grant to the Directors an extension of general mandate to allot, issue and deal with additional Shares repurchased under the Repurchase Mandate.

The General Mandates will end on the earliest of (i) the date of the next annual general meeting; (ii) the date by which the next annual general meeting of the Company is required to be held by law, the Bye-laws and the Companies Act; or (iii) the date upon which such authority is revoked or varied by ordinary resolution of the Company in general meeting.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole if the General Mandates were granted at the Annual General Meeting. The need for an issue of securities under the general mandate to issue securities could, for example, arise in the context of a transaction, such as an acquisition by the Group where securities are to be issued as consideration, which has to be completed speedily. The Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new securities.

In accordance with the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of a mandate to the Directors to exercise the powers of the Company to repurchase its own Shares. Such explanatory statement is set out in the Appendix I to this circular.

PROPOSED RE-ELECTION OF DIRECTOR

Pursuant to Bye-laws 99(A) and 99(B) of the Bye-laws, Mr. Hung Cho Sing shall retire from office by rotation at the Annual General Meeting and, being eligible, offer himself for re-election at the Annual General Meeting. Pursuant to code provision B.2.3 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, as Mr. Hung Cho Sing has served as independent non-executive Director for more than nine years, his re-election will be subject to a separate resolution to be approved by the Shareholders.

The Nomination Committee has reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Director with reference to the nomination principles and criteria set out in the Company's Board Diversity Policy and the Company's policy for nomination of Directors as set forth in the terms of reference of the Nomination Committee, the Company's corporate strategy, and the independence of all Independent Non-executive Directors. Having evaluated the re-election, the Nomination Committee considers that the retiring Director continues to satisfy the selection criteria as set out in the Company's policy. In addition, Mr. Hung Cho Sing has been appointed as independent non-executive Director since 18 July 1996 and has served the Company for more than nine years. The Board and the Nomination Committee believe Mr. Hung Cho Sing is still independent and should be re-elected for the reasons set out in his particulars in Appendix II to this circular. For the information of the Shareholders, Mr. Hung Cho Sing, who is a member of the Nomination Committee, abstained from voting at the meeting of the Nomination Committee at which his re-election was being evaluated and considered.

LETTER FROM THE BOARD

With the recommendation of the Nomination Committee, the Board proposes to re-elect Mr. Hung Cho Sing as independent non-executive Director at the Annual General Meeting.

Particulars relating to Mr. Hung Cho Sing are set out in the Appendix II to this circular.

Length of tenure of independent non-executive Directors

As at the Latest Practicable Date, the length of tenure of each of Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert was 25 years, 25 years and 11 years respectively.

PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on 28 June 2012 and to be expired on 27 June 2022. Therefore, the Directors propose to adopt the New Share Option Scheme, the principal terms of which are set out in Appendix III to this circular. In view of the expiry of the Existing Share Option Scheme, the Board proposes the adoption of the New Share Option Scheme so as to continue providing incentives or rewards to the Eligible Participants thereunder for their contribution or potential contribution to the Group or any Invested Entity and/or to recruit and retain high caliber Eligible Participants and attract human resources that are valuable to the Group.

As at the Latest Practicable Date, the Company had 2,485,850,479 Shares in issue. Assuming that no further Shares will be issued or repurchased prior to the date of the Annual General Meeting, the total number of Shares which may be issued upon the exercise of all Options which may be granted under the New Share Option Scheme and any other schemes of the Company would be 248,585,047 Shares, representing approximately 10% of the total number of Shares in issue as at the Adoption Date.

Similar to the Existing Share Option Scheme, the New Share Option Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the Board may, at its discretion, fix any minimum period for which an Option must be held, any performance targets that must be achieved and/or any other conditions (including vesting conditions) that must be fulfilled before an Option can be exercised. The basis for determining the Exercise Price is also specified precisely in the New Share Option Scheme (please see paragraph (e) in Appendix III to this circular). The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Participants to acquire equity interests in the Company.

As at the Latest Practicable Date, the Company had no outstanding options granted under the Existing Share Option Scheme.

