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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **China Star Entertainment Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

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

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

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A notice convening a special general meeting of China Star Entertainment Limited to be held at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Monday, 22 October 2007 at 12:00 noon is set out on pages 14 and 15 to this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person and vote at such meeting, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereof as soon as possible and return it to the branch share registrar of the Company 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding such 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 adjourned meeting if you so wish.

4 October 2007

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## DEFINITIONS

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

“Acquisition”	the acquisition of a 51% equity interest in Best Mind International Inc. and/or the call option to acquire the remaining 49% equity interest in Best Mind International Inc. as announced by the Company on 30 August 2007
“Announcement”	the announcement dated 7 September 2007 issued by the Company in relation to, among other things, the Tranche II Placing
“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday 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, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (Parties)”	independent third party (parties) not connected with the directors, substantial shareholders of the Company or any of its subsidiaries or their respective associate
“Last Trading Day”	5 September 2007, being the last trading day of the Shares prior to the release of the Announcement
“Latest Practicable Date”	28 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	three months from the date of the SGM
“Placee(s)”	any institutional, corporate or independent individual investor(s) procured by the Placing Agent to subscribe for any principal amount of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placings”	the Tranche I Placing and the Tranche II Placing
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on types 1 (dealing in securities) regulated activity for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreements”	the Tranche I Placing Agreement and the Tranche II Placing Agreement
“Placing Price”	HK\$0.21 per Share
“Placing Shares”	up to a maximum of 5,274,790,000 new Shares to be placed pursuant to the terms of the Placing Agreements, 274,790,000 new Shares under the Tranche I Placing and up to a maximum of 5,000,000,000 new Shares under the Tranche II Placing
“Rights Issue”	the rights issue announced by the Company on 30 August 2007
“SGM”	a special general meeting of the Company to be convened and held at 12:00 noon on Monday, 22 October 2007 at Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong to consider and, if thought fit, to approve the allotment, issue and dealing with the Tranche II Placing Shares
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche I Placing”	placing for 274,790,000 new Shares pursuant to the terms of the Tranche I Placing Agreement

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## DEFINITIONS

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“Tranche I Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 5 September 2007 in relation to the Tranche I Placing
“Tranche I Placing Shares”	274,790,000 new Shares to be placed pursuant to the Tranche I Placing Agreement
“Tranche II Placing”	placing of up to a maximum of 5,000,000,000 new Shares pursuant to the terms of the Tranche II Placing Agreement
“Tranche II Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 5 September 2007 in relation to the Tranche II Placing
“Tranche II Placing Shares”	up to a maximum of 5,000,000,000 new Shares to be placed pursuant to the Tranche II Placing Agreement
“Vendor”	Lucky State Group Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Ng Cheuk Fai, the vendor in the Acquisition
“%”	per cent.



**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

4 October 2007

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

Dear Sir or Madam,

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

**INTRODUCTION**

On 5 September 2007 (after trading hours), the Company has entered into the Placing Agreements with the Placing Agent. Pursuant to the Placing Agreements, the Company has conditionally agreed to place, through the Placing Agent (i) under Tranche I Placing on a fully underwritten basis 274,790,000 Placing Shares to independent investors at a price of HK\$0.21 per Placing Share; and (ii) under Tranche II Placing on a best efforts basis up to a maximum of 5,000,000,000 Placing Shares to independent investors at a price of HK\$0.21 per Placing Share (subject to the Shareholders' approval). All the Placees and their respective ultimate beneficial owners will be third parties independent of and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). The Tranche I Placing was completed as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information regarding, among other things, the Tranche II Placing and the notice convening the SGM.

### THE TRANCHE II PLACING AGREEMENT

#### Date

5 September 2007 (after trading hours)

#### Issuer

The Company

#### Placing Agent

The Placing Agent has conditionally agreed to place up to a maximum of 5,000,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2.5% on the gross proceeds of the actual number of Tranche II Placing Shares placed. 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 the Company and its connected persons (as defined in the Listing Rules). The Placing Agent had previously acted as placing agent for the Company on other fund raising exercises.

