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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2010

FINAL RESULTS

The board of directors (the “Board”) of China Star Entertainment Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

| | <i>Notes</i> | 2010 HK\$'000 | 2009 <i>HK\$'000</i> (Re-presented) |
|--|--------------|--------------------------------|---|
| Turnover | 3 | 864,261 | 543,429 |
| Cost of sales | | (239,153) | (98,810) |
| Gross profit | | 625,108 | 444,619 |
| Other revenue | 4 | 25,293 | 10,104 |
| Other income | 5 | 27,802 | 55,088 |
| Administrative expenses | | (455,812) | (236,101) |
| Marketing and distribution expenses | | (5,810) | (9,514) |
| Share-based payment expenses | | (8,238) | (8,039) |
| Gain arising on change in fair value of financial assets classified as held for trading | | 28,707 | 15,622 |
| Gain arising on change in fair value of investment properties | | 12,270 | 19,652 |
| Impairment loss recognised in respect of goodwill | | (8,975) | (40,278) |
| Impairment loss recognised in respect of film rights | | (1,339) | – |
| Impairment loss recognised in respect of intangible assets | | (197,973) | – |

CONSOLIDATED INCOME STATEMENT (Continued)*For the year ended 31st December 2010*

| | <i>Notes</i> | 2010 HK\$'000 | 2009 <i>HK\$'000</i> (Re-presented) |
|---|--------------|--------------------------------|---|
| Profit from operations | | 41,033 | 251,153 |
| Finance costs | 6 | (15,695) | (22,272) |
| Share of losses of associates | | (1) | (14) |
| Gain/(loss) arising on change in fair value in respect of conversion options embedded in convertible notes receivable | | 882 | (31,565) |
| Loss on disposal of subsidiaries | | – | (30,059) |
| Profit before taxation | 7 | 26,219 | 167,243 |
| Taxation charge | 8 | (1,392) | (2,848) |
| Profit for the year | | 24,827 | 164,395 |
| Attributable to: | | | |
| Owners of the Company | | (8,083) | 204,388 |
| Non-controlling interests | | 32,910 | (39,993) |
| | | 24,827 | 164,395 |
| (Loss)/earnings per share | 10 | | |
| Basic | | HKcents(0.24) | HKcents22.04 |
| Diluted | | HKcents(0.24) | HKcents19.53 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Re-presented) |
|--|--------------------------------|---|
| Profit for the year | <u>24,827</u> | <u>164,395</u> |
| Other comprehensive income | | |
| Exchange differences arising on translation of foreign operations | (171) | 39 |
| Fair value adjustment on available for sale financial assets | <u>–</u> | <u>9,800</u> |
| Other comprehensive income for the year | <u>(171)</u> | <u>9,839</u> |
| Total comprehensive income for the year | <u>24,656</u> | <u>174,234</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | (8,254) | 214,227 |
| Non-controlling interests | <u>32,910</u> | <u>(39,993)</u> |
| | <u>24,656</u> | <u>174,234</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2010

| | <i>Notes</i> | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 721,381 | 773,254 |
| Interests in leasehold land | | 464,731 | 484,333 |
| Investment properties | | 73,580 | 61,310 |
| Goodwill | | – | 8,975 |
| Intangible assets | | 791,232 | 989,205 |
| Convertible notes receivable | | – | 20,015 |
| Interests in associates | | 7,985 | – |
| | | <hr/> 2,058,909 | <hr/> 2,337,092 |
| Current assets | | | |
| Inventories | | 1,657 | 1,091 |
| Film rights | | 21,321 | 22,914 |
| Films in progress | | 19,038 | 19,238 |
| Trade receivables | 11 | 69,337 | 105,428 |
| Deposits, prepayments and other receivables | | 441,059 | 396,968 |
| Conversion options embedded in convertible notes receivable | | – | 10,908 |
| Held for trading investments | | 94,050 | 97,641 |
| Amounts due from associates | | 13,714 | 16,435 |
| Prepaid tax | | 180 | 1,100 |
| Cash and bank balances | | 625,827 | 173,188 |
| | | <hr/> 1,286,183 | <hr/> 844,911 |
| Assets classified as held for sale | | – | 8,272 |
| | | <hr/> 1,286,183 | <hr/> 853,183 |
| Total assets | | <hr/> 3,345,092 | <hr/> 3,190,275 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31st December 2010

| | <i>Notes</i> | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Capital and reserves | | | |
| Share capital | | 43,340 | 22,965 |
| Reserves | | 2,259,435 | 2,052,157 |
| | | 2,302,775 | 2,075,122 |
| Equity attributable to owners of the Company | | | |
| Non-controlling interests | | 277,181 | 244,271 |
| | | 2,579,956 | 2,319,393 |
| Non-current liabilities | | | |
| Bank borrowings – due after one year | | 450,000 | 178,275 |
| Obligation under finance lease | | 201 | 305 |
| Convertible notes | | – | – |
| Deferred tax liabilities | | 88,063 | 86,682 |
| | | 538,264 | 265,262 |
| Current liabilities | | | |
| Bank overdraft | | – | 178,764 |
| Bank borrowings – due within one year | | 50,000 | 232,631 |
| Obligation under finance lease | | 96 | 96 |
| Trade payables | 12 | 25,038 | 21,426 |
| Deposits received, accruals and other payables | | 60,470 | 132,201 |
| Amount due to an associate | | 25,766 | – |
| Amounts due to non-controlling interests | | 65,502 | 40,502 |
| | | 226,872 | 605,620 |
| Total liabilities | | 765,136 | 870,882 |
| Total equity and liabilities | | 3,345,092 | 3,190,275 |
| Net current assets | | 1,059,311 | 247,563 |
| Total assets less current liabilities | | 3,118,220 | 2,584,655 |

