CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

(Warrant Code: 972/1056)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2011

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 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Turnover	3	**1,096,762**	864,261
Cost of sales		**(481,744)**	(239,153)
Gross profit		**615,018**	625,108
Other revenue	4	**18,972**	25,293
Other income	5	**1,421**	27,802
Administrative expenses		**(462,600)**	(455,812)
Marketing, selling and distribution expenses		**(16,059)**	(5,810)
Share-based payment expenses		**–**	(8,238)
(Loss)/gain arising on change in fair value of financial assets classified as held for trading		**(68,837)**	28,707
Gain arising on change in fair value of investment properties		**–**	12,270
Impairment loss recognised in respect of goodwill		**–**	(8,975)
Impairment loss recognised in respect of film rights		**(619)**	(1,339)
Impairment loss recognised in respect of film in progress		**(15,928)**	–
Impairment loss recognised in respect of intangible assets	11	**(700,085)**	(197,973)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31st December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
(Loss)/profit from operations		**(628,717)**	41,033
Finance costs	6	**(31,456)**	(15,695)
Share of losses of jointly controlled entities		**(1,344)**	–
Share of losses of associates		**(8)**	(1)
Gain arising on change in fair value in respect of conversion options embedded in convertible notes receivable		**–**	882
(Loss)/profit before tax	7	**(661,525)**	26,219
Taxation credit/(charge)	8	**7,419**	(1,392)
(Loss)/profit for the year		**(654,106)**	24,827
Attributable to:			
Owners of the Company		**(683,234)**	(8,083)
Non-controlling interests		**29,128**	32,910
		(654,106)	24,827
Loss per share	10		
Basic		**HK cents (55.38)**	HK cents (2.37)
Diluted		**HK cents (55.38)**	HK cents (2.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2011

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(654,106)**	24,827
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**16**	(171)
Reclassification adjustments relating to foreign operations disposed during the year	**24**	–
Other comprehensive income/(loss) for the year	**40**	(171)
Total comprehensive (loss)/income for the year	**(654,066)**	24,656
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(683,196)**	(8,254)
Non-controlling interests	**29,130**	32,910
	(654,066)	24,656

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**637,702**	721,381
Interests in leasehold land		**507,359**	464,731
Investment properties		**–**	73,580
Goodwill		**3,030**	–
Intangible assets	11	**100,729**	791,232
Convertible notes receivable		**–**	–
Interests in jointly controlled entities		**28,656**	–
Interests in associates		**7,977**	7,985
		1,285,453	2,058,909
Current assets			
Inventories		**38,639**	1,657
Stock of properties		**550,312**	–
Film rights		**19,761**	21,321
Films in progress		**3,150**	19,038
Trade receivables	12	**143,008**	69,337
Deposits, prepayments and other receivables		**396,386**	441,059
Conversion options embedded in convertible notes receivable		**–**	–
Held for trading investments		**50,797**	94,050
Amounts due from associates		**16,854**	13,714
Prepaid tax		**86**	180
Cash and bank balances		**903,094**	625,827
		2,122,087	1,286,183
Total assets		**3,407,540**	3,345,092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st December 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital		**19,647**	43,340
Reserves		**1,948,945**	2,259,435
Equity attributable to owners of the Company		**1,968,592**	2,302,775
Non-controlling interests		**306,317**	277,181
Total equity		**2,274,909**	2,579,956
Non-current liabilities			
Bank borrowings		**400,000**	450,000
Obligation under finance lease		**153**	201
Convertible bonds		**339,187**	–
Deferred tax liabilities		**84,253**	88,063
		823,593	538,264
Current liabilities			
Bank borrowings		**66,674**	50,000
Obligation under finance lease		**128**	96
Trade payables	13	**139,080**	25,038
Deposits received, accruals and other payables		**68,244**	60,470
Tax payables		**4**	–
Amount due to an associate		**34,906**	25,766
Amounts due to non-controlling interests		**2**	65,502
		309,038	226,872
Total liabilities		**1,132,631**	765,136
Total equity and liabilities		**3,407,540**	3,345,092
Net current assets		**1,813,049**	1,059,311
Total assets less current liabilities		**3,098,502**	3,118,220

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 2011. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised standard whilst such entities were not treated as related parties of the Group under the previous standard. Changes have been applied retrospectively.