#### Placees

The Placing Agent has conditionally agreed to place the Tranche II Placing Shares on a best effort basis, 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). None of the Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placings nor will any new substantial/controlling shareholders be introduced after the Placings. The Placees and their ultimate beneficial owners will be third parties independent of and not connected with or parties acting in concert with Mr. Ng Cheuk Fai and Lucky State Group Limited.

#### Tranche II Placing Shares

The 5,000,000,000 Tranche II Placing Shares represent (i) approximately 296.29% of the issued share capital of the Company of 1,687,538,049 Shares as at the date of the Announcement; (ii) approximately 254.80% of the Company's issued share capital of 1,962,328,049 Shares as enlarged by the Tranche I Placing and as at the Latest Practicable Date; and (iii) approximately 71.82% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by the Placings.

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## LETTER FROM THE BOARD

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### **Ranking of the Tranche II Placing Shares**

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

### **Placing Price**

The Placing Price of HK\$0.21 represents (i) a discount of approximately 14.29% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 18.92% to the average closing price per Share of HK\$0.259 in the last five consecutive trading days up to and including the Last Trading Date; (iii) a discount of approximately 24.19% to the average closing price per Share of HK\$0.277 in the last ten consecutive trading days up to and including the Last Trading Date; and (iv) a discount of approximately 0.47% to the closing price of HK\$0.211 as at the Latest Practicable Date.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Tranche II Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Tranche II Placing**

Completion of the Tranche II Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Tranche II Placing Shares under the relevant tranches of the Tranche II Placing;
- (ii) the passing of a resolution by the Shareholders to approve the allotment, issue and dealing with the Tranche II Placing Shares at the SGM; and
- (iii) the obligations of the Placing Agent under the Tranche II Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Tranche II Placing Agreement, including provisions regarding force majeure event.

The completion of the Tranche II Placing is not subject to the completion of the Tranche I Placing and the completion of the Tranche I Placing is not subject to the completion of Tranche II Placing.



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## LETTER FROM THE BOARD

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### **Termination and force majeure**

The Tranche II Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date of completion of the Tranche II Placing Agreement, there occurs:

- (i) 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 reasonable 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
- (ii) 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 of the Tranche II Placing Agreement) 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 reasonable 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 adversely prejudices the success of the Tranche II Placing by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Tranche II Placing; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Tranche II Placing (such success being the Tranche II Placing to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Tranche II Placing.

For the avoidance of doubt, the termination of the Tranche II Placing Agreement mentioned above shall not affect any partial completion of the Tranche II Placing Shares that may have taken place prior to such date of termination. The Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

### **Completion of the Tranche II Placing**

Completion of the Tranche II Placing will take place on a date falling within four business days after the fulfilment of the conditions (not later than the Long Stop Date) as set out in the Tranche II Placing Agreement.

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## LETTER FROM THE BOARD

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The Company and the Placing Agent agreed that the Tranche II Placing can be completed partially by a maximum of 10 tranches provided that the aggregate number of the Tranche II Placing Shares for each partial completion shall not be less than 500,000,000 (save for the last tranche of the Tranche II Placing where the number of the Tranche II Placing Shares to be issued may be less than 500,000,000, as the case may be) and that the listing approval in respect of the relevant Tranche II Placing Shares has been obtained. The Company will make a maximum of 10 listing applications to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Tranche II Placing Shares once the Placing Agent confirms to the Company that the number of Tranche II Placing Shares to be subscribed by the Placees procured by the Placing Agent has reached 500,000,000 Shares and that partial completion can take place. Placing of the Tranche II Placing Shares in tranches shall give flexibility to the Company in raising funds and the Company may receive funds in a quicker manner as partial completion can take place once the Shares placed by the Placing Agent has reached 500,000,000 Shares.

Notwithstanding that if there remains any Tranche II Placing Shares not being placed by the Placing Agent by the end of the Long Stop Date, the Tranche II Placing shall be terminated by the end of the Long Stop Date and the Tranche II Placing will not proceed and all obligations and liabilities of the parties under the Tranche II Placing Agreement will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches hereof) provided that such termination shall not affect any partial completion of the Tranche II Placing Shares that have taken place prior to such date of termination.

