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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

### **TERMINATION OF DISCLOSEABLE TRANSACTION**

The Company had made announcements on 16th September, 2005, 14th December, 2005, 10th March, 2006 and 12th June, 2006 in relation to a non-binding letter of intent entered into with an independent third party in relation to the acquisition of an equity interest in a company involved in the Macau gaming business.

The board of directors of the Company announces that following a due diligence conducted by the Company on the assets, liabilities, records and operation of a company involved in Macau gaming business, it has decided not to proceed with the proposed acquisition.

The Company refers to announcements made on 16th September, 2005, 14th December, 2005, 10th March, 2006 and 12th June, 2006.

On 15th September, 2005, the Company entered into a non-binding letter of intent (as supplemented from time to time) with Mr. Phua Wei Seng, an independent third party, who, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company (as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) and independent of the Company and its connected persons, for the acquisition by the Company of an equity interest in a company involved in Macau gaming business. A refundable deposit of HK\$20,000,000 was placed by the Company with Mr. Phua Wei Seng pursuant to the non-binding letter of intent.

The refundable deposit of HK\$20,000,000 constituted an advance pursuant to Rule 13.13 of the Listing Rules and a discloseable transaction of the Company under the Listing Rules as it exceeds 5% but not more than 25% of the applicable five tests under Chapter 14 of the Listing Rules. A circular was despatched to the shareholders of the Company on 24th November, 2005.

The board of directors of the Company announces that following due diligence conducted by the Company on the assets, liabilities, records and operation of a company involved in Macau gaming business, it has decided not to proceed with the proposed acquisition. Moreover, both parties cannot come to agreement as to the consideration and the structure of the proposed acquisition. Accordingly the refundable deposit of HK\$20,000,000 will be returned to the Company without interest by no later than 12th September, 2006. The directors of the Company are of the view that the decision not to proceed with the proposed acquisition will not have any material effect on the financial and trading position of the Company and its subsidiaries.

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

Hong Kong, 11th September, 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.*

*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Times.*