Save as described above, the application of the new and reveised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 27 (Revised)	Separate Financial Statements[4]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date of HKFRS 9 and transition disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangement[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1st July 2011
[2] Effective for annual periods beginning on or after 1st January 2012
[3] Effective for annual periods beginning on or after 1st July 2012
[4] Effective for annual periods beginning on or after 1st January 2013
[5] Effective for annual periods beginning on or after 1st January 2014
[6] Effective for annual periods beginning on or after 1st January 2015

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

The Group determines its operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision-makers (the "CODM"), for the purpose of monitoring segment performance and allocating resources between segments and that are used to make strategic decisions.

The Group has five reportable segments – film distribution operations, hotel and gaming service operations, gaming promotion operations, property development operations, and Chinese health products sales operations. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

The principal products and services of each of these operations 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 and provision of related gaming promotion business
Property development operations	–	Investing and development of properties located in Macau
Chinese health products sales operations	–	Sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailer as well as Chinese clinical services

2. SEGMENT INFORMATION (CONTINUED)

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

	Segment revenue		Segment results	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Film distribution operations	**1,602**	1,317	**(16,037)**	(520)
Hotel and gaming service operations	**949,260**	725,130	**58,375**	64,333
Gaming promotion operations	**117,436**	137,814	**(583,961)**	(70,349)
Property development operations	**–**	–	**(33)**	–
Chinese health products sales operations	**28,464**	–	**(278)**	–
	1,096,762	864,261	**(541,934)**	(6,536)
Reconciliation from segment results to (loss)/profit before tax				
Unallocated corporate income			**5,824**	34,249
(Loss)/gain arising on change in fair value of financial assets classified as held for trading			**(68,837)**	28,707
Gain arising on change in fair value of investment properties			**–**	12,270
Unallocated corporate expenses			**(56,578)**	(42,471)
(Loss)/profit before tax			**(661,525)**	26,219

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

Segment results represent the (loss suffered)/profit earned by each segment without allocation of change in fair value of financial assets classified as held for trading and change in fair value of investment properties and unallocated corporate income and 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**

	2011	2010
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
– Film distribution operations	**35,294**	60,011
– Hotel and gaming service operations	**1,162,866**	1,248,717
– Gaming promotion operations	**141,246**	801,144
– Property development operations	**550,312**	–
– Chinese health products sales operations	**68,824**	–
Total segment assets	**1,958,542**	2,109,872
Unallocated assets	**1,448,998**	1,235,220
	3,407,540	3,345,092
LIABILITIES		
Segment liabilities		
– Film distribution operations	**7,511**	21,215
– Hotel and gaming service operations	**600,686**	624,648
– Gaming promotion operations	**60**	10
– Property development operations	**–**	–
– Chinese health products sales operations	**38,074**	–
Total segment liabilities	**646,331**	645,873
Unallocated liabilities	**486,300**	119,263
	1,132,631	765,136

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

- all assets are allocated to reportable segments, other than interests in associates, interests in jointly controlled entities, investment properties, convertible notes receivable, deposits for investment, partial deposit paid, prepayments and other receivables, conversion options embedded in convertible notes receivable, held for trading investments, amounts due from associates, prepaid tax, cash and bank balances, partial property, plant and equipment and interests in leasehold land for central administrative purposes; and

- all liabilities are allocated to reportable segments, other than convertible bonds, partial deposits received, accruals and other payables, deferred tax liabilities, tax payables 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		Property development operations		Chinese health products sales operations		Unallocated		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:														
OTHER INFORMATION														
Amortisation of film rights	**1,441**	254	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,441**	254
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**217**	–	**–**	–	**217**	–
Amortisation of interests in leasehold land	**–**	80	**20,992**	19,763	**–**	–	**–**	–	**–**	–	**1,874**	–	**22,866**	19,843
Depreciation of property, plant and equipment	**–**	729	**101,986**	87,692	**–**	–	**–**	–	**199**	–	**1,915**	–	**104,100**	88,421
Impairment loss recognised in respect of goodwill	**–**	–	**–**	–	**–**	8,975	**–**	–	**–**	–	**–**	–	**–**	8,975
Impairment loss recognised in respect of film rights	**619**	1,339	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**619**	1,339
Impairment loss recognised in respect of films in progress	**15,928**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**15,928**	–
Impairment loss recognised in respect of trade receivables	**394**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**394**	–
Impairment loss recognised in respect of intangible assets	**–**	–	**–**	–	**700,085**	197,973	**–**	–	**–**	–	**–**	–	**700,085**	197,973
Additions to non-current assets (other than financial instruments)	**–**	–	**4,479**	37,903	**–**	–	**–**	–	**12,862**	–	**36,123**	404	**53,464**	38,307
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:														
Interests in jointly controlled entities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**28,656**	–	**28,656**	–
Interests in associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7,977**	7,985	**7,977**	7,985
Share of losses of jointly controlled entities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,344**	–	**1,344**	–
Share of losses of associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8**	1	**8**	1

(d) Information about major customers

Included in revenue arising from hotel and gaming service operations of HK$949,260,000 (2010: HK$725,130,000) are revenue of approximately HK$867,536,000 (2010: HK$659,773,000) which arose from sales to the Group's largest customer. Included in revenue arising from gaming promotion operations of HK$117,436,000 (2010: HK$137,814,000) are revenue of approximately HK$68,669,000 (2010: HK$137,814,000) which 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 2011 and 2010.

