
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 shares in China Star Entertainment Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

**(I) DEED OF VARIATION RELATING TO PLACING OF
NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL;
(II) PROPOSED PLACING OF NEW SHARES SUBJECT TO
SHAREHOLDERS' APPROVAL
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

Placing Agent



KINGSTON SECURITIES LIMITED

A letter from the board of directors of China Star Entertainment Limited is set out on pages 4 to 15 of this circular.

A notice convening the Special General Meeting of China Star Entertainment Limited to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Thursday, 24th January, 2008 at 4:30 p.m. is set out on pages 16 to 18 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

8th January, 2008

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DEFINITIONS

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

“associates”	has the meaning given to that term in the Listing Rules;
“First Announcement”	the announcement of the Company dated 7th September, 2007;
“Second Announcement”	the announcement of the Company dated 13th December, 2007;
“Board”	the board of Directors;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning given to that term in the Listing Rules;
“Deed of Variation”	a deed of variation dated 11th December, 2007 entered into between the Company and the Placing Agent in relation to the Tranche II Placing Agreement;
“Directors”	directors of the Company;
“Dorest”	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen Ming Yin, Tiffany through Porterstone and as to 40% by Mr. Heung Wah Keung;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China;
“Independent Third Party (Parties)”	independent third party (parties) not connected with the directors, substantial shareholders of the Company or any of its subsidiaries or their respective associate;

DEFINITIONS

“Last Trading Day”	11th December, 2007, being the trading day on which the Shares were suspended from trading on the Stock Exchange pending the release of the Second Announcement;
“Latest Practicable Date”	3rd January, 2008, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	three months after the date of the SGM;
“Placing”	the placing of the Placing Shares by the Placing Agent on a fully underwritten basis;
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on types 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	a conditional placing agreement dated 11th December, 2007 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$0.12 per Share;
“Placing Shares”	a total of 1,400,000,000 new Shares to be placed through the Placing Agent pursuant to the Placing Agreement;
“Placee(s)”	any institutional, corporate or independent individual investor(s) procured by the Placing Agent to subscribe for any principal amount of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement;
“Proposed Acquisition”	the proposed acquisitions of the entire equity interest in Best Mind International Inc. as announced by the Company on 30th August 2007 and 10th October 2007;

DEFINITIONS

“Porterstone”	Porterstone Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen Ming Yin, Tiffany. Accordingly, Mr. Heung Wah Keung, the husband of Ms. Chen Ming Yin, Tiffany, is deemed to be interested in the Shares held by Porterstone;
“SGM”	a special general meeting of the Company to be convened and held at 4:30 p.m. on Thursday, 24th January, 2008 at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong to consider and, if thought fit, to approve the entering into of the Deed of Variation, the Placing Agreement and the Placing;
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tranche II Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 5th September, 2007 in relation to the Tranche II Placing;
“Tranche II Placing”	placing of up to a maximum of 5,000,000,000 new Shares pursuant to the terms of the Tranche II Placing Agreement;
“Tranche II Placing Price”	the placing price has been changed from HK\$0.21 per Share to HK\$0.12 per Share pursuant to the Deed of Variation; and
“%”	per cent.

LETTER FROM THE BOARD



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

Executive Directors:

Mr. Heung Wah Keung (*Chairman*)
Ms. Chen Ming Yin, Tiffany (*Vice Chairman*)
Ms. Li Yuk Sheung

Independent non-executive Directors:

Mr. Hung Cho Sing
Mr. Ho Wai Chi, Paul
Mr. Leung Hok Man

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

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

8th January, 2008

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

Dear Sir or Madam,

**(I) DEED OF VARIATION RELATING TO PLACING OF
NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL;
(II) PROPOSED PLACING OF NEW SHARES SUBJECT TO
SHAREHOLDERS' APPROVAL
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 13th December, 2007, the Board announced that (i) the longstop date for satisfaction of the conditions precedent under the Tranche II Placing Agreement has been extended to three months after the date of the SGM approving the entering into of the Deed of Variation by the Company and (ii) the Tranche II Placing Price has been changed.

