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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PROPOSED ISSUE OF ZERO COUPON UNSECURED CONVERTIBLE BONDS DUE 2012 BY CHINA STAR ENTERTAINMENT LIMITED CONVERTIBLE INTO ORDINARY SHARES OF CHINA STAR ENTERTAINMENT LIMITED AND RESUMPTION OF TRADING OF SHARES

On 19th January, 2007, the Company entered into the Unsecured Subscription Agreements with the Subscribers, whereby the Subscribers have, subject to satisfaction (or waiver) of the conditions precedent of the Unsecured Subscription Agreements (as set out below), agreed to subscribe and pay or procure subscribers to subscribe and pay for the Firm Bonds to be issued at the issue price of 95 per cent. of the face value of the Firm Bonds in an aggregate principal face value amount of HK\$168,500,000 on the terms and conditions of the Unsecured Subscription Agreements. The initial conversion price is the lower of (i) HK\$0.32 per Firm Bonds Conversion Share and (ii) the average closing price of the Shares for the ten Trading Days prior to the Closing Date provided that the Firm Bonds Conversion Price shall in no event be less than HK\$0.25 per Firm Bonds Conversion Share (subject to adjustments).

The estimated net proceeds from the issue of the Firm Bonds, after deduction of commission and concession, are approximately HK\$159,000,000. The net proceeds will be used for the acquisition by the Company of a 38.50% equity interest in Kingsway Hotel Limited, whose principal asset is the Kingsway Hotel, from Great Trust – Gestao E Participacoes, Limitada as announced by the Company on 4th January, 2007.

Completion of the Unsecured Subscription Agreements is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Unsecured Subscription Agreements may be terminated under certain circumstances. Please refer to the paragraph headed “UNSECURED SUBSCRIPTION AGREEMENTS” below for further information.

As the Unsecured Subscription Agreements may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Firm Bonds Conversion Shares to be issued upon conversion of the Firm Bonds will be allotted and issued by the Company pursuant to a specific mandate to be granted to the Directors at the SGM.

No application will be made for the listing of the Firm Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Firm Bonds Conversion Shares.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 am on 22nd January, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 am on 14th February, 2007.

UNSECURED SUBSCRIPTION AGREEMENTS

Date: 19th January, 2007

Parties:

- (1) Issuer: the Company
Subscriber: Improvmany International Limited, an Independent Third Party and a company wholly-owned by Hanny Holdings
Firm Bonds Size: HK\$124,500,000
- (2) Issuer: the Company
Subscriber: Better Talent Limited, an Independent Third Party and a company wholly-owned by Macau Success
Firm Bonds Size: HK\$12,500,000
- (3) Issuer: the Company
Subscriber: Aceyard Investments Limited, an Independent Third Party and a company wholly-owned by Mr. Chan
Firm Bonds Size: HK\$31,500,000

So far as the Directors are aware, each of Improvmany International Limited, Better Talent Limited and Aceyard Investments Limited are independent from each others and their beneficial owners and Great Trust – Gestao E Participacoes, Limitada and the beneficial owners of Improvmany International Limited, Better Talent Limited, Aceyard Investments Limited and Great Trust – Gestao E Participacoes, Limitada are Independent Third Parties and are not acting in concert with each others or any other Shareholders. Shareholders should note that Hanny Holdings is a substantial shareholder of Wing On Travel (Holdings) Limited (holding approximately 20% of its issued share capital as at the date of this announcement), the beneficial owner of one of the vendors under the Initial Acquisition. The Company has been informed that Hanny Holdings' investment in Wing On Travel (Holdings) Limited is treated as an "interest in an associate" in the accounts of Hanny Holdings. Hanny Holdings does not have a controlling shareholding over Wing On Travel (Holdings) Limited. Better Talent Limited is a fellow subsidiary to one of the vendors under the Initial Acquisition.

Subject to the fulfilment (or waiver) of the conditions set out below under the section headed "Conditions Precedent of the Unsecured Subscription Agreements", the Subscribers have agreed to subscribe and pay for or procure subscribers to subscribe and pay for the Firm Bonds to be issued at the issue price of 95 per cent. of the face value of the Firm Bonds in an aggregate principal amount of HK\$168,500,000. The Company chose the Subscribers for the issue of the Firm Bonds because the Directors consider that the terms offered are fair and reasonable and that the Firm Bonds are unsecured and carry relatively low interest.

