

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.*



## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

**(1) PLACING OF NEW SHARES UNDER GENERAL MANDATE  
(2) PLACING OF NEW SHARES SUBJECT TO  
SHAREHOLDERS' APPROVAL  
AND  
(3) RESUMPTION OF TRADING**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

The Company and the Placing Agent entered into the Placing Agreements after trading hours on 5 September 2007, whereby the Company has conditionally agreed to place, through the Placing Agent (i) under the Tranche I Placing on a fully underwritten basis of 274,790,000 Placing Shares to independent investors at a price of HK\$0.21 per Placing Share and (ii) under the Tranche II Placing on a best effort basis a maximum of 5,000,000,000 Placing Shares to independent investors at a price of HK\$0.21 per Placing Share.

The 274,790,000 Placing Shares under Tranche I Placing represent (i) approximately 16.28% of the existing issued share capital of the Company of 1,687,538,049 Shares; (ii) approximately 14.00% of the Company's issued share capital of 1,962,328,049 Shares as enlarged by completion of the Tranche I Placing; and (iii) approximately 3.95% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by completion of the Placings.

The 5,000,000,000 Placing Shares under Tranche II Placing represent (i) approximately 296.29% of the existing issued share capital of the Company of 1,687,538,049 Shares; (ii) approximately 74.77% of the Company's issued share capital of 6,687,538,049 Shares as enlarged by completion of the Tranche II Placing; and (iii) approximately 71.82% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by completion of the Placings.

The aggregate of 5,274,790,000 Placing Shares represent (i) approximately 312.57% of the existing issued share capital of the Company of 1,687,538,049 Shares; and (ii) approximately 75.77% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by completion of the Placings.

The net proceeds from the Tranche I Placing will be approximately HK\$56.2 million, which are intended to be used for partial payment of the Acquisition and for acquiring further gaming businesses in Macau, and those from the Tranche 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 some discussions with independent third parties or has identified some possible gaming businesses in Macau for discussions in this regard. However, the Company has not entered into any agreements for such investment opportunities.

An announcement will be made if there is any change in the proposed use of proceeds or in compliance with the Listing Rules, if required. The maximum net proceeds raised per Share upon the completion of the Placings will be approximately HK\$0.205 per Share. 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.

The Tranche I Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Tranche I Placing Shares.

The Tranche II Placing is conditional upon, among other things, (i) 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 (ii) 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.

**The Tranche I Placing and the Tranche II Placing are not inter-conditional.**

**Completion of Tranche I Placing and Tranche II Placing are subject to the satisfaction of the conditions precedent in the Tranche I Placing Agreement and the Tranche II Placing Agreement respectively.**

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

A circular containing, among other things, (i) details regarding the Tranche II Placing and (ii) a notice convening the SGM will be despatched to the Shareholders as soon as possible.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 6 September 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 10 September 2007.

The Company and the Placing Agent entered into the Placing Agreements after trading hours on 5 September 2007. Set out below are the details of the Placing Agreements.

## **THE TRANCHE I PLACING AGREEMENT**

### **Date**

5 September 2007 (after trading hours)

### **Issuer**

The Company

### **Placing Agent**

The Placing Agent has conditionally agreed to place 274,790,000 Placing Shares on a fully underwritten basis and will receive a placing commission of 2.5% on the gross proceeds of the Tranche I Placing. 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 agreed to place the Tranche I Placing Shares on a fully underwritten 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 individual Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Tranche I Placing nor will any new substantial/controlling shareholders be introduced after the Placings. The Placees are expected to be independent of Mr. Ng Cheuk Fai and Lucky State Group Limited, the parties to the Acquisition.

### **Tranche I Placing Shares**

The 274,790,000 Tranche I Placing Shares represent (i) approximately 16.28% of the existing issued share capital of the Company of 1,687,538,049 Shares; (ii) approximately 14.00% of the Company's issued share capital of 1,962,328,049 Shares as enlarged by completion of the Tranche I Placing; and (iii) approximately 3.95% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by completion of the Placings.

### **Ranking of Tranche I Placing Shares**

The Tranche I Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Tranche I 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; and
- (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.

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 I 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.

## **General Mandate**

The Tranche I Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 29 June 2007 subject to the limit up to 20% of the then issued share capital of the Company as at the date of the annual general meeting. Under the General Mandate, the Company is authorized to issue up to 274,796,527 Shares. Up to the date of this announcement, none of the new Shares has been issued under the General Mandate and the Company is allowed to issue up to 274,796,527 Shares.

## **Conditions of the Tranche I Placing**

Completion of the Tranche I 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 I Placing Shares; and
- (ii) the obligations of the Placing Agent under the Tranche I Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Tranche I Placing Agreement, including provisions regarding force majeure event.

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

## **Termination and force majeure**

**The Tranche I 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 I 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 I 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 I Placing by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Tranche I 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 I Placing (such success being the Tranche I 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 I Placing.**

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

## **Completion of the Tranche I Placing**

The conditions set out in the Tranche I Placing Agreement are expected to be fulfilled on or before 15 October 2007 or such later date as may be agreed by the Company and the Placing Agent and the completion of the Tranche I Placing will take place within four business days after the Tranche I Placing Agreement becomes unconditional.

