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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** 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 was effected for transmission to the purchaser.

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**CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

**GENERAL MANDATES TO ISSUE  
AND TO REPURCHASE SECURITIES;  
RE-ELECTION OF DIRECTORS;  
REFRESHMENT OF THE SCHEME MANDATE LIMIT  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of China Star Entertainment Limited (the “Company”) to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 29 June 2009 at 4:30 p.m. is set out on pages 16 to 20 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 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.

29 May 2009

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## DEFINITIONS

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

- “Annual General Meeting” the annual general meeting of the Company to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong at 4:30 p.m. on Monday, 29 June 2009, a notice of which is set out on pages 16 to 20 of this circular
- “Bye-Laws” the existing Bye-laws of the Company
- “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 Shares of which are listed on the main board of the Stock Exchange
- “Convertible Bonds” the outstanding unsecured convertible bonds in aggregate principal amount of HK\$72,000,000 issued by the Company on 18 March 2008 conferring rights to convert the same into a total of 6,101,694 Shares at the conversion price of HK\$11.80 per Share (subject to further adjustments)
- “Director(s)” the director(s) of the Company
- “Eligible Person” means:
- (i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or
  - (b) any individual for the time being seconded to work for,  
  
any member of the Company and any entity in which the Company, directly or indirectly, holds any equity interest or any substantial Shareholder or any company controlled by a substantial Shareholder; or
  - (ii) any holder of any securities issued by any member of the Company and any entity in which the Company, directly or indirectly, holds any equity interest or any substantial Shareholder or any company controlled by a substantial Shareholder; or

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## DEFINITIONS

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- (iii) (a) any business or joint venture partner, contractor, agent or representative of,
  - (b) any research assistant, technician, adviser, consultant, artist, actor, actress of, and any research company, technical support company, advisory company, consultancy company, production company, advertising company, distribution company and professional services company to,
  - (c) any supplier, producer, director or licensor of films, television programmes, video features, goods or services to,
  - (d) any customer, licensee (including any sub-licensee) or distributor of films, television programmes, video features, goods or services of, or
  - (e) any landlord or tenant (including any sub-tenant) of,
- any member of the Company and any entity in which the Company, directly or indirectly, holds any equity interest or any substantial Shareholder or any company controlled by a substantial Shareholder;

and, for the purposes of the New Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants

“General Mandates”	the Repurchase Mandate and the general mandate to issue securities to be sought at the Annual General Meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	26 May 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme adopted by the Company on 27 May 2002
“Old Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company prior to the capital reorganisation of the Company which became effective on 4 May 2009
“Old Share Option Scheme”	the share option scheme adopted by the Company on 23 October 1996 and terminated on 27 May 2002
“Open Offer with Bonus Issue”	the issue of 1,064,486,080 offer Old Shares on the basis of two offer Old Shares for every one existing Old Share held on 23 January 2009 with bonus issue on the basis of three bonus Old Shares for every one offer Old Share taken up under the open offer as announced by the Company on 8 December 2008
“Options”	the share options to subscribe for Shares granted under the New Share Option Scheme
“Porterstone”	Porterstone Limited, a company wholly-owned by Ms. Chen Ming Yin, Tiffany, the vice chairman of the Company and Director, incorporated in the British Virgin Islands with limited liability
“Proposed Placing”	the proposed placing of an 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 by the placing agent to selected investors as announced by the Company on 12 May 2009
“Repurchase Mandate”	the proposed new general mandate, to be sought at the Annual General Meeting, to authorize the Directors to repurchase Shares in the manner as set out in the notice of the Annual General Meeting
“Scheme Mandate Limit”	the total number of Old Shares/Shares (being up to 10% of Old Shares/Shares in issue at the date of the relevant general meeting) which may be issued upon exercise of all options to be granted under the New Share Option Scheme as at the date of adoption of the New Share Option Scheme or as refreshed

