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

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

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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

SPECIAL DISTRIBUTION AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of China Star Entertainment Limited (the “Company”) to be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 29 April 2013 at 4:00 p.m. is set out on page 8 and page 9 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share register of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

12 April 2013

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DEFINITIONS

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

“Board”	the board of Directors
“Bonus CBs Holder(s)”	holder(s) of the Bonus CB(s)
“Bonus CB(s)”	the convertible bond(s) constituted by the deed poll executed by the Company on 9 January 2013 and issued on the same date pursuant to the bonus issue of the Company to the Shareholders, details of which are set out in the prospectus of the Company dated 12 December 2012
“Bye-laws”	the Bye-laws of the Company, as may be amended from time to time
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	China Star Entertainment Limited, an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issued CBs”	the convertible bonds in the aggregate principal amount of HK\$350.00 million carrying rights entitling the holders thereof to convert their principal amount into 2,916,666,666 new Shares at an adjusted conversion price of HK\$0.12 per Share (subject to further adjustment, if required) as at the Latest Practicable Date
“Latest Practicable Date”	10 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Options”	share options granted by the Company outstanding from time to time (being 211,928,594 outstanding share options exercisable into 211,928,594 new Shares at exercise prices ranging from HK\$0.163 to HK\$40.714 per new Share (subject to further adjustment, if required) as at the Latest Practicable Date)
“Record Date”	the record date, falling on Monday, 6 May 2013, for the purpose of ascertaining the entitlements of the Shareholders and the Bonus CBs Holders to and under the Special Distribution
“Registers”	the register of members of the Company and the register of the Bonus CBs Holders
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 29 April 2013 at 4:00 p.m. to approve the Special Distribution to the Shareholders and the Bonus CBs Holders and transactions contemplated thereunder, a notice of which is set out on page 8 and page 9 of this circular
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares from time to time
“Special Distribution”	the proposed special distribution to be made out of the contributed surplus account of the Company to the Shareholders and the Bonus CBs Holders, the details of which are set out in this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

2013

Despatch of this circular and notice of the SGM.	Friday, 12 April
Latest time for lodging forms of proxy for the SGM.	4:00 p.m. on Saturday, 27 April
Date and time of the SGM	4:00 p.m. on Monday, 29 April
Last day of trading in Shares on cum-entitlements to the Special Distribution basis	Tuesday, 30 April
First day of trading in Shares on ex-entitlements to the Special Distribution basis	Thursday, 2 May
Latest time for lodging transfer forms accompanied by relevant certificates for registration to qualify for entitlements to the Special Distribution	not later than 4:30 p.m. on Friday, 3 May
Record Date for determination of entitlements to the Special Distribution.	Monday, 6 May
Closure of Registers	Monday, 6 May
Registers re-open	Tuesday, 7 May
Cheques for the Special Distribution to be despatched	on or around Wednesday, 15 May

Note: All times refer to Hong Kong local time in this circular.

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders and Bonus CBs Holders as and when appropriate.

LETTER FROM THE BOARD



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

Directors:

Mr. Heung Wah Keung (*Chairman*)
Ms. Chen Ming Yin, Tiffany (*Vice Chairman*)
Ms. Li Yuk Sheung
Mr. Hung Cho Sing*
Mr. Ho Wai Chi, Paul*
Mr. Tang Chak Lam, Gilbert*

* *Independent non-executive Directors*

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and

principal place of business:

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

12 April 2013

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

Dear Sir or Madam,

SPECIAL DISTRIBUTION AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 26 March 2013, the Company announced that the Board has resolved to recommend the Special Distribution of HK4 cents per Share to the Shareholders and the Bonus CBs Holders on Monday, 6 May 2013.

The purpose of this circular is to provide further details in respect of the Special Distribution and the notice of the SGM at which the resolution for approving the Special Distribution will be submitted for approval by the Shareholders.

LETTER FROM THE BOARD

SPECIAL DISTRIBUTION

Subject to the approval of the Shareholders at the SGM, the Board proposed to make distribution out of the contributed surplus account of the Company by way of the Special Distribution to the Shareholders and the Bonus CBs Holders.

Under the Companies Act, the contributed surplus account is available for distribution. However, the Company cannot make a distribution out of contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than its liabilities.

The Board confirmed that the Company is able to satisfy the solvency test set out in the preceding paragraph and therefore distribution can be made out of the contributed surplus account of the Company.

The Shareholders will be entitled to the Special Distribution in cash for every Share held on the Record Date.

According to the deed poll of the Bonus CBs, the Company shall at the same time pay or distribute to each Bonus CBs Holders an amount of cash which is equal to (a) the amount of cash of the Special Distribution per Share receivable by the Shareholders under the Special Distribution, multiplied by (b) the number of Shares which the Bonus CBs Holder would have become a holder of, had such Bonus CBs Holder then outstanding been converted on the relevant date for determining entitlement to the Special Distribution.

The Bonus CBs Holders will also be entitled to the Special Distribution in cash for the number of Shares which the Bonus CBs Holder would have become a holder of, had such Bonus CBs then outstanding been converted on the Record Date.

The Special Distribution will be distributed and made out of the contributed surplus account of the Company to the Shareholders and the Bonus CBs Holders, whose names appear on the Registers on the Record Date falling on Monday, 6 May 2013. The entitlements of the Bonus CBs Holders to the Special Distribution will be calculated by reference to their respective holdings of Shares on the Record Date on the basis above.