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

## **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 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 being 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 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/controllers be introduced after the Placings. The Placees are expected to be independent of Mr. Ng Cheuk Fai and Lucky State Group Limited, the parties to the Acquisition.

### **Tranche II Placing Shares**

The 5,000,000,000 Tranche II Placing Shares represent (i) approximately 296.29% of the existing issued share capital of the Company of 1,687,538,049 Shares; (ii) approximately 74.77% of the Company's issued share capital of 6,687,538,049 Shares as enlarged by the Tranche II Placing; and (iii) approximately 71.82% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by the Placings.

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

The Tranche II Placing Shares will rank, upon 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; and
- (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.

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.



## **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 date of this announcement.

## **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.



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 the 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. Furthermore, there are the intervening Christmas, New Year and Chinese New Year holiday in between.

**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**

### **Number of Placing Shares**

The aggregate of 5,274,790,000 Placing Shares under the Placings represent (i) approximately 312.57% of the existing issued share capital of the Company of 1,687,538,049 Shares; and (ii) approximately 75.77% of the Company's issued share capital of 6,962,328,049 Shares as enlarged by completion of 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 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 date of this announcement, 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 net proceeds from the Tranche I Placing will be approximately HK\$56.2 million, which are intended to be used for partial payment of the Acquisition and for further acquiring further gaming businesses in Macau, and those from the Tranche 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 Share upon the completion of the Placings will be approximately HK\$0.205 per Share. 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.

## Effects on shareholding structure

The existing and enlarged shareholding structure of the Company immediately before and after completion of the Placings, and after completion of the Placings, 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 date of this announcement		Upon completion of Tranche I Placing only		Upon completion of Tranche II Placing only		Upon completion of the Placings		Upon completion of the Placings (Notes 3 and 4)	
	No of shares	%	No of shares	%	No of shares	%	No of shares	%	No of shares	%
Porterstone Limited <sup>(Note 1)</sup>	243,150,000	14.41%	243,150,000	12.39%	243,150,000	3.63%	243,150,000	3.49%	364,725,000	3.91%
Dorest Company Limited <sup>(Note 2)</sup>	18,510,000	1.10%	18,510,000	0.94%	18,510,000	0.28%	18,510,000	0.27%	27,645,000	0.30%
Mr Heung Wah Keung	36,395,000	2.16%	36,395,000	1.86%	36,395,000	0.54%	36,395,000	0.52%	54,592,500	0.58%
Ms Chen Ming Yin, Tiffany	21,144,410	1.25%	21,144,410	1.08%	21,144,410	0.32%	21,144,410	0.30%	31,716,615	0.34%
Sub-Total	319,199,410	18.92%	319,199,410	16.27%	319,199,410	4.77%	319,199,410	4.58%	478,679,115	5.13%
Li Yuk Sheung, being a director	16	0.00%	16	0.00%	16	0.00%	16	0.00%	24	0.00%
<b>Public Shareholders:</b>										
Tranche I Placees	0	0.00%	274,790,000	14.00%	0	0.00%	274,790,000	3.95%	274,790,000	2.95%
Tranche II Placees	0	0.00%	0	0.00%	5,000,000,000	74.77%	5,000,000,000	71.82%	5,000,000,000	53.63%
The Vendor	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1,516,333,333	16.27%
Other public Shareholders	1,368,338,623	81.08%	1,368,338,623	69.73%	1,368,338,623	20.46%	1,368,338,623	19.65%	2,052,627,934	22.02%
<b>Total</b>	<b>1,687,538,049</b>	<b>100.00%</b>	<b>1,962,328,049</b>	<b>100.00%</b>	<b>6,687,538,049</b>	<b>100.00%</b>	<b>6,962,328,049</b>	<b>100.00%</b>	<b>9,322,430,406</b>	<b>100.00%</b>

\* 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.
- Dorest 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 rights Shares (assuming no outstanding share options of the Company is exercised on or before the record date) are issued in accordance with the Rights Issue.

As at the date of this announcement, the existing authorized share capital of the Company consists of 20,000,000,000 Shares out of which 1,687,538,049 Shares are issued and fully paid up. As at the date of this announcement, save for Porterstone Limited, Dorest Company Limited, Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany, there are no single largest Shareholders 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.

### **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 this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
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\$168,800,000	For the Acquisition	For the Acquisition

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

\* *Announced but not yet completed.*

### **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 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 I Placing Shares and the relevant Tranche II Placing Shares respectively.

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

A circular containing, among other things, further details of the Tranche II Placing and a notice convening the SGM will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

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

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 6 September 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 10 September 2007 following the publication of this announcement.

## **TERMS USED IN THIS ANNOUNCEMENT**

“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;
“associates”	has the meaning given to that term in the Listing Rules;
“Board”	the board of Directors;
“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;
“Directors”	directors of the Company;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the annual general meeting held on 29 June 2007;
“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 this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	three months from the date of the SGM;
“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 activities 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/or 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;
“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;
“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 on or about the end of October 2007 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;
“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 for 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; and
“%”	per cent.

By Order of the Board  
**China Star Entertainment Limited**  
**Li Yuk Sheung**  
*Executive Director*

Hong Kong, 7 September 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. Leung Hok Man.*