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

If you have sold or transferred all your shares in China Sinostar Group Company Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular, for which the directors of China Sinostar Group Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Sinostar Group Company Limited. The directors of China Sinostar Group Company Limited 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 document misleading.

This circular is for information purposes only and does not constitute an offer or invitation to acquire, purchase or subscribe for securities.

SINOSTAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**CONNECTED TRANSACTION
PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF
THE 2017 CONVERTIBLE BONDS
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

Nuada Limited

A letter from the board of directors of China Sinostar Group Company Limited (the “**Company**”) is set out on pages 4 to 15 of this circular.

A special general meeting (“**SGM**”) of the Company will be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 8 September 2017 at 10:00 a.m.. A notice convening the SGM is set out at the end of this circular. A form of proxy for use in connection with the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, please complete, sign and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting (as the case may) should you so wish.

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DEFINITIONS

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

“2017 Convertible Bonds”	the 3% convertible bonds in the aggregate principal amount of HK\$75,000,000 issued by the Company
“Amendment Deed”	the amendment deed dated 4 August 2017 entered into between the Company and the Bondholder in relation to the Proposed Amendments
“Annual Report”	the annual report of the Company for the financial year ended 31 March 2017
“Board”	the board of Directors
“Bondholder”	Lushan Investment Holdings Limited, a limited company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China Huarong International Holdings Limited
“Business Day”	a day (other than Saturday) on which banks in Hong Kong are generally open for business
“CB Subscription Agreement”	the subscription agreement entered into between the Company and Achieve Prosper Capital Limited on 30 January 2014 in relation to the subscription of the 2017 Convertible Bonds, details of which are set out in the Company’s announcement dated 21 March 2014
“Company”	China Sinostar Group Company Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 485)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.23 per Conversion Share, subject to adjustment provisions, pursuant to the terms and conditions of the 2017 Convertible Bonds
“Conversion Share(s)”	the new Shares to be issued upon the exercise of the conversion rights attached to the 2017 Convertible Bonds
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollar”	Hong Kong dollar, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder
“Independent Financial Adviser”	Nuada Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) who are not interested or involved in the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder
“Latest Practicable Date”	means 18 August 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Original Specific Mandate”	the specific mandate to allot and issue new Shares granted to the Board pursuant to the ordinary resolution 1(c) at the special general meeting of the Company held on 19 June 2014
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Circular”	the circular of the Company dated 24 May 2014 issued by the Company in relation to, amongst other things, the issue of the 2017 Convertible Bonds

DEFINITIONS

“Proposed Amendments”	the proposed amendments to the 2017 Convertible Bonds pursuant to the terms of the Amendment Deed
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be convened and held to consider, and if thought fit, to approve the Amendment Deed and the transactions contemplated therein including the grant of the Specific Mandate
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate proposed to be granted to the Directors at the SGM to allot, issue and deal with the Shares to be allotted upon conversion of the 2017 Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, which is issued by the SFC, as amended from time to time
“%”	per cent.

LETTER FROM THE BOARD

SINOSTAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

Executive Directors:

Mr. Wang Jing (*Chairman*)
Mr. Wang Xing Qiao (*Chief Executive Officer*)
Mr. Zhao Shuang

Independent Non-Executive Directors:

Mr. Wang Ping
Mr. Cheng Tai Kwan Sunny
Mr. Song Wenke

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business

Rooms 05-15, 13A/F., South Tower,
World Finance Centre,
Harbour City,
17 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

22 August 2017

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF
THE 2017 CONVERTIBLE BONDS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 28 July 2017 and 4 August 2017 in relation to the Amendment Deed and the Proposed Amendments.

As mentioned in the Previous Circular, the 2017 Convertible Bonds were to be issued to Achieve Prosper Capital Limited, the controlling shareholder of the Company, in the principal amount of HK\$75,000,000. The 2017 Convertible Bonds were issued to Achieve Prosper Capital Limited on 30 July 2014.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Lushan Investment Holdings Limited was the holder of the 2017 Convertible Bonds and none of the 2017 Convertible Bonds have been redeemed nor converted. The Conversion Price is HK\$0.23 per Conversion Share taking into account the intervening adjustments since the issue of the 2017 Convertible Bonds. The 2017 Convertible Bonds would be mature on 30 July 2017 pursuant to its original terms and conditions.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Amendment Deed and the Proposed Amendments; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deed and the Proposed Amendments; and (iv) a notice of the SGM to consider and if thought fit, to approve the resolution in relation to the Amendment Deed and the Proposed Amendments.

AMENDMENT DEED RELATING TO THE 2017 CONVERTIBLE BONDS

On 4 August 2017, the Company and the Bondholder entered into the Amendment Deed, pursuant to which the Company and the Bondholder agreed to (i) extend the maturity date of the 2017 Convertible Bonds from 30 July 2017 to 30 October 2017; (ii) extend the expiry date of the conversion period of the 2017 Convertible Bonds to 30 October 2017, being the extended maturity date; and (iii) for the extension period from 30 July 2017 to 30 October 2017, no interest shall be borne by the Company on the outstanding principal amount thereof provided that the Company shall pay the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017 within 10 business days after the date of the Amendment Deed. On 18 August 2017, the Company duly paid the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017.

Further, the current Conversion Price (i.e. HK\$0.23 per Share as a result of intervening adjustments since the issue of the 2017 Convertible Bonds) was reflected in the Amendment Deed. The Company will issue a new certificate (the “**New Certificate**”) for the 2017 Convertible Bonds to the Bondholder with the terms and conditions attaching thereto incorporating all of the Proposed Amendments within five business days after the Amendment Deed becoming unconditional. Notwithstanding anything to the contrary in the Amendment Deed, the payment obligations of the Company under the 2017 Convertible Bonds prior to the Proposed Amendments shall remain in full force and effect prior to the delivery of the New Certificate by the Company to the Bondholder.

