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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

ANNOUNCEMENT

This announcement is made at the request of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The board (the "Board") of directors (the "Directors") of China Star Entertainment Limited (the "Company") noted today's increase in trading volume of the shares of the Company and wish to state that the Board is not aware of any reasons for such increase. The Company also wish to state that it had entered into a non-legally binding letter of intent with an independent third party on 2 June 2006 regarding a proposed acquisition ("Proposed Acquisition") of companies whose sole asset is a controlling interest in a hotel in Macau. The Proposed Acquisition, if it proceeds, would constitute a notifiable transaction for the Company under the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules"). No legally binding terms and conditions of the Proposed Acquisition have been finalised and no written agreement has been reached in respect of such negotiation at the moment. With reference to the announcement dated 27 April 2006, the Company also wish to state that it is in preliminary negotiation with independent third parties for the possible sale ("Possible Sale") of film rights for certain films in the film library held by the subsidiaries of the Company.

Given that the discussions are at preliminary stage and no terms of the Proposed Acquisition and the Possible Sale have been agreed and therefore the Proposed Acquisition and the Possible Sale may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the shares of the Company.

Save as disclosed above, the Board also confirm that save and except for the Company's announcements dated 16 September 2005, 7 October 2005, 28 October 2005, 10 November 2005, 14 December 2005, 10 March 2006 and circular dated 24 November 2005 in relation to the placing of a deposit for the purpose of negotiation in a proposed acquisition of an equity interest in a company involved in the Macau gaming business, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

The Directors stress that the Proposed Acquisition and the Possible Sale may or may not proceed. Further announcements will be made by the Company as and when necessary.

Made by the order of the Board, the Directors of which collectively and individually accept responsibility for the accuracy of this announcement.

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

Hong Kong, 5 June 2006

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung and the independent non-executive directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Fung Ho Sum.