As at the Latest Practicable Date, the Company had a total of 3,502,888,015 Shares in issue. The Bonus CBs in an aggregate principal amount of HK\$19,470,249.34, carrying rights entitling the Bonus CBs Holders to convert their principal amount into 1,947,024,934 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment, if required). On the basis of a total of 5,449,912,949 Shares, the total amount of the Special Distribution will be approximately HK\$218 million.

For the avoidance of doubt, the holders of the Options and the holders of the Issued CBs will not be entitled to the Special Distribution.

LETTER FROM THE BOARD

Pursuant to the relevant rules of the share option scheme of the Company, the provision of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005, no adjustment to the exercise price and number of the Options is required as a result of the Special Distribution. Pursuant to the terms and conditions of the instrument issued by the Company on 7 July 2011, the conversion price of the Issued CBs shall be adjusted as a result of the Special Distribution. Upon the payment of the Special Distribution to the Shareholders and the Bonus CBs Holders, the conversion price of the Issued CBs shall be adjusted from the existing conversion price of HK\$0.12 per conversion Share to the adjusted conversion price of HK\$0.11 per conversion Share with effect from the day next following the Record Date (i.e. Tuesday, 7 May 2013). The Company's auditors have reviewed the above adjustment with respect to the conversion price of the Issued CBs and agreed that the adjustment is in accordance with the terms and conditions of the instrument.

REASONS FOR AND BENEFITS OF THE SPECIAL DISTRIBUTION

As set out in the annual results announcement of the Company issued on 26 March 2013, the Group had a total cash balances of HK\$578.86 million as at 31 December 2012 and recorded a profit before tax and profit for the year of approximately HK\$93 million for the year ended 31 December 2012. In view of the healthy financial position with steady monthly cash inflow and expected future working capital requirements of the Company, the Board is of the view that it is appropriate to return some cash to the Shareholders. The Special Distribution is the Company's long-term strategy to reward its Shareholders for their ongoing support and a financial leverage which can improve return on equity of the Company. After the Special Distribution, the cash position of the Company will remain healthy.

Barring unforeseeable circumstance, it is the intention of the Board to continue the strategy of paying dividend or distribution in the future.

Record Date and closure of register of members

The Record Date is Monday, 6 May 2013. The Shareholders and the Bonus CBs Holders whose names appear on the Registers on the Record Date will be entitled to the Special Distribution.

The Registers will be closed on Monday, 6 May 2013 for the purpose of determining the entitlements to the Special Distribution. No transfer of Shares and/or Bonus CBs will be registered on Monday, 6 May 2013.

In order to qualify for entitlement to the Special Distribution, all the Shareholders and the Bonus CBs Holders must lodge with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong their duly completed transfer forms accompanied by the relevant certificates for registration not later than 4:30 p.m. on Friday, 3 May 2013.

The last day of dealing in Shares on cum-entitlements to the Special Distribution basis will be on Tuesday, 30 April 2013. Dealing of Shares will be traded on ex-entitlements to the Special Distribution basis as from Thursday, 2 May 2013. The Special Distribution will be paid to the Shareholders and the Bonus CBs Holders on or around Wednesday, 15 May 2013.

LETTER FROM THE BOARD

Despatch of cheques for Special Dividend

The cheques for the Special Distribution are expected to be issued and despatched by ordinary posts to those Shareholders and the Bonus CBs Holders entitled to them at their own risks on or around Wednesday, 15 May 2013.

Any consequential changes to the expected timetable will be published or notified to the Shareholders and the Bonus CBs Holders as and when appropriate.

THE SGM

The SGM will be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, on Monday, 29 April 2013 at 4:00 p.m.. The notice convening the SGM, at which an ordinary resolution will be proposed to the Shareholders to consider and approve the Special Distribution and the transactions contemplated thereunder are set out on page 8 and page 9 of this circular.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.chinastar.com.hk. 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 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 at the SGM or any adjournment thereof in person if you so wish.

No Shareholder is required to abstain from voting on the ordinary resolution to approve the Special Distribution and the transactions contemplated thereunder at the SGM.

VOTING BY POLL

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

RECOMMENDATION

The Directors are of the opinion that the Special Distribution is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolution 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 Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 29 April 2013 at 4:00 p.m. for the following purposes:

ORDINARY RESOLUTION

“**THAT** a special distribution (“Special Distribution”) of HK4 cents for each share of HK\$0.01 (“Share”) in the capital of the Company held by the holders of the Shares (“Shareholders”) whose names appear on the register of members of the Company on 6 May 2013 (“Record Date”) and for each Share which the holders (“Bonus CB Holders”) of the bonus convertible bonds (“Bonus CBs”) issued by the Company on 9 January 2013 pursuant to a deed poll constituting the Bonus CBs executed by the Company on the same date would have become a holder of, had such Bonus CBs been converted on the Record Date, be made out of the contributed surplus account of the Company to Shareholders whose names appear on the register of members of the Company on the Record Date and to the Bonus CB Holders whose names appear on the register of the Bonus CB Holders on the Record Date; and the directors of the Company be and are hereby authorized to do such acts and things and execute such documents which in their opinion may be necessary, desirable, expedient to carry out or to give effect to the Special Distribution and the transactions contemplated under this resolution.”

By Order of the Board
China Star Entertainment Limited
HEUNG WAH KEUNG
Chairman

Hong Kong, 12 April 2013

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

*Head office and principal place
of business in Hong Kong:*
Unit 3409
Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

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 seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M 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 register of members of the Company in respect of the joint holding.