Pursuant to the Amendment Deed, the Proposed Amendments are subject to the following conditions precedent:

1. the Shareholders in the SGM approving the Amendment Deed and the Proposed Amendments and the grant of Specific Mandate to issue the Conversion Shares;
2. all necessary consents and approvals required to be obtained on part of the Bondholder in respect of the Proposed Amendments having been obtained; and
3. the Stock Exchange approving the Proposed Amendments including the approval for the grant of the listing of, and permission to deal in, the Conversion Shares arising from conversion of the 2017 Convertible Bonds during the extended conversion period as mentioned above.

LETTER FROM THE BOARD

In the event that the conditions precedent set out above are not satisfied by 30 September 2017, unless otherwise agreed between the parties, the Amendment Deed shall terminate and cease to be of any effect and neither party thereto shall have any claim against the other party for any costs, damages, compensation or otherwise in respect of the Amendment Deed other than in respect of antecedent breaches thereof.

PRINCIPAL TERMS AND CONDITIONS OF THE 2017 CONVERTIBLE BONDS AS SUPPLEMENTED BY THE AMENDMENT DEED

Except as disclosed above, there are no other material amendments to the terms of the 2017 Convertible Bonds. The principal terms and conditions of the 2017 Convertible Bonds (as revised by the Amendment Deed) are summarized below:

Principal amount: HK\$75,000,000

Maturity date: 30 October 2017

Interest: The 2017 Convertible Bonds shall bear interest on the outstanding principal amount thereof from the date of issue at a rate equal to 3% per annum payable half-yearly in arrears on 30 June and 31 December in each year.

For the extension period from 30 July 2017 to 30 October 2017, no interest shall be borne by the Company on the outstanding principal amount thereof provided that the Company shall pay the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017 within 10 business days after the date of the Amendment Deed.

On 18 August 2017, the Company duly paid the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017.

Conversion rights: The bondholder shall have the right, on any business day during the period commencing from the date of issue of the 2017 Convertible Bonds to the maturity date to convert the whole or part of the principal amount of the 2017 Convertible Bonds into the Conversion Shares at the Conversion Price (subject to adjustments).

No exercise of the conversion rights attaching to the 2017 Convertible Bonds shall be allowed if (i) immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) such conversion is prohibited under the Takeovers Code.

LETTER FROM THE BOARD

The Conversion Shares shall rank pari passu with all other Shares in issue as at the date of conversion and be entitled to all dividends, bonus and other distributions the record date of which falls on a date on or after the date of conversion.

The conversion period commences from the issue date of the 2017 Convertible Bonds (i.e. 30 July 2014) and ending on 30 October 2017.

Conversion Price:

The Conversion Price is HK\$0.23 per Conversion Share, subject to adjustment provisions as summarised below.

Anti-dilution adjustments

The Conversion Price shall from time to time be adjusted upon the occurrence of certain events, including the following:

- (i) consolidation, sub-division or re-classification of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution to holders of Shares;
- (iv) offer to Shareholders new Shares for subscription by way of rights, or grant to Shareholders any options, warrants or other rights to subscribe for any new Shares at a price which is less than 80% of the market price as at the date of the announcement of the terms of the offer or grant;
- (v) issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 80% of the market price as at the date of the announcement of the terms of issue of such securities;
- (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per Share initially receivable for such securities will be less than 80% of the market price as at the date of the announcement of such proposal;
- (vii) when the Company issue wholly for cash any Shares at a price per Share which is less than 80% of the market price as at the date of the announcement of the terms of such issue; and

LETTER FROM THE BOARD

- (viii) when the Company issue Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue.

Voting: The bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the bondholder.

Transferability: The 2017 Convertible Bonds may be freely assigned and transferred, provided that (i) no assignment or transfer shall be made to a connected person (within the meaning ascribed thereto in the Listing Rules) of the Company without the prior approval of the Company and (ii) the principal amount to be assigned or transferred is at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 unless the amount of the outstanding 2017 Convertible Bonds is less than HK\$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

Events of default: If any of the following events occurs, the 2017 Convertible Bonds shall on the giving of notice by the bondholder to the Company become due and payable at its principal amount then outstanding, together with any accrued outstanding interest calculated up to and including the date of repayment:

- (i) the Company defaults in its material obligations in the CB Subscription Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 14 business days after notice of such default from the bondholder to the Company;
- (ii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries;
- (iii) the Company or any of its subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its principal operating subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a

LETTER FROM THE BOARD

general assignment or compromise with or for the benefit of its creditors other than the entering into of the creditors' scheme of arrangement;

- (iv) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any of its subsidiaries except in the case of winding-up of subsidiaries of the Company in the course of internal reorganisation;
- (v) insolvency of the Company;
- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its subsidiaries or any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its subsidiaries;
- (vii) other than as a result of, or in circumstances where (i) an offer made to holders of Shares (or such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) being made to the Company for the acquisition of all or any proportion of the Shares or such an offer becoming unconditional or (ii) the Company is required to make an announcement pursuant to Chapter 14 and 14A of the Listing Rules, the listing of the Shares on the Stock Exchange ceases or the trading of the Shares on the Stock Exchange is suspended for a continuous period of 15 business days or more on each day of which the Stock Exchange is generally open for the business of dealing in securities due to the default of, or breach of any provisions of the Listing Rules or applicable laws by any member of the Group or any of its directors, officers, employees or agents;
- (viii) any amounts of principal repayment or interest payment in relation to bank borrowings of the Company or any of its subsidiaries are not paid when due, or within the grace period and the relevant bank notifies the Company or the subsidiary that such non-payment constitutes an event of default under the terms of the relevant loan;
- (ix) the Company or any of its subsidiaries fails to pay when due or expressed to be due any amounts payable or expressed to be payable by it under any present or future guarantee for any moneys borrowed from or raised through a financial institution

LETTER FROM THE BOARD

and the relevant financial institution notifies the Company or the relevant subsidiary that such failure to pay constitutes an event of default under the terms of the guarantee or the loan in relation to which the guarantee was given;

- (x) the Company or any of its subsidiaries consolidates or amalgamates with or merge into any other corporation (other than a consolidation, amalgamation or merger in which the Company or such subsidiary is the continuing corporation), or the Company or any of its subsidiaries sells or transfers all or substantially all of its assets;
- (xi) at any time any indebtedness, including any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money, of the Company or any of its subsidiaries becomes due and payable prior to its stated maturity by reason of default, or event of default (howsoever described) by the Company or any of its subsidiaries; or
- (xii) the Company fails to pay the principal amount or any interest on the 2017 Convertible Bonds when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within five business days of the due date.