The Long Stop Date is three months from the date of SGM as the Directors believe that this is a reasonable timeframe as it would provide the Placing Agent adequate time to seek a diversified field of investors at different points in time. The Directors also believe that this would allow the Placing Agent sufficient time to seek quality global/international investors and also to conduct a due diligence on them if necessary.

**As the Tranche II Placing may or may not proceed and is subject to Shareholders' approval, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **OTHER INFORMATION ON THE PLACINGS**

#### **Reasons for the Placings**

The Directors consider the timing of the Placings is appropriate as the recent stock market has shown strong sentiment despite the Company already having conducted various fund raising activities in the last 12 months (including the Rights Issue). Although the Tranche II Placing is on a best effort basis, the successful completion of the Tranche II Placing shall give the Company the opportunity to broaden its shareholder and capital base and provide immediately available funding to the Company to capture suitable investment opportunities in the gaming and/or related businesses in Macau as and when arise. As acquisition of quality investment opportunities may involve a substantial amount of funds, the Directors consider that given the recent market sentiment, the Company should grasp

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## LETTER FROM THE BOARD

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the opportunity for raising funds so as to equip itself for future acquisition of gaming and related businesses. The Directors consider that notwithstanding that the Placings will result in the dilution of the existing shareholding interest of the Shareholders, the Placings represent an opportunity to raise additional capital for the Company to enhance its general working capital base and/or for certain possible investment projects which is expected to improve the profitability and revenue stream of the Group, as and when the Board considers it appropriate and in the interest of the Company and its Shareholders as a whole. As at the Latest Practicable Date, certain gaming businesses in Macau have been identified by the Company but no agreement or arrangement (whether formal or otherwise) have been entered into.

The Directors consider carrying out the Placings in two separate tranches is appropriate after taking into account that it will (i) allow the Company to capture different market sentiments for fund raising purpose; (ii) mitigate the immediate impact on the Share price; and (iii) be more attainable than a one-time placing of the same size.

The Directors (including the independent non-executive Directors) consider that the Placings are fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Placings and the fund raising activities conducted by the Company in the last 12 months.

### **Use of proceeds**

The gross proceeds from the Tranche II Placing assuming that the Tranche II Placing Shares are fully placed will be approximately HK\$1,050 million. The net proceeds from the II Placing will be approximately HK\$1,023.5 million, which will be applied by the Group to fund the consideration for future acquisition of gaming businesses in Macau. At the moment, the Company is exploring such investment opportunities in gaming businesses and has identified some investment opportunities but no formal or informal agreements or arrangements have yet been entered into. The maximum net proceeds raised per Tranche II Placing Share upon the completion of the Tranche II Placing will be approximately HK\$0.2047. The Company has no current intention to dispose of its existing business except the disposal of Kingsway Hotel Limited as announced on 8 August 2007.

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## LETTER FROM THE BOARD

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### Fund raising activities in the past twelve months

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
13 February 2007	Issue of zero coupon unsecured convertible bonds due 2012 of an aggregate principal amount of HK\$168,500,000	HK\$159,000,000	For the acquisition of Kingsway Hotel Limited	For the acquisition of Kingsway Hotel Limited
30 March 2007	Placing of 124,900,000 new Shares	HK\$44,800,000	For the general working capital	For the general working capital
30 March 2007	Placing of 81,100,000 new Shares	HK\$29,200,000	For the general working capital	For the general working capital
4 June 2007	Placing of 165,905,000 new Shares	HK\$64,600,000	For the general working capital	For the general working capital
30 August 2007	Rights Issue*	HK\$162,600,000	For the Acquisition	For the Acquisition
7 September 2007	Tranche I Placing	HK\$56,200,000	For partial payment of the Acquisition	For partial payment of the Acquisition

There has been no change in the use of proceeds from the above fund raising activities.