2. SEGMENT INFORMATION (CONTINUED)

(e) Revenue from major products and services

	2011	2010
	HK$'000	*HK$'000*
Film distribution fee income	**1,602**	1,317
Hotel room income	**64,955**	52,426
Food and beverage sales	**16,769**	12,931
Service income from VIP gaming operations	**307,178**	351,015
Service income from mass table gaming operations	**548,390**	302,681
Service income from slot machine operations	**11,968**	6,077
Receive profit streams from gaming promotion business	**68,669**	137,814
Gaming promotion fees	**48,767**	–
Sales of Chinese health products	**28,464**	–
	1,096,762	864,261

(f) Geographical information

The Group's revenue from external customers is mainly derived from its operations in Macau, and non-current assets of the Group are mainly located in Macau.

3. TURNOVER

	2011	2010
	HK$'000	*HK$'000*
Film distribution fee income	**1,602**	1,317
Hotel room income	**64,955**	52,426
Food and beverage sales	**16,769**	12,931
Service income from VIP gaming operations	**307,178**	351,015
Service income from mass table gaming operations	**548,390**	302,681
Service income from slot machine operations	**11,968**	6,077
Receive profit streams from gaming promotion business	**68,669**	137,814
Gaming promotion fees	**48,767**	–
Sales of Chinese health products	**28,464**	–
	1,096,762	864,261

4. OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**6,783**	1,965
Imputed interest income from convertible notes receivable	**–**	1,212
Rental income	**–**	17
Management fee income	**1,845**	2,560
Other ancillary hotel revenue	**10,344**	19,539
	18,972	25,293

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Net foreign exchange gain	**504**	595
Reversal of impairment loss on trade receivables and other receivables	**–**	14
Gain on early redemption of convertible notes receivable	**–**	26,983
Others	**917**	210
	1,421	27,802

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings – wholly repayable within five years	**16,843**	15,664
Finance lease	**31**	31
Imputed interest on convertible bonds	**14,582**	–
	31,456	15,695

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	2011	2010
	HK\$'000	*HK\$'000*
Amortisation of film rights (included in cost of sales)	**1,441**	254
Amortisation of interests in leasehold land	**22,866**	19,843
Amortisation of intangible assets	**217**	–
Auditors' remuneration	**1,190**	1,330
Cost of inventories (included in cost of sales)	**25,682**	5,048
Depreciation of property, plant and equipment	**104,100**	88,421
Employee benefit expenses	**109,123**	102,334
Impairment loss recognised in respect of goodwill	**–**	8,975
Impairment loss recognised in respect of film rights	**619**	1,339
Impairment loss recognised in respect of film in progress	**15,928**	–
Impairment loss recognised in respect of trade receivables	**394**	–
Impairment loss recognised in respect of intangible assets	**700,085**	197,973
Loss on disposal of property, plant and equipment	**265**	713
Loss/(gain) on disposal of financial asset classified as held for trading	**2,490**	(6,558)
Loss/(gain) arising on change in fair value of financial assets classified as held for trading	**66,347**	(22,149)
Operating lease rental in respect of rented premises	**6,366**	1,487

8. TAXATION CREDIT/(CHARGE)

	2011	2010
	HK\$'000	*HK\$'000*
The taxation credit/(charge) is as follow:		
Current tax:		
Hong Kong	**–**	–
Macau Complementary Tax	**(4)**	–
PRC Enterprise Income Tax	**(3)**	–
Other jurisdictions	**–**	–
	(7)	–
Over/(under) provision in prior year		
Other jurisdictions	**62**	(11)
	62	(11)
Deferred tax:		
Current year	**7,364**	(1,381)
Total taxation credit/(charge) for the year	**7,419**	(1,392)

8. TAXATION CREDIT/(CHARGE) (CONTINUED)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Macau subsidiaries are subject to Macau Complementary Tax at 12% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 in 2010 as assessable profit for the year was set off against the tax losses brought forward from previous years and exempt for tax liability.

