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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you have sold or transferred** all your shares in the Company, 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 transferee.

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

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**CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

- (i) PROPOSED ISSUE OF NEW SHARES;**  
**(ii) REFRESHMENT OF SCHEME MANDATE LIMIT;**  
**AND**  
**(iii) NOTICE OF SPECIAL GENERAL MEETING**

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Terms used in this cover page have the same meaning 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 on Monday, 8 February 2010, at 4:30 p.m. is set out on pages 14 to 16 of this circular. If you are unable to attend the meeting, 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 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.

20 January 2010

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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:*

“Announcement”	the announcement dated 4 January 2010 issued by the Company in relation to the Proposed Issue
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the 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 Ming Yin, Tiffany, an executive Director, through Porterstone Limited and as to 40% by Mr. Heung Wah Keung, an executive Director
“Eligible Person(s)”	as defined under the New Share Option Scheme and as set out in the circular of the Company dated 30 April 2002
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	4 January 2010, being the date of the Subscription Agreement
“Latest Practicable Date”	18 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“New Share Option Scheme”	the share option scheme adopted by the Company on 27 May 2002
“Old Share Option Scheme”	the share option scheme adopted by the Company on 23 October 1996 and terminated on 27 May 2002
“Options”	the share options to subscribe for Shares granted under the New Share Option Scheme
“Proposed Issue”	the proposed allotment and issue of the 540,000,000 Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement
“Registrar”	Computershares 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
“Scheme Mandate Limit”	the total number of Shares (being up to 10% of 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
“SGM”	the special general meeting of the Company to be convened and held at 4:30 p.m., on Monday, 8 February 2010 at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong to consider, if thought fit, and approve the Subscription Agreement and the transactions contemplated thereunder and the refreshment of Scheme Mandate Limit
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Skylight Property Ltd., a company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Mr. Kwok Lung and as to 50% by Mr. Li Chi Lam

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## DEFINITIONS

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“Subscription Agreement”	a conditional agreement entered into between the Company and the Subscriber dated 4 January 2010 relating to the allotment and issue of 540,000,000 new Shares at a price of HK\$0.14 by the Company to the Subscriber
“Subscription Price”	HK\$0.14 per Subscription Share
“Subscription Share(s)”	540,000,000 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“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

20 January 2010

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

Dear Sir or Madam,

- (i) PROPOSED ISSUE OF NEW SHARES;  
(ii) REFRESHMENT OF SCHEME MANDATE LIMIT;  
AND  
(iii) NOTICE OF SPECIAL GENERAL MEETING**

#### INTRODUCTION

On 4 January 2010 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber whereby the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 540,000,000 Subscription Shares at the Subscription Price of HK\$0.14 per Subscription Share.

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## LETTER FROM THE BOARD

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The gross proceeds and the net proceeds from the Proposed Issue will be approximately HK\$75.6 million and approximately HK\$75.4 million respectively. The net proceeds from the Proposed Issue is intended to be used for the Group's investment projects in Macau and general working capital of the Group. The Proposed Issue shall be subject to Shareholders' approval at the SGM.

The Board also proposes to seek Shareholders' approval for the refreshment of the Scheme Mandate Limit at the SGM.

The purpose of this circular is (i) to provide you with further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) to provide you with further details of the proposed refreshment of Scheme Mandate Limit; and (iii) to give you a notice of the SGM at which resolutions will be proposed to consider, and if thought fit, approve, inter alia, the Subscription Agreement and the transactions contemplated thereunder and the refreshment of Scheme Mandate Limit.

### THE SUBSCRIPTION AGREEMENT

**Date:** 4 January 2010 (after trading hours)

**Parties:** The Company and the Subscriber

#### Subscriber

The Subscriber is principally engaged in investment holding. The Subscriber is a company beneficially owned as to 50% by Mr. Kwok Lung and as to 50% by Mr. Li Chi Lam. Each of Mr. Kwok Lung and Mr. Li Chi Lam has more than fifteen years of experience in securities and property investment in Mainland China and Hong Kong. Upon completion of the Proposed Issue, the Subscriber will become a strategic investor of the Company and a substantial Shareholder (as defined under the Listing Rules).