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January 2010. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

| | |
|-----------------------------|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 1 (Amendments) | Additional Exemptions for first-time adopters |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners |
| HK(IFRIC) – Int 4 Amendment | Amendment to HK(IFRIC) – Int 4 Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases |
| HK(IFRIC) – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

Except as disclosed below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1st January 2010 in accordance with relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as ‘minority’ interests) either at fair value or at the non-controlling interests’ share of recognised identifiable net assets of the acquiree.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 3 (as revised in 2008) Business Combinations (Continued)

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.
- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.
- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of HKFRS 3 (as revised in 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in profit or loss, whereas previously they would have been accounted as part of the cost of the acquisition. The acquisition costs in the current period were insignificant.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---------------------------------|--|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 ¹ |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets ² |
| HKAS 24 (Revised) | Related Party Disclosures ³ |
| HKAS 32 (Amendments) | Classification of Rights Issues ⁴ |
| HKFRS 1 (Amendments) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵ |
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁶ |
| HKFRS 7 (Amendments) | Disclosures – Transfer of Financial Assets ⁶ |
| HKFRS 9 | Financial Instruments ⁷ |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement ³ |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments ⁵ |

¹ Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate

² Effective for annual periods beginning on or after 1st January 2012

³ Effective for annual periods beginning on or after 1st January 2011

⁴ Effective for annual periods beginning on or after 1st February 2010

⁵ Effective for annual periods beginning on or after 1st July 2010

⁶ Effective for annual periods beginning on or after 1st July 2011

⁷ Effective for annual periods beginning on or after 1st January 2013

The directors of the Company has commenced their assessments of the impact of the above new and revised HKFRSs but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than unallocated assets.

In a manner consistent with the way in which information is reported internally to chief operating decision maker (the “CODM”) for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

For film distribution operations, the CODM regularly analyses film distribution revenue on the basis of individual film. For segment reporting under HKFRS 8, financial information of these films has been aggregated into a single operating segment named “film distribution operations”.

For hotel and gaming service operations, the CODM regularly reviews the performance of Hotel Lan Kwai Fong Macau on the basis of revenue generated by it. For segment reporting under HKFRS 8, financial information of this hotel has been aggregated into a single operating segment named “hotel and gaming service operations”.

For gaming promotion operations, the CODM regularly reviews the investment in the operation which receives profit streams from the gaming promotion business. For segment reporting under HKFRS 8, financial information of this operation has been aggregated into a single operating segment named “gaming promotion operations”.

The principal products and services of each of these divisions are as follows:

| | | |
|-------------------------------------|---|---|
| Film distribution operations | – | Production and distribution of motion pictures and television drama series and provision of other film related services |
| Hotel and gaming service operations | – | Provision of hotel services and gaming operation services in Hotel Lan Kwai Fong Macau |
| Gaming promotion operations | – | Investing in operations which receive profit streams from the gaming promotion business |

2. SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below:

(a) An analysis of the Group's revenue and results by operating segments

| | Segment revenue | | Segment results | |
|---|-----------------|----------------|-----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Film distribution operations | 1,317 | 26,580 | (520) | (11,738) |
| Hotel and gaming service operations | 725,130 | 222,043 | 64,333 | (76,635) |
| Gaming promotion operations | 137,814 | 294,806 | (70,349) | 292,710 |
| | <u>864,261</u> | <u>543,429</u> | <u>(6,536)</u> | <u>204,337</u> |
| Reconciliation from segment results to profit before taxation | | | | |
| Unallocated corporate income | | | 34,249 | 65,192 |
| Change in fair value of financial assets classified as held for trading | | | 28,707 | 15,622 |
| Change in fair value of investment properties | | | 12,270 | 19,652 |
| Impairment loss recognised in respect of goodwill | | | – | (24,862) |
| Unallocated corporate expenses | | | (42,471) | (112,698) |
| Profit before taxation | | | <u>26,219</u> | <u>167,243</u> |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represent the profit earned by each segment without allocation of central administration costs, change on fair value of investment in trading securities and investment properties and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