9. DIVIDEND

	2011	2010
	HK$'000	*HK$'000*
Dividend recognised as distributions during the year:		
Special dividend paid		
– HK3.3 cents per share on 1,964,721,160 shares	**64,836**	–

The directors of the Company do not recommend any payment of final dividend for the year ended 31st December 2011 and 2010.

10. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(683,234)**	(8,083)

	2011	2010 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,233,768,361**	340,406,483

The denominators used are the same as those detailed above for both basic and diluted loss per share.

10. LOSS PER SHARE (CONTINUED)

The weighted average number of ordinary shares for the year ended 31st December 2011 and 31st December 2010 for the purpose of basic and diluted loss per share has been adjusted and restated respectively resulting from the capital reorganisation and the rights issue completed on 9th May 2011 and 29th June 2011 respectively.

As the Company's outstanding convertible bonds, share options and warrants where applicable had an anti-dilutive effect to the basic loss per share calculation for the current and prior year, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted losses per share calculations for the respective years are equal.

11. INTANGIBLE ASSETS

As at 31st December 2011, the directors of the Company have assessed the recoverable amount of intangible assets by reference to the valuation report issued by Grant Sherman Apprasial Limited, a firm of independent qualified professional valuers which valued the rights in sharing of profit streams pursuant to the respective junket representative agreement using the discounted cash flow method and determined that intangible assets associated with it was impaired by approximately HK$700,085,000 (2010: HK$197,973,000).

12. TRADE RECEIVABLES

The Group's trade receivables arose from (i) film distribution, (ii) hotel and gaming service, (iii) gaming promotion and (iv) Chinese health products sales for the year.

	2011	2010
	HK$'000	*HK$'000*
Trade receivables from:		
Film distribution	**3,692**	6,272
Hotel and gaming service	**87,196**	54,310
Gaming promotion	**50,099**	9,912
Chinese health products sales	**3,539**	–
	144,526	70,494
Less: Allowance for doubtful debts	**(1,518)**	(1,157)
	143,008	69,337

The following is an aging analysis of trade receivables, presented based on the invoice date and net of allowance for doubtful debts:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**138,166**	64,152
31 to 60 days	**912**	609
61 to 90 days	**1,580**	–
91 to 180 days	**175**	–
Over 180 days	**2,175**	4,576
	143,008	69,337

The average credit period granted to customers ranges from 30 to 90 days.

12. TRADE RECEIVABLES (CONTINUED)

The movement in the allowance for doubtful debts during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1st January	**1,157**	1,164
Impairment loss recognised	**394**	–
Foreign exchange translation gain	**(31)**	–
Amounts written off as uncollectible	**(2)**	(7)
At 31st December	**1,518**	1,157

Trade receivables disclosed above included amounts (see below for aging analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Aging of trade receivables which are past due but not impaired:

	2011	2010
	HK$'000	*HK$'000*
Over 90 days	**2,350**	4,576

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately HK$2,350,000 (2010: HK$4,576,000) 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 end of the reporting period.

13. TRADE PAYABLES

The Group's trade payables arose from (i) film distribution, (ii) hotel and gaming service and (iii) Chinese health products sales for the year.

	2011	2010
	HK$'000	*HK$'000*
Trade payables from:		
Film distribution	**4,107**	7,153
Hotel and gaming service	**122,545**	17,885
Chinese health products sales	**12,428**	–
	139,080	25,038

The aging analysis of the trade payables is as follow:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**128,025**	14,267
31 to 60 days	**3,855**	2,444
61 to 90 days	**1,765**	233
91 to 180 days	**1,188**	917
Over 180 days	**4,247**	7,177
	139,080	25,038

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31st December 2011, the Group's turnover increased by 27% to approximately HK$1,096,762,000 (2010: HK$864,261,000).

Loss from operations and loss for the year amounted to approximately HK$628,717,000 and HK$654,106,000 respectively as compared to profit from operations and profit for the year of HK$41,033,000 and HK$24,827,000 respectively for last year. The incur of a substantial loss was mainly attributable to an impairment loss of HK$700,085,000 (2010: HK$197,973,000) recognised in respect of the intangible assets with regard to the decrease in sharing of profit streams from investments in gaming and entertainment 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 gaming promotors at one of the VIP gaming rooms at the Grand Lisboa Casino in Macau. Taking out the effect of this impairment loss recognised, the Group would recorded profit from operations and profit for the year amounted to approximately HK$71,368,000 and HK$45,979,000 respectively.