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company from time to time
“Share Consolidation”	the consolidation of every twenty (20) Old Shares into one (1) consolidated Share with effect from 4 May 2009 as announced by the Company on 26 February 2009
“Share Option Schemes”	the Old Share Option Scheme and the New Share Option Scheme
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“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)

*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. Leung Hok Man\*

\* *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

29 May 2009

*To the Shareholders and,  
for information only,  
the holders of the Convertible Bonds and Options*

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE  
AND TO REPURCHASE SECURITIES;  
RE-ELECTION OF DIRECTORS;  
REFRESHMENT OF THE SCHEME MANDATE LIMIT  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**GENERAL MANDATES TO ISSUE AND TO REPURCHASE SECURITIES**

The Directors have taken the opportunity to convene a meeting of the Shareholders to propose a resolution to grant a general mandate to the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the resolution. As at the Latest Practicable Date, there were

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## LETTER FROM THE BOARD

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239,509,368 Shares in issue. Assuming there is no allotment and issue of Shares, the general mandate to be sought at the Annual General Meeting will allow the Company to allot and issue Securities not exceeding 47,901,873 Shares. An ordinary resolution will also be proposed at the Annual General Meeting to grant to the Directors a general mandate to repurchase Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of such resolution. In addition, if the General Mandates are granted, an ordinary resolution will also be proposed at the Annual General Meeting to grant to the Directors an extension of general mandate to allot, issue and deal with additional Shares repurchased under the Repurchase Mandate.

The General Mandates will end on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law, the Bye-Laws and the Companies Act, or the date upon which such authority is revoked or varied by ordinary resolution of the Company in general meeting.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole if the General Mandates were granted at the Annual General Meeting. The need for an issue of securities under the general mandate to issue securities could, for example, arise in the context of a transaction, such as an acquisition by the Group where securities are to be issued as consideration, which has to be completed speedily. The Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new securities except the Proposed Placing.

In accordance with the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions to approve the granting of a mandate to the Directors to exercise the powers of the Company to repurchase its own Shares. Such explanatory statement is set out in the Appendix to this circular.

### RE-ELECTION OF DIRECTORS

Pursuant to Bye-laws 99(A) and 99(B) of the Bye-Laws, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany, Ms. Li Yuk Sheung and Mr. Leung Hok Man shall retire from office by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election at the Annual General Meeting.

The particulars of Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany, Ms. Li Yuk Sheung and Mr. Leung Hok Man are as follows:

**Mr. HEUNG Wah Keung**, aged 60, is the Chairman and executive Director of the Company and the chairman of the nomination committee and finance committee of the Company. Mr. Heung also holds directorships in a number of subsidiaries of the Group. Mr. Heung was appointed as an executive Director in 1996.

Mr. Heung has over 20 years of experience in the entertainment and multimedia industries. He was the founder of Win's Entertainment Limited ("Win's") and One Hundred Years of Film Company Limited ("One Hundred Years"), which produces films recommended by audiences and distributors around the world. He is also the vice-chairman of Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited.



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## LETTER FROM THE BOARD

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Mr. Heung is the chairman and an executive director of China Star Investment Holdings Limited, a company listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Heung did not hold any directorship in any listed public company in the last three years.

Mr. Heung is the husband of Ms. Chen Ming Yin, Tiffany, Vice Chairman and executive Director of the Company. Save as disclosed herein, Mr. Heung did not have any relationship with any Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, Mr. Heung is interested or deemed to be interested in 70,403,099 Shares and 52,734 underlying Shares comprised the share options of the Company pursuant to Part XV of the SFO.

There is no service contract between the Company and Mr. Heung is not appointed for a specific term since he is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the provision of the Bye-Laws. The emolument of Mr. Heung is to be determined by the board of Directors as authorized by the Shareholders at the Annual General Meeting with reference to Mr. Heung's contributions and relevant duties and responsibilities within the Company. For the year ended 31 December 2008, Mr. Heung received emoluments of HK\$2,412,000.