As at the Latest Practicable Date, Yo Chen Limited, a company incorporated in Hong Kong with limited liability and beneficially owned as to 50% by Mr. Kwok Lung and as to 50% by Mr. Li Chi Lam, held 27,039,700 Shares. Save for the holding of 27,039,700 Shares by Yo Chen Limited, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

#### Subscription Price

The Subscription Price of HK\$0.14 represents:

- (i) a discount of approximately 21.35% to the closing price of HK\$0.178 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 22.65% to the average closing price of approximately HK\$0.181 per Share as quoted on the Stock Exchange for the past five trading days up to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 20.90% to the average closing price of approximately HK\$0.177 per Share as quoted on the Stock Exchange for the past ten trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 25.13% to the closing price of approximately HK\$0.187 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was set at a discount of approximately 21.35% to the closing price of HK\$0.178 per Share on the date of the Subscription Agreement. Having considered (i) the reasons for the Proposed Issue as disclosed in the sub-section headed “Reasons for the Proposed Issue” below; (ii) the highly volatile capital market conditions of Hong Kong Stock Market recently; and (iii) the attractiveness of the Shares to the Subscriber provided that the Subscription Agreement will be subject to the approval by Independent Shareholders at the SGM and completion of the Proposed Issue will not take place until at least one month from the date of the Subscription Agreement, the Board is of the view that a discount of the Subscription Price to the prevailing market price of the Shares offered to the Subscriber is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Proposed Issue, which was negotiated on an arm’s length basis between the Company and the Subscriber with reference to the prevailing market price, are on normal commercial terms and are fair and reasonable.

### **Subscription Shares**

As at the Latest Practicable Date, there were 2,349,286,368 Shares in issue. Pursuant to the Subscription Agreement, 540,000,000 Subscription Shares will be allotted and issued by the Company to the Subscriber. 540,000,000 Subscription Shares represent (i) approximately 22.99% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 18.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The allotment and issue of the Subscription Shares is subject to the Shareholders’ approval at the SGM.

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 Subscription Shares.

### **Ranking of the Subscription Shares**

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

### **Conditions Precedent**

Completion of the Subscription Agreement is conditional upon:

- (i) the Shareholders passing at the SGM to approve the Proposed Issue and the transactions contemplated under the Subscription Agreement including the allotment and issue of the Subscription Shares;



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## LETTER FROM THE BOARD

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- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (iii) trading in the Shares on the Stock Exchange not being suspended for a period of more than seven consecutive trading days in the period of 21 days immediately preceding the completion of the Subscription Agreement excluding any suspension for the purposes of clearing any announcement and circular in relation to the Proposed Issue by the regulatory authorities;
- (iv) trading in the Shares on Stock Exchange not being revoked or withdrawn at any time prior to the completion of the Subscription Agreement;
- (v) there being no indication being received from the Stock Exchange or the Securities and Futures Commission of Hong Kong that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after the completion of the Subscription Agreement, whether in connection with any of the transactions contemplated under the Subscription Agreement or otherwise;
- (vi) completion of the due diligence review to be conducted and that the results of such due diligence review have not revealed or disclosed any matter, fact or circumstance which constitutes or is likely to constitute any material breach of any of the warranties or other provisions of the Subscription Agreement by the Company;
- (vii) the warranties remaining true, accurate in all material respects;
- (viii) all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Proposed Issue and the transactions contemplated under the Subscription Agreement having been obtained by the Company; and
- (ix) the Bermuda Monetary Authority approving the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement, if necessary.

### **Completion of the Proposed Issue**

Completion of the Proposed Issue will take place within three Business Days after the fulfillment of the conditions as set out in the Subscription Agreement on or before 3 June 2010 or such other later date as the Company and the Subscriber may from time to time agree in writing.

### **APPOINTMENT OF ONE DIRECTOR NOMINATED BY THE SUBSCRIBER**

The Board has agreed with the Subscriber that, upon completion of the Subscription Agreement, the Subscriber may nominate one Director to the Board subject to the Board's approval. Further announcement will be made by the Company when the appointment of the Director nominated by the Subscriber takes place.