2. SEGMENT INFORMATION (Continued)

(b) An analysis of the Group's financial position by operating segments

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| ASSETS | | |
| Segment assets | | |
| – Film distribution operations | 60,011 | 73,621 |
| – Hotel and gaming service operations | 1,248,717 | 1,354,038 |
| – Gaming promotion operations | 801,144 | 1,022,182 |
| | <hr/> | <hr/> |
| Total segment assets | 2,109,872 | 2,449,841 |
| Unallocated assets | 1,235,220 | 740,434 |
| | <hr/> | <hr/> |
| | 3,345,092 | 3,190,275 |
| | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES | | |
| Segment liabilities | | |
| – Film distribution operations | 21,215 | 42,552 |
| – Hotel and gaming service operations | 624,648 | 735,732 |
| – Gaming promotion operations | 10 | 10 |
| | <hr/> | <hr/> |
| Total segment liabilities | 645,873 | 778,294 |
| Unallocated liabilities | 119,263 | 92,588 |
| | <hr/> | <hr/> |
| | 765,136 | 870,882 |
| | <hr/> <hr/> | <hr/> <hr/> |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments, other than interests in associates, investment properties, goodwill, convertible notes receivable, deposits for investment, conversion options embedded in convertible notes receivable, held for trading investments, amounts due from associates, prepaid tax, cash and bank balances, assets classified as held for sale and partial property, plant and equipment and leasehold land for central administrative purposes; and
- all liabilities are allocated to reportable segments, other than convertible notes, partial deposits received, accruals and other payables, deferred tax liabilities and amount due to an associate.

2. SEGMENT INFORMATION (Continued)

(c) Other segment information

| | Film distribution operations | | Hotel and gaming service operations | | Gaming promotion operations | | Unallocated | | Consolidated | |
|--|------------------------------|-------------------|-------------------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| OTHER INFORMATION | | | | | | | | | | |
| Amortisation of film rights | 254 | 20,590 | - | - | - | - | - | - | 254 | 20,590 |
| Amortisation of interests in leasehold land | 80 | 80 | 19,763 | 7,599 | - | - | - | - | 19,843 | 7,679 |
| Depreciation of property, plant and equipment | 729 | 1,048 | 87,692 | 37,110 | - | - | - | - | 88,421 | 38,158 |
| Impairment loss recognised in respect of film rights | 1,339 | - | - | - | - | - | - | - | 1,339 | - |
| Impairment loss recognised in respect of intangible assets | - | - | - | - | 197,973 | - | - | - | 197,973 | - |
| Impairment loss recognised in respect of goodwill | - | 15,416 | - | - | 8,975 | - | - | 24,862 | 8,975 | 40,278 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

(d) Information about major customers

Included in revenue arising from hotel and gaming service operations of HK\$725,130,000 (2009: HK\$222,043,000) are revenue of approximately HK\$659,773,000 (2009: HK\$199,460,000) which arose from sales to the Group's largest customer. Included in revenue arising from gaming promotion operations of HK\$137,814,000 (2009: HK\$294,806,000) are revenue arose from sales to one of the Group's largest customer.

No other customers contributed 10% or more to the Group's revenue for both 2010 and 2009.

(e) Revenue from major products and services

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|-------------------|-------------------|
| Film distribution fee income | 1,317 | 20,073 |
| Film production service income | - | 6,009 |
| Other film related service income | - | 498 |
| Hotel room income | 52,426 | 18,611 |
| Food and beverage sales | 12,931 | 3,972 |
| Service income from table gaming operations | 653,696 | 197,027 |
| Service income from slot machine operations | 6,077 | 2,433 |
| Receive profit streams from gaming promotion business | 137,814 | 294,806 |
| | <u> </u> | <u> </u> |
| | <u>864,261</u> | <u>543,429</u> |

2. SEGMENT INFORMATION (Continued)

(f) Geographical information

The following table provides an analysis of the Group's sales by location of markets:

| | Revenue from | | Non-current assets* | |
|---|--------------------|-----------------|---------------------|-----------------|
| | external customers | | | |
| | 2010 | 2009 | 2010 | 2009 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 1,087 | 24,779 | 77,769 | 66,112 |
| Macau | 862,944 | 516,849 | 1,973,155 | 2,250,965 |
| Worldwide other than Hong Kong and Macau | 230 | 1,801 | – | – |
| | 864,261 | 543,429 | 2,050,924 | 2,317,077 |

* Non-current assets excluding interests in associates and convertible notes receivable.

3. TURNOVER

| | 2010 | 2009 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Film distribution fee income | 1,317 | 20,073 |
| Film production service income | – | 6,009 |
| Service income | – | 498 |
| Hotel room income | 52,426 | 18,611 |
| Food and beverage sales | 12,931 | 3,972 |
| Service income from table gaming operations | 653,696 | 197,027 |
| Service income from slot machine operations | 6,077 | 2,433 |
| Receive profit streams from gaming promotion business | 137,814 | 294,806 |
| | 864,261 | 543,429 |

4. OTHER REVENUE

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Bank interest income | 1,965 | 345 |
| Imputed interest income from convertible notes receivable | 1,212 | 2,488 |
| Rental income | 17 | 456 |
| Management fee income | 2,560 | 4,430 |
| Other ancillary hotel revenue | 19,539 | 2,385 |
| | <hr/> | <hr/> |
| | 25,293 | 10,104 |
| | <hr/> <hr/> | <hr/> <hr/> |