Save as disclosed above, there is no other information relating to Mr. Heung that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders in respect of Mr. Heung's re-election.

**Ms. CHEN Ming Yin, Tiffany**, aged 52, is the vice Chairman and executive Director of the Company, the chairman of the remuneration committee of the Company and a member of the finance committee of the Company. Ms. Chen also holds directorships in a number of subsidiaries of the Group. Ms. Chen was appointed as an executive Director of the Company in 1996.

Ms. Chen has over 15 years of experience in the entertainment and multimedia industries and has produced a number of blockbuster films for Win's and One Hundred Years. In 2003, she was selected as one of 2003 Women in Entertainment – International Power by The Hollywood Reporter.

Ms. Chen is the vice chairman and an executive director of China Star Investment Holdings Limited, a company listed on the main board of the Stock Exchange. Save as disclosed above, Ms. Chen did not hold any directorship in any listed public company in the last three years.

Ms. Chen is the wife of Mr. Heung Wah Keung, Chairman and executive Director of the Company. Save as disclosed herein, Ms. Chen did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling Shareholders.

As at the Latest Practicable Date, Ms. Chen is interested or deemed to be interested in 70,403,099 Shares and 52,734 underlying Shares comprised the share options of the Company pursuant to Part XV of the SFO.

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## LETTER FROM THE BOARD

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There is no service contract between the Company and Ms. Chen. Ms. Chen is not appointed for a specific term since she is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the provision of the Bye-Laws. The emolument of Ms. Chen is to be determined by the board of Directors as authorized by the Shareholders at the Annual General Meeting with reference to Ms. Chen's contributions and relevant duties and responsibilities within the Company. For the year ended 31 December 2008, Ms. Chen received emoluments of HK\$2,172,000.

Save as disclosed above, there is not other information relating to Ms. Chen that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are three other matters that need to be brought to the attention of the Shareholders in respect of Ms. Chen's re-election.

**Ms. LI Yuk Sheung**, aged 41, is an executive Director of the Company and a director of Asiatop Data Limited, a wholly owned subsidiary of the Company. Ms. Li has more than 10 years experience of management in the entertainment and multimedia industries. She is responsible for the overall operations, and is familiar with the Group's system. Ms. Li was appointed as an executive Director in 2001.

Ms. Li did not hold any directorship in any other listed public company in the last three years nor did she have any relationship with any Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, Ms. Li is interested in 88,702 underlying Shares comprised the Options pursuant to Part XV of the SFO.

There is no service contract between the Company and Ms. Li. Ms. Li is not appointed for a specific term since she is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the provision of the Bye-Laws. The emolument of Ms. Li is to be determined by the board of Directors as authorized by the Shareholders at the Annual General Meeting with reference to Ms. Li's contributions and relevant duties and responsibilities within the Company. For the year ended 31 December 2008, Ms. Li received emoluments of HK\$655,000.

Save as disclosed above, there is no other information relating to Ms. Li that is required to be disclosed pursuant Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders in respect of Ms. Li's re-election.

**Mr. LEUNG Hok Man**, aged 46, is an independent non-executive Director and a member of audit committee, remuneration committee and nomination committee of the Company. He read law at the University of East London before completing the Legal Practice Course at the College of Law, York. After having admitted as a solicitor of the High Court of Hong Kong in 1999, he has moved into the field of intellectual property. He is currently an in-house solicitor at an international patent and trade mark agency firm. He has substantial experience in intellectual property practice. Mr. Leung was appointed as an independent non-executive Director on 1st March, 2007. Mr. Leung did not hold any directorship in any other listed public company in the last three years.

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## LETTER FROM THE BOARD

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Mr. Leung does not have any relationship with any Directors, senior management of the Company, substantial Shareholders or controlling Shareholders. As at the Latest Practicable Date, Mr. Leung does not have any interests in the securities of the Company within the meaning of Part XV of the SFO.