An application will be made by the Company to the Stock Exchange for the granting of the listing of, and the permission to deal in the Conversion Shares.

Please refer to the Previous Circular for further details of the 2017 Convertible Bonds.

CONVERSION PRICE PER CONVERSION SHARE

The Conversion Price of HK\$0.23 per Share represents:

- (i) a premium of approximately 57.53% over the closing price of the Shares of HK\$0.1460 on 18 August 2017, being the Latest Practicable Date;
- (ii) a premium of approximately 58.62% over the average closing price of the Shares for the five consecutive trading days prior to the Latest Practicable Date of HK\$0.1450;
- (iii) a premium of approximately 57.64% over the average closing price of the Shares for the ten consecutive trading days prior to the Latest Practicable Date of HK\$0.1459; and
- (iv) a premium of approximately 167.44% over the net asset value per Share of approximately HK\$0.086 as at 31 March 2017.

LETTER FROM THE BOARD

Assuming the conversion rights attaching to the 2017 Convertible Bonds are exercised in full at the Conversion Price of HK\$0.23 per Share, 326,086,956 Conversion Shares will fall to be issued to the Bondholder, representing approximately 8.93% of the issued capital of the Company as at the Latest Practicable Date and approximately 8.20% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares.

REASONS AND BENEFITS OF THE PROPOSED AMENDMENTS

The Group is principally engaged in the design and sale of wide range of electronic products, sales and installation of elevators, properties investment and operation and management of hydroelectric power stations and securities trading.

The 2017 Convertible Bonds would be mature on 30 July 2017 under its original maturity date. The Board considers that the extended time for the repayment to the Bondholder on the interest-free basis for the extended time will be beneficial to the Company and its operations by alleviating the pressure on its cashflows and profits. The Board further understands that the Bondholder has intention to convert the whole outstanding principal amount of the 2017 Convertible Bonds into Shares. We consider that the Proposed Amendments (i) will not introduce interest burden on the Group as the 2017 Convertible Bonds does not bear any interest for the extended time from 30 July 2017 to 30 October 2017; and (ii) will allow the Group to maintain the working capital during the extended time for repayment, or even retain the funds if the 2017 Convertible Bonds are eventually converted into Shares in whole. The Proposed Amendments are arrived at after arm's length negotiation between the Company and the Bondholder.

The Board (other than the independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) is of the view that the terms of the Amendment Deed and 2017 Convertible Bonds (as amended by the Amendment Deed) are not in the ordinary and usual course of business of the Company but are on normal commercial terms and are fair and reasonable and are in the interest of the Company and its shareholders as a whole. The Directors are of the view that the Proposed Amendments will not pose any significant impact on the operations of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 3,650,710,605 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date for illustrative purpose; and (ii) immediately after conversion of the whole of the principal amount of the 2017 Convertible Bonds by the Bondholder at

LETTER FROM THE BOARD

the Conversion Price of HK\$0.23 per Conversion Share, assuming that there will be no other change in the shareholding structure of the Company immediately before the exercise of the conversion rights attached to the 2017 Convertible Bonds will be as follows:

	As at the Latest Practicable		Immediately after conversion of	
	Date		the whole of the principal	
	Share		amount of the 2017 Convertible	
	<i>No of ordinary</i>		Bonds at the Conversion Price	
	<i>Shares</i>	<i>%</i>	of HK\$0.23 per Conversion	Share
			<i>No of ordinary</i>	<i>%</i>
			<i>Shares</i>	
Achieve Prosper Capital Limited ^(Note 1)	2,171,827,290	59.49%	2,171,827,290	54.61%
Wang Xing Qiao ^(Note 2)	3,275,000	0.09%	3,275,000	0.08%
Bondholder	420,000,000	11.50%	746,086,956	18.76%
Public Shareholders	<u>1,055,608,315</u>	<u>28.92%</u>	<u>1,055,608,315</u>	<u>26.55%</u> ^(Note 3)
Total	<u><u>3,650,710,605</u></u>	<u><u>100.00%</u></u>	<u><u>3,976,797,561</u></u>	<u><u>100.00%</u></u>

Notes:

1. These 2,171,827,290 Shares are held by Achieve Prosper Capital Limited and wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua (Group) Property Development Limited 遼寧實華(集團)房地產開發有限公司. Mr. Wang Jing, our executive Director, is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua (Group) Property Development Limited. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 Shares.
2. Wang Xing Qiao is an executive Director of the Company.
3. Pursuant to the terms of the 2017 Convertible Bonds, no exercise of conversion rights attaching to the 2017 Convertible Bonds is allowed if immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules.

FINANCIAL EFFECT OF THE PROPOSED AMENDMENTS

Effect on liquidity

According to the Company's annual report for the year ended 31 March 2017, the Group had cash and cash equivalents of approximately HK\$34,442,000 as at 31 March 2017. Furthermore, the Group recorded current liabilities of approximately HK\$285,942,000 and total liabilities of approximately HK\$364,965,000 as at 31 March 2017. The extension of the maturity date of the 2017 Convertible Bonds pursuant to the Amendment Deed will enable the Group to postpone a substantial cash outflow if the

LETTER FROM THE BOARD

maturity date of the 2017 Convertible Bonds is extended. In light of the above, the extension of the maturity date of the 2017 Convertible Bonds pursuant to the Amendment Deed would alleviate the pressure on cashflows and profits of the Group.