The Directors consider that it is not appropriate to disclose the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date prior to approval of the New Share Option Scheme as a number of variables which are crucial for the calculation of such value have not been determined at this stage. Such variables include but not limited to the Exercise Price, exercise period, any lock-up period, performance targets set and other relevant variables. The Directors believe that any calculation based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders in the circumstance.

LETTER FROM THE BOARD

The New Share Option Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options granted under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution by the Shareholders in general meeting to approve and adopt the New Share Option Scheme and to authorise the Directors to grant Options and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of any Options granted under the New Share Option Scheme.

At the Annual General Meeting, an ordinary resolution will be proposed for approving the adoption of the New Share Option Scheme. Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued upon the exercise of any Options to be granted pursuant to the New Share Option Scheme.

As at the Latest Practicable Date, no Shareholder had a material interest in the adoption of the New Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

As at the Latest Practicable Date, the Company has not formulated any concrete plan or intention to grant any Options to any Eligible Participants under the New Share Option Scheme in the coming 12 months.

None of the Directors is a trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustee of the New Share Option Scheme, if any.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the Annual General Meeting is set out in Appendix III to this circular. A copy of the rules of the New Share Option Scheme will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinastar.com.hk) from 14 June 2022 (being a date not less than 14 days before the date of the Annual General Meeting) and up to and including the date of the Annual General Meeting and adjournment thereof (as the case may be), and will also be available for inspection at the Annual General Meeting.

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

VOTING BY POLL

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

ANNUAL GENERAL MEETING

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the Annual General Meeting by appointing the Chairman of the Annual General Meeting as their proxy and to return their proxy forms by the time specified above, instead of attending the Annual General Meeting in person.

Set out on pages 28 to 33 of this circular is the notice dated 30 May 2022 convening the Annual General Meeting.

A proxy form for use at the Annual General Meeting is enclosed with this circular. Such proxy form is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.chinastar.com.hk. Whether or not you intend to attend the meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022, both days inclusive, during which period no transfer of Shares can be registered. In order to ascertain shareholders' rights for the purpose of attending and voting at the Annual General Meeting, all Share transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 June 2022.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the proposed grant of the General Mandates, the extension of the general mandate to allot, issue and deal with additional Shares, the proposed re-election of Director and the proposed adoption of New Share Option Scheme are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the Appendices to this circular.

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

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions.

The following is an explanatory statement required to be sent to the Shareholders under the Listing Rules to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the granting of the Repurchase Mandate to be proposed at the Annual General Meeting.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised 2,485,850,479 Shares.

Assuming no further Shares are allotted and issued or repurchased between the Latest Practicable Date and the date of the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 248,585,047 Shares during the relevant period referred to in ordinary resolution numbered 5 of the notice of the Annual General Meeting.

2. REASONS FOR SHARE REPURCHASES

The Directors believe that the grant of the Repurchase Mandate is in the interests of the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association, the Bye-laws and the Companies Act. Any Shares repurchased pursuant to the Repurchase Mandate would be funded out of the capital paid up on the purchased Shares or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for such purpose.

The Company is empowered by its memorandum of association and the Bye-laws to repurchase its Shares.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts contained in the annual report of the Company for the year ended 31 December 2021) in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing level which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), have any present intention to sell Shares to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

No core connected person of the Company has notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

5. EFFECT OF THE TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or a group of Shareholders.

As at the Latest Practicable Date, the controlling Shareholders of the Company, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Heung Wah Keung Family Endowment Limited (collectively "**Mr. Heung and his associates**") were interested in an aggregate of 1,640,375,595 issued Shares, representing approximately 65.98% of the issued share capital of the Company.

To the best of the knowledge and belief of the Company, save as disclosed above, no other person, together with his/her associates, was beneficially interested in issued Shares representing 10% or more of the issued share capital of the Company.

On the basis that no further Shares are allotted and issued or repurchased between the Latest Practicable Date and the date of the Annual General Meeting and assuming that none of the Bonus CBs will be exercised prior to the exercise in full of the Repurchase Mandate, in the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholding percentage of Mr. Heung and his associates would be increased to approximately 73.32%.

The Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase made under the Repurchase Mandate.

The Directors have no present intention to repurchase any Shares to the extent that it will trigger the obligations under the Takeovers Code to make a mandatory offer or which will result in the number of issued Shares held by the public being reduced to less than 25% of the total issued shares of the Company.

APPENDIX I EXPLANATORY STATEMENT ON REPURCHASE MANDATE

6. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months immediately preceding the Latest Practicable Date were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2021		
May	1.43	1.21
June	1.30	1.24
July	1.27	1.02
August	1.13	0.91
September	1.04	0.84
October	1.38	0.90
November	1.12	0.95
December	0.97	0.79
2022		
January	0.90	0.79
February	0.90	0.83
March	0.90	0.63
April	0.90	0.80
May (up to and including the Latest Practicable Date)	0.90	0.75

7. REPURCHASE OF SHARES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company during the previous six months immediately preceding the Latest Practicable Date.

Particulars of the Director who will retire from office at the Annual General Meeting and, being eligible, will offer himself for re-election at the Annual General Meeting are set out below:

Mr. HUNG Cho Sing, aged 81, is an independent non-executive director of the Company. Mr. Hung was appointed as a non-executive Director in 1996. He is also the chairman of the remuneration committee and member of audit committee and nomination committee of the Company.

Mr. Hung has over 50 years of experience in the film distribution industry and founded Delon International Film Corporation in 1970. He has been the chairman of Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited since 1991 and was the chairman of Hong Kong Film Awards Association from 1992 to 1995. He was also appointed as a consultant of the China Film Association. Mr. Hung is also a member of the 1,500-member-HKSAR Election Committee and a vice-chairman of the Cultural Profession Committee of the Guangdong, Hong Kong and Macau Cooperation Promotion Council (廣東省粵港澳合作促進會文化專業委員會副主任委員), and was elected the vice chairman of Film Association of Guangdong, China for the period from November 2016 to November 2021. Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the HKSAR Government in 2005 in recognition of his contribution to the Hong Kong film industry.

Mr. Hung was an executive director of Universe Entertainment and Culture Group Limited (stock code: 1046) during the period from 16 October 2013 to 1 February 2019 and redesignated as a non-executive director during the period from 1 February 2019 to 31 July 2019. He was also appointed as an independent non-executive director of Harbour Digital Asset Capital Limited (formerly known as “Unity Investments Holdings Limited”) (stock code: 913), Miko International Holdings Limited (stock code: 1247) and Oshidori International Holdings Limited (stock code: 622) since 10 October 2014, 14 April 2016 and 6 April 2017 respectively. All these companies are listed on the Main Board of the Stock Exchange. Mr. Hung was also appointed as an independent non-executive director of Koala Financial Group Limited (stock code: 8226), and an executive director of Eje (Hong Kong) Holdings Limited (stock code: 8101) since 15 May 2015 and 23 May 2016 respectively. Mr. Hung was also the chairman of the board of Eje (Hong Kong) Holdings Limited during the period from 23 May 2016 to 20 November 2017. Both companies are listed on the GEM of the Stock Exchange. Save as disclosed above, Mr. Hung did not hold any directorship in any listed public company in the last three years.

As at the Latest Practicable Date, Mr. Hung was not interested or deemed to be interested in any Shares or underlying Shares pursuant to Part XV of the SFO nor did he has any relationship with any Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

There is no service contract between the Company and Mr. Hung. Mr. Hung is not appointed for a specific term since he is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the provision of the Bye-laws. The emolument of Mr. Hung is expected to be HK\$240,000 per annum, which will be approved by the board of Directors as authorized by the Shareholders at the Annual General Meeting. For the year ended 31 December 2021, Mr. Hung received emoluments of HK\$240,000.

Save as disclosed above, there is no other information relating to Mr. Hung that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders in respect of Mr. Hung's re-election.