There is no service contract entered into between Mr. Leung and the Company but an appointment letter has been signed by Mr. Leung and the Company. He is not appointed for a specific term since he is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the provision of the Bye-Laws.

The director's fee of Mr. Leung as an independent non-executive Director is to be determined by the Board of Directors as authorised by the Shareholders at the Annual General Meeting with reference to Mr. Leung's contributions and relevant duties and responsibilities within the Company. For the year ended 31 December 2008, Mr. Leung received director's fee of HK\$120,000.

Save as disclosed above, there is no other information relating to Mr. Leung that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders in respect of Mr. Leung's re-election.

### **REFRESHMENT OF THE SCHEME MANDATE LIMIT**

Pursuant to a resolution passed at the annual general meeting of the Company held on 27 May 2002, the New Share Option Scheme was adopted and the Old Share Option Scheme was terminated.

The purpose of the New Share Option Scheme is to provide incentives and rewards to Eligible Person for their contribution or potential contribution to the Group. The exercise price of an Option must be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business day immediately preceding the date of grant; and (iii) the nominal value of the Share.

### **Old Share Option Scheme**

As the Old Share Option Scheme was terminated, no further options can be granted under the Old Share Option Scheme. However, the outstanding options granted under the Old Share Option Scheme prior to the said termination on 27 May 2002 shall remain valid and exercisable in accordance with the provisions of the Old Share Option Scheme. As at the Latest Practicable Date, there are 52,189 outstanding options granted but yet to be exercised under the Old Share Option Scheme.

Apart from the New Share Option Scheme, the Company has no other share option scheme in place.

### **New Share Option Scheme**

Pursuant to the New Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted by the Company under the New Share Option Scheme and any other options to be granted by the Company under any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme

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## LETTER FROM THE BOARD

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and as at the date of approving the refreshment of Scheme Mandate Limit. Options lapsed in accordance with the terms of the New Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by Shareholders in general meeting from time to time.

At the annual general meeting of the Company held on 27 June 2008 (the “2008 AGM”), the Scheme Mandate Limit was refreshed to allow the Company to grant Options entitling holders to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the refreshment, which amounted to 44,424,304 Options.

On 21 August 2008, the Company granted a total of 43,910,000 Options to certain Eligible Person to allow them to subscribe for 43,910,000 Old Shares, which represented approximately 99.84% of the Scheme Mandate Limit as refreshed at the 2008 AGM.

As at the Latest Practicable Date, no Options granted on 21 August 2008 was exercised, lapsed or cancelled. However, after completion of the Open Offer with Bonus Issue and the Share Consolidation on 26 February 2009 and 4 May 2009 respectively, the 43,910,000 Options granted on 21 August 2008 were adjusted to 10,569,034 Options.

Up to the Latest Practicable Date, there are 18,222,286 Options (after adjustments) outstanding and unexercised since the adoption of the New Share Option Scheme to which holders were entitled to subscribe for 18,222,286 Shares.

As approximately 99.84% of the Scheme Mandate Limit of 44,424,304 Options as refreshed on 27 June 2008 has been used, the Directors are of the view that in order to provide incentives and rewards to the Eligible Person for their contribution or potential contribution to the Group by granting Options to them, the Scheme Mandate Limit shall be refreshed to provide the Company with greater flexibility on recruiting and retaining high calibre employees and attracting human resources that are valuable to the Group.

As at the Latest Practicable Date, there were 239,509,368 Shares in issue. Assuming there is no allotment and issue of Shares and no further grant of Options under the New Share Option Scheme, upon the granting of a refreshment of the Scheme Mandate Limit by the Shareholders at the Annual General Meeting, the Scheme Mandate Limit (as refreshed) will allow the Company to grant Option entitling holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the refreshment of the Scheme Mandate Limit which are 23,950,936 Shares.

The limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes adopted by the Company including the Old Share Option Scheme must not exceed 30% of the Shares in issue from time to time. As at the Latest Practicable Date, there are 18,274,475 options of the Company outstanding (including 52,189 outstanding options under the Old Share Option Scheme and 18,222,286 Options), representing 7.6% of the issued share capital of the Company. Assuming 23,950,936 Options are approved, refreshed and granted under the Scheme Mandate Limit at the Annual General Meeting, a total of 42,225,411 Shares, representing 17.63% of the Shares in issue, which may be issued upon

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## LETTER FROM THE BOARD

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exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes adopted by the Company including the Old Share Option Scheme does not exceed 30% of the Shares in issue.

The refreshment of the Scheme Mandate Limit is conditional upon:

1. The passing by the Shareholders of an ordinary resolution at the Annual General Meeting to approve, among other things, the refreshment of the Scheme Mandate Limit; and
2. The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of Options to be granted under the New Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the grant of listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of Options to be granted under the New Share Option Scheme.

### RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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.

### VOTING BY POLL

Pursuant to the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the Annual General Meeting will demand a poll for all the resolutions set out in the notice of the Annual General Meeting. After the conclusion of the Annual General Meeting, the results of the poll will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.chinastar.com.hk](http://www.chinastar.com.hk)).

### ANNUAL GENERAL MEETING

Set out on pages 16 to 20 is the notice dated 29 May 2009 convening the Annual General Meeting.

A form of proxy for use at the Annual General Meeting is enclosed. Whether or not you intend to attend the meeting, 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 meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The board of Directors has recommended to declare a final dividend of HK\$0.20 per Share (after adjustment for the completion of the Share Consolidation) for the year ended 31 December 2008 subject to the approval of Shareholders at the Annual General Meeting.

The register of members of the Company will be closed from Wednesday, 24 June 2009 to Monday, 29 June 2009, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all duly completed transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 23 June 2009.

### RECOMMENDATION

The Directors are of the opinion that the grant of the General Mandates, the extend of the General Mandate to issue additional Shares, the re-election of Directors and the refreshment of the Scheme Mandate Limit are 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 resolutions to be proposed at the Annual General Meeting.

### ADDITIONAL INFORMATION

Your attention is drawn to the Appendix to this circular.

By Order of the Board  
**Heung Wah Keung**  
*Chairman*

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions.

The following is the explanatory statement required to be sent to the Shareholders under the Listing Rules to enable them to make an informed decision on whether to vote for or against the ordinary resolution in relation to the grant of the Repurchase Mandate to be proposed at the Annual General Meeting.

### **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised 239,509,368 Shares.

Assuming that no outstanding Options and Convertible Bonds has been exercised or converted and no Shares are repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 23,950,936 Shares during the relevant period referred to in ordinary resolution numbered 6 of the notice of the Annual General Meeting.

### **2. REASONS FOR SHARE REPURCHASE**

The Directors believe that the grant of the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

### **3. FUNDING OF REPURCHASE**

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association, the Bye-Laws and the Companies Act. The Directors presently proposed that any Shares repurchased under the Repurchase Mandate would be funded out of the capital paid up on the purchased Shares or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose.

The Company is empowered by its memorandum of association and the Bye-Laws to repurchase its Shares.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts contained in the annual report of the Company for the year ended 31 December 2008) in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**4. GENERAL**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, has any present intention to sell any Shares to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules, the Bye-Laws and the applicable laws of Bermuda.

No connected person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

**5. EFFECT OF THE TAKEOVERS CODE**

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Porterstone, together with their respective associates were interested in an aggregate of 70,403,099 Shares, representing approximately 29.39% of the issued share capital of the Company. To the best of the knowledge and belief of the Company, no other person, together with his/her associates, was beneficially interested in Shares representing 10% or more of the issued share capital of the Company.

