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

If you have sold or transferred all your shares in 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.

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**CHINA STAR ENTERTAINMENT LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

**PROPOSED PLACING OF NEW SHARES
SUBJECT TO SHAREHOLDERS' APPROVAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

Placing Agent



KINGSTON SECURITIES LIMITED

Terms used in this cover page have the same meanings as defined in this circular.

A notice convening the SGM to be held at Unit 3409 Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong at 12:00 noon on Friday, 5 June 2009 is set out on pages 12 and 13 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 Registrar 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. 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.

20 May 2009

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Notice of SGM	12

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 12 May 2009 relating to the Placing;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning given to that term in the Listing Rules;
“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”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	person who is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates;
“Kingston Securities” or “Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Latest Practicable Date”	18 May 2009, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director;

DEFINITIONS

“Old Share(s)”	the ordinary shares of HK\$0.05 each of the Company prior to the capital reorganisation of the Company, which became effective on 4 May 2009;
“Placee(s)”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe for any of the Placing Shares;
“Placing”	the proposed offer by way of a private placing of the Placing Shares by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche), on a fully underwritten basis, procured by the Placing Agent to selected investors on the terms and subject to the conditions set out in the Placing Agreement;
“Placing Agreement”	a conditional agreement dated 12 May 2009 entered into between the Company and the Placing Agent in respect of the Placing;
“Placing Price”	HK\$0.20 per Placing Share;
“Placing Share(s)”	800,000,000 new Shares to be placed pursuant to the Placing Agreement;
“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;
“Registrar”	Computershare Hong Kong Investor Services Limited, Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong;
“SGM”	the special general meeting of the Company to be convened and held at 12:00 noon on Friday, 5 June 2009 at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong to consider, if thought fit, and approve the Placing Agreement and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.01 each in issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; 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 HM12
Bermuda

*Principal place of business
in Hong Kong*

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

20 May 2009

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

Dear Sir or Madam,

**PROPOSED PLACING OF NEW SHARES
SUBJECT TO SHAREHOLDERS' APPROVAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

As announced in the Announcement, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which, the Company conditionally agreed to place, through the Placing Agent, in aggregate 800,000,000 Placing Shares by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) on a fully underwritten basis, to independent investors at a price of HK\$0.20 per Placing Share.

The purpose of this circular is to give you further information on the Placing, together with notice convening the SGM.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

Date: 12 May 2009 (after trading hours)

Parties: The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to place in aggregate 800,000,000 Placing Shares by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche), on a fully underwritten basis, to independent investors. As the placing commission of 1.0% under the Placing Agreement is at prevailing market rate, 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, and not connected with the Company or its subsidiaries or any of its respective associates.

Placees

The Placing Agent agreed to place the Placing Shares 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). It is expected that none of the individual Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the completion of the relevant tranche of the Placing.

Placing Price

The Placing Price of HK\$ 0.20 represents:

- (i) a discount of approximately 38.46% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange at the date of the Announcement;
- (ii) a discount of approximately 54.34% to the average of the closing prices per Share of approximately HK\$0.438 for the last five consecutive trading days prior to the date of the Announcement;
- (iii) a discount of approximately 48.32% to the average of the closing prices per Share of approximately HK\$0.387 for the last ten consecutive trading days prior to the date of the Announcement; and
- (iv) a discount of approximately 45.21% to the closing prices of HK\$0.365 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Placing Price was determined after taking into account (a) the previous financial results and the current financial position of the Company; and (b) the market risks assumed by the Placing Agent and any Placees thereunder, on account of the fact that the Placing is subject to and cannot be completed

LETTER FROM THE BOARD

until the approval by the Shareholders is obtained at the SGM. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable as the Company can broaden its Shareholders' base. As such, the Placing is in the interests of the Company and the Shareholders as a whole.

The net price for each Placing Share will be approximately HK\$0.1975.

Placing Shares

Pursuant to the Placing Agreement, in aggregate 800,000,000 Placing Shares will be placed by the Placing Agent by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) to independent investors on a fully underwritten basis, representing (i) approximately 334.02% of the Company's existing issued share capital of the Company of 239,509,368 Shares as at the date of the Announcement; (ii) approximately 76.96% of its issued share capital as enlarged by the Placing Shares upon completion of the Placing.

The Placing Shares will be allotted and issued under a specific mandate to be obtained 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 Bermuda 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 Placing and thereafter.

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Conditions Precedent

Completion of the Placing is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Placing Shares under the relevant tranche of the Placing;
- (b) the passing by Shareholders at SGM of all necessary resolutions in compliance with the Listing Rules to approve the transactions contemplated under the Placing Agreement and the allotment and issue of the Placing Shares;
- (c) the obligation of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provision regarding force majeure events; and
- (d) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Placing Shares under the relevant tranche of the Placing.

The Company and the Placing Agent agreed that the Placing will be completed by a maximum of eight tranches provided that the aggregate number of the Placing Shares for each tranche of the Placing

LETTER FROM THE BOARD

shall not be less than 100,000,000 (save for the last tranche of the Placing where the number of the Placing Shares to be allotted and issued may be less than 100,000,000) and in integral multiples of 10,000,000 and that condition as referred above shall be applied to each relevant tranche of the Placing Shares.