Mr. Hung has served as an independent non-executive Director for more than nine years. Mr. Hung possesses professional knowledge and practical experiences in the film industry, strategic integration, and management, etc. As independent non-executive Director with in-depth understanding of the Group's operations and business, Mr. Hung has been contributing objective views and giving independent guidance to the Company over the years.

Mr. Hung has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided an annual confirmation of his independence to the Company. Mr. Hung also confirmed that he has no relationship with any directors, senior management members, or substantial or controlling shareholders of the Company. Mr. Hung has not held any executive or management role or position within the Group and has not been involved in the daily operations and management of the Group during the years that he has been a Director, and has clearly demonstrated to the Company his willingness to exercise independent judgement and to provide objective views to the Company.

In this respect, the Remuneration Committee and Nomination Committee re-assessed the independence of Mr. Hung, and was satisfied (among other things) that Mr. Hung would be independent in accordance with Rule 3.13 of the Listing Rules. On the basis of the recommendation from the Remuneration Committee and Nomination Committee and after taking into account the above factors, the Board is not aware of any circumstance which would cause it to believe that the independence of Mr. Hung has been impaired. After a comprehensive review of all the skillsets, experience and qualifications of Mr. Hung, the Board and the Remuneration Committee and Nomination Committee are of the view that Mr. Hung possesses the required character, competence, integrity and experience to continue fulfilling his role as an independent non-executive Director, and his continued tenure will continue to bring valuable insights, diversity and fresh perspectives to the Board.

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group or any Invested Entity and/or to recruit and retain high caliber Eligible Participants and attract human resources that are valuable to the Group.

(b) Determination of eligibility

The basis of eligibility of any Eligible Participant to the grant of any Option shall be determined by the Board (or where necessary, the independent non-executive Directors and/or the Remuneration Committee) from time to time at its absolute discretion on the basis of the Eligible Participant's contribution or potential contribution to the Group or any Invested Entity. In determining whether a person has contributed or will contribute to the Group, the Company will take into account, among other things, whether contribution has been made to or will be made to the Group in terms of operation, financial performance, prospects, growth, development, reputation and image of the Group. In assessing the eligibility of any Eligible Participant, the Board will consider all relevant factors as appropriate, including, among others, (i) in respect of employees and directors of the Group or any Invested Entity: (a) his responsibilities and contributions made or to be made to the Group; (b) his ability to further promote the development of the Group; (c) his years of service; and (d) his professional qualifications and knowledge in the industry; and (ii) in respect of all other Eligible Participants (i.e. those who are not employees or directors of the Group or any Invested Entity): (a) the quality of services provided; (b) the scale of their business involvements or dealings with the Group (e.g. in terms of fees payable, where applicable); (c) the length of their respective business relationships with the Group; and (d) the benefits and positive impacts they have brought about to the Group's business development.

(c) Administration of the New Share Option Scheme

The New Share Option Scheme shall be subject to the administration of the Board whose decision on all matter arising from or in relation to the New Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the New Share Option Scheme and in the absence of manifest error) be final and binding on all person who may be affected thereby.

Subject to compliance with the requirements of the Listing Rules and the provisions of the New Share Option Scheme, the Board shall have the right to (a) interpret and construe the provisions of the New Share Option Scheme; (b) to determine the persons (if any) who will be offered Options under the New Share Option Scheme; (c) determine the Exercise Price; (d) make such appropriate and equitable adjustments to the terms of the Options granted under the New Share Option Scheme to the relevant Grantee as the Board deems necessary, and shall notify the relevant Grantee of such adjustment by written notice; and (e) make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the New Share Option Scheme.

(d) Grant of Options

Subject to the provisions of the New Share Option Scheme and the Listing Rules, the Board may at any time and from time to time on any business day within the Scheme Period make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe during the Option Period for such number of Shares at the Exercise Price as the Board may determine and calculated in accordance with paragraph (e) below.

An Offer shall be made to Eligible Participants on a business day in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his Personal Representative(s)) for a period of thirty (30) days inclusive of, and from the Offer Date, provided that no such Offer shall be open for acceptance after the earlier of the Termination Date or the date on which the New Share Option Scheme is terminated pursuant to paragraph (aa).