On the basis that no further Shares are issued or repurchased prior to the Annual General Meeting and assuming that none of the outstanding Options and Convertible Bonds has been exercised or converted prior to the exercise in full of the Repurchase Mandate, in the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Porterstone Limited, together with their associates would be interested in 70,403,099 Shares, representing approximately 32.66% of the issued share capital of the Company resulting in Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Porterstone becoming obliged to an obligation of the said substantial Shareholders to make a mandatory offer under Rule 26 of the Takeovers Code. However, the Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in a requirement of each of the substantial Shareholders and parties acting in concert with it (as defined in the Takeovers Code) to make a mandatory offer under the Takeovers Code or the number of Shares in the hands of the public falls below the prescribed minimum percentage of 25%.



**6. MARKET PRICE OF SHARES**

The highest and lowest price per Share at which the Shares were traded on the Stock Exchange in the last 12 months were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2008</b>		
June	1.18*	0.96*
July	1.02*	0.84*
August	0.92*	0.70*
September	0.74*	0.58*
October	0.66*	0.46*
November	0.56*	0.46*
December	0.54*	0.40*
<b>2009</b>		
January	0.94*	0.36*
February	0.86*	0.32*
March	0.34*	0.20*
April	0.76*	0.24*
May (up to the Latest Practicable Date)	0.51	0.29

\* After adjustments for the completion of Open Offer with Bonus Issue and Share Consolidation on 26 February 2009 and 4 May 2009 respectively.

**7. REPURCHASE OF SHARES MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company during the previous six months preceding the Latest Practicable Date.

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## NOTICE OF ANNUAL GENERAL MEETING

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### CHINA STAR ENTERTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of China Star Entertainment Limited (the “Company”) will be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 29 June 2009 at 4:30 p.m. for the following purposes:

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors and the auditors for the year ended 31 December 2008.
2. To declare the final dividend for the year ended 31 December 2008.
3. To re-elect retiring directors and to authorize the board of directors to fix the directors’ remuneration.
4. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

As special business, to consider and, if thought fit, to pass with or without modification the following resolutions as Ordinary Resolutions:

#### **ORDINARY RESOLUTIONS**

5. **“THAT:**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the share capital of the Company (“Shares”) and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers during or after the end of the Relevant Period, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (c) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined); or
  - (ii) an issue of Shares upon the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares, the issue of which warrants and other securities has previously been approved by shareholders of the Company; or
  - (iii) an issue of Shares upon the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
  - (iv) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws of the Company (“Bye-Laws”),

shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws, the Companies Act (1981) of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.

“Rights Issue” means an offer of Shares or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or any class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. **“THAT:**
- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose and, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
  - (b) the aggregate nominal amount of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
  - (c) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws, the Companies Act 1981 of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
    - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.”
7. **“THAT** conditional upon the passing of the resolutions numbered 5 and 6 above, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional Shares pursuant to the resolution numbered 5 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate, an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to the resolution numbered 6 above, provided that such amount of Shares so repurchased shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”

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## NOTICE OF ANNUAL GENERAL MEETING

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8. “**THAT** conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of this resolution which may be issued pursuant to the exercise of options to be granted under the share option scheme adopted by the Company on 27 May 2002 (the “Share Option Scheme”) and any other share option schemes of the Company, and pursuant to rule 4 of the rules of the Share Option Scheme, approval be and is hereby granted for ‘refreshing’ the Scheme Mandate (as defined in the rules of the Share Option Scheme) under the Share Option Scheme provided that (i) the total number of Shares in the share capital of the Company which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as ‘refreshed’ hereby shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and (ii) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the 10% limit as ‘refreshed’ hereby.”

By Order of the Board  
**Wong Shuk Han, Dorothy**  
*Company Secretary*

Hong Kong, 29 May 2009

*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

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## NOTICE OF ANNUAL GENERAL MEETING

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*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 authorized 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. The register of members of the Company will be closed from Wednesday, 24 June 2009 to Monday, 29 June 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend, all duly completed transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 23 June 2009.
4. 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.
5. 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.
6. 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.
7. 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.