The loss attributable to owners of the Company increased from HK$8,083,000 to HK$683,234,000 for the year ended 31st December 2011.

Dividend

The board of directors of the Company declared and paid a special dividend of HK3.3 cents per share to the shareholders of the Company whose names appear on the register of members of the Company on 17th November 2011. The directors do not recommend the payment of a final dividend for the year ended 31st December 2011.

Business Review

The Group has five reportable segments – (1) hotel and gaming service operations; (2) gaming promotion operations; (3) film distribution operations; (4) property development operations; and (5) Chinese health products sales operations.

Of the total turnover amount for the year, HK$949,260,000 or 86% was generated from hotel and gaming service operations, HK$117,436,000 or 11% was generated from gaming promotion operations, HK$1,602,000 or 0% was generated from film distribution operations, HK$nil or 0% was generated from property development operations and HK$28,464,000 or 3% was generated from Chinese health products sales 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 ground, first and 18th floor, 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 shared 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 2011, Casino LKF operated a total of 84 tables, targeting both for the VIP market and the mass market. It also operated a total of 121 slot machines.

The Group had shared revenue and segment profit of approximately HK$949,260,000 (2010: HK$725,130,000) and HK$58,375,000 (2010: HK$64,333,000) from the hotel and gaming service operations, an increase of 31% and a decrease of 9% respectively. Revenue in the hotel and gaming service operations mainly comprised of hotel room sales of HK$64,955,000 (2010: HK$52,426,000), food and beverage sales of HK$16,769,000 (2010: HK$12,931,000) and services income of HK$307,178,000 (2010: HK$351,015,000), HK$548,390,000 (2010: HK$302,681,000) and HK$11,968,000 (2010: HK$6,077,000) received from VIP table gaming, mass table gaming and slot machines respectively. Hotel and gaming service operations recorded an aggregate segment profit of HK$58,375,000 (2010: HK$64,333,000). This year, the performance of Lan Kwai Fong was encouraging. The average monthly revenue from the hotel and gaming service operations was approximately HK$79,105,000 per month which represented increase of 31% from HK$60,428,000 per month in 2010, mainly reflecting 81% increase in monthly service income from mass table gaming to HK$45,699,000 per month in 2011 from HK$25,223,000 per month in 2010, which was partly offset by 12% decrease in monthly service income from VIP gaming to HK$25,598,000 per month in 2011 from HK$29,251,000 per month in 2010. The significantly improvement in revenue from mass table gaming and slight decrease in segment profit was mainly because Lan Kwai Fong has incurred a one off payment on review of the whole operation and subsequent strategy of the Casino LKF in the beginning of the year 2011 which has bring the improvement in revenue in 2011 and expected to bring subsequent improvement on the future revenue.

Gaming Promotion Operations

The Group had shared revenue and segment loss of approximately HK$117,436,000 (2010: HK$137,814,000) and HK$583,961,000 (2010: HK$70,349,000) from the gaming promotion operations respectively.

Although Macau's casino gaming industry earned record revenue in year 2011, 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 promotor 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 was worsen as new hotels and casinos including Encore at Wynn Macau and Galaxy Macau, which opened in April 2010 and May 2011 respectively. The impact was particularly apparent for Galaxy Macau after its opening in May 2011. The number of gaming tables occupied by Ocho were also shifted to new or other promotors with better performance. The decrease in revenue sharing also decrease the expected cash inflow from this operation. As at 31st December 2011, the directors assessed the recoverable amounts of the profit streams from the gaming promotion operation in Ocho with reference to the valuations performed by an independent firm of professional valuers and thus recognised an impairment loss of HK$700,085,000 (2010: HK$197,973,000) in respect of the intangible assets for the year ended 31st December 2011.

Film Distribution Operations

Film distribution operations included production and distribution of motion pictures and television drama series and provision of other film related services. During the year, the Group did not distributed any new film and new productions are in planning stage.

In year 2011, turnover for film distribution operations amounted to HK$1,602,000 (2010: HK$1,317,000) and its segment loss amounted to HK$16,037,000 (2010: HK$520,000) which was mainly attributable to impairment losses recognised in respect of film rights and films in progress in an aggregate amount of HK$16,547,000 in the year.

Property Development Operations

Property development operations included sales of properties located in Macau after the completion of the Acquisition (as defined below). The Sites will developed into commercial units and residential apartments for sale.

In year 2011, the Group had shared no revenue and segment loss of approximately HK$33,000 from the property development operations since the Group is in the progress of preparing the master development plan of the Sites (as defined below) for submission to Macau Government for approval.