A non-refundable consideration of HK\$1.00 is payable by the Eligible Participant upon acceptance of an Offer. An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with the said consideration of HK\$1.00 is received by the Company within 30 days inclusive of, and from the Offer Date.

Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with the provisions of the New Share Option Scheme, an Option in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the date of such acceptance. To the extent that the Offer is not accepted within 30 days from the Offer Date in the manner specified in the New Share Option Scheme it will be deemed to have been irrevocably declined by the Eligible Participant and the Offer shall lapse and become null and void.

(e) Exercise of Options, Exercise Price and ranking of Shares

An Option shall be exercisable in whole or in part by the Grantee (or, as the case may be, his Personal Representative(s)) giving notice in writing to the Company stating that the Options is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price for Shares in respect of which the notice is given. Within 30 days (7 days in the case of exercise pursuant to paragraph (q)) after receipt of the notice and, where appropriate, receipt of the auditors' or independent financial adviser's certificate pursuant to paragraph (v), the Company shall accordingly allot the relevant number of Shares to the Grantee (or, in the event of an exercise of Option by a Personal Representative pursuant to paragraph (m), to the estate of the Grantee) credited as fully paid.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provision of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members for the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.

The Exercise Price shall, subject to any adjustments made pursuant to paragraph (v), be determined at the absolute discretion of the Board, provided that it shall be not less than the highest of: (a) the closing price of the Shares on the Stock Exchange as stated in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a business day; (b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of the Share on the Offer Date.

(f) Maximum number of Shares available for subscription

- (i) The total number of Shares which may be issued upon exercise of all Options which may be granted at any time under the New Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed 10% of the total number of Shares in issue as at Adoption Date (the "**Scheme Mandate Limit**"), unless the Company obtains approval from the Shareholders pursuant to sub-paragraphs (ii) or (iii). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

- (ii) The Company may seek approval by the Shareholders in general meeting to refresh the Scheme Mandate Limit set out in sub-paragraph (i). However, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of passing the relevant resolution. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send a circular to its Shareholders containing the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.
- (iii) The Company may also seek separate approval by the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit set out in sub-paragraph (i) provided the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company shall send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.
- (iv) Notwithstanding anything contained in sub-paragraphs (i) to (iii) and subject to paragraph (h), the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No Options may be granted under the New Share Option Scheme or any other share options schemes of the Company if this will result in such limit being exceeded.
- (v) If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved by the Shareholders in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under all of the share option schemes of the Company under the Scheme Mandate Limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

(g) Grant of Options to connected persons or any of their associates

Any grant of Options to any Director, chief executive, or substantial shareholder of the Company (excluding the proposed Director or proposed chief executive of the Company) or any of their respective associates shall be approved by the independent non-executive Directors (excluding any independent non-executive Directors who or whose associate is the proposed Grantee of an Option). Where any grant of Options to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the Offer Date representing in aggregate over 0.1% of the total number of Shares in issue and having an aggregate value, based on the closing price of the Shares at the Offer Date, in excess of HK\$5 million, then such further grant of Options must be approved by the Shareholders in general meeting. The Grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting, except that any such person(s) may vote against the relevant resolution(s) at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such Options must be taken on a poll and comply with the requirements under the Listing Rules.

A circular must be issued by the Company explaining the proposed grant, containing (i) details of the number and terms (including, inter alia, the Exercise Price and other information required under rules 17.03(5) to 17.03(10) of the Listing Rules) of the Options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Exercise Price under paragraph (e), (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee) to the independent Shareholders as to voting, (iii) information required under rule 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules, and (iv) information required under rule 2.17 of the Listing Rules.

Any change in the terms of Options granted to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting.

(h) Maximum entitlement of each Eligible Participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participants (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue from time to time (the "Participant Limit"). Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant to exceed the Participant Limit, such further grant must be separately approved by the Shareholders in general meeting with such

Eligible Participant and his close associates (as defined in the Listing Rules, or his associates if such Eligible Participant is a connected person of the Company) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted to such Eligible Participant), the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of Options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Exercise Price.

