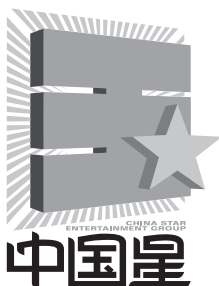


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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

### **ANNOUNCEMENT**

The Company has conditionally agreed to place in aggregate 80,000,000 new Shares to PMA Asian Opportunities Fund, Diversified Asian Strategies Fund and Asian Diversified Total Return Limited Duration Company at a price of HK\$0.365 per Share.

The Placing Shares represent approximately 12.81% of the existing issued share capital of the Company of 624,646,608 Shares and approximately 11.35% of the issued share capital of the Company as enlarged by the Placing. The net proceeds from the Placing of approximately HK\$29 million will be used by the Company and its subsidiaries for the proposed acquisition of a hotel in Macau.

The Placing is conditional upon the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares and the approval of the Placing by the shareholders of the Company in SGM.

A circular containing details of the Placing and a notice of SGM will be despatched to the shareholders of the Company in due course.

Trading in the Shares was suspended with effect from 9:30 a.m. on 7th June, 2006 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8th June, 2006.

China Star Entertainment Limited (the “Company”) has conditionally agreed to place in aggregate 80,000,000 new ordinary shares (“Placing Shares”) of HK\$0.05 each in the share capital of the Company (“Shares” and each a “Share”) to PMA Asian Opportunities Fund, Diversified Asian Strategies Fund and Asian Diversified Total Return Limited Duration Company at a price of HK\$0.365 per Share (“Placing”).

## **PLACING AGREEMENT DATED 6TH JUNE, 2006 (THE “PLACING AGREEMENT”)**

### **Placees**

PMA Capital Management Limited, an SEC registered investment manager registered in the Cayman Islands, entered into the Placing Agreement on behalf of three of the funds that the company manages on a discretionary basis: Diversified Asian Strategies Fund, Asian Diversified Total Return Limited Duration Company and PMA Asian Opportunities Fund (the “Placees”). The Placees are all independent third parties, who, to the best of the Company’s directors’ knowledge, information and belief having made all reasonable enquiry, are not connected persons (as defined in The Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”)) of the Company and are not acting in concert with the directors, chief executive or substantial shareholders of the Company or any of their subsidiaries or any of their respective associates (as defined in the Listing Rules). To the best

of the Company's directors' knowledge, information and belief having made all reasonable enquiry, no shareholder of the Company is connected with the Placees and no connected person of the Company has any interest in the Placees. PMA Capital Management Limited is a third party independent of the Company and its connected persons.

### **Placing price**

The placing price is HK\$0.365 per Share. This price was agreed after arm's length negotiations and represents (i) a discount of approximately 6.4% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on 6th June, 2006, being the date when the principal terms of the Placing Agreement were fixed and last trading day before this announcement; and (ii) a discount of approximately 1.7% to the average closing price per Share of approximately HK\$0.359 per Share as quoted on the Stock Exchange from 23rd May, 2006 to 6th June, 2006 both dates inclusive, being the last ten trading days immediately before this announcement.

The net proceeds of the Placing are required to be paid to the Company at completion of the Placing. The net proceeds of the Placing raised per new Share upon the completion of the Placing will be HK\$0.364 per Share.

### **Rights**

The Placing Shares will on issue rank equally with the existing Shares.

### **Number of Shares to be placed**

In aggregate 80,000,000 new Shares (as to 31,800,000 Shares, 42,410,000 Shares and 5,790,000 Shares to PMA Asian Opportunities Fund, Diversified Asian Strategies Fund and Asian Diversified Total Return Limited Duration Company respectively) are to be placed, representing approximately 12.81% of the existing issued share capital of the Company of 624,646,608 Shares and approximately 11.35% of the issued capital of the Company as enlarged by the Placing.

## **Condition of the Placing**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares and the approval of the Placing by shareholders of the Company in Special General Meeting (“SGM”) (“Conditions”).

## **Completion**

The Placing is to be completed two business days after satisfaction of the Conditions.

## **USE OF PROCEEDS**

The net proceeds from the Placing of approximately HK\$29 million will be used by the Company and its subsidiaries for future acquisitions. The Company is, as announced on 5th June, 2006, proposing to acquire a hotel in Macau. Accordingly, if such transaction proceeds, the net proceeds of the Placing may be used for such transaction. If such transaction does not proceed, the net proceeds of the Placing will be used as the general working capital of the Company and its subsidiaries.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

## **FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THE PLACING AGREEMENT**

Save as disclosed in the Company’s announcement dated 17th May, 2006, the Company has no fund raising activity in the past 12 months immediately preceding the date of this announcement. Under the subscription agreement dated 17th May, 2006, the Company had issued 104,105,000 new Shares at a price of HK\$0.33 per Share on 30th May, 2006 with net proceeds of appropriately HK\$33.30 million. The said net proceeds have not been used by the Company as at the date of

this announcement and will be used together with the net proceeds from the Placing for future acquisitions including the proposed acquisition of a hotel in Macau.

## REASON FOR THE PLACING

The directors of the Company (including the independent non-executive directors) (“Directors” and each a “Director”) consider that the placing price for the Placing was higher than the placing price of the previous placing under the subscription agreement dated 17th May, 2006 and that the terms of the Placing were fair and reasonable and were in the best interests of the Company, so far as the shareholders of the Company are concerned. The Directors also consider that the Placing represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

## EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company immediately before and after the Placing are set out as below:

	Existing		Immediately after the Placing	
	Shares	%	Shares	%
Porterstone ( <i>Note 1</i> )	61,905,000	9.91	61,905,000	8.79
Dorest ( <i>Note 2</i> )	18,510,000	2.96	18,510,000	2.62
Mr. Heung ( <i>Director</i> )	18,395,000	2.94	18,395,000	2.61
Ms. Chen ( <i>Director</i> )	9,429,410	1.51	9,429,410	1.34
Ms. Li Yuk Sheung ( <i>Director</i> )	16	0.00	16	0.00
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	108,239,426	17.32	108,239,426	15.36
Public shareholders	516,407,182	82.68	516,407,182	73.29
Placees	0	0.00	80,000,000	11.35
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>624,646,608</u>	<u>100.00</u>	<u>704,646,608</u>	<u>100.00</u>

*Notes:*

1. The entire issued share capital of Porterstone Limited (“Porterstone”) is beneficially owned by Ms. Chen Ming Yin, Tiffany (“Ms. Chen”). Accordingly, Mr. Heung Wah Keung (“Mr. Heung”), the husband of Ms. Chen, is deemed to be interested in the Shares held by Porterstone.
2. The issued share capital of Dorest Company Limited (“Dorest”) is beneficially owned as to 60% by Ms. Chen through Porterstone and as to 40% by Mr. Heung.

**SGM**

A circular containing details of the Placing and a notice of SGM will be despatched to the shareholders of the Company in due course. No shareholder of the Company will be required to abstain from voting at the SGM since no shareholder of the Company has any beneficial interest in the Placing.

**RESUMPTION OF TRADING**

Trading in the Shares was suspended with effect from 9:30 a.m. on 7th June, 2006 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8th June, 2006.

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

Hong Kong, 7th 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.*