Effect on finance cost

For the year ended 31 March 2017, the imputed interest expense under the 2017 Convertible Bonds amounted to approximately HK\$6.8 million. Pursuant to the Amendment Deed, for the extension period from 30 July 2017 to 30 October 2017, no interest shall be borne by the Company on the outstanding principal amount thereof provided that the Company shall pay the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017 within 10 business days after the date of the Amendment Deed. On 18 August 2017, the Company duly paid the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017. As such, the Company expects that there will not be any material adverse effect on the finance cost of the Group as a result of the extension of the maturity date of the 2017 Convertible Bonds.

RANKING

The Conversion Shares, when fully paid, issued and allotted, will rank pari passu in all respects with all Shares in issue as at the date of issue of the Conversion Shares.

EQUITY FUND-RAISING DURING THE PAST 12 MONTHS

The Company did not carry out any equity fund raising activities in the 12 months period immediately before the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied for the approval of the Stock Exchange in respect of the Proposed Amendments.

Further, since the Bondholder is a substantial shareholder of approximately 11.50% of the entire issued share capital of the Company as at the Latest Practicable Date and hence a connected person of the Company, the entering into of the Amendment Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the Amendment Deed and none of them were required to abstain from voting on the Board resolutions in relation to the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder.

As the Proposed Amendments do not fall into any exemption under Chapter 14A of the Listing Rules, the Proposed Amendments are subject to independent shareholders' approval by way of poll of Chapter 14A of the Listing Rules. The Bondholder and its associates will abstain from voting in the SGM for approval of the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder. As at the

LETTER FROM THE BOARD

Latest Practicable Date, the Bondholder held 420,000,000 Shares, representing approximately 11.50% of the issued share capital of the Company. Other than the Bondholder, no other Shareholder has a material interest in the Amendment Deed and is required to abstain from voting in the SGM.

SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

On 19 June 2014, the Shareholders granted an Original Specific Mandate to the Directors for the allotment and issue of new Shares upon exercise of the conversion rights attached to the 2017 Convertible Bonds. Due to the extended maturity date of the 2017 Convertible Bonds, the Conversion Shares will be issued under a revised Specific Mandate which will supersede the Original Specific Mandate and is subject to the approval of the Shareholders at the SGM.

GENERAL INFORMATION

The Group is principally engaged in the design and sale of wide range of electronic products, sales and installation of elevators, properties investment, operation and management of hydroelectric power stations and securities trading.

The Bondholder is a company incorporated in the British Virgin Islands with limited liability, the principal business of which is investment holding. It is a wholly-owned subsidiary of China Huarong International Holdings Limited (中國華融國際控股有限公司).

SGM AND PROXY ARRANGEMENT

The SGM will be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 8 September 2017 at 10:00 a.m. for the Shareholders to consider and, if thought fit, approve the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder. The notice of the SGM is set out on pages 35 to 36 of this circular. The voting on such resolution will be conducted by way of poll in accordance with Rule 13.39(7) of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use in connection with the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete, sign and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting (as the case may) should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Taking into account the reasons set out above, the Board (other than the independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular), is of the view that the terms of the Amendment Deed and 2017 Convertible Bonds (as amended by the Amendment Deed) are not in the ordinary and usual course of business of the Company but are on normal commercial terms and are fair and reasonable and are in the interest of the Company and its Shareholders as a whole and therefore, the Board (other than all independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the proposed resolution as set out in the notice of SGM to approve the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder (including but not limited to the proposed grant of the Specific Mandate, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the 2017 Convertible Bonds).

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders concerning the resolutions to be voted at the SGM; and (ii) the letter from the Independent Financial Adviser set out on pages 18 to 28 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders concerning the resolutions to be voted at the SGM.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
China Sinostar Group Company Limited
Wang Jing
Chairman

SINOSTAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

22 August 2017

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF
THE 2017 CONVERTIBLE BONDS**

We refer to the circular of even date issued by the Company (the “**Circular**”) to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 18 to 28 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Amendment Deed, the Proposed Amendments and taking into account the advice from the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the view that the terms of the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder (including but not limited to the proposed grant of the Specific Mandate, and the issue of the Conversion Shares by the Company pursuant to the exercise of the conversion rights attached to the 2017 Convertible Bonds) are not in the ordinary and usual course of business of the Company but are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be presented at the SGM to approve and/or ratify the Amendment Deed, The Proposed Amendments and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Wang Ping
*Independent non-executive
Director*

Mr. Cheng Tai Kwan Sunny
*Independent non-executive
Director*

Mr. Song Wenke
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 22 August 2017 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus@ Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

22 August 2017

*To the Independent Board Committee
and the Independent Shareholders of
China Sinostar Group Company Limited*

Dear Sirs,

CONNECTED TRANSACTION PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE 2017 CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed amendments to the terms and conditions of the 2017 Convertible Bonds pursuant to the Amendment Deed, details of which are set out in the section headed "Letter from the Board" (the "**Board Letter**") in the Company's circular dated 22 August 2017 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Board Letter, the 2017 Convertible Bonds were issued to Achieve Prosper Capital Limited, the controlling shareholder of the Company, in the principal amount of HK\$75,000,000 on 30 July 2014.

As at the Latest Practicable Date, Lushan Investment Holdings Limited was the holder of the 2017 Convertible Bonds and none of the 2017 Convertible Bonds have been redeemed nor converted. The Conversion Price is HK\$0.23 per Conversion Share taking into account the intervening adjustments since the issue of the 2017 Convertible Bonds. The 2017 Convertible Bonds would be mature on 30 July 2017 pursuant to its original terms and conditions.