Of three Subscribers, Hanny Holdings was sourced by the Chairman of the Company and the others by Ms. Chen Ming Yin, Tiffany, a Director.

The net proceeds of the Firm Bonds will, on Closing Date, be placed with the Company's lawyers to be held in escrow for release only towards the acquisition by the Company of a 38.5% equity interest in Kingsway Hotel Limited, whose principal asset is the Kingsway Hotel, from Great Trust – Gestao E Participacoes, Limitada as announced by the Company on 4th January, 2007.

Conditions precedent of the Unsecured Subscription Agreements

Completion of the Unsecured Subscription Agreements is conditional upon, among other things, satisfaction and/or waiver (in respect of conditions (c), (e), (g) and (h)) of the following conditions:

- (a) the passing of the necessary resolution(s) by the Shareholders at the SGM approving the Unsecured Subscription Agreements and all transactions contemplated therein including but not limited to, the creation and the issue of the Firm Bonds, and the issuance of the Firm Bonds Conversion Shares upon exercise by the Bondholders of the conversion rights, each in accordance with the bye-laws of the Company and the requirements of the Listing Rules;
- (b) the passing of the necessary resolution(s) of the shareholders of each Subscriber (if necessary) approving the relevant Unsecured Subscription Agreement;
- (c) the Subscribers having been satisfied with the results of their due diligence investigations on the Group;
- (d) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to such conditions as the Company and the Subscriber both acting reasonably do not object) the listing of, and permission to deal in the Firm Bonds Conversion Shares to be allotted and issued upon conversion of the Firm Bonds;
- (e) on or prior to the Closing Date, there shall have been delivered to the Subscribers, each in a form satisfactory to the Subscribers, opinions dated the Closing Date, of Appleby Hunter Bailhache, legal advisers to the Company as to Bermuda law on, among other things, the due incorporation and existence of the Company and the validity, legality and enforceability of the issue of the Firm Bonds by the Company and the Unsecured Subscription Agreements and such other resolutions, consents, authorities and documents relating to the issue of the Firm Bonds, as the Subscribers may reasonably require;

- (f) if required, an increase in the authorised share capital of the Company to facilitate the issue of the Firm Bond Conversion Shares and the Bermuda Monetary Authority shall have granted its approval to the allotment and issue of the Firm Bonds Conversion Shares;
- (g) at the Closing Date:
 - (i) the representations and warranties of the Company in the Unsecured Subscription Agreements shall be true, accurate and correct in all respects at, and as if made on such date;
 - (ii) the Company shall have performed all of its obligations under the Unsecured Subscription Agreements expressed to be performed on or before such date; and
 - (iii) there shall have been delivered to the Subscribers a certificate, dated as of such date, of a duly authorised officer of the Company to such effect; and
- (h) at the Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of the Company and its subsidiaries as a whole (including as revealed in the audited consolidated financial statements of the Group for the year ended 31st December, 2005), which, in the reasonable opinion of the Subscribers, is material and adverse.

Termination

Any Subscriber may, by notice to the Company given at any time prior to payment of the net subscription monies for the Firm Bonds to the Company, terminate the relevant Unsecured Subscription Agreement in any of the following circumstances:

- (i) if there shall have come to the notice of such Subscriber any breach of, or any event rendering untrue or incorrect in any respect any of the warranties and representations contained in the relevant Unsecured Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the relevant Unsecured Subscription Agreement;
- (ii) if there shall have occurred any change, or any development involving a prospective change, in national or international monetary, financial, political, industrial or economic conditions or currency exchange rates or foreign exchange controls or other nature which would in such Subscriber's reasonable view prejudice materially the success of the offering or the distribution of the Firm Bonds;
- (iii) if there shall have occurred an outbreak or escalation of hostilities or act of terrorism which would in such Subscriber's view prejudice materially the success of the offering or the subscription or the distribution of the Firm Bonds; or
- (iv) if on or after the date of the relevant Unsecured Subscription Agreement there shall have occurred a suspension in trading in the Company's securities for more than 15 consecutive Trading Days on the Stock Exchange other than in connection with the clearance of announcements in connection with the transactions contemplated in the relevant Unsecured Subscription Agreement, which would in such Subscriber's reasonable view prejudice materially the success of the subscription or distribution of the Firm Bonds.

