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If you have sold or transferred all your shares in China Star Entertainment Limited (the “Company”), you should at once hand this circular, together with the accompanying 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 transferee.

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



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting (the “SGM”) 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 September 2014 at 4:00 p.m is set out on pages 14 and 15 of this circular. If you are unable to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with 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 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 if you so wish and in such event, the form of proxy shall be deemed to be revoked.

12 September 2014

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DEFINITIONS

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

“Announcement”	the announcement issued by the Company on 8 July 2014 relating to, among others, the Share Subscription
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bonus CBs”	the bonus convertible bonds constituted by the deed polls executed by the Company on 9 January 2013 and 22 January 2014 respectively and issued on the respective dates of which the bonds in the aggregate principal amount of HK\$265,079.61 remain outstanding as at the Latest Practicable Date
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 326)
“connected persons”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Eternity”	Eternity Investment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 764) and a substantial Shareholder
“Eternity Finance”	Eternity Finance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Lan Kwai Fong Macau”	Hotel Lan Kwai Fong (Macau) which is situated at Rua Xiamen No.59, R/C, Macau, properties wholly owned by the Group
“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Latest Practicable Date”	10 September 2014, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Mr. Heung”	Mr. Heung Wah Keung, the co-chairman of the Board, an executive Director and a controlling Shareholder
“Mr. Mung”	Mr. Mung Kin Keung, the co-chairman of the Board and an executive Director
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the vice chairman of the Board, an executive Director and a controlling Shareholder
“SGM”	the special general meeting of the Company to be convened and 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 September 2014 at 4:00 p.m to consider and, if thought fit, approve the Share Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares

DEFINITIONS

“Share Subscriber”	Long Joy Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Well Way and an Independent Third Party
“Share Subscription”	the subscription for the 1,500,000,000 Subscription Shares by the Share Subscriber pursuant to the terms of the Share Subscription Agreement
“Share Subscription Agreement”	the subscription agreement dated 8 July 2014 and entered into between the Company and the Share Subscriber relating to the Share Subscription
“Shareholders”	holders of the issued Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Sites”	the undeveloped parcel of lands named as “Quarteirão 6 – Lote B”, “Quarteirão 6 – Lote C”, “Quarteirão 6 – Lote D” and “Quarteirão 6 – Lote E” located in Macau at Zona de Aterros do Porto Exterior (ZAPE)
“Specific Mandate”	the specific mandate to be obtained from the Shareholders at the SGM to allot and issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.09 per Subscription Share
“Subscription Shares”	1,500,000,000 new Shares to be subscribed by the Share Subscriber pursuant to the Share Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules and the GEM Listing Rules (as appropriate)
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers
“Well Way”	Well Way Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8063) and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

Executive Directors:

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

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Independent non-executive Directors:

Mr. Hung Cho Sing
Mr. Ho Wai Chi, Paul
Mr. Tang Chak Lam, Gilbert

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

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

12 September 2014

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

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 8 July 2014, the Company entered into among others, the Share Subscription Agreement with the Share Subscriber pursuant to which the Share Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,500,000,000 Subscription Shares at the Subscription Price of HK\$0.09 per Subscription Share.

LETTER FROM THE BOARD

The Share Subscription is subject to the Shareholders' approval at the SGM. As Mr. Mung has a material interest in the transaction under the Share Subscription Agreement, Mr. Mung and his associates (if they hold any Shares at the date of the SGM) will abstain from voting at the SGM approving the Share Subscription. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have any material interest in the Share Subscription Agreement and the transactions contemplated thereunder save for Mr. Mung and his associates. Save for Mr. Mung and his associates, no Shareholder is required to abstain from voting at the SGM to be convened to approve the Share Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Mr. Mung has abstained from voting at the meeting of the Board approving the Share Subscription. Other than Mr. Mung, no Directors are considered having a material interest in the transactions under the Share Subscription Agreement.

The purpose of this circular is to give you (i) further details of the Share Subscription Agreement and the transactions contemplated thereunder, including the grant to the Special Mandate for the allotment and issue of the Subscription Shares; and (ii) the notice of the SGM.

PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 8 July 2014, the Company entered into among others, the Share Subscription Agreement with the Share Subscriber pursuant to which the Share Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,500,000,000 Subscription Shares at the Subscription Price of HK\$0.09 per Subscription Share.

The principle terms of the Share Subscription Agreement are as follows:

- Date:** 8 July 2014
- Parties:** (i) the Company; and
(ii) the Share Subscriber

The Share Subscriber is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Well Way. The principal activities of Well Way and its subsidiaries are the provision and operation of travel business and treasury management. The Share Subscriber is principally engaged in investment holding.

Mr. Mung, a Co-Chairman of the Board and an executive Director, is an executive director of Well Way, the ultimate holding company of the Share Subscriber. Mr. Mung is also the substantial shareholder of Well Way, holding approximately 22.82% of the issued share capital of Well Way as at the date of the Announcement and the Latest Practicable Date.

As at the Latest Practicable Date, the Share Subscriber and its associates do not hold any Shares.

Save for disclosed above and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Share Subscriber and its associates is an Independent Third Party.

LETTER FROM THE BOARD

Number of the Subscription Shares

Pursuant to the Share Subscription Agreement, the Company has conditionally agreed to allot and issue and the Share Subscriber has conditionally agreed to subscribe in cash of HK\$135.00 million for a total of 1,500,000,000 Subscription Shares at the Subscription Price of HK\$0.09 per Subscription Share. The 1,500,000,000 Subscription Shares represent: (i) approximately 10.39% of the issued share capital of the Company as at the date of the Announcement; and (ii) approximately 9.41% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$15,000,000.

The Subscription Price

The Subscription Price of HK\$0.09 per Subscription Share represents:

- (a) a discount of approximately 28.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 8 July 2014, being the date of the Share Subscription Agreement;
- (b) a discount of approximately 24.87% to the average closing price of approximately HK\$0.1198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 July 2014, being the last trading day before the date of the Share Subscription Agreement; and
- (c) a discount of approximately 25.62% to the closing price of HK\$0.121 per share as quoted on the Stock Exchange as at the Latest Practicable Date.

The net Subscription Price, after deducting all relevant costs and expenses of approximately HK\$0.70 million, is estimated to be approximately HK\$0.09 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Share Subscriber with reference to, among others, the share price performance and liquidity of the Shares during the period from 2 January 2014 to 8 July 2014 (being the date of the Share Subscription Agreement) (the "Period"). The closing price of the Share was HK\$0.128 as quoted on the Stock Exchange on 2 January 2014 and had once climbed up to HK\$0.200 on 20 February 2014. However, after 20 February 2014, the closing prices of the Shares showed a downward trend and the lowest closing price of the Share in the Period was HK\$0.115. Besides, during the period from 2 January 2014 to 20 February 2014, the average daily trading volume was 298,564,270 Shares, representing approximately 2% of the total number of issued Shares (based on the number of the issued Shares as at the date of the Announcement). During the period from 21 February 2014 to 8 July 2014, the average daily trading volume, had further dropped to 60,429,456 Shares, representing approximately 0.4% of the total number of issued Shares (based on the number of the issued Shares as at the date of the Announcement). During the period from 9 June 2014 to 8 July 2014, being the one-month period immediately before the date of the Share Subscription Agreement, the average daily trading volume had also dropped to 32,741,128 Shares, representing only approximately 0.22% of the total number of issued Shares (based on the number of the issued Shares as at the date of the Announcement). Given the unsatisfactory share price performance and the thin liquidity of the Share at the time, and taking into account of the significant investment size of approximately HK\$135 million (before expenses) by the Share Subscriber to the

LETTER FROM THE BOARD

Company, the Directors considered the Subscription Price should be set at a discount for the Share Subscriber to proceed with the Share Subscription and therefore are of the view that the discount of approximately 28.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 8 July 2014, being the date of the Share Subscription Agreement, is fair and reasonable for attracting the Share Subscriber to becoming an investor of the Company.