(i) Time of Exercise of Options

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time or times during the Option Period.

There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme save as otherwise imposed by the Board as it thinks fit in the relevant Offer.

(j) Restrictions on the grant of Options

No Option may be granted by the Board:

- (i) after inside information has come to the knowledge of the Board until the Board has announced the information pursuant to the requirements of the Listing Rules;
- (ii) during the period commencing one month immediately before the earlier of: (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement;
- (iii) during any period of delay in publishing a results announcement; and
- (iv) to any of the Directors during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(k) Rights are personal to Grantees

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or part thereof granted to such Grantee to the extent not already exercised.

(l) Rights on cessation of employment

If the Grantee, being an employee or a director of a member of the Group or any Invested Entity, ceases to be an Eligible Participant by reason of voluntary resignation or dismissal or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or directorship on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Company and any member of the Group or the relevant Invested Entity into disrepute or otherwise does not compromise the integrity or involve dishonesty of the Grantee) or any other ground(s) on which the relevant member of the Group or the relevant Invested Entity would be entitled to terminate the Grantee's employment or directorship pursuant to any applicable law, his Option (to the extent not already exercised) shall lapse on the date of cessation or termination of his or her employment or directorship and not be exercisable.

(m) Rights on death

In the event of the Grantee ceasing to be an Eligible Participant by reason of his death before exercising the Option in full and where the Grantee is an employee or a director of a member of the Group or any Invested Entity none of the events which would be a ground for termination of his employment or directorship under paragraph (l) above arises, his Personal Representative(s) may exercise the Option (to the extent not already exercised) in whole or in part within a period of 6 months following the date of death, or up to the expiration of the Option Period, whichever is earlier, failing which it will lapse. If any of the events referred to in paragraphs (q) to (s) below occur during such period, he may exercise the Option pursuant to paragraphs (q) to (s) respectively.

(n) Rights on cessation of employment by reason of ill-health or retirement

In the event of the Grantee who is an employee or a director of a member of the Group or any Invested Entity ceasing to be an Eligible Participant by reason of ill-health or retirement as an employee or a director in accordance with his contract of employment or service contract before exercising the Option in full, he may exercise the Option (to the extent not already exercised) in whole or in part within a period of 6 months following the date of such cessation or, if any of the events referred to in paragraphs (q) to (s) below occurs during such period, exercise the Option pursuant to paragraphs (q) to (s) respectively. The date of cessation as aforesaid shall be the last day on which the Grantee is actually at work with the Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not.

(o) Rights on cessation for other reasons

In the event of the Grantee who is an employee or a director of a member of the Group ceasing to be an Eligible Participant for any reason other than the reasons specified in paragraphs (m) and (n) or where the Grantee is an employee or a director of a member of the Group or any Invested Entity by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph (l) before exercising the Option in full, his Option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable, and to the extent that the Grantee has exercised the Option in whole or in part, but Shares have not been allotted to him on the date of cessation or termination of his employment or directorship, and where the Company has determined that the Grantee shall be deemed not to have so exercised such Option, the Company shall return to the Grantee the aggregate amount of the Exercise Price for the Shares (without interest) in respect of the purported exercise of such Option.

(p) Rights on breach of contract

In the event of the Grantee who is a business or joint venture partner, contractor, agent or representative, consultant, adviser, producer or licensor, licensee (including any sub-licensee) or distributor of the Group or the relevant Invested Entity ceasing to be an Eligible Participant by reason of breach of contract entered into between such Eligible Participant and the relevant member of the Group or the relevant Invested Entity, in the absolute determination of the Board, the Option (to the extent not already exercised) shall lapse on the date of the Board's determination and not be exercisable.

(q) Rights on a general or partial offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror, and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be. To the extent that any Option has not been so exercised, it shall upon the expiry of such period lapse and determine.