5. OTHER INCOME

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Reversal of impairment loss on trade receivables and other receivables | 14 | 119 |
| Reversal of impairment loss on amount due from former associates | – | 25,179 |
| Gain on redemption of convertible notes | – | 17,254 |
| Gain on early redemption of convertible notes receivable | 26,983 | – |
| Gain on disposal of property, plant and equipment | – | 9,760 |
| Net foreign exchange gain | 595 | 151 |
| Others | 210 | 2,625 |
| | <hr/> | <hr/> |
| | 27,802 | 55,088 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. FINANCE COSTS

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Imputed interest on convertible notes wholly repayable within five years | – | 5,359 |
| Interest on bank borrowing wholly repayable within five years | 15,664 | 19,520 |
| Interest on other loan wholly repayable within five years | – | 3,973 |
| Interest on finance lease | 31 | 24 |
| | <hr/> | <hr/> |
| | 15,695 | 28,876 |
| Less: Amount capitalised in the construction in progress | – | (6,604) |
| | <hr/> | <hr/> |
| | 15,695 | 22,272 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. PROFIT BEFORE TAXATION

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of film rights (included in cost of sales) | 254 | 20,590 |
| Amortisation of interests in leasehold land | 19,843 | 7,679 |
| Auditors' remuneration | 1,330 | 928 |
| Cost of inventories (included in cost of sales) | 5,048 | 2,821 |
| Depreciation of property, plant and equipment | 88,421 | 38,158 |
| Employee benefit expenses | 102,334 | 77,651 |
| Loss on disposal of property, plant and equipment | 713 | – |
| Operating lease rental in respect of rented premises | 1,487 | 2,314 |
| | <u> </u> | <u> </u> |

8. TAXATION CHARGE

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| The taxation charge is as follow: | | |
| Current tax in other jurisdictions: | | |
| (Under)/over provision in prior years | (11) | 128 |
| | <u> </u> | <u> </u> |
| | (11) | 128 |
| Deferred tax: | | |
| Current year | (1,381) | (2,976) |
| | <u> </u> | <u> </u> |
| | (1,392) | (2,848) |
| | <u> </u> | <u> </u> |

No provision for Hong Kong Profits Tax has been made for both years as the Company and its subsidiaries have no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

No Macau Complementary Tax has been provided as assessable profit for the year was set off against the tax losses brought forward from previous years or was exempt for tax liability.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Dividends recognised as distributions during the year: | | |
| 2008 final paid | | |
| – HK\$0.02 per share on 1,039,509,368 shares | – | 20,790 |
| | <u> </u> | <u> </u> |

The directors of the Company do not propose the payment of dividend for the year ended 31st December 2010 and 2009.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| (Loss)/earnings attributable to owners of the Company for the purpose of basic (loss)/earnings per share | (8,083) | 204,388 |
| Add: Interest on convertible notes (net of tax) | – | 1,616 |
| | <u> </u> | <u> </u> |
| (Loss)/earnings attributable to owners of the Company for the purpose of diluted (loss)/earnings per share | (8,083) | 206,004 |
| | <u> </u> | <u> </u> |
| | 2010 | 2009 (Restated) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | 3,400,123,287 | 927,546,128 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | – | 9,430,638 |
| Convertible notes | – | 118,031,723 |
| | <u> </u> | <u> </u> |
| Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share | 3,400,123,287 | 1,055,008,489 |
| | <u> </u> | <u> </u> |

The weighted average number of ordinary shares for the year ended 31st December 2010 and 31st December 2009 for the purpose of basis and diluted (loss)/earnings per share has been adjusted and restated respectively resulting from rights issue completed on 11th August 2010.

The computation of diluted loss per share did not assume the subscription of the outstanding warrants and the exercise of the share options of the Company since their subscription/exercise would result in a decrease in loss per share and thus anti-dilutive for the year ended 31st December 2010.

11. TRADE RECEIVABLES

The credit period granted to customers ranges from 30 to 90 days. The aging analysis of the trade receivables is as follows:

| | The Group | |
|---|------------------|-----------------|
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 64,152 | 86,269 |
| 31 to 60 days | 609 | 7,763 |
| 61 to 90 days | – | 4,518 |
| 91 to 180 days | – | 1,817 |
| Over 180 days | 5,733 | 6,225 |
| | <hr/> | <hr/> |
| | 70,494 | 106,592 |
| Less: Impairment loss on trade receivables | (1,157) | (1,164) |
| | <hr/> | <hr/> |
| | 69,337 | 105,428 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Aging of trade receivables which are past due but not impaired: | | |
| 61 to 90 days | – | 4,518 |
| Over 90 days | 4,576 | 6,878 |
| | <hr/> | <hr/> |
| Total | 4,576 | 11,396 |
| | <hr/> <hr/> | <hr/> <hr/> |

Movement of impairment loss on trade receivables:

| | The Group | |
|----------------------------|------------------|-----------------|
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| At 1st January | 1,164 | 1,361 |
| Impairment loss recognised | – | 30 |
| Written off | (7) | (227) |
| | <hr/> | <hr/> |
| At 31st December | 1,157 | 1,164 |
| | <hr/> <hr/> | <hr/> <hr/> |

11. TRADE RECEIVABLES (Continued)

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$4,576,000 (2009: HK\$11,396,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the directors of the Company consider any change in the credit quality of the trade receivables from the date credit were initially granted up to the reporting date. Accordingly, the directors of the Company considered provision for impairment in values be made in respect of trade receivables to their recoverable values and believe that there is no further credit provision required in excess of the provision for impairment.