In addition to the above, the Company has also considered the possible synergetic effect that may provide to the Company by Well Way a main factor in determining the Subscription Price. One of the principal activities of Well Way and its subsidiaries is the provision and operation of travel business. As the core business and revenue driver of the Group is from its operation of Hotel Lan Kwai Fong Macau, the Directors consider the businesses of the Group and Well Way are closely related and the long term relationship with Well Way would be beneficial to the Group and therefore are of the view that the discount of approximately 28.00% for the Subscription Price is fair and reasonable for such strategic investor.

Based on the above, the Directors consider that the Subscription Price and the terms of the Share Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Share Subscription

The Share Subscription is conditional upon:

- (a) the passing of the necessary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations) at the SGM to approve the Share Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Subscription Shares;
- (b) if necessary, the passing of the necessary resolution by the shareholders of Well Way (other than those who are required to abstain from voting under the GEM Listing Rules or other applicable laws and regulations) at the extraordinary general meeting to approve the Share Subscription Agreement and the transactions contemplated thereunder;
- (c) the Listing Committee granting the listing of and permission to deal in the Subscription Shares;
- (d) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares;
- (e) the warranties of the Share Subscription Agreement remaining true and accurate in all material respects; and
- (f) all necessary consents and approvals as may be required in respect of the Share Subscription Agreement and the transactions contemplated thereunder having been obtained by the Company and the Share Subscriber.

LETTER FROM THE BOARD

In the event that the conditions of the Share Subscription Agreement shall not have been fulfilled in full on or before 5:00 p.m. on 31 December 2014 (or such other date as may be agreed between the parties to the Share Subscription Agreement), all rights, obligations and liabilities of the parties to the Share Subscription Agreement in relation to the Share Subscription shall cease and terminate and none of the parties to the Share Subscription Agreement shall have any claim against any other in respect of the Share Subscription save for any antecedent breaches of the Share Subscription Agreement.

None of the conditions precedent of the Share Subscription Agreement is waivable.

For information purpose only, as the Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (which includes the Stock Exchange). Therefore, so long as the Company remains listed on the Stock Exchange when the Subscription Shares (if any) are issued, no application needs to be made to Bermuda Monetary Authority for express permission.

As at the Latest Practicable Date, save for condition (d) above, none of the above conditions has been fulfilled.

It is the Company's usual practice to set a long stop date after six months from the date of agreement for major and very substantial acquisition/disposal transactions, which allows the Company to have sufficient time for preparing circulars and convening general meetings.

In addition, the Company has also made reference to the expected timetable of Well Way for the Share Subscription in determining the long stop date of the Share Subscription Agreement. According to Well Way's announcement dated 16 July 2014, the consideration of the Share Subscription will be funded by its internal resource and/or the proceeds from the proposed open offer of Well Way ("Well Way Open Offer"). As it is expected that the Well Way Open Offer will be completed only in around the mid of November 2014, the long stop date of the Share Subscription Agreement has been set to 31 December 2014.

Completion of the Share Subscription

Completion of the Share Subscription will take place at 4:00 p.m. on the third Business Day after the conditions of the Share Subscription Agreement are fulfilled (or such other date as may be agreed between the parties to the Share Subscription Agreement).

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Specific Mandate to allot and issue the Subscription Shares

The Company will seek the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Reasons for the issue of the Subscription Shares and use of proceeds

The Company is an investment holding company and the Group is principally engaged in film production, distribution of film and television drama series, investing in operations which receive profit streams from the gaming promotion business, property and hotel investment, and property development.

The gross proceeds of the Share Subscription is HK\$135.00 million. All the net proceeds (after deducting all relevant costs and expenses) of the Share Subscription of approximately HK\$134.30 million will be used for investment in gaming/gaming-related business in Macau.

As the consideration for the proposed acquisition of Protective Capital Group Limited as announced by the Company on 25 February 2014 will be financed by the net proceeds of approximately HK\$395.47 million from the placing of 3,200,000,000 new Shares as announced by the Company on 27 January 2014, the internal resources of the Group of approximately HK\$204.53 million and the promissory note in the principal amount of HK\$200 million to be issued upon completion, the net proceeds the Share Subscription will be used for other investment in gaming/gaming-related business in Macau to be identified by the Board in future. As at the date hereof, there is no specific investment identified by the Board.