(r) Rights on winding up

In the event a notice is given by the Company to its members to convene a special general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee or his Personal Representative(s) shall be entitled to exercise all or any of his Options (to the extent not already exercised) by giving notice in writing to the Company (such notice shall be received by the Company no later than 5 business days prior to the proposed special general meeting), accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid. Subject thereto, all Options then outstanding shall lapse and determine on the date of commencement of the winding-up of the Company.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to summon a meeting to consider such a scheme or arrangement and any Grantee or his Personal Representative(s) may by notice in writing to the Company (such notice shall be received by the Company no later than 5 business days prior to the proposed meeting), accompanied by a remittance of the full amount of the aggregate Exercise Price in respect of which the notice is given exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee or his Personal Representative(s) which falls to be issued on such exercise of the Option credited as fully paid. Subject thereto, all Options then outstanding shall lapse and determine upon such compromise or arrangement becoming effective.

(t) Cancellation of Options

Subject to paragraph (k), any Option granted but not exercised may not be cancelled except with the written consent of the relevant Grantee and the prior approval of the Directors. Where the Company cancels Options and issues new Options to the same Grantee, the issue of such new Options may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(u) Share Capital

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any Option.

(v) Effect of alterations to share capital

In the event of any alteration in the capital structure of the Company whether by way of capitalisation issue, rights issue, consolidation or sub-division of shares or reduction of the share capital of the Company, the Company shall (if applicable) make the corresponding adjustments (if any) to: (i) the number or nominal value of Shares comprised in each Option for the time being outstanding; (ii) the Exercise Price; and/or (iii) the number of Shares in respect of which any further Options may be granted within the Participant Limit and/or the Scheme Mandate Limit, as the auditors or the independent financial adviser to the Company shall certify or confirm in writing to the Board to be in their opinion fair and reasonable, provided that:

- (1) any such adjustment shall be made on the basis that the aggregate Exercise Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- (2) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (3) no such adjustment shall be made to the effect of which would be to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment;
- (4) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (5) in respect of any such adjustments, other than any made on a capitalisation issue, the auditors or the independent financial adviser of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements set out in the above, the requirements of rule 17.03(13) of the Listing Rules and the note thereto, the supplementary guidance issued by the Stock Exchange attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to the share option schemes, any relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange and the note thereto from time to time.

(w) Duration of the New Share Option Scheme

The New Share Option Scheme shall continue in force for the Scheme Period, after which period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

(x) Alterations to the terms of the New Share Option Scheme

The New Share Option Scheme may be altered in any respect by a resolution of the Board except for:

- (i) any alteration to the advantage of the Eligible Participants in relation to any matter contained in rule 17.03 of the Listing Rules;
- (ii) any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted, except alterations which take effect automatically under the existing terms of the New Share Option Scheme;
- (iii) any change to the authority of the Directors in relation to any alteration to the terms of the New Share Option Scheme;
- (iv) the provisions of the New Share Option Scheme as to the definitions of “Eligible Participant”, “Grantee”, “Option Period”, “Scheme Period” and “Termination Date”; and
- (v) the provisions of paragraphs (a) to (c), (d) (other than the second paragraph and the time period referred to in paragraph (d)), (e) (other than the time period referred thereto), (f) to (w), (z), (aa) and this paragraph (x),

which shall only be altered with the prior sanction of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Bye-laws for a variation of the rights attached to the Shares.

Notwithstanding anything to the contrary contained in this paragraph (x), the Board may at any time alter or modify the New Share Option Scheme in any way to the extent necessary to cause the New Share Option Scheme to comply with any statutory provisions or the regulations of any regulatory or other relevant authority. Any alterations to the terms and conditions of the New Share Option Scheme or the Options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(y) Conditions of the New Share Option Scheme

The New Share Option Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options granted under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution by the Shareholders in general meeting to approve and adopt the New Share Option Scheme and to authorise the Directors to grant Options and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of any Options granted under the New Share Option Scheme.