LETTER FROM THE BOARD

As the Tranche II Placing Agreement and the Tranche II Placing had been approved by Shareholders at the special general meeting of the Company held on 22nd October, 2007, the change of the Tranche II Placing Price constitutes a material change to the terms of the Tranche II Placing Agreement and as such requires re-approval by the Shareholders at the SGM.

The Board also announced that on 11th December, 2007 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has conditionally agreed to place, through the Placing Agent, in aggregate 1,400,000,000 Placing Shares on a fully underwritten basis to independent investors at the Placing Price of HK\$0.12 per Share.

The Deed of Variation and the Placing Agreement are not inter conditional.

The purpose of this circular is to provide you with (i) further details of the Deed of Variation and proposed amendment to the Tranche II Placing Price and (ii) further details of the Placing and the notice convening the SGM.

DEED OF VARIATION

Reference is made to the First Announcement regarding, inter alia, placing of new shares subject to Shareholders' approval.

The Board announce that on 11th December, 2007 (after trading hours), the Company and the Placing Agent entered into the Deed of Variation (i) to extend the longstop date for satisfaction of the conditions precedent under the Tranche II Placing Agreement from three months after the date of the special general meeting of the Company approving the Tranche II Placing Agreement (ie 22nd October, 2007) to three months after the date of the SGM approving the entering into of the Deed of Variation by the Company as additional time is required for seeking Shareholders' approval on the change in the Tranche II Placing Price and (ii) to change the Tranche II Placing Price from HK\$0.21 to HK\$0.12. The change was made to the Tranche II Placing Price as given the volatile market sentiment and the fact that the closing price of the Shares decreased from HK\$0.227 per Share as at the trading date immediately before the First Announcement to HK\$0.136 per Share as at the Last Trading Date.

It is expected the net proceeds of approximately HK\$584.5 million will be raised by the Tranche II Placing and the same will be utilised by the Group to finance the Proposed Acquisitions. The Proposed Acquisitions were approved by Shareholders in the special general meetings of the Company held on 27th December, 2007. The Directors (including the Independent Non-executive Directors) are of the view that the Tranche II Placing Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole given the current trading price of the Shares and volatility in the current market.

LETTER FROM THE BOARD

The new Tranche II Placing Price of HK\$0.12 per Share represents:

- (i) a discount of approximately 11.76% to the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on 11th December, 2007, being the Last Trading Day;
- (ii) a discount of approximately 11.11% to the average of the closing prices of HK\$0.135 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 13.67% to the average of the closing prices of HK\$0.139 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 7.14% over the closing price of HK\$0.112 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

All other terms of the Tranche II Placing Agreement shall remain unchanged.

As the Tranche II Placing Agreement and the Tranche II Placing had been approved by Shareholders at the special general meeting of the Company held on 22nd October, 2007, the change of the Tranche II Placing Price constitutes a material change to the terms of the Tranche II Placing Agreement and as such requires re-approval by the Shareholders at the SGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Shares to be issued under the Tranche II Placing.

The Deed of Variation and the Placing Agreement are not interconditional.

THE PLACING AGREEMENT

Date

11th December, 2007 (after trading hours)

Parties

The Company and the Placing Agent

LETTER FROM THE BOARD

Placing Agent

The Placing Agent has conditionally agreed to place 1,400,000,000 Placing Shares on a fully underwritten basis and will receive a placing commission of 2.5% on the gross proceeds of the Placing. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable. The Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). The Placing Agent had previously acted as placing agent for the Company on other fund raising exercises.

Placees

The Placing Agent agreed to place the Placing Shares on a fully underwritten basis to not fewer than six Placees who and whose ultimate beneficial owners will be independent of and not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). None of the individual Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placing nor will any new substantial/controlling Shareholders be introduced after the Placing.

Placing Price

The Placing Price of HK\$0.12 represents (i) a discount of about 11.76% to the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 11.11% to the average of the closing price per Share of about HK\$0.135 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of about 13.67% to the average of the closing price per Share of about HK\$0.139 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and (iv) a premium of about 7.14% over the closing price of HK\$0.112 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

After deduction of the commission and expenses arising from the Placing, the net Placing Price per Placing Share shall be approximately HK\$0.117. The aggregate net proceeds raised upon the completion of the Placing will be about HK\$163.5 million.