The initial conversion price of HK\$0.32 per Firm Bonds Conversion Share (being the initial ceiling conversion price) represents a premium of approximately 6.67% over the closing price of each Share on 19th January, 2007, a premium of approximately 5.96% over the average of the closing prices of each Share for a period of 5 consecutive Trading Days immediately prior to the date of this announcement and a premium of approximately 7.02% over the average of the closing prices of each Share for a period of 10 consecutive Trading Days immediately prior to the date of this announcement.

The Firm Bonds Conversion Shares will be allotted and issued by the Company pursuant to a specific mandate to be granted to the Directors at the SGM.

PRINCIPAL TERMS AND CONDITIONS OF THE FIRM BONDS

Company

The Company was incorporated with limited liability in Bermuda, the Shares of which are listed on the Stock Exchange.

Principal amount

The aggregate principal amount of the Firm Bonds to be issued is HK\$168,500,000.

Issue price

95% of the aggregate principal amount of the Firm Bonds (i.e. HK\$0.95 for each HK\$1.00 principal amount of the Firm Bonds).

Interest

The Firm Bonds bear zero interest.

Security

Nil

Firm Bonds Conversion Period

Bondholder(s) have the right to convert their Firm Bonds into Firm Bonds Conversion Shares at any time on or after the 7th day after the Closing Date and up to the close of business (at the place where the certificate evidencing such Firm Bond is deposited for conversion) on the business day before the Firm Bonds Maturity Date or if such Firm Bonds shall have been called for redemption before 5 business days from the Firm Bonds Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof but in any event before the Firm Bonds Maturity Date.

Firm Bonds Conversion Price

The Firm Bonds will be convertible into Firm Bonds Conversion Shares at an initial conversion price of the lower of (i) HK\$0.32 per Firm Bonds Conversion Share and (ii) the average closing price of the Shares for the ten Trading Days prior to the Closing Date, provided that the initial conversion price shall in no event be less than HK\$0.25 per Firm Bonds Conversion Share (subject to adjustments). The Firm Bonds Conversion Price may be subject to adjustment for, among other things, (i) consolidation, subdivision, or reclassification of Shares, (ii) capitalization of profits or reserves of the Company, (iii) distributions made by the Company, (iv) rights issues of Shares or options over Shares, (v) rights issues of other securities of the Company, (vi) issues of Shares or securities to subscribe or purchase Shares at less than market price, (vii) other issues of securities carrying rights of conversion into, or exchange or subscription for Shares, at less than market price (including modification of rights of conversion), (viii) other offers to Shareholders entitled them to participate in arrangements whereby securities may be acquired by them, or (ix) other event(s) determined to be fair and reasonable by an independent investment bank or qualified accountant selected by the Company and the Bondholder(s). However no adjustments will be made to the Firm Bonds Conversion Price when Shares are issued in respect of the exercise of 200,602,625 options granted under the Company's share option scheme and outstanding as at the date of the Unsecured Subscription Agreements.

Pursuant to a provision of the Firm Bonds to be issued to Improvemany International Limited, an undertaking will be given by Improvemany International Limited to the Company that during the term of the Firm Bonds, it will not exercise its conversion rights thereunder to such extent that it and its concert parties will result in holding 30% (or such other percentage as may be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting rights of the Company and the Company shall therefore not be obliged to issue Shares to Improvemany International Limited which will have such result.

Ranking of Firm Bonds Conversion Shares

Firm Bonds Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

Transfer

The Firm Bonds are freely transferable.

Maturity

Unless previously redeemed, converted or cancelled, the Company shall redeem each Firm Bond at 100% of its principal amount on the date falling 5 years from its issue. The Company may not redeem the Firm Bonds at its option prior to the Firm Bonds Maturity Date.

Default interest and delay in payment

If the Company fails to pay any sum in respect of the Firm Bonds when the same becomes due and payable, interest shall accrue on the overdue sum at the prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited plus 5.0% per annum from the due date until full payment, calculated on the basis of the actual number of days elapsed and a 360-day year.

Form of the Firm Bonds and denomination

The Firm Bonds will be in registered form and in denominations of HK\$2,500,000 each.

Status of the Firm Bonds

The Firm Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.

Listing and miscellaneous

No application will be made for the listing of the Firm Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Firm Bonds Conversion Shares.

The Company will undertake to the Stock Exchange that it will notify the Stock Exchange as soon as possible upon becoming aware of any dealings in the Firm Bonds by connected persons of the Company.