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## LETTER FROM THE BOARD

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### REASONS FOR THE PROPOSED ISSUE

Given the Group has returned to profitability by investing in gaming and entertainment business and hotel operation in Macau, the Group is in the progress of expanding its business activities into property investment in Macau. The Board considers that the introducing of a substantial Shareholder (as defined under the Listing Rules) with extensive experience in property investment and a strong business connections in Mainland China and Hong Kong by way of the Proposed Issue to the Company will not only strengthen the financial position of the Group, but also bring in variable experience and/or advices in further developing the Group's existing businesses in Macau in the long run. In addition, the Board also considers that the appointment of a Director nominated by the Subscriber, if so approved by the Board, will have a positive impact on the Board and management of the Group.

Based on the above reasons, the Board is of the view the Proposed Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

Based on the estimated expenses of approximately HK\$200,000 for the Proposed Issue, the gross proceeds and net proceeds from the Proposed Issue will be approximately HK\$75.6 million and approximately HK\$75.4 million respectively. The net price per Subscription Share is approximately HK\$0.1396.

The net proceeds from the Proposed Issue of approximately HK\$75.4 million are intended to be used for the Group's investment projects in Macau and general working capital of the Group.

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## LETTER FROM THE BOARD

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### EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and the effects on the shareholding structure of the Company upon completion of the Proposed Issue is set out as below:

Name of Shareholders	As at the Latest Practicable Date		Upon completion of the Proposed Issue	
	Shares	Approximate %	Shares	Approximate %
China Star Investment Holdings Limited	680,000,000	28.94	680,000,000	23.53
Dorest ( <i>Note 1</i> )	137,025	0.01	137,025	0.01
Sub-total	680,137,025	28.95	680,137,025	23.54
The Subscriber	–	–	540,000,000	18.69
Yo Chen Limited ( <i>Note 2</i> )	27,039,700	1.15	27,039,700	0.94
Sub-total	27,039,700	1.15	567,039,700	19.63
Public Shareholders	1,642,109,643	69.90	1,642,109,643	56.83
Total	2,349,286,368	100.00	2,889,286,368	100.00

*Notes:*

- The Shares held by Dorest are under a charging order.
- Yo Chen Limited is beneficially owned as to 50% by Mr. Kwok Lung and as to 50% by Mr. Li Chi Lam.

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 69.90% as at the Latest Practicable Date to approximately 56.83% upon completion of the Proposed Issue.

Having balanced the benefits of the Proposed Issue as discussed in the sub-section headed “Reasons for the Proposed Issue” above and the fact that the capital base of the Company will be strengthened as well as the shareholders’ value in the Company by way of the Proposed Issue, the Board considers such dilution of shareholding to the existing Shareholders to be fair and reasonable.

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

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES CONDUCTED BY THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THE ANNOUNCEMENT

Set out below are the fund raising activities conducted by the Company in the past 12 months immediately preceding the date of the Announcement.

<b>Date of announcement</b>	<b>Events</b>	<b>Amount raised</b>	<b>Intended usage</b>	<b>Actual usage</b>
12 May 2009	Placing of 800,000,000 new Shares at HK\$0.20 per Share	Approximately HK\$158 million	To finance the hotel operation and for general working capital of the Group	The net proceeds will be used as intended
16 July 2009	Placing of 207,900,000 new Shares at HK\$0.22 per Share	Approximately HK\$45.238 million	For general working capital of the Group	The net proceeds has been fully utilised as intended
27 July 2009	Issue of convertible bond in the principal amount of HK\$200 million conferring rights to convert into 1,000,000,000 Shares at an initial conversion price of HK\$0.20	Approximately HK\$200 million	For repayment of outstanding loan advanced by China Star Investment Holdings Limited	The net proceeds has been fully utilised as intended

### 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 Persons 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.

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## LETTER FROM THE BOARD

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### **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 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 special general meeting of the Company held on 3 September 2009 (the “2009 SGM”), 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 129,649,636 Options.