(z) Lapse of Options

An Option (to the extent not already exercised) shall lapse automatically on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in paragraphs (m) – (s);
- (c) the date on which the Grantee, being an employee or a director of a member of the Group or any Invested Entity, ceases to be an Eligible Participant by any reason listed in paragraph (l); and
- (d) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph (k) by the Grantee in respect of that or any other Option.

(aa) Termination

The Company by an ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with their terms of grant and provisions of the New Share Option Scheme within the Option Period.

Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination must be disclosed in the circular to the Shareholders seeking approval of the first new share option scheme to be established after such termination.

NOTICE OF ANNUAL GENERAL MEETING



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

NOTICE IS HEREBY GIVEN that the annual general meeting of China Star Entertainment Limited (the “**Company**”) will be held at Golden Restaurant, 1/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 29 June 2022 at 4:00 p.m. for the following purposes:

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors and the independent auditors of the Company for the year ended 31 December 2021.
2.
 - (a) To re-elect Mr. Hung Cho Sing as independent non-executive director of the Company.
 - (b) To authorise the Company’s board of directors to fix the directors’ remuneration.
3. To re-appoint HLB Hodgson Impey Cheng Limited as independent auditors of the Company and to authorise the Company’s board of directors to fix the auditors’ remuneration.

As special business, to consider and, if thought fit, to pass with or without modification the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

4. **“THAT:**
 - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company (“**Shares**”) and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers during or after the end of the Relevant Period, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of Shares in the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) an issue of Shares upon the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares, the issue of which warrants and other securities has previously been approved by shareholders of the Company; or
 - (iii) an issue of Shares upon the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
 - (iv) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company (“**Bye-laws**”),

shall not in total exceed 20% of the total number of Shares in the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws, the Companies Act (1981) of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.

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“Rights Issue” means an offer of Shares or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or any class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

5. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose and, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the total number of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of Shares in the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws, the Companies Act 1981 of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.”

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6. “**THAT** conditional upon the passing of the resolutions numbered 4 and 5 above, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional Shares pursuant to the resolution numbered 4 above be and is hereby extended by the addition to the aggregate number of Shares in the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate, an amount representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to the resolution numbered 5 above, provided that such amount of Shares so repurchased shall not exceed 10% of the total number of Shares in the share capital of the Company in issue as at the date of passing of this resolution.”
7. “**THAT** conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of options granted under the new share option scheme of the Company (the “**New Share Option Scheme**”, a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the rules of which are summarised in the circular of the Company dated 30 May 2022), the New Share Option Scheme be and is hereby approved and adopted as the Company’s share option scheme and the directors of the Company be and are hereby authorised to do all such acts and take all such steps as may be necessary, desirable or expedient to carry into effect or implement the New Share Option Scheme, including but without limitation:
- (i) to administer the New Share Option Scheme under which options will be granted to eligible participants under the New Share Option Scheme to subscribe for Shares;
 - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
 - (iii) to grant options to subscribe for Shares under the New Share Option Scheme and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of any options granted under the New Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
 - (iv) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued Shares may, for the time being, be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the options under the New Share Option Scheme; and

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- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme. ”

By Order of the Board
China Star Entertainment Limited
Wong Shuk Han, Dorothy
Company Secretary

Hong Kong, 30 May 2022

Registered office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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

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Notes:

1. A proxy form for use at the meeting is enclosed with the circular to the shareholders of the Company dated 30 May 2022.
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. The register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022, both days inclusive, during which period no transfer of Shares can be registered. In order to ascertain shareholders' rights for the purpose of attending and voting at the Annual General Meeting, all Share transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 June 2022.
4. 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. For the health and safety of shareholders, the Company would like to encourage shareholders to exercise their right to vote at the Annual General Meeting by appointing the Chairman of the Annual General Meeting as their proxy and to return their proxy forms by the time specified above, instead of attending the Annual General Meeting in person. In order to be valid, the proxy form, 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 branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at the above address 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 proxy form 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 proxy form will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. If typhoon signal number 8 or above is hoisted or "extreme conditions" caused by super typhoons, or a "black" rainstorm warning is in effect at any time after 12:00 p.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.chinastar.com.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.