12. TRADE PAYABLES

The aging analysis of the trade creditors is as follows:

| | The Group | |
|----------------|---------------|---------------|
| | 2010 | 2009 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 14,267 | 6,247 |
| 31 to 60 days | 2,444 | 3,614 |
| 61 to 90 days | 233 | 101 |
| 91 to 180 days | 917 | 1,845 |
| Over 180 days | 7,177 | 9,619 |
| | <hr/> | <hr/> |
| | 25,038 | 21,426 |
| | <hr/> <hr/> | <hr/> <hr/> |

13. COMPARATIVE FIGURES

Certain comparative figures of the previous year have been re-presented to confirm with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31st December 2010, the Group's turnover increased by 59% to approximately HK\$864,261,000 (2009: HK\$543,429,000).

Profit from operations and profit for the year amounted to approximately HK\$41,033,000 and HK\$24,827,000 respectively as compared to HK\$251,153,000 and HK\$164,395,000 respectively for last year. The substantial decrease was mainly attributable to an aggregate impairment losses of HK\$206,948,000 recognised in respect of intangible assets of HK\$197,973,000 and goodwill of HK\$8,975,000 during the interim review of the Group as at 30th June 2010 with regard to the decrease in sharing of profit streams from investments in gaming promotion business in Macau from Best Mind International Inc. ("Best Mind"). Best Mind is the profit receiving company from Ocho Sociedade Unipessoal Limitada ("Ocho"), one of the leading gaming promoters at one of the VIP gaming rooms at the Grand Lisboa Casino in Macau. As at 31st December 2010, the Group did not identify further impairment losses. Taking out the effect of the impairment losses recognised, the Group's profit from operations and profit for the year would amount to approximately HK\$247,981,000 and HK\$231,775,000 respectively.

The loss attributable to owners of the Company for the year ended 31st December 2010 was HK\$8,083,000, representing a 104% decrease over profit of HK\$204,388,000 in the last year.

Dividend

The directors do not recommend the payment of a final dividend for the year ended 31st December 2010 (2009: nil).

Business Review

Of the total turnover amount for the year, HK\$725,130,000 or 84% was generated from hotel and gaming service operations, HK\$137,814,000 or 16% was generated from gaming promotion operations and HK\$1,317,000 or 0% was generated from film distribution operations.

Hotel and Gaming Service Operations

Hotel and gaming service operations included the hotel operation in Hotel Lan Kwai Fong Macau ("Lan Kwai Fong") which was recorded in an indirect subsidiary of the Group, Hotel Lan Kwai Fong (Macau) Limited ("Hotel LKF") and services provided to the casino situated in Lan Kwai Fong (the "Casino LKF") which was recorded in an indirect subsidiary of the Group, Classic Management & Services Company Limited ("Classic"). Lan Kwai Fong presents a total of 200 guest rooms, casino situated in the 1st and 18th floors, restaurants, flower shop, retail shop and a spa.

Casino LKF is run by licence holder Sociedade de Jogos de Macau, S.A. (“SJM”). Classic has entered into gaming operation service agreements with SJM. Under the agreements, Classic will share certain percentage of service income from SJM based on the gross wins of the table gaming and slot machines in Casino LKF. As at 31st December 2010, Casino LKF operated a total of 84 tables, targeting both for the VIP market and the mass market. It also operated a total of 128 slot machines.

Revenue in the hotel and gaming service operations mainly comprised of hotel room sales of HK\$52,426,000 (2009: HK\$18,611,000), food and beverage of HK\$12,931,000 (2009: HK\$3,972,000) and services income of HK\$653,696,000 (2009: HK\$197,027,000) and HK\$6,077,000 (2009: HK\$2,433,000) received from table gaming and slot machines respectively. Hotel and gaming service operations recorded an aggregate segment profit of HK\$64,333,000 (2009: loss of HK\$76,635,000). In year 2009, Lan Kwai Fong had operations for only around 5 months. This year, the performance of Lan Kwai Fong was encouraging. The average monthly revenue from the hotel and gaming service operations was approximately HK\$60,428,000 which represented increase of 36% from approximately HK\$44,409,000 in 2009, mainly reflecting 38% increase in monthly service income from table gaming to approximately HK\$54,475,000 in 2010 from approximately HK\$39,405,000 in 2009.