Effect on the share capital of the Company as a result of conversion of the Firm Bonds

Assuming the Firm Bonds are fully converted into Shares at the initial conversion price of HK\$0.32 or HK\$0.25 per Firm Bonds Conversion Share, the Firm Bonds will be convertible into approximately 526,562,500 Firm Bonds Conversion Shares or 674,000,000 Firm Bonds Conversion Shares respectively (subject to adjustment), representing approximately 74.73% or 95.65% respectively of the issued share capital of the Company as at the date of this announcement and approximately 42.76% or 48.89% respectively of the enlarged issued share capital of the Company.

Name of Shareholder	Existing (as at the date of this announcement)		Assuming the Firm Bonds are fully converted into Firm Bonds Conversion Shares at the initial conversion price of HK\$0.32 each and Improvemany International Limited restricted to less than 30% of the issued share capital of the Company with any balance Firm Bonds Conversion Shares being held by the public		Assuming the Firm Bonds are fully converted into Firm Bonds Conversion Shares at the initial conversion price of HK\$0.25 each and Improvemany International Limited restricted to less than 30% of the issued share capital of the Company with any balance Firm Bonds Conversion Shares being held by the public	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company	No. of Shares	% of enlarged share capital of the Company
Porterstone Limited*	61,905,000	8.79	61,905,000	5.03	61,905,000	4.49
Dorest Company Limited*	18,510,000	2.62	18,510,000	1.50	18,510,000	1.34
Mr Heung Wah Heung (Director)	36,395,000	5.17	36,395,000	2.96	36,395,000	2.64
Ms Chen Ming Yin, Tiffany (Director)	21,144,410	3.00	21,144,410	1.72	21,144,410	1.53
Ms Li Yuk Sheung (Director)	16	0.00	16	0.00	16	0.00
Improvemany International Limited	0	0.00	369,239,611	29.99	413,456,117	29.99
Better Talent Limited	0	0.00	39,062,500	3.17	50,000,000	3.63
Aceyard Investments Limited	0	0.00	98,437,500	7.99	126,000,000	9.14
Public	566,692,182	80.42	586,515,071	47.64	651,236,065	47.24
Total	704,646,608	100.00	1,231,209,108	100.00	1,378,646,608	100.00

* Porterstone Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen Ming Yin, Tiffany, a Director. 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.

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 through Porterstone Limited and as to 40% by Mr. Heung Wah Keung, a Director.

Pursuant to a provision of the Firm Bonds to be issued to Improvemany International Limited, an undertaking will be given by Improvemany International Limited to the Company that during the term of the Firm Bonds, it will not exercise its conversion rights thereunder to such extent that it and its concert parties will result in holding 30% (or such other percentage as may be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting rights of the Company and the Company shall therefore not be obliged to issue Shares to Improvemany International Limited which will have such result.

USE OF PROCEEDS

The estimated net proceeds from the issue of the Firm Bonds will be used for the acquisition by the Company of a 38.50% equity interest in Kingsway Hotel Limited, whose principal asset is the Kingsway Hotel, from Great Trust – Gestao E Participacoes, Limitada as announced by the Company on 4th January, 2007.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE FIRM BONDS

The issue of the Firm Bonds will enlarge the capital base of the Company. Taking into account that the Firm Bonds Conversion Price represents a premium to the closing price of the Shares as quoted on the Stock Exchange on 19th January, 2007, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Firm Bonds are fair and reasonable and are in the interest of the Group as a whole.

ISSUE OF SECURITIES IN THE PREVIOUS 12-MONTH PERIOD

Save as disclosed in the Company's announcements dated 17th May, 2006 and 7th June, 2006, the Company has no fund raising activity in the past 12 months immediately preceding the date of this announcement.

CHRONOLOGY

The Initial Acquisition was announced on 15th June, 2006. It is a condition precedent to one of the sale and purchase agreements in respect of the Initial Acquisition that the Company successfully obtains financing for the relevant consideration. Between 15th June, 2006 and 31st October, 2006, the Company was in negotiations with various hedge funds regarding the financing of the Initial Acquisition. Various announcements had been issued by the Company after 15th June, 2006 in that regard. Negotiation on the terms of the Firm Bonds only commenced on 12th January, 2007, that is after the entering into of the Subsequent Acquisition on 3rd January, 2007.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, and the provision of post-production services.

