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**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 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.

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**CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

**DISCLOSEABLE TRANSACTION**

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A letter from the board of directors of China Star Entertainment Limited is set out on pages 3 to 5 of this circular.

8 November 2007

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## DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Classical Statue”	Classical Statue Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of Riche and is a wholly-owned subsidiary of the Company
“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 through Porterstone and as to 40% by Mr. Heung
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	6 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Heung”	Mr. Heung Wah Keung, a Director
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, a Director
“Offer Shares”	650,619,987 new Riche Shares proposed to be offered to the shareholders of Riche for subscription on the basis of one offer share for every two existing Riche Shares held on the relevant date and payable in full on acceptance pursuant to the Open Offer
“Open Offer”	the proposed issue of the Offer Shares by way of open offer to the shareholders of Riche on the terms to be set out in the prospectus documents of Riche and summarised in the Riche Announcement
“Porterstone”	Porterstone Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen. Accordingly, Mr. Heung, the husband of Ms. Chen is deemed to be interested in the Shares held by Porterstone

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## DEFINITIONS

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“Riche”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Riche Announcement”	the announcement made by Riche on 18 October 2007
“Riche Shares”	ordinary share(s) of HK\$0.10 each in the share capital of Riche
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Undertaking”	the undertaking dated 16 October 2007 entered into between Classical Statue and Riche relating to the subscription of 138,175,500 Offer Shares and up to 169,079,625 excess Offer Shares pursuant to the Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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# 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

8 November 2007

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

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

#### INTRODUCTION

On 18 October 2007, the Company announced that Classical Statue entered into the Undertaking with Riche on 16 October 2007 pursuant to which Classical Statue has agreed to subscribe for 138,175,500 Offer Shares at the price of HK\$0.30 each to which it is entitled under the Open Offer and to submit an excess application for a maximum of 169,079,628 Offer Shares at the price of HK\$0.30 each such that when aggregated with all Riche Shares held by it and its concert parties (taking into account the 138,175,500 Offer Shares agreed to be subscribed by it under the Open Offer), does not exceed 30% of the issued share capital of Riche on a fully diluted basis taking into account the Open Offer.

The Undertaking constitutes a discloseable transaction for the Company on the basis that the relevant ratios in relation to the Undertaking by Classical Statue is between 5% and 25% under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information in relation to the Undertaking and other information as required under the Listing Rules.

Reference is made to the Riche Announcement relating to the Open Offer.

### THE UNDERTAKING

**Date:** 16 October 2007 (after trading hours)

**Parties:**

The parties to the Undertaking are:

- (1) Classical Statue, a substantial shareholder of Riche. As at the date of the Undertaking, Classical Statue holds 276,351,000 Riche Shares, representing approximately 21.24% of the existing issued share capital of Riche; and
- (2) Riche.

On 16 October 2007 (after trading hours), Classical Statue entered into the Undertaking with Riche pursuant to which Classical Statue has agreed to subscribe for 138,175,500 Offer Shares at the price of HK\$0.30 each to which it is entitled under the Open Offer and to submit an excess application for a maximum of 169,079,628 Offer Shares at the price of HK\$0.30 each such that when aggregated with all Riche Shares held by it and its concert parties (taking into account the 138,175,500 Offer Shares agreed to be subscribed by it under the Open Offer), does not exceed 30% of the issued share capital of Riche on a fully diluted basis taking into account the Open Offer. The Company will finance the Undertaking from its internal resources.

Assuming the maximum number of excess applications for Offer Shares, being 169,079,628 Offer Shares, are allotted and issued to Classical Statue, the value of such Offer Shares is approximately HK\$50,724,000. The aggregated maximum consideration to Riche for all the Offer Shares agreed to be taken up by Classical Statue is approximately HK\$92,177,000. The offer price for the subscription pursuant to the Undertaking is the same price of Offer Shares under the Open Offer.

The Company has entered into the Undertaking in order to increase its investment in Riche. The Directors believe that Riche has a bright outlook and can provide good investment return to the Group as the Directors are confident in the Macau property market, a sector where Riche makes its investment.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Undertaking are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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## LETTER FROM THE BOARD

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### **Information on the Company**

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 hotel following the disposal of Kingsway Hotel Limited to Riche as per the Company's announcement dated 8 August 2007 and the Company's circular dated 9 October 2007.

### **Information on Riche**

The principal activities of Riche is investment holding. Riche and its subsidiaries are principally engaged in the distribution of films, sub-licensing of film rights and sale of financial assets and property investment.

### **Listing Rules Implications**

The Undertaking constitutes a discloseable transaction for the Company on the basis that the relevant ratios in relation to the Undertaking by Classical Statue is between 5% and 25% under Chapter 14 of the Listing Rules.

### **Additional Information**

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

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

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of interest held
Mr. Heung Wah Keung	Beneficial owner/ interest of spouse/ interest of controlled corporation	611,819,115 (Note a)	2,190,892 (Note b)	614,010,007	21.88
Ms. Chen Ming Yin, Tiffany	Beneficial owner/ interest of spouse/ interest of controlled corporation	611,819,115 (Note a)	2,190,892 (Note b)	614,010,007	21.88
Ms. Li Yuk Sheung	Beneficial owner	16	3,685,251 (Note c)	3,685,267	0.13

All interests stated above represent long positions.

- (a) These Shares are held as to 54,592,500 Shares by Mr. Heung, as to 31,716,615 Shares by Ms. Chen (the spouse of Mr. Heung), as to 497,865,000 Shares by Porterstone (a company wholly-owned by Ms. Chen) and as to 27,645,000 Shares by Dorest (a company wholly-owned by Glenstone Investments Limited which is in turn controlled as to 60% by Porterstone and as to 40% by Mr. Heung).
- (b) These underlying Shares comprised outstanding share options of the Company are held as to 1,095,446 options by Mr. Heung and as to 1,095,446 options by Ms. Chen (the spouse of Mr. Heung). Therefore, Mr. Heung and Ms. Chen are deemed to be interested in the share options of each other.
- (c) These underlying Shares comprised outstanding share options of the Company held by Ms. Li Yuk Sheung.



Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed herein) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstance at general meeting of any member of the Group:

Name	Capacity	Number of Shares held	Approximate % of interest held
Porterstone Limited	Beneficial owner	497,865,000	
	Interest of controlled corporation	27,645,000*	
		525,510,000	18.72
Ng Cheuk Fai	Interest of controlled corporation	1,516,333,332	68.96

All interests stated above represent long positions.

\* These Shares are held by Dorest, a wholly-owned subsidiary of Glenstone Investments Limited which is in turn beneficially owned as to 60% by Porterstone. Ms. Chen, a Director is also a director of Porterstone. Mr. Heung is a director of Dorest and Glenstone Investments Limited.

Other than disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or any persons (other than the Directors and chief executive of the Company) who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstance at general meeting of any member of the Group.

**4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

**6. LITIGATION**

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

**7. SERVICES CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which was not determinable by any member of the Group within one year without payment of compensation, other than statutory compensation.

**8. MISCELLANEOUS**

- (a) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business of the Company is located at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. The principal transfer office of the Company is at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.
- (c) The Hong Kong branch share registrar and transfer office of the Company are Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary and the qualified accountant of the Company is Ms. Wong Shuk Han, Dorothy. Ms. Wong is member of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.