On 4 August 2017, the Company entered into the Amendment Deed with the Bondholder, pursuant to which the Company and the Bondholder agreed to amend certain terms and conditions of the 2017 Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board Letter, since the Bondholder is a substantial shareholder of approximately 11.50% of the entire issued share capital of the Company as at the Latest Practicable Date and hence a connected person of the Company, the entering into of the Amendment Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Proposed Amendments do not fall into any exemption under Chapter 14A of the Listing Rules, the Proposed Amendments are subject to independent shareholders' approval by way of poll of Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder. We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from, and are not associated with the Company, its substantial shareholder(s) or connected person(s) as defined under Rule 13.84 of the Listing Rules, and accordingly are considered eligible to give independent advice in connection with the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder. During the past two years, we had been appointed as the independent financial adviser of the Company (i) on 7 October 2015 to provide our independent view to the then independent board committee and independent shareholders of the Company in respect of an open offer of the Company and application for whitewash waiver (details of which are set out in the Company's circular dated 27 November 2015); and (ii) on 19 January 2016 to issue a comfort letter in respect of adjustments to the terms of the 2017 Convertible Bonds as a result of the aforesaid open offer (details of which are set out in the Company's announcement dated 26 January 2016). Apart from normal professional fees for our services to the Company in connection with the previous appointments as mentioned above, as well as this appointment as the Independent Financial Adviser, no other arrangement exists whereby we received/will receive any fees and/or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF THE OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deed and the Proposed Amendments, we have considered the following principal factors and reasons:

1. The Proposed Amendments

As stated in the Board Letter, on 4 August 2017, the Company and the Bondholder entered into the Amendment Deed, pursuant to which the Company and the Bondholder agreed to (i) extend the maturity date of the 2017 Convertible Bonds from 30 July 2017 to 30 October 2017; (ii) extend the expiry date of the conversion period of the 2017 Convertible Bonds to 30 October 2017, being the extended maturity date; and (iii) for the extension period from 30 July 2017 to 30 October 2017, no interest shall be borne by the Company on the outstanding principal amount thereof provided that the Company shall pay the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017 within 10 business days after the date of the Amendment Deed. On 18 August 2017, the Company duly paid the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017.

Further, the current Conversion Price (i.e. HK\$0.23 per Share as a result of intervening adjustments since the issue of the 2017 Convertible Bonds) was reflected in the Amendment Deed. The Company will issue a new certificate (the “**New Certificate**”) for the 2017 Convertible Bonds to the Bondholder with the terms and conditions attaching thereto incorporating all of the Proposed Amendments within five business days after the Amendment Deed becoming unconditional. Notwithstanding anything to the contrary in the Amendment Deed, the payment obligations of the Company under the 2017 Convertible Bonds prior to the Proposed Amendments shall remain in full force and effect prior to the delivery of the New Certificate by the Company to the Bondholder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Amendment Deed, the Proposed Amendments are subject to the following conditions precedent:

- (i) the Shareholders in the SGM approving the Amendment Deed and the Proposed Amendments and the grant of Specific Mandate to issue the Conversion Shares;
- (ii) all necessary consents and approvals required to be obtained on part of the Bondholder in respect of the Proposed Amendments having been obtained; and
- (iii) the Stock Exchange approving the Proposed Amendments including the approval for the grant of the listing of, and permission to deal in, the Conversion Shares arising from conversion of the 2017 Convertible Bonds during the extended conversion period as mentioned above.

As disclosed in the Board Letter, the above Proposed Amendments are arrived at after arm's length negotiation between the Company and the Bondholder. Save for the Proposed Amendments and the corresponding changes, there are no other material amendments to the terms of the 2017 Convertible Bonds. Please refer to the subsection headed "Principal Terms and Conditions of the 2017 Convertible Bonds as supplemented by the Amendment Deed" in the Board Letter for the principal terms of the 2017 Convertible Bonds (as amended by the Amendment Deed).

2. Business overview of the Group

According to the management of the Company, the Group is principally engaged in the design and sale of wide range of electronic products, sales and installation of elevators, properties investment, operation and management of hydroelectric power stations and securities trading.

The following table summarized the consolidated financial results of the Group for the two years ended 31 March 2016 ("FY2016") and 31 March 2017 ("FY2017") as extracted from the Annual Report.

Summary of the consolidated financial results of the Group

	For the year ended 31 March 2017	For the year ended 31 March 2016
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	632,015	425,523
Gross profit	162,792	103,045
Loss for the year	(39,006)	(15,999)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March 2017 (audited) <i>HK\$'000</i>	As at 31 March 2016 (audited) <i>HK\$'000</i>
Bank balances and cash	34,442	249,130
Total assets	679,829	829,444
Total liabilities	364,965	450,567
Net assets	314,864	378,877

As shown on the above table, revenue of the Group increased from approximately HK\$425.52 million for FY2016 to approximately HK\$632.02 million for FY2017, representing an increase of approximately 48.53%. Also, the gross profit of the Group rose from approximately HK\$103.05 million for FY2016 to approximately HK\$162.79 million for FY2017, representing an increase of approximately 57.97%. As disclosed in the Annual Report and according to the management of the Company, the increases of revenue and gross profit were mainly attributed to the expansion of the Group's business into sales and installation of elevators during FY2017.

However, the Group still recorded loss for the year of approximately HK\$39.01 million for FY2017, representing a widening of loss as compared with the loss for the year of approximately HK\$16.00 million for FY2016. With reference to the Annual Report and according to the management of the Company, such loss for FY2017 was mainly due to (i) one-off items such as impairment loss on goodwill of approximately HK\$34.03 million, impairment loss on property, plant and equipment of approximately HK\$2.94 million and the impairment loss on investment in an associate of approximately HK\$3.75 million, all of which were nil for FY2016; and (ii) further decrease in fair value of investment properties from a decrease of approximately HK\$5.86 million for FY2016 to approximately HK\$28.32 million for FY2017.

As shown in the above table, the Group's bank balances and cash amounted to approximately HK\$34.44 million as at 31 March 2017. Total assets of the Group as at 31 March 2017 amounted to approximately HK\$679.83 million whereas total liabilities of the Group amounted to approximately HK\$364.97 million, resulting in a net assets position of approximately HK\$314.86 million.

As discussed with the management of the Company, we understand that the working capital expenditure of the Group was approximately HK\$56.60 million for FY2017, which mainly comprised rental expense, salary and professional fees.