Completion of the Unsecured Subscription Agreements is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Unsecured Subscription Agreements may be terminated under certain circumstances. Please refer to the paragraph headed "UNSECURED SUBSCRIPTION AGREEMENTS" above for further information.

As the Unsecured Subscription Agreements may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DILUTION EFFECT ON SHAREHOLDING

In view of the future dilution to existing Shareholders on the exercise of the conversion rights attached to the Firm Bonds, the Company will keep the Shareholders informed of the level of dilution and details of conversion as follows:

- (a) the Company will make a monthly announcement (the "Monthly Announcement") on the website of the Stock Exchange after completion of the Firm Bonds. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (i) whether there is any conversion of the Firm Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the number of outstanding Firm Bonds after conversion, if any;
 - (iii) the total number of new Shares issued pursuant to other transactions during the relevant month, including new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Firm Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Firm Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Firm Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Firm Bonds (as the case may be).

RESUMPTION OF TRADING OF SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 am on 22nd January, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 am on 14th February, 2007.

TERMS USED IN THIS ANNOUNCEMENT

"Board"	the board of Directors;
"Bondholder(s)"	holder(s) of the Firm Bonds from time to time;
"Closing Date"	the date falling on or before 4 months from the date of the Unsecured Subscription Agreements (i.e. on or before 19th May, 2007 or such other date as the Company and the Subscribers may agree) on which the Firm Bonds are issued;
"Company"	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
"Directors"	directors of the Company;

“Firm Bonds”	the zero coupon unsecured convertible bonds due 2012 of an aggregate principal face value amount of HK\$168,500,000 to be issued by the Company;
“Firm Bonds Conversion Period”	the period during which the Bondholder(s) have the right to convert their Firm Bonds into Firm Bonds Conversion Shares, as set out in the section “Principal Terms and Conditions of the Firm Bonds – Firm Bonds Conversion Period” above;
“Firm Bonds Conversion Price”	the price per Firm Bonds Conversion Share at which the Firm Bonds may be converted into Firm Bonds Conversion Shares;
“Firm Bonds Conversion Right”	the right of a Bondholder to convert any Firm Bond into Firm Bonds Conversion Shares;
“Firm Bonds Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Firm Bonds;
“Firm Bonds Maturity Date”	five years from the date of issue of the Firm Bonds;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hanny Holdings”	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange, and indirectly holds 20% of the issued share capital of Wing On Travel (Holdings) Limited, the beneficial owner of one of the vendors under the Initial Acquisition;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
“Initial Acquisition”	the acquisition by the Company of an aggregate indirect 61.5% interest in Kingsway Hotel Limited as announced by the Company on 15th June, 2006;
“Kingsway Hotel”	the hotel building (comprising the portions being operated as a hotel under the name of Kingsway Hotel and the commercial podium having a covered floor area of about 18,165.76 sq.m.) situate at Rua De Luis Gonzaga Gomes No.176-230, Rua De Nagasaki No.64-A-82, Rua De Xiamen No.37-A-59, Macau (including all appurtenances thereto, all furniture, fittings, equipment, furnishing, operating equipment and inventories and other tangible articles used in connection with Kingsway Hotel and the operation thereof);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the People’s Republic of China;
“Macau Success”	Macau Success Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange, and the guarantor of one of the vendors in the Initial Acquisition;
“Mr. Chan”	Mr. Johnny See Chan, the brother of Mr. Chan Chak Mo, one of the vendors in the Initial Acquisition;
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the issue of the Firm Bonds and the allotment and issue of the Firm Bonds Conversion Shares;
“Share(s)”	ordinary share(s) 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;

“Subsequent Acquisition”	the acquisition by the Company from Great Trust – Gestao E Participacoes, Limitada of, inter alia, an indirect 38.5% equity interest in Kingsway Hotel Limited as announced by the Company on 4th January, 2007;
“Subscribers”	Improvemany International Limited, Better Talent Limited and Aceyard Investments Limited and each a “Subscriber”;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“Trading Day”	a day on which the Stock Exchange is open for business;
“Unsecured Subscription Agreements”	the three subscription agreements all dated 19th January, 2007 entered into between the Company and the Subscribers in relation to the subscription of the Firm Bonds;
“%”	per cent.

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

Hong Kong, 13th February, 2007

As at the date of this announcement, the executive Directors 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.