Gaming Promotion Operations

The Group had shared revenue and segment loss of approximately HK\$137,814,000 (2009: HK\$294,806,000) and HK\$70,349,000 (2009: profit of HK\$292,710,000) from the gaming promotion business, a decrease of 53% and 124% respectively.

Although Macau’s casino gaming industry earned record revenue in year 2010, the competition in gaming industry continues to be intense. One of the characteristic of the VIP gaming is that the majority of the business volume is highly volatile. The publishing on 10th August 2009 by the Macau government in its official gazette an amendment to an executive regulation that would enable the Financial Secretary to set a cap for promoter commission in Macau and its implementation from December 2009 had resulted in Ocho lost its competitive advantage as it cannot offer a better than market commission to its quality sub-junkets or customers. The decrease in revenue sharing also decrease the expected cash inflow from this operation and thus recognised an aggregate impairment losses of HK\$206,948,000 in respect of intangible assets of HK\$197,973,000 and goodwill of HK\$8,975,000 during the interim review as at 30th June 2010. As at 31st December 2010, the Group did not identify further impairment losses. Although the Group had to recognise an impairment for this investment this year, the Group considered the investment was fair as the accumulated revenue received from this investment amounted to approximately HK\$635,948,000 which is far exceeding the impairment losses recognised. Besides, it can provide strong cash flow to the Group with comparatively small costs.

Film Distribution Operations

Film distribution operations includes production and distribution of motion pictures and television drama series and provision of other film related services. The Group had distributed only 1 new film during the year.

In year 2010, turnover for film distribution division amounted to HK\$1,317,000 (2009: HK\$26,580,000) and its segment loss amounted to HK\$520,000 (2009: HK\$11,738,000) which included impairment loss recognised in respect of film rights and goodwill of HK\$1,339,000 (2009: nil) and nil (2009: HK\$15,416,000) respectively.

Geographical segments

For the geographical segments, as revenue from hotel and gaming service operations and gaming promotion operations are all sourced in Macau, almost 100% turnover of the Group during this year were come from Macau.

Administrative Expenses

For the year ended 31st December 2010, administrative expenses (net of amortisation of leasehold land and depreciation on property, plant and equipment) amounted to HK\$347,548,000, a 83% increase from HK\$190,264,000 as compared to the last corresponding year. The increase was mainly attributable to the full operations of Lan Kwai Fong during the year as compared to 5 months in the last corresponding year. Employee benefit expenses increased 32% from HK\$77,651,000 to HK\$102,334,000 for the same reason.

Liquidity and Financial Resources

As at 31st December 2010, the Group had total assets of approximately HK\$3,345,092,000 and net current assets of HK\$1,059,311,000, representing a current ratio of 5.7 (2009: 1.4). The Group had cash and cash balances of approximately HK\$625,827,000 (2009: HK\$173,188,000). As at 31st December 2010, the Group had total borrowings of HK\$500,000,000 which comprised a secured bank term loan (“Term Loan”). The Term Loan is interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank, repayable by 19 equal consecutive quarterly installments of HK\$12,500,000 each commencing from the third month after the date of the first loan drawdown and a final repayment for the remaining balance. As at 31st December 2010, Hotel LKF, a subsidiary of the Company had banking facilities amounting to HK\$536,000,000 which were utilised to the extent of HK\$500,000,000. The Group’s gearing was low during the year with total debts of HK\$500,000,000 against owners’ equity of HK\$2,302,775,000. This represents a gearing ratio, calculated in the basis of the Group’s total borrowings over owners’ equity of 22% (2009: 28%).

As the majority of the Group’s transactions, assets and liabilities are denominated in Hong Kong Dollars, Macau Pataca and United States Dollars, the exposure to fluctuation in exchange rates was considered to be minimal and no hedge activity were considered necessary. As at 31st December 2010, the Group had no contingent liability.

On 4th January 2010, the Company entered into a placing agreement with a placing agent to place on a fully underwritten basis an aggregate 540,000,000 new shares of HK\$0.01 each to independent investors at a price of HK\$0.14 per share. 540,000,000 new shares was issued on 11th February 2010 under the specific mandate granted to the directors of the Company at the special general meeting of the Company held on 8th February 2010. The net proceeds of approximately HK\$75,400,000 were used for the Group's investment projects in Macau and general working capital of the Group.

On 8th December 2008, the Company announced that it proposed to subscribe zero coupon convertible bonds in principal amount of HK\$60,000,000 to be issued by KH Investment Holdings Limited (formerly known as China Star Film Group Limited) ("KH Investment") in five tranches of HK\$12,000,000 each due on the tenth anniversary of the date of issue for such tranche. HK\$60,000,000 convertible bonds were issued by KH Investment to the Company on 29th January 2009 and were fully redeemed by KH Investment on 26th May 2010.