Given that (i) according to the Board Letter, the outstanding principal amount of the 2017 Convertible Bonds was HK\$75 million as at the Latest Practicable Date; (ii) the bank balances and cash of the Group was approximately HK\$34.44 million as at 31 March 2017; and (iii) the working capital expenditure of the Group was approximately HK\$56.60 million for FY2017, we concur with the view of the management of the Company that the Group may have short term cashflow pressure to repay the outstanding amount of the 2017 Convertible Bonds on its original maturity date, i.e. 30 July 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for entering into the Amendment Deed

The 2017 Convertible Bonds would be mature on 30 July 2017 under its original maturity date. The Board considers that the extended time for the repayment to the Bondholder on the interest-free basis for the extended time will be beneficial to the Company and its operations by alleviating the pressure on its cashflows and profits. As discussed with the management of the Company, we understand that the Bondholder has intention to convert the whole outstanding principal amount of the 2017 Convertible Bonds into Shares. We consider that the Proposed Amendments (i) will not introduce interest burden on the Group as the 2017 Convertible Bonds does not bear any interest for the extended time from 30 July 2017 to 30 October 2017; and (ii) will allow the Group to maintain the working capital during the extended time for repayment, or even retain the funds if the 2017 Convertible Bonds are eventually converted into Shares in whole.

Taking into account (i) the insufficiency of internal resources of the Group as stated above; (ii) the general working capital expenditure of the Group as stated in the paragraph headed “2. Business overview of the Group” above; (iii) the analysis of the terms of the Amendment Deed and the 2017 Convertible Bonds (as amended by the Amendment Deed) as stated in the paragraph headed “4. Comparable Analysis” below; (iv) the lack of other fund-raising alternatives available to the Company based on the recent financial performance of the Group as stated in paragraph headed “5. Other fund-raising alternatives” below; and (v) the absence of adverse financial effect of the Proposed Amendments on the Group as stated in paragraph headed “6. Financial effect of the Proposed Amendments” below, we are of the view and concur with the view of the Board that terms of the Amendment Deed and 2017 Convertible Bonds (as amended by the Amendment Deed) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Comparable Analysis

In order to assess the fairness and reasonableness of the terms of the 2017 Convertible Bonds (as amended by the Amendment Deed), we have searched for relevant convertible bonds/notes issued by other issuers listed on the Stock Exchange (the “**Comparables**”) as announced during the last month prior to and including 4 August 2017, being the date of the Amendment Deed, and identified an exhaustive list of 13 Comparables. Notwithstanding the differences between the listed issuers of the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider that the Comparables can provide a general reference in relation to the terms of convertible bonds

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

issued under recent market condition and sentiment. Also taking into account the sample size of more than 13 Comparables, we consider that the comparison period of one month is appropriate. Details of the Comparables are set out in the table below:

No.	Date of initial announcement	Stock code	Name of company	Principal amount of convertible bonds (HK\$)	Premium over/ (discount) to the closing price (Note 1) (%)	Interest rate per annum (%)	Maximum dilution upon full conversion (Note 2) (%)
1	2 August 2017	381	Kiu Hung International Holdings Limited	100,766,562	51.52	0.00	14.19
2	31 July 2017	1636	China Metal Resources Utilization Limited	400,000,000	0.67	8.00	5.01
3	31 July 2017	1636	China Metal Resources Utilization Limited	200,000,000	0.67	8.00	2.51
4	28 July 2017	1469	Get Nice Financial Group Limited	525,000,000	(13.90)	2.00	16.67
5	28 July 2017	1079	Pine Technology Holdings Limited	115,000,000	1.60	7.00	16.53
6	28 July 2017	7	Hoifu Energy Group Limited	1,156,400,000	(12.50)	0.00	39.60

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Date of initial announcement	Stock code	Name of company	Principal amount of convertible bonds (HK\$)	Premium over/ (discount) to the closing price (Note 1) (%)	Interest rate per annum (%)	Maximum dilution upon full conversion (Note 2) (%)
7	27 July 2017	1383	Suncity Group Holdings Limited	297,000,000	63.64	0.00	5.20
8	26 July 2017	149	China Agri-Products Exchange Limited	400,000,000	(51.87)	7.50	13.41
9	25 July 2017	646	China Environmental Technology Holdings Limited	104,000,000	11.11	3.00	11.47
10	20 July 2017	1028	C.banner International Holdings Limited	390,235,000	19.80	4.00	4.98
11	12 July 2017	1530	3SBio Inc.	2,673,000,000	40.00	0.00	6.92
12	12 July 2017	6899	Ourgame International Holdings Limited	120,000,000	17.44	6.00	5.41
13	7 July 2017	108	GR Properties Limited	181,964,000	(20.00)	0.00	37.40
			Mean		8.32	3.50	13.79
			Maximum/highest premium		63.64	8.00	39.60
			Minimum/highest discount		(51.87)	0.00	2.51
	4 August 2017	485	The Company		58.62	0.00	8.20

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Each of the premiums/discounts is calculated based on (i) the conversion price of a Comparable; and (ii) the closing price of the relevant share on the last trading date as disclosed in the relevant announcement.
2. The maximum dilution upon full conversion of each Comparable is calculated based on the (i) the number of shares to be issued upon full conversion; and (ii) the number of shares of the respective listed company on the date of the relevant announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Conversion price

The conversion prices of the Comparables severally represent from a discount of approximately 51.87% to a premium of approximately 63.64%, with an average premium of approximately 8.32%. The conversion price per Conversion Share of HK\$0.23 represents a premium of approximately 58.62% over the closing price per Share on the date immediately prior to date of the Amendment Deed, which is above the average premium and within the range represented by the Comparables.

(b) Interest rate

The interest rates of the Comparables range from nil to 8.00%, with an average interest rate of approximately 3.50%. The zero interest rate of the 2017 Convertible Bonds for the extended period represents the lowest limit of the Comparables.

(c) Maximum dilution effect

The maximum dilution effect of the Comparables ranges from approximately 2.51% to approximately 39.60%, with an average of approximately 13.79%.