The Placing Agent shall promptly provide to the Stock Exchange all information concerning itself and the Placees and their ultimate beneficial owners as the Stock Exchange may reasonably require.

Termination of the Placing

- (i) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) completion of Placing and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.
- (ii) The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 10:00 a.m. on the date of completion of Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a "force majeure event" refers to

- (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 absolute 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 hereof) 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 absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group or adversely prejudices the success of the placing of the Placing Shares to 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 Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.
- (iii) If, at or prior to 10:00 a.m. on the date of completion of 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 clearing 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.

- (iv) Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder 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.

Completion of the Placing

Completion of each tranche of the Placing will take place within four business day after the fulfillment of the conditions for each tranche as set out in the Placing Agreement but not later than 31 December 2009 or such other later date to be agreed between the Company and the Placing Agent.

Each tranche of the Placing is conditional upon the fulfillment of the conditions and is subject to the termination on the occurrence of, among other things, any event of force majeure as listed above. The Placing Shares to be allotted and issued under the Placing Agreement will be allotted and issued pursuant to a specific mandate to be obtained at the SGM.

LETTER FROM THE BOARD

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, the Placing Shares

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The gross proceeds from the Placing will be approximately HK\$160 million and the net proceeds from the Placing will be approximately HK\$158 million which are intended to be used by the Company to finance the hotel operations and for general working capital of the Group. Accordingly, the Directors consider the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

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 are set out as below:

	As at the Latest Practicable Date		Upon completion of the Placing	
	No. of Shares	Approx.	No. of Shares	Approx.
Porterstone (<i>Note 1</i>)	45,662,174	19.06%	45,662,174	4.39%
Dorest (<i>Notes 1 and 2</i>)	137,025	0.05%	137,025	0.01%
Mr. Heung	23,176,653	9.68%	23,176,653	2.23%
Ms. Chen	1,427,247	0.60%	1,427,247	0.14%
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	70,403,099	29.39%	70,403,099	6.77%
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Public Shareholders</i>				
Lucky State Group Limited (<i>Note 3</i>)	23,271,000	9.72%	23,271,000	2.24%
Placees	–	0.00%	800,000,000	76.96%
Other public Shareholders	145,835,269	60.89%	145,835,269	14.03%
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>239,509,368</u>	<u>100.00%</u>	<u>1,039,509,368</u>	<u>100.00%</u>

Notes:

1. Porterstone is wholly-owned by Ms. Chen and Dorest is owned as to 60% by Porterstone and as to 40% by Mr. Heung.
2. Shares held by Dorest are under a charging order.
3. Lucky State Group Limited is wholly-owned by Mr. Ng Cheuk Fai. Lucky State Group Limited is the holder of HK\$72 million outstanding convertible notes of the Company and Mr. Ng Cheuk Fai is the general manager of the Company. Save for being a Shareholder and the general manager of the Company, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lucky State Group Limited and Mr. Ng Cheuk Fai are Independent Third Parties.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is the fund raising activities conducted by the Company in the past twelve months prior to the date of the Announcement and up to the Latest Practicable Date.

Date of initial announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
8 December 2008	Placing of 88,000,000 Old Shares at HK\$0.102 per Old Share	HK\$8.8 million	To finance the subscription of the convertible bonds of Golife Concepts Holdings Limited	The net proceeds has been fully utilised as intended
8 December 2008	Open offer of 1,064,486,080 Old Shares on the basis of two offer Old Share for every one existing Old Share at the subscription price of HK\$0.05 per offer Old Share with bonus issue on the basis of three bonus Old Shares for every one offer Old Share taken up	HK\$51.5 million	To finance the subscription of the convertible bonds of Golife Concepts Holdings Limited	The net proceeds has been fully utilised as intended

SGM

A notice convening the SGM to be held at 12:00 noon on Friday, 5 June 2009 at Unit 3409 Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong, at which ordinary resolution will be proposed to consider and, if thought fit, to approve the Placing is set out on pages 12 and 13 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 Registrar at Rooms 1806-7, 18th 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. 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.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

Shareholders and potential investors should note that the Placing is subject to conditions under the Placing Agreement to be fulfilled. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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 not contained herein the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors consider the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They recommend Shareholders to vote in favour of the resolution 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 a special general meeting of China Star Entertainment Limited (the “Company”) will be held at 12:00 noon on Friday, 5 June 2009 at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional placing agreement (the “Placing Agreement”) dated 12 May 2009 between the Company and Kingston Securities Limited (the “Placing Agent”) pursuant to which, inter alia, the Company agrees to place, through the Placing Agent, on a fully underwritten basis, up to a maximum of 800,000,000 new shares of the Company at a price of HK\$0.20 per share (the “Placing Shares”) by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 new shares, save for the last tranche) (a copy of which has been produced to this meeting marked “A” 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) the directors of the Company (the “Directors”) 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 the Directors may consider 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, 20 May 2009

NOTICE OF SGM

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

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 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, 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.