Chinese Health Products Sales Operations

Chinese health products sales operations included sales of chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services after the completion of the acquisition of group headed by NPH Holdings Limited ("NPH") on 28th October 2011. One of the subsidiary of NPH, Nan Pei Hong Sum Yung Drugs Company Limited has engaged in the business of trading and retail of "Sum Yung" and dried seafood products since 1977 and the brand name of "Nam Pei Hong" is highly recognised in Hong Kong and Southern Mainland China.

From 28th October 2011 (completion date of acquisition of NPH) to 31st December 2011, the Group had shared revenue and segment loss of approximately HK$28,464,000 and HK$278,000 from the Chinese health products sales operations 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 97% turnover of the Group during this year were come from Macau.

Administration Expenses

For the year ended 31st December 2011, administrative expenses (net of amortisation of leasehold land and depreciation on property, plant and equipment) amounted to HK$335,634,000, a 3% decrease from HK$347,548,000 as compared to the last corresponding year. The decrease was mainly attributable to the decrease in casino management fees paid by Classic and partly offset by the increase in the staffs costs and overhead expenses in the hotel and gaming service operations during the year. Such management fees paid decreased because it was charged on a pro rata basis of gross win from VIP table gaming that had decreased by around 12% in the year 2011. Employee benefit expenses increased 7% from HK$102,334,000 to HK$109,123,000.

Liquidity and Financial Resources

As at 31st December 2011, the Group had total assets of approximately HK$3,407,540,000 and a net current assets of HK$1,813,049,000, representing a current ratio of 6.9 (2010: 5.7). The Group had cash and bank balances of approximately HK$903,094,000 (2010: HK$625,827,000). As at 31st December 2011, the Group had total borrowings of HK$806,142,000 which comprised a secured bank term loan of HK$450,000,000 ("Term Loan"), unsecured bank loans in aggregate amount of HK$16,674,000, an outstanding convertible bonds with liabilities component of HK$339,187,000 and obligation under lease HK$281,000. The Term Loan was interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank, repayable by 15 equal consecutive quarterly installments of HK$12,500,000 each and a final repayment for the remaining balance. The unsecured bank loans comprised import trade loans ("Import Loans") of HK$8,286,000, unsecured bank loan ("Unsecured Loan") of HK$5,188,000 and unsecured bank loan of HK$3,200,000 granted under the

Special Loan Guarantee Scheme of the Government of HKSAR ("Government Loan"). The Import Loans were interest bearing at 1.75% over one month HIBOR, repayable within 1 year and guaranteed by an ex-shareholder of a subsidiary of the Company. The Unsecured Loan was interest bearing at 2.5% over one month HIBOR, repayable by 49 equal consecutive monthly installments of approximately HK$106,000 per month and a final repayment for the remaining balance and guaranteed by an ex-shareholder of a subsidiary of the Company. The Government Loan was interest bearing at 2.5% per annum over 1 month HIBOR, repayable on demand and 80% guaranteed by the Government of HKSAR and 100% guaranteed by an ex-shareholder of a subsidiary of the Company. The outstanding convertible bonds were unsecured, interest bearing at coupon rate of 8% per annum and will mature on 6th July 2016. The convertible bonds carry the right to convert into shares of the Company at an adjusted conversion price of HK$0.36 per share as of 31st December 2011. As at 31st December 2011, the Group had banking facilities amounting to HK$563,000,000 which were utilised to the extent of HK$520,286,000. The Group's gearing was low during the year with total debts of HK$806,142,000 against owners' equity of HK$1,968,592,000. This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 41% (2010: 22%).

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars, Macau Pataca, Renminbi 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 2011, the Group had no contingent liability.

On 11th August 2010, the Company raised net proceeds of approximately HK$141,460,000 by the issue of 1,444,643,184 rights shares, of which approximately HK$100,460,000 were originally intended to be used for reducing the Group's bank borrowings and approximately HK$41,000,000 were intended to be used for financing hotel operation of the Group or general working capital of the Group. The Company announced on 9th February 2011 that it had restructured the outstanding bank borrowings with better terms and longer repayment period with the bank. In view of the Acquisition (as defined below), the Company intended to change the use of proceeds of the rights issue and applied the net proceeds of approximately HK$100,460,000 to satisfy part of the total consideration for the Acquisition. The remaining balance of HK$41,000,000 had been used for financing hotel operation of the Group and general working capital of the Group as intended.

On 14th January 2011, the Company entered into a placing agreement 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 used as part of the consideration for the Acquisition (as defined below).