With reference to the table as set out in the subsection headed “Shareholding Structure of the Company” in the Board Letter, assuming that there is no change in the issued share capital of the Company on or before full conversion of the 2017 Convertible Bonds, the shareholding of the public Shareholders would decrease from approximately 28.92% as at the Latest Practicable Date to approximately 26.55% immediately after the full conversion, indicating a potential maximum dilution in public shareholding of approximately 8.93%. Such maximum dilution is below the average of approximately 13.79% and within the range of maximum dilution represented by the Comparables.

(d) Conclusion

Based on the above analysis of the Comparables, we consider that the principal terms of the 2017 Convertible Bonds (as amended by the Amendment Deed) are in line with market practice. Notwithstanding the potential dilution effect upon full conversion of the 2017 Convertible Bonds, which is below the market average, taking into the reasons for and benefits of the Proposed Amendments as stated above, we are of the view and concur with the Directors’ view that the terms of the Amendment Deed and 2017 Convertible Bonds (as amended by the Amendment Deed) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Other fund-raising alternatives

As discussed with the management of the Company, we note that the Board has considered other alternative means of fund raising before entering into the Amendment Deed. However, debt financing may be subject to lengthy due diligence and negotiations with banks and would incur extra interest burden to the Group. Also, in view of the unsatisfactory financial performance of the Group mentioned above, the Board considers that the Company may have difficulties in (a) obtaining bank borrowing; or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company.

In view of the above and the fact that the 2017 Convertible Bonds becomes non-interest bearing from 30 July 2017 to 30 October 2017 according to the Amendment Deed, we concur with the view of the management of the Company that the entering of the Amendment Deed would be the best financing alternative available to the Company.

6. Financial effect of the Proposed Amendments

Effect on liquidity

As stated in the Annual Report, the Group had cash and cash equivalents of approximately HK\$34.4 million as at 31 March 2017. Furthermore, the Group recorded current liabilities of approximately HK\$285.9 million and total liabilities of approximately HK\$365.0 million as at 31 March 2017. The extension of the maturity date of the 2017 Convertible Bonds pursuant to the Amendment Deed will enable the Group to postpone a substantial cash outflow if the maturity date of the 2017 Convertible Bonds is extended. In light of the above, the extension of the maturity date of the 2017 Convertible Bonds pursuant to the Amendment Deed would alleviate the pressure on cashflows and profits of the Group.

Effect on finance cost

For the year ended 31 March 2017, the imputed interest expense under the 2017 Convertible Bonds amounted to approximately HK\$6.8 million. Pursuant to the Amendment Deed, for the extension period from 30 July 2017 to 30 October 2017, no interest shall be borne by the Company on the outstanding principal amount thereof provided that the Company shall pay the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017 within 10 business days after the date of the Amendment Deed. On 18 August 2017, the Company duly paid the Bondholder all outstanding interest under the 2017 Convertible Bonds up to (and including) 30 July 2017. As such, the Company expects that there will not be any material adverse effect on the finance cost of the Group as a result of the extension of the maturity date of the 2017 Convertible Bonds.

Based on the above, we are of the view and concur with the Directors' view that the Proposed Amendments will not have any adverse financial effect on the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Although the entering of the Amendment Deed is not in the ordinary and usual course of business of the Group, taking into account the above principal factors and reasons considered, we are of the opinion that the entering of the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Therefore, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder to be presented at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kim Chan
Director

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 17 years of experience in corporate finance industry.

1. 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 document misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive in the Shares, underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares and share options of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued share capital in the Company
Wang Jing <i>Executive Director</i>	Interest of controlled corporation	2,171,827,290 ^(Note 1)	59.49% ^(Note 2)
Wang Xing Qiao <i>Executive Director</i>	Beneficial Owner	3,275,000	0.09% ^(Note 2)

Notes:

- These 2,171,827,290 Shares are held by Achieve Prosper Capital Limited and wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua (Group) Property Development Limited 遼寧實華(集團)房地產開發有限公司. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua (Group) Property Development Limited. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 Shares.
- Based on 3,650,710,605 Shares of the Company in issue as at the Latest Practicable Date.

(b) Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Long/Short position	Number of ordinary shares in associated corporation	Approximate percentage of issued share capital in associated corporation
Achieve Prosper Capital Limited	Wang Jing	Interest of controlled corporation	Long position	1,000,000 ^(Note)	100%

Note: These 2,171,827,290 Shares are held by Achieve Prosper Capital Limited and wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua (Group) Property Development Limited 遼寧實華(集團)房地產開發有限公司. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua (Group) Property Development Limited. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 2,171,827,290 Shares.

Save as disclosed above and other than certain nominee Shares in subsidiaries held by Directors in trust for the Company or its subsidiaries, as at the Latest Practicable Date, none of the Company's Directors, chief executive nor their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons, other than the interest disclosed in the section headed "2. Disclosure of interests – (i) Interests of Directors and chief executive in the Shares, underlying Shares", having interest 5% or more in the shares and underlying shares of the

Company have notified to the Company and have been recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under section 336 of Part XV of the SFO:–

Name of Shareholders	Nature of interest	Number of shares and underlying shares	Aggregate percentage of issued share capital as at the Latest Practicable Date
Achieve Prosper Capital Limited <i>(Note 2)</i>	Beneficial owner	2,171,827,290	59.49% <i>(Note 1)</i>
Hong Kong Shihua Holdings Limited <i>(Note 2)</i>	Interest of controlled corporation	2,171,827,290	59.49% <i>(Note 1)</i>
Liaoning Shihua (Group) Property Development Limited <i>(Note 2)</i>	Interest of controlled corporation	2,171,827,290	59.49% <i>(Note 1)</i>
Hu Bao Qin <i>(Notes 2, 3)</i>	Spouse Interest	2,171,827,290	59.49% <i>(Note 1)</i>
Lushan Investment Holdings Limited/the Bondholder <i>(Note 4)</i>	Custodian corporation/ Approved lending agent	2,917,914,246	79.93% <i>(Note 1)</i>