On 26th April 2010, the Company announced that it proposed to issue bonus warrants at the initial subscription price of HK\$0.193 per new share of HK\$0.01 each (subject to adjustment) on the basis of one bonus warrant for every five shares held on 8th June 2010. The warrants of the Company were issued on 15th June 2010. As at 31 December 2010, the Company had approximately HK\$111,526,000 warrants outstanding which are convertible into approximately 602,841,000 shares of the Company at an adjusted subscription price of HK\$0.185 per share. On 27th January 2011, the subscription price of the warrants was further adjusted to HK\$0.182 per share upon completion of the placement of 577,855,000 new shares of the Company.

On 8th July 2010, the Company announced that it proposed to raise approximately HK\$144,464,000 before expenses by way of rights issue of 1,444,643,184 rights shares at a subscription price of HK\$0.1 each on the basis of one rights shares for every two shares held on 20th July 2010. The estimated net proceeds were approximately HK\$141,460,000, of which approximately HK\$100,460,000 were intended to be used for reducing the Group's bank borrowings and approximately HK\$41,000,000 was intended to be used for financing hotel operation of the Group or general working capital of the Group. The rights shares were issued on 11th August 2010. On 9th February 2011, the Company announced that the Company and the bank had agreed to restructure the Group's bank borrowings with better terms and longer repayment period. In view of the Acquisition (as defined herein), the Company intend to change the use of proceeds of the rights issue and to apply the net proceeds of approximately HK\$100,460,000 to satisfy part of the total consideration for the Acquisition. HK\$41,000,000 were used for financing hotel operation of the Group and general working capital of the Group as intended.

During the year ended 31st December 2010, certain option holders exercised their option rights to subscribe for an aggregate of 52,790,000 shares of HK\$0.01 each at exercise price of HK\$0.18 per share. The net proceeds from the exercise of option rights amounted to HK\$9,502,200.

Subsequent to the balance sheet date, the Company entered into a placing agreement on 14th January 2011 with a placing agent to place on a best effort basis up to 577,855,000 new shares of HK\$0.01 each to independent investors at a price of HK\$0.07 per share. 577,855,000 new shares was issued on 27th January 2011 under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 30th June 2010. The net proceeds of approximately HK\$39,930,000 were intended to be used as part of the consideration for the Acquisition.

On 9th February 2011, the board of directors of the Company announced that the Company intended to put forward to the shareholders of the Company for their approval a proposal involving capital reorganisation (“Capital Reorganisation”) of the Company comprising (a) share consolidation that every 10 issued and unissued existing shares of HK\$0.01 each be consolidated into 1 consolidated share of HK\$0.10 each of the Company (“Consolidated Shares”); (b) capital reduction that (i) the issued share capital of the Company be reduced by the cancellation of the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; (ii) the authorised share capital of the Company be reduced by reducing the nominal value of all Consolidated Shares from HK\$0.10 each to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 Consolidated Shares to HK\$50,000,000 divided into 5,000,000,000 new shares of HK\$0.01 each; and (iii) the credit arising from the reduction of the issued share capital of the Company be transferred to the contributed surplus account of the Company; and (c) capital increase that the authorised share capital of the Company be increased from HK\$50,000,000 divided into 5,000,000,000 new shares of HK\$0.01 each to HK\$500,000,000 divided into 50,000,000,000 new shares of HK\$0.01 each. The Capital Reorganisation was not yet completed up to the reporting date.

On 21st January 2011, the Company and Eternity Investment Limited (“Eternity”) entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue and Eternity has conditionally agreed to subscribe or procure subscription for convertible bonds in the maximum principal amount of HK\$650,000,000 in two tranches at their face value. The convertible bonds will be unsecured, interest bearing at 8% per annum and carry the right to convert into shares of the Company at an initial conversion price of HK\$0.08 per share (subject to adjustment) and will mature on the 5th anniversary from the date of issue. The estimated maximum net proceeds from the issue of the convertible bonds of approximately HK\$649,500,000 will be used for financing the Acquisition, the development of the Sites (as defined herein) to be acquired in the Acquisition and/or the general working capital of the Group.

Material Acquisitions

On 29th April 2009, Bestjump Holdings Limited (“Bestjump”), a wholly owned subsidiary of the Company and Ms. Chen Ming Yin, Tiffany (“Ms. Chen”), an executive director and a substantial shareholder of the Company entered into a sale and purchase agreement pursuant to which Bestjump has agreed to purchase and Ms. Chen has agreed to sell the entire issued share capital of Modern Vision (Asia) Limited and Reform Base Holdings Limited (the “Targeted Companies”) and outstanding loans in an aggregate amount of HK\$750,810,007 due by the Targeted Companies to Ms. Chen at an aggregate consideration HK\$900,000,000 (subject to adjustment). The major assets of the Targeted Companies are their aggregate 75% equity interests in Over Profit International Limited. Over Profit International Limited, through a Macau company, Legstrong Construction and Investment Company Limited (the “Macau Co”), indirectly owned 100% beneficial interest in a lot of land with the area of 4,669 square meters, named “Lote C7 do Plano de Urbanização da Baía da Praia Grande”, located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070 (the “Macau Land”). Details of the transaction were set out in the Company’s circular dated 17th August 2009 (“the Circular”). The transaction has been approved in a special general meeting of the Company held on 3rd September 2009. The longstop date of the agreement had extended to 31st December 2010 and further extended to 31st December 2011. As set out in the Circular, one of the conditions to completion is the publication by the Macau Government of a master zoning guideline for the “C” area of Nam Van Lakes Zone and the results of a new amendment to the land grant under which the Macau Co holds the Macau Land from the Macau Government executed on 14th August 2001 to be submitted by Macau Co having been, in light of the master zoning guideline, gazetted by the Macau Government. In the third quarter of 2010, the Macau Government invited Macau citizens as part of this process to submit their conceptual planning proposals for the Nam Van area with a view to optimising the benefits to the city’s infrastructures as a whole. It is anticipated that the Macau Government will need further time for its consideration and deliberations of the conceptual planning proposals to finalise the plan. As the conditions have not been satisfied or waived by Bestjump, the transaction has not yet completed up to the reporting date.