In selecting the future investment in gaming/gaming-related business in Macau, the Company will primarily focus on VIP gaming promotion businesses operated in casinos located at top-tier hotel properties in Macau.

According to the Gaming Inspection and Coordination Bureau (DICJ), Macau had reported a HK\$188.1 billion of gambling revenue in the first half of 2014, up 12.6% as compared to the first half of 2013. The VIP baccarat gaming revenue amounted to approximately HK\$116.2 billion in the first half of 2014, representing an increase of approximately 3.3% as compared to approximately HK\$112.5 billion in the first half of 2013. Number of visitors had also grew rapidly, with over 15.3 million visitors visited Macau in the first 6 months of 2014, representing 8.1% growth as compared to 14.1 million visitors for the first 6 months of 2013. Against the backdrop of the development of the tourism and gambling industry in Macau, Macau is the only place legalize to gamble in the People's Republic of China. The Directors therefore consider the investment in such gaming promotion business in Macau will further enhance the profitability of the Group.

The subscription amount of approximately HK\$135 million for the Share Subscription was determined based on the arm's length negotiation between the Company and the Share Subscriber with reference to the financial resource available to Well Way at the time. Therefore, the net proceeds from Share Subscription of approximately HK\$134.3 million may not be sufficient for the proposed investment of the VIP gaming promotion businesses. The Directors will review the then financing options available to the Group when such investment opportunity arises.

LETTER FROM THE BOARD

The Directors are of the view that the Share Subscription presents an opportunity to raise additional funds while introducing a strategic investor to the Company and strengthening the financial position of the Group.

The Directors consider that the Share Subscription Agreement was entered into upon normal commercial terms following arm's length negotiations between the Company and the Share Subscriber and that the terms of the Share Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

CHANGES IN SHAREHOLDING STRUCTURE

Assuming there being no other changes in the share capital of the Company, the changes of the shareholding structure of the Company as a result of the Share Subscription are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Share Subscription	
	<i>No. of Shares</i>	<i>approximate percentage (%)</i>	<i>No. of Shares</i>	<i>approximate percentage (%)</i>
HWKFE (<i>Note 1</i>)	4,661,162,574	32.28	4,661,162,574	29.24
Dorest Company Limited (<i>Note 2</i>)	41,106	0.00	41,106	0.00
Eternity	1,723,854,545	11.94	1,723,854,545	10.82
Mr. Lei Hong Wai (<i>Note 3</i>)	13,195,912	0.09	13,195,912	0.08
The Share Subscriber	–	0.00	1,500,000,000	9.41
Public Shareholders	8,041,433,211	55.69	8,041,433,211	50.45
Total	<u>14,439,687,348</u>	<u>100.00%</u>	<u>15,939,687,348</u>	<u>100.00%</u>

Notes:

1. HWKFE is owned as to 50% by Mr. Heung and as to 50% by Ms. Chen.
2. Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung. The Shares held by Dorest Company Limited are under a charging order.
3. Mr. Lei Hong Wai is the chairman of the board of directors and an executive director of Eternity. He is also an employee of the Company.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN PAST 12 MONTHS PRIOR TO THE DATE OF THE ANNOUNCEMENT AND UP TO THE LATEST PRACTICABLE DATE

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
8 July 2014	Proposed issue of convertible bonds to Mr. Mung in amount of HK\$405 million at a conversion price of HK\$0.09 per conversion share	Approximately HK\$404.20 million	For the construction and development of the Sites, which is adjacent to Hotel Lan Kwai Fong Macau, for expanding the operation of Hotel Lan Kwai Fong Macau	The convertible bonds was not yet issued as at the Latest Practicable Date.
27 January 2014	Placing of 3,200,000,000 new Shares at a placing price of HK\$0.125 per Share	Approximately HK\$395.47 million	Payment of the consideration for the acquisition of Protective Capital Group Limited and the shareholder's loan due by Eight Elements Entertainment Limited as announced by the Company on 25 February 2014	All the net proceeds of approximately HK\$395.47 million was used for the payment of the refundable deposits for the acquisition of Protective Capital Group Limited and the shareholder's loan due by Eight Elements Entertainment Limited as announced by the Company on 25 February 2014.
18 November 2013	Open offer of 2,626,923,658 new Shares at a subscription price of HK\$0.125 per Share	Approximately HK\$324.47 million	For property investment in Hong Kong and/or Macau. On 4 April 2014, the Board amended the intended use of proceeds of approximately HK\$200 million for financing a loan agreement dated 4 April 2014 and the remaining balance of approximately HK\$124.47 million for investment in gaming/gaming-related business and/or general working capital of the Company	The net proceeds of approximately HK\$200 million was used for financing a loan agreement dated 4 April 2014 and the remaining balance of approximately HK\$124.47 million was used for financing a loan agreement dated 17 April 2014 as announced by the Company on 17 April 2014.