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 million in two tranches at their face value. The convertible bonds are unsecured, interest bearing at 8% per annum and carry the right to convert into shares at an initial conversion price of HK$0.80 per share (subject to adjustment) after the Capital Reorganisation (as defined below) and will mature on the fifth anniversary from the date of issue. The estimated maximum net proceeds from the issue of the convertible bonds of approximately HK$649.5 million will be used for financing the Acquisition (as defined below), the development of the Sites (as defined below) and/or the general working capital of the Group. On 7th July 2011, first tranche convertible bonds in the principal amount of HK$350 million were issued to a company procured by Eternity. According to the provisions of the instruments dated 7th July 2011 constituting the convertible bonds, the directors of the Company considered that an adjustment to the conversion price would be required as a result of the completion of the Rights Issue (as defined below) and bonus issue of 2011 Warrants (as defined below) on 29th June 2011. As a result, the conversion price has been adjusted from HK$0.80 per share to HK$0.44 per Share with effect from 7th July 2011. The conversion price has further adjusted to HK$0.36 per share on 18th November 2011 as a result of the payment of a special dividend by the Company.

On 9th May 2011, the Company completed a 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 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.

On 29th June 2011, the Company raised approximately HK$368,385,000 before expenses by way of rights issue (the "Rights Issue") of 1,473,540,870 rights shares at a subscription price of HK$0.25 each on the basis of three rights shares for every one shares held on 7th June 2011with the issue of bonus warrants (the "2011 Warrants") on the basis of one bonus warrant for every five rights shares taken up under the Rights

Issue. The estimated net proceeds were approximately HK$363,530,000, of which approximately HK$360,000,000 were intended to be used to fund the financial needs for developing the Sites (as defined below) and/or the remaining of approximately HK$3,530,000 were intended to be used for general working capital of the Group.

During the year ended 31st December 2011, an option holder exercised her option rights to subscribe for 1,243 shares at exercise price of HK$0.144 per share. The net proceeds from the exercise of option rights amounted to HK$179.

Material Acquisitions

On 7th January 2011, China Star Entertainment (BVI) Limited ("CSBVI"), a wholly owned subsidiary of the Company and KH Investment Holdings Limited ("KH Investment") formed a joint venture company, China Star Film Group Limited (the "JV Company") for an investment cost of HK$30,000,000 each. CSBVI and KH Investment beneficially interested in 50% each of the JV Company. The JV Company is principally engaged in production and distribution of films.

On 23rd December 2010, Triumph Top Limited, a wholly owned subsidiary of the Company (the "Purchaser"), the Company, Sociedade de Turismo e Diversoes de Macau, S.A. (the "Vendor") and Mr. Heung Wah Keung ("Mr. Heung"), a director of the Company entered into a conditional agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the property leasehold right held by the Vendor 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 titles of the Sites) at a consideration of HK$550 million (the "Acquisition"). The Acquisition constituted 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 was approved by the independent shareholders of the Company in a special general meeting held on 7th June 2011. The Acquisition was completed on 10th June 2011. The Sites will be developed into commercial and office units and residential apartments for sale.

On 19th October 2011, CSBVI and Well Gain (Asia) Limited ("Well Gain") entered into a sale and purchase agreement pursuant to which CSBVI has conditionally agreed to acquire and Well Gain has conditionally agreed to sell 50,000 shares of US$1.00 each in the entire share capital of NPH at a total consideration of HK$50,000,000. NPH and its subsidiaries, collectively Poo Yuk Loong Limited, NPH Sino-Meditech Limited, Nam Pei Hong Sum Yung Drugs Company Limited, Poo Yuk Loong Food (Shenzhen) Company Limited, Most Trade Enterprises Limited and 中山市古鎮南臻參茸海味店, are principally engaged in the business of sales of ginseng, dried seafood and pharmaceutical products. The acquisition was completed on 28th October 2011 and the Group started to consolidate the results of the group headed by NPH.

Termination of the Proposed Acquisition of the Entire Share Capital of Modern Vision (Asia) Limited and Reform Base Holdings Limited and the Sale Loans

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 of the Company entered into a sale and purchase agreement (the "2009 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 Urbanizacao da Baia de 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"). 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 further extended to 31st December 2012. 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. Afterwards, the Macau Government has not yet issued any update on the master zoning guideline. On 15th February 2012, Bestjump and Ms. Chen entered into a deed of termination to terminate the 2009 Sale and Purchase Agreement. Given that (a) it did not appear that the master zoning guideline for the Macau Land would be issued anytime soon by the Macau Government; and (b) the ultimate target of the LKF Acquisition (as defined below) was the 49% equity interest in Hotel LKF which had been operating with positive earnings before interest, tax and depreciation, the parties had decided to terminate the 2009 Sale and Purchase Agreement in order to release the Group's internal resource for the LKF Acquisition. Deposits of HK$360,000,000 was refund to the Group, of which HK$335,000,000 was used as first deposit in LKF Acquisition.