Notes:

- Based on 3,650,710,605 Shares of the Company in issue as at the Latest Practicable Date.
- Achieve Prosper Capital Limited is wholly and beneficially owned by Hong Kong Shihua Holdings Limited, which is in turn wholly and beneficially owned by Liaoning Shihua (Group) Property Development Limited 遼寧實華(集團)房地產開發有限公司. Mr. Wang Jing is the sole director and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua (Group) Property Development Limited 遼寧實華(集團)房地產開發有限公司. By virtue of the SFO, Hong Kong Shihua Holdings Limited, Liaoning Shihua (Group) Property Development Limited 遼寧實華(集團)房地產開發有限公司, Mr. Wang Jing and Ms. Hu Bao Qin were deemed to be interest in the said 2,171,827,290 Shares held by Achieve Prosper Capital Limited.
- Ms. Hu Bao Qin is the spouse of Mr. Wang Jing, and is therefore deemed to be interested in the shares of the Company held by Mr. Wang Jing. Please refer to the above disclosure of interests in this section for further details.
- On 30 December 2015, Achieve Prosper Capital Limited transferred the 326,086,956 underlying Shares which are the Conversion Shares and are issuable upon the exercise of the 2017 Convertible Bonds to Lushan Investment Holdings Limited. On 14 March 2016, Achieve Prosper Capital Limited entered into a share charge with Lushan Investment Holdings Limited, pursuant to which Achieve Prosper Capital Limited has pledged 2,171,827,290 Shares in favour of Lushan Investment Holdings Limited. In addition, further 420,000,000 Shares held by Achieve Prosper Capital Limited was transferred to Lushan Investment Holdings Limited pursuant to the sale and purchase agreement entered by the Achieve Prosper Capital Limited and Lushan Investment Holdings Limited (please refer to the announcement of the Company dated on 16 March 2016 for further details).

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the interest disclosed in the section headed “2. Disclosure of interests – (i) Interests of Directors and chief executive in the Shares, underlying Shares”, having interest 5% or more in the shares and underlying shares of the Company who have notified to the Company and have been recorded in the register of substantial shareholders’ interests in shares and short positions required to be kept under section 336 of Part XV of the SFO.

3. DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors, the controlling Shareholder and their respective associates is considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, with the business of the Group.

4. DIRECTORS’ INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

None of the Directors has any interest, either directly or indirectly, in any assets which has since 31 March 2017 (being the date to which the latest published audited accounts of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Further, there is no contract of significance in relation to the business of the Group, to which the Company, any of its controlling entities or its subsidiaries was a party, and in which a Director had a material interest, directly or indirectly, subsisting as at the Latest Practicable Date.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract or a proposed service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

6. EXPERT’S QUALIFICATION AND CONSENTS

The following is the qualification of the expert(s) who have given opinion or advice which are contained in this circular:

Name	Qualification
Nuada Limited	a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 22 August 2017 and references to its name in the form and context in which they appear.

As at the Latest Practicable Date,

- (a) Nuada Limited did not have any direct or indirect interest in any asset which had since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) Nuada Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

7. LITIGATION

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

8. MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change in the financial position or trading position of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group was made up, and up to the date of this Circular.

9. MISCELLANEOUS

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by prior telephone appointment (tel. number: (852) 2208 6008) at the Company's principal place of business in Hong Kong at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong during 10:00 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2017;
- (c) the Amendment Deed;
- (d) the 2017 Convertible Bonds;
- (e) the written consent of the expert referred to in the paragraph headed "6. Expert's qualification and consents" in this Appendix;

- (f) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 in this circular;
- (g) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 28 in this circular; and
- (h) this circular.

NOTICE OF SGM

SINOSTAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**CONNECTED TRANSACTION
PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF
THE 2017 CONVERTIBLE BONDS
NOTICE OF SPECIAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders of China Sinostar Group Company Limited (the “**Company**”) will be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 8 September 2017 at 10:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, pass with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the amendment deed dated 4 August 2017 (“**Amendment Deed**”) entered into between the Company and Lushan Investment Holdings Limited in relation to the convertible bond issued by the Company on 30 July 2014 in an outstanding principal amount of HK\$75,000,000 (the “**2017 Convertible Bonds**”) (a copy of the Amendment Deed having been produced to the SGM and marked “A” and initial by the chairman of the SGM for the purpose of identification) to, among others, (i) extend the maturity date of the 2017 Convertible Bonds from 30 July 2017 to 30 October 2017; and (ii) extend the expiry date of the conversion period of the 2017 Convertible Bonds to 30 October 2017, being the extended maturity date, and all transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) subject to the approval of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of, and permission to deal in, the Conversion Shares (as defined below), the grant of specific mandate to authorise the directors of the Company (“**Directors**”) to issue and allot new shares with a nominal value of HK\$0.01 each in the Company (“**Conversion Shares**”) upon exercise of the conversion rights attaching to the 2017 Convertible Bonds be and is hereby approved and any one or more of the Directors be and is/are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the 2017 Convertible Bonds (as supplemented and revised by the Amendment Deed); and

NOTICE OF SGM

- (c) subject to the Stock Exchange consenting to the alteration to the terms and conditions of the 2017 Convertible Bonds pursuant to the Amendment Deed, any one or more of Directors of the Company be and is/are hereby authorised to exercise all the powers of the Company and take all steps as might in his/their opinion be desirable, necessary or expedient to give effect to or in connection with the Amendment Deed, the Proposed Amendments and the transactions contemplated thereunder including without limitation to the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the 2017 Convertible Bonds and taking of all necessary actions to implement the transactions contemplated under the Amendment Deed.”

By order of the Board
China Sinostar Group Company Limited
Wang Jing
Chairman

Hong Kong, 22 August 2017

Principal place of business:
Rooms 05-15, 13A/F.,
South Tower, World Finance Centre,
Harbour City,
17 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Notes:

1. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.
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 an officer, attorney or other person authorised to sign the same.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the SGM or any adjourned meeting should you so wish.