Save as disclosed above, the Company has not conducted any fund raising exercise during the past 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULE IMPLICATIONS

The Share Subscription is subject to the Shareholders' approval at the SGM. As Mr. Mung has a material interest in the transaction under the Share Subscription Agreement, Mr. Mung and his associates (if they hold any Shares at the date of the SGM) will abstain from voting at the SGM approving the Share Subscription. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have any material interest in the Share Subscription Agreement and the transactions contemplated thereunder save for Mr. Mung and his associates. Save for Mr. Mung and his associates, no Shareholder is required to abstain from voting at the SGM to be convened to approve the Share Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Mr. Mung has abstained from voting at the meeting of the Board approving the Share Subscription. Other than Mr. Mung, no Directors are considered having a material interest in the transactions under the Share Subscription Agreement.

As at the Latest Practicable Date, Mr. Mung does not hold any Shares.

SGM

A notice convening the SGM to be convened and 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 September 2014 at 4:00 p.m., at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Share Subscription Agreement and the transactions contemplated thereunder, including the grant to the Special Mandate for the allotment and issue of the Subscription Shares are set out on pages 14 and 15 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed. If you are not able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of 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 and in such event, the form of proxy shall be deemed to be revoked.

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.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to the Listing Rules, any vote of the Shareholders at a general meeting (except resolutions that relate 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 (www.hkexnews.hk) and of the Company (www.chinastar.com.hk).

RECOMMENDATION

The Directors are of the opinion that the Share Subscription is on the normal commercial terms and in the interests of the Company and the Shareholders as a whole and that the terms of the Share Subscription Agreement are fair and reasonable so far as Shareholders are concerned. Accordingly, the Board would recommend the Shareholders to vote in favour of the ordinary resolution to be proposed as set out in the notice of SGM.

By Order of the Board

China Star Entertainment Limited

Heung Wah Keung Mung Kin Keung

Co-Chairman

Co-Chairman

NOTICE OF SGM



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**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, at 4:00 p.m. on Monday, 29 September 2014 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company to be taken by way of poll:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) subject to the fulfillment or waiver of the conditions as set out therein, the subscription agreement (the “**Share Subscription Agreement**”, a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) dated 8 July 2014 and entered into between the Company as issuer and Long Joy Investments Limited as subscriber, in relation to the subscription (the “**Share Subscription**”) of 1,500,000,000 new shares (the “**Subscription Shares**”) of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$0.09 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Subscription Shares be and is hereby approved, and any one or more of the directors (each a “**Director**”) of the Company be and is/are hereby authorised to allot and issue the Subscription Shares pursuant to and in accordance with the terms and conditions of the Share Subscription Agreement; and

NOTICE OF SGM

- (c) any one or more of the Directors be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, for the purpose of, or in connection with, the implementation of and/or giving effect to the Share Subscription Agreement, including but not limited to the allotment and issue of the Subscription Shares, and any other matters ancillary thereto and of administrative nature which he/she/they in his/her/their absolute discretion consider necessary, desirable or expedient.”

By Order of the Board
China Star Entertainment Limited
Heung Wah Keung Mung Kin Keung
Co-Chairman Co-Chairman

Hong Kong, 12 September 2014

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

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 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 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 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, whether in person or by proxy, the most senior shall alone be entitled to vote. 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.