On 8th December 2010, China Star Entertainment (BVI) Limited (“CSBVI”), a wholly owned subsidiary of the Company, KH Investment and China Star Film Group Limited (the “JV Company”) entered into a joint venture agreement (the JV Agreement”) relating to the formation of the JV Company, which is principally engaged in production and distribution of films. Pursuant to the JV Agreement, the JV Company agreed to issue and allot 30 shares and 29 shares of the JV Company at a price of HK1,000,000 per share to CSBVI and KH Investment respectively. CSBVI and KH Investment will beneficially interested in 50% each of the JV Company after the completion of the JV Agreement. The 59 shares of the JV Company were issued and allotted on 7th January 2011.

On 23rd December 2010, Triumph Top Limited, a wholly owned subsidiary of the Company (the “Purchaser”), the Company, Sociedade de Turismo e Diversões de Macau, S.A. (the “Vender”) and Mr. Heung Wah Keung, a director of the Company entered into a conditional agreement pursuant to which the Vender has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the property leasehold right held by the Vender under the leasehold granted by the Macau Government over Lot 6B, Lot 6C, Lot 6D and Lot 6E, located in Macau at Zona de Aterros do Porto Exterior (ZAPE) (the “Sites”) (and the inherent transfer to the Purchaser of the legal title to the Sites) at a consideration of HK\$550,000,000 (the “Acquisition”). The Acquisition constitutes a very substantial acquisition and a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and thus is subject to the approval of the independent shareholders of the Company in a special general meeting to be convened by the Company.

Employees

As at 31st December 2010, the Group employed 556 staffs (2010: 526 staffs). The directors believe that the quality of its employees is the single most important factor in sustaining the Group’s reputation and improving its profitability. The staffs are remunerated based on their work performance, professional experience and prevailing industry practices. Apart from basic salaries, pension fund, medical schemes, housing allowance and discretionary bonuses, options are awarded to certain staffs according to the assessment of individual performance.

Prospect

As majority of the Group’s revenues are contributed by operations in Macau, Macau’s economy will have significant impact on the future performance of the Group. The Group considers that the prospect of Macau over the near to medium term are excellent given its infrastructural development become more mature and this can be supported by the strong growth of Macau’s gaming industry in 2010.

In March 2010, the Macau government announced that the total number of gaming tables in Macau would be capped at 5,500 in the next three years. The Group expects that this policy would limit the competition among the gaming industry in Macau and thus enhance the future development of the operations in Lan Kwai Fong and the gaming promotion business.

Despite Hong Kong movie market situation remained unfavourable, the development of China movie market created new opportunities for the industry. Although the film productions of the Group are substantially decreased in these few years, the Group will continue on utilising its well established network and solid experience in the market to produce and distribute high quality films. By investing in the newly formed joint venture company, China Star Film Group Limited which is engaged in production and distribution of films, with KH Investment, the Group can reduce the working capital tied up in the film production and distribution business and spread out the business risks involved.

Looking ahead, the Group will diversify into the property development market in Macau. Both the Macau Land and the Sites to be acquired and develop by the Group are located in superb locations. These investments will further grasp the business opportunities of the economic development of Macau especially in the sectors of tourism and property and expect to have positive contribution to the Group in the next few years.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2010.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules for the year ended 31st December 2010, except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The information on the Company's compliance of the Code and deviation from certain code provisions of the Code for the year ended 31st December 2010 is set out in the Corporate Governance Report to be included in the Company's 2010 annual report which will be sent to the shareholders of the Company on or before 30th April 2011.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company comprises Messrs. Hung Cho Sing, Ho Wai Chi, Paul and Leung Hok Man, all being independent non-executive directors. Mr. Ho Wai Chi, Paul is the chairman of the audit committee.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's consolidated financial statements for the year ended 31st December 2010.

ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st December 2010. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF ANNUAL REPORT

The Company’s 2010 annual report will be despatched to the shareholders of the Company on or before 30th April 2011 and will be published on the website of The Stock Exchange of Hong Kong Limited and the Company’s website.

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

Hong Kong, 25th March 2011

As at the date hereof, 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. Leung Hok Man.