Events after the Reporting Period

On 11th January 2012, Exceptional Gain Profits Limited ("Exceptional Gain"), a wholly owned subsidiary of the Company and SJM – Investment Limited ("SJM-I") entered into agreements pursuant to which SJM-I has agreed to sell or procure the sale of, and Exceptional Gain has conditionally agreed to purchase, 1% equity interest of the issued quotas in Hotel LKF and 1% equity interest in the issued share capital of Charm Faith Holdings Limited ("Charm Faith"), a company beneficially owned 1% of the issued quotas of Classic, at a total consideration of HK$13,000,007.80. The agreements were completed on 31st January 2012 and the consideration was financed from internal resources of the Group. After completion, the Company become interested in 51% equity interest in Hotel LKF, Charm Faith and Classic.

On 15th February 2012, CSBVI and Mr. Heung entered into a conditional sale and purchase agreement pursuant to which Mr. Heung has conditionally agreed to sell and CSBVI has conditionally agreed to purchase 100% of the entire issued share capital of Most Famous Enterprises Limited ("Most Famous") and a sale loan amounted to approximately HK$277,420,000 at total consideration of HK$618,000,000 (the "LKF Acquisition"). The major assets of Most Famous are its 49% equity interests in Hotel LKF and 49% interest in Charm Faith. The LKF Acquisition constituted a very substantial acquisition and a connected transaction of the Company under 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. The consideration will be financed by the internal resources of the Group, including partial deposit refunded from Ms. Chen in the termination of the 2009 Sale and Purchase Agreement. As the Company has already owned 51% equity interest in each of Hotel LKF, Charm Faith and Classic as at the date of this agreement, Most Famous, Hotel LKF, Charm Faith and Classic will become wholly owned subsidiaries of the Company upon completion of the LKF Acquisition.

Employees

As at 31st December 2011, the Group employed 726 staffs (2010: 556 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, housing allowances, meal allowances, medical schemes and discretionary bonuses, share options are awarded to certain staffs according to the assessment of individual performance.

Prospect

According to the Macau Government Statistics and Census Service, visitation to Macau increased by over 12% to establish a new record of around 28 million in 2011. With the continuous growth of visitation to Macau, the Group is optimistic about the prospect and future development of Macau and thus continues to pursue its strategy of growing its business in Macau.

The performance of the hotel and gaming service operations in Lan Kwai Fong is considered to be the core profit and cash contributor of the Group in the future. In these few years, it has successfully positioned to be an boutique hotel with excellent services and guest satisfaction. Given the moderate size of Lan Kwai Fong, we can enjoy the benefit of fast response to the changing market conditions in the Macau casino market. Mass table gaming operations are more profitable than VIP gaming operations and thus Casino LKF has spend resources to expand its market share in the mass table gaming operations and was proved to be successful in the year 2011 and we would continue this strategy in the near future. The LKF Acquisition enhances the Group to solidify its profitability and capture the full potential growth in the hotel and gaming service operations.

The development of the Sites not only directly contribute revenue to the Group but also provide synergy with Lan Kwai Fong. Following the completion of acquisition of the Sites in June 2011, the Group starts to prepare its development plan in develop it in to commercial units and residential apartment for sale. Given the superb location of the Sites which is adjacent to Lan Kwai Fong, Macao Polytechnic Institute, Forum de Macao and Golden Lotus Square and is a couple blocks away from Macau Fisherman's Whalf and Sands Casino and the recognized and solid experience in renovation of Lan Kwai Fong, the Group is confident that the development project will be another success project of the Group.

In the next few years, the Group will focus on development of the Sites and expect the outlook of the Macau's property market to be positive.

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 2011.

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 2011, 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 2011 is set out in the Corporate Governance Report to be included in the Company's 2011 annual report which will be sent to the shareholders of the Company on or before 30th April 2012.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company comprises Messrs. Hung Cho Sing, Ho Wai Chi, Paul and Tang Chak Lam, Gilbert, 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 2011.

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 2011. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF ANNUAL REPORT

The Company's 2011 annual report will be despatched to the shareholders of the Company on or before 30th April 2012 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, 29th March 2012

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. Tang Chak Lam, Gilbert.