Placing Shares

Pursuant to the Placing Agreement, 1,400,000,000 new Shares will be placed by the Placing Agent on a fully underwritten basis, representing approximately 49.89% of the Company's existing issued share capital of the Company as at the Latest Practicable Date and about 33.29% of its issued share capital as enlarged by the completion of the Placing.

LETTER FROM THE BOARD

The Placing Shares will be allotted and issued under a special mandate proposed to be passed at the SGM. The Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and bye-laws of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the relevant tranche of the Placing and thereafter. The general mandate granted to Directors at the annual general meeting of the Company held on 29th June, 2007 had been substantially utilised in the placing as announced on 7th September, 2007.

Conditions Precedent

The Placing will be subject to the following conditions:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal, in all of the Placing Shares ;
- the passing of a resolution by the Shareholders approving the Placing Agreement and the transactions contemplated thereunder, including the allotment and issue of the Placing Shares at the SGM; and
- the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms hereof, including provisions regarding force majeure event.

If the foregoing conditions are not fulfilled on or prior to the Long Stop Date, the Placing Agreement shall terminate and none of the parties thereto shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement).

Representation and Warranties

Under the Placing Agreement, the Company has given certain representations and warranties on, inter alia, the authority to enter into the Placing Agreement and the ranking of the Placing Shares upon allotment. In particular, the Company has warranted in the Placing Agreement, inter alia, that it shall provide the Placing Agent with all such information relating to the Company, any companies controlled by the Company and the Group as the Placing Agent would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or otherwise and all material facts and information which might reasonably be expected to be relevant in enabling the Placing Agent to

LETTER FROM THE BOARD

fulfil its responsibilities in carrying out the terms of the Placing Agreement. The Company will provide published financial information to the Placing Agent. In addition, the Company shall accept full responsibility for the accuracy of all information and facts given by it to the Placing Agent in relation to the Placing and warrant that no other material information or material facts have been or will be withheld, the omission of which will make the information or facts given to the Placing Agent incorrect or misleading in any material respect, and to notify the Placing Agent should such omission or inaccuracy first come to the attention of the Company.

Termination and force majeure of the Placing

- (I) The Placing Agent reserves its right to terminate the Placing by notice in writing prior to 10:00 a.m. on the date of completion of the Placing, if in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events which include:
- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing by potential investor (s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

LETTER FROM THE BOARD

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.
- (II) If, at or prior to 10:00 a.m. on the completion date of the Placing:
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
 - (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearance of the announcement relating to the Placing Agreement or circulars relating to the Placing; or
 - (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

LETTER FROM THE BOARD

Completion of the Placing

Completion of the Placing will take place within four business day after the fulfilment of the condition as set out in the Placing Agreement or such other date to be agreed between the Company and the Placing Agent.

The Deed of Variation and the Placing Agreement are not interconditional.

Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, all of the Placing Shares.

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The Director consider that the timing of fund raising by way of the Placing is appropriate in the view that there is an imminent demand for the Shares as the investors are interested and confident in the business prospect of the Company. The Directors are of the view that the liquidity flow and the conditions in the equity market are subject to rapid changes and consider, while there is an imminent demand for the Shares, the Placing represents an opportunity to raise capital for financing the Proposed Acquisitions, despite the fact that the Placing will result in the dilution of the existing shareholding interest of the Shareholders. The Directors are also of the view that the Placing represents an opportunity to broaden the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Placing will be about HK\$168 million and the net proceeds from the Placing will be about HK\$163.5 million which will be used by the Company to finance the Proposed Acquisitions. The Proposed Acquisitions were approved by Shareholders in the special general meetings of the Company held on 27th December, 2007. It is expected that the net proceeds of HK\$163.5 million of the Placing will be wholly used towards the Proposed Acquisitions. If the Proposed Acquisitions do not proceed, the proceeds will be placed with bank institutions until appropriate projects are identified. Any surplus monies from such projects will be used as general working capital of the Group.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing, the Tranche II Placing and the Proposed Acquisitions is set out as below:

	As at the Latest Practicable Date		Upon completion of Tranche II Placing		Upon completion of the Placing		Upon completion of Placing and Tranche II Placing		Upon completion of Placing and Tranche II Placing and assuming completion of the Proposed Acquisitions		Upon completion of Placing and Tranche II Placing and assuming completion of the Proposed Acquisitions and Note 7	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Porterstone (Note 4)	507,865,000	18.10	507,865,000	6.51	507,865,000	12.07	507,865,000	5.52	507,865,000	5.38	507,865,000	4.74
Dorest (Note 4)	27,645,000	0.99	27,645,000	0.35	27,645,000	0.66	27,645,000	0.30	27,645,000	0.29	27,645,000	0.26
Mr. Heung Wah Keung	54,592,500	1.94	54,592,500	0.70	54,592,500	1.30	54,592,500	0.59	54,592,500	0.58	54,592,500	0.51
Ms. Chen Ming Yin, Tiffany	31,716,615	1.13	31,716,615	0.41	31,716,615	0.75	31,716,615	0.34	31,716,615	0.34	31,716,615	0.29
Sub-total	621,819,115	22.16	621,819,115	7.97	621,819,115	14.78	621,819,115	6.75	621,819,115	6.59	621,819,115	5.80
Ms. Li Yuk Sheung, a Director	16	0.00	16	0.00	16	0.00	16	0.00	16	0.00	16	0.00
Public Shareholders:												
Places for Tranche II Placing	0	0.00	5,000,000,000	64.05	0	0.00	5,000,000,000	54.31	5,000,000,000	52.95	5,000,000,000	46.63
Places for the Placing	0	0.00	0	0.00	1,400,000,000	33.29	1,400,000,000	15.21	1,400,000,000	14.83	1,400,000,000	13.06
Vendor under the Proposed Acquisitions	0	0.00	0	0.00	0	0.00	0	0.00	236,333,333	2.50	1,516,333,332	14.14
Other public Shareholders	2,184,277,942	77.84	2,184,277,942	27.98	2,184,277,942	51.93	2,184,277,942	23.73	2,184,277,942	23.13	2,184,277,942	20.37
Total	2,806,097,073	100.00	7,806,097,073	100.00	4,206,097,073	100.00	9,206,097,073	100.00	9,442,430,406	100.00	10,722,430,405	100.00

Notes:

- Under Tranche II Placing, there are 5,000,000,000 new Shares to be placed at a price of HK\$0.12 per Share.
- Under the Placing, there are 1,400,000,000 new Shares to be placed at a price of HK\$0.12 per Share.
- The gross proceeds for Tranche II Placing and the Placing are approximately HK\$600 million and HK\$168 million respectively.
- Porterstone is beneficially owned by Ms. Chen Ming Yin, Tiffany. Accordingly, Mr. Heung Wah Keung, the husband of Ms. Chen Ming Yin, Tiffany, is deemed to be interested in the Shares held by Porterstone. Dorest is beneficially owned as to 60% by Ms. Chen Ming Yin, Tiffany through Porterstone and as to 40% by Mr. Heung Wah Keung.
- The ultimate beneficial owners of the places of the Tranche II Placing and the Placing are expected to be independent of each other. So far as the Directors are aware, none of the places to the Placing have any relationship with the vendor under the Proposed Acquisitions.