On 7 January 2010, the Company granted a total of 129,645,000 Options to certain Eligible Persons to allow them to subscribe for 129,645,000 Shares, which represented approximately 99.996% of the Scheme Mandate Limit as refreshed at the 2009 SGM. As at the Latest Practicable Date, 52,790,000 Options granted on 7 January 2010 was exercised.

Up to the Latest Practicable Date, there are 148,749,611 Options outstanding and unexercised since the adoption of the New Share Option Scheme to which holders were entitled to subscribe for 148,749,611 Shares.

As approximately 99.996% of the Scheme Mandate Limit of 129,649,636 Options as refreshed on 3 September 2009 has been used, the Directors are of the view that in order to provide incentives and rewards to the Eligible Persons 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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there were 2,349,286,368 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 SGM, 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 234,928,636 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 148,801,800 options of the Company outstanding (including 52,189 outstanding options under the Old Share Option Scheme and 148,749,611 Options), representing 6.33% of the issued share capital of the Company. Assuming 234,928,636 Options are approved, refreshed and granted under the Scheme Mandate Limit at the SGM, a total of 383,730,436 Shares, representing 16.33% of the Shares in issue, 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 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 SGM 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.

### **THE SGM**

A notice convening the SGM to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 8 February 2010 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the entering into of the Subscription Agreement and the transactions contemplated thereunder and the proposed refreshment of the Scheme Mandate Limit are set out on pages 14 to 16 of this circular.

As Mr. Kwok Lung and Mr. Li Chi Lam have a material interest in the Subscription Agreement, Mr. Kwok Lung and Mr. Li Chi Lam and their respective associates (including Yo Chen Limited) shall abstain from voting in respect of the Subscription Agreement and the transactions contemplated thereunder at the SGM. Save for Mr. Kwok Lung and Mr. Li Chi Lam and their respective associates (including Yo Chen

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## LETTER FROM THE BOARD

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Limited), to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder is required to abstain from voting to approve the Subscription Agreement and the transaction contemplated thereunder at the SGM.

No Shareholder is required to abstain from voting on the relevant resolution in respect of the proposed refreshment of the Scheme Mandate Limit.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### 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.

### RECOMMENDATIONS

The Directors consider the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors also consider that the refreshment of the Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole. Accordingly, they recommend the Shareholders to vote in favour of the resolutions proposed at the SGM.

### GENERAL

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

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

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## NOTICE OF SGM

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### CHINA STAR ENTERTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

**NOTICE IS HEREBY GIVEN** that the special general meeting of China Star Entertainment Limited (the “**Company**”) will be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 8 February 2010 at 4:30 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the agreement dated 4 January 2010 and entered into between the Company as issuer and Skylight Property Ltd. (the “**Subscriber**”) as subscriber (the “**Subscription Agreement**”) in relation to the issue of 540,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) at a price of HK\$0.14 per Subscription Share, a copy of which is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Listing Committee**”) granting the listing of, and permission to deal in, the 540,000,000 Subscription Shares, the allotment and issue of the 540,000,000 Subscription Shares to the Subscriber pursuant to the Subscription Agreement be and is hereby approved; and
- (c) any director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder.”



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## NOTICE OF SGM

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2. **“THAT**

- (a) the refreshment (the **“Proposed Refreshment”**) of the total number of ordinary shares in the capital of the Company which may be issued upon the exercise of options to be granted under the share option scheme (the **“Share Option Scheme”**) adopted by the Company on 27 May 2002 to up to 10 per cent. of the shares of the Company in issue as at the date of passing of this resolution be and is hereby approved;
- (b) conditional upon the Listing Committee granting the listing of, and permission to deal in 10 per cent. of the shares of the Company in issue as at the date of passing of this resolution be and is hereby approval; and
- (c) any one or more of the Directors be and is/are hereby authorised to take all such acts and things and execute all such documents, including under seal where applicable, as he/she/they consider(s) necessary, desirable or expedient in his/her/their opinion to implement and/or give effect to the Proposed Refreshment.”

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

Hong Kong, 20 January 2010

*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

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## NOTICE OF SGM

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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 authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy needs 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, 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.