\* *Announced but not yet completed. Shareholders should note that the Rights Issue has not been completed as at the Latest Practicable Date.*

## LETTER FROM THE BOARD

### Effects on shareholding structure

The existing and enlarged shareholding structure of the Company immediately before and after completion of the Tranche II Placing and after completion of the Tranche II Placing, the Acquisition and the Rights Issue (assuming that there are no other changes in the issued share capital of the Company) are set out below:

	As at the		Upon completion of		Upon completion of	
	Latest Practicable Date		the Tranche II Placing		the Tranche II Placing	
	<i>No of shares</i>	<i>%</i>	<i>No of shares</i>	<i>%</i>	<i>No of shares</i>	<i>%</i>
Porterstone Limited ( <i>Note 1</i> )	243,150,000	12.39	243,150,000	3.49	364,725,000	3.91
Dorest Company Limited ( <i>Note 2</i> )	18,510,000	0.94	18,510,000	0.27	27,645,000	0.30
Mr. Heung Wah Keung	36,395,000	1.86	36,395,000	0.52	54,592,500	0.58
Ms. Chen Ming Yin, Tiffany	21,144,410	1.08	21,144,410	0.30	31,716,615	0.34
Sub-Total	319,199,410	16.27	319,199,410	4.58	478,679,115	5.13
Li Yuk Sheung, being a Director	16	0.00	16	0.00	24	0.00
<b>Public Shareholders:</b>						
Tranche II Placees	0	0.00	5,000,000,000	71.82	5,000,000,000	53.63
The Vendor ( <i>Note 3</i> )	0	0.00	0	0.00	1,516,333,333	16.27
Other public Shareholders	1,643,128,623	83.73	1,643,128,623	23.60	2,327,417,934	24.97
Total	<u>1,962,328,049</u>	<u>100.00</u>	<u>6,962,328,049</u>	<u>100.00</u>	<u>9,322,430,406</u>	<u>100.00</u>

\* *No Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placings.*

#### Notes:

- Porterstone Limited is beneficially owned by Ms. Chen Ming Yin, Tiffany. Accordingly, Mr. Heung Wah Keung, the husband of Ms. Chen Ming Yin, Tiffany, is deemed to be interested in the Shares held by Porterstone Limited. Porterstone Limited is a substantial Shareholder.
- Dorset Company Limited is beneficially owned by Ms. Chen Ming Yin, Tiffany and Mr. Heung Wah Keung (both are Directors).
- Assuming Shares are fully issued pursuant to the Acquisition.
- Assuming 843,769,024 new Shares are issued in accordance with the Rights Issue.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the existing authorized share capital of the Company consists of 20,000,000,000 Shares out of which 1,962,328,049 Shares are issued and fully paid up. As at the Latest Practicable Date, save for Porterstone Limited, Dorest Company Limited, Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany, there are no single largest Shareholder and there are no convertible notes outstanding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is no controlling Shareholders as at the date hereof.

As at the Latest Practicable Date, there are outstanding Share Options entitling holders thereof to subscribe for 195,267,625 Shares granted under the share option schemes of the Company.

### GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, the provision of post-production services and property and hotel investment. The Group will cease to invest in property and hotels following the disposal of Kingsway Hotel Limited to Riche Multi-Media Holdings Limited, an associated company of the Company, as announced on 8 August 2007.

Application has been 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 Tranche I Placing Shares. 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 Tranche II Placing Shares.

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

Shareholders and potential investors should note that the Tranche II Placing is subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

### PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Bye-law 70 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the Meeting; or
- (ii) by at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

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## LETTER FROM THE BOARD

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- (iv) by a member or members present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

### SGM

A notice convening the SGM is set out on pages 14 and 15 of this circular. The SGM will be convened for the purpose of considering, and, if thought fit, passing the ordinary resolution to approve the Tranche II Placing.

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

### DIRECTORS' RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

### RECOMMENDATION

The Board considers that the terms of the Tranche II Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole and recommends you to vote in favour of the resolution to be proposed at the SGM.

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 a special general meeting of China Star Entertainment Limited (the “Company”) will be held at 12:00 noon on Monday, 22 October 2007 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 5 September 2007 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 best effort basis, up to a maximum of 5,000,000,000 new shares at a price of HK\$0.21 per share (the “Placing Shares”) (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, 4 October 2007



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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 real or under the hand of any officer, attorney or other person authorised to sign the name.
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 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, 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 registrar of members of the Company in respect of the joint holding.