LETTER FROM THE BOARD

6. So far as the Directors are aware, none of the placees for the Tranche II Placing and the Placing will become substantial Shareholders.
7. Assuming the convertible notes in the principal amounts of HK\$188,000,000 and HK\$196,000,000 to be issued under the Proposed Acquisitions are fully converted into Shares at the initial conversion price of HK\$0.30 per Share.
8. In the event that the Vendor holds 10% or more of the issued share capital of the Company, it will become a substantial Shareholder.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS BEFORE THE LATEST PRACTICABLE DATE

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
13th February, 2007	Issue of zero coupon unsecured convertible bonds due 2012 of an aggregate principal amount of HK\$168,500,000	HK\$159,000,000	For the acquisition of Kingsway Hotel Limited	For the acquisition of Kingsway Hotel Limited
30th March, 2007	Placing of 124,900,000 new Shares	HK\$44,800,000	For the general working capital	For the general working capital
30th March, 2007	Placing of 81,100,000 new Shares	HK\$29,200,000	For the general working capital	For the general working capital
4th June, 2007	Placing of 165,905,000 new Shares	HK\$64,600,000	For the general working capital	For the general working capital
30th August, 2007	Rights issue of 843,769,024 new Shares on the basis of one rights Share for every two existing Shares held	HK\$162,600,000	For partial payment of the acquisition of a 51% interest in Best Mind International Inc. as announced on 30th August, 2007	For partial payment of the acquisition of a 51% interest in Best Mind International Inc. as announced on 30th August, 2007
7th September, 2007	Placing of 274,790,000 new shares	HK\$56,200,000	For partial payment of the acquisition of a 51% interest in Best Mind International Inc. as announced on 30th August, 2007	For partial payment of the acquisition of a 51% interest in Best Mind International Inc. as announced on 30th August, 2007

LETTER FROM THE BOARD

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, and the provision of post-production services, property and hotel investment. The Group will cease to invest in property and hotels following the disposal of Kingsway Hotel Limited to Riche Multi-Media Holdings Limited, an associated company of the Company, as announced on 8th August, 2007 and the Company's circular dated 9th October, 2007. The Company has no other plans to change its existing business.

Shareholders and potential investors should note that the Placing is subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Bye-law 70 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the Meeting; or
- (ii) by at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held on Thursday, 24th January, 2008 at 4:30 p.m. at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the Deed of Variation, the Placing Agreement and the Placing is set out on pages 16 to 18 of this circular.

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

DIRECTORS' RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Board considers that the terms of the Deed of Variation and the Placing Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole and recommends you to vote in favour of the resolutions to be proposed at the SGM.

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

NOTICE OF SGM



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

NOTICE IS HEREBY GIVEN that the special general meeting of China Star Entertainment Limited (the “Company”) will be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Thursday, 24th January, 2008 at 4:30 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the deed of variation dated 11th December, 2007 (the “Deed of Variation”) entered into between the Company and Kingston Securities Limited (the “Placing Agent”) in relation to the placing agreement dated 7th September, 2007 (the “Tranche II Placing Agreement”) entered into between the Company and the Placing Agent (a copy of which has been produced to this meeting marked “A” and intialled by the Chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take such actions or execute such documents to effect the allotment and issue of the new shares under the Tranche II Placing Agreement at the new placing price of HK\$0.12 per share and to do such other things (including affixing the Company’s common seal) and to take all such action as he or she considers necessary or desirable for the purpose of giving effect to the Deed of Variation and the allotment and issue of new shares of the Company under the Tranche II Placing Agreement at the new placing price of HK\$0.12 per share.”

NOTICE OF SGM

2. **“THAT**

- (a) the conditional placing agreement dated 11th December, 2007 (the “Placing Agreement”) entered into between the Company and the Placing Agent pursuant to which, inter alia, the Company agrees to place, through the Placing Agent, on a fully underwritten basis, in aggregate 1,400,000,000 new shares at a price of HK\$0.12 per share (the “Placing Shares”) (a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed;
- (b) the allotment and issue of the Placing Shares pursuant to and in accordance with the terms and conditions of the Placing Agreement be and is hereby approved; and
- (c) any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take such actions or execute such documents to effect the allotment and issue of the Placing Shares and to do such other things and to take all such action as he or she considers necessary or desirable for the purpose of giving effect to the Placing Agreement.”

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

Hong Kong, 8th January, 2007

NOTICE OF SGM

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its real or under the hand of any officer, attorney or other person authorised to sign the name.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, 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 registrar of members of the Company in respect of the joint holding.