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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MODERN VISION AND REFORM BASE AND THE SALE LOANS; AND RESUMPTION OF TRADING

THE ACQUISITION

The Directors are pleased to announce that on 29 April 2009, after trading hours, the S&P Agreement was entered into between the Purchaser and the Vendor, pursuant to which the Purchaser would acquire the entire issued share capital of the Target Companies and the Sale Loans, at an aggregate consideration of HK\$900 million (subject to adjustment). The Consideration shall be satisfied by (i) the payment of HK\$200 million as a deposit upon the signing of the S&P Agreement to the Vendor; (ii) the payment of HK\$350 million in cash by the Purchaser to the Vendor prior to Completion and to the extent that not the entire amount of the Second Deposit is paid on or before Completion then the issue of the Promissory Note to the Vendor for the shortfall on Completion; (iii) procuring the Company to issue the Convertible Bond to the Vendor on Completion.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the Vendor is an executive Director, who and her associates hold in aggregate 1,143,722,019 Existing Shares as at the date of the S&P Agreement, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. The Vendor and her associates shall abstain from voting at the SGM in respect of the resolutions to approve the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Acquisition.

GENERAL

A circular containing, among other things, further information in respect of the Acquisition, the letter of advice from the Independent Board Committee to the Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the accountant's reports on the Target Companies Group, the independent valuation report of the Property, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on 29 April 2009 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 May 2009.

THE S&P AGREEMENT

Date: 29 April 2009

Parties: (i) Purchaser: Bestjump Holdings Limited, a wholly-owned subsidiary of the Company;

(ii) Vendor: Ms. Chen Ming Yin, Tiffany

The Vendor is Ms. Chen Ming Yin, Tiffany, an executive Director. As at the date of the S&P Agreement, the Vendor and her associates hold in aggregate 1,143,722,019 Existing Shares, representing approximately 23.87% of the existing issued share capital of the Company. As such, the Vendor is a connected person (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules.

The Acquisition

Pursuant to the S&P Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the entire issued share capital of the Target Companies and the Sale Loans.

The major asset of Modern Vision is its 50% equity interest in Over Profit and the major asset of Reform Base is its 25% equity interest in Over Profit.

Over Profit is an investment holding vehicle which indirectly holds a 100% equity interest in Macau Co. Macau Co is the registered and beneficial owner of the Property. The Property is 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. So far as the Company is aware, Macau Co intends to develop the site into residential properties and this will be the same intention of the Company. The Company has no capital commitment for the Property. No independent valuation has been conducted on the Property upon the signing of the S&P Agreement. However, an independent valuation will be conducted on the Property for the purpose of the circular to Shareholders required to be despatched pursuant to the Listing Rules.

Modern Vision was incorporated in the British Virgin Islands with limited liability on 25 May 2007. Modern Vision is an investment holding company. The major asset of Modern Vision is its 50% equity interest in Over Profit. Other than holding the 50% equity interest in Over Profit, Modern Vision has not carried out any business since its date of incorporation.

According to the unaudited management accounts of Modern Vision for the year ended 31 December 2008 and for the period from 1 January 2009 to 31 March 2009, the net assets value of Modern Vision as at 31 December 2008 and 31 March 2009 were both HK\$8. There was no profit attributable to equity holder of Modern Vision for the year ended 31 December 2008 and for the period from 1 January 2009 to 31 March 2009.

Reform Base was incorporated in the British Virgin Islands with limited liability on 5 June 2007. Reform Base is an investment holding company. The major asset of Reform Base is its 25% equity interest in Over Profit. Other than holding the 25% equity interest in Over Profit, Reform Base has not carried out any business since its date of incorporation.

According to the unaudited management accounts of Reform Base for the year ended 31 December 2008 and for the period from 1 January 2009 to 31 March 2009, the net assets value of Reform Base as at 31 December 2008 and 31 March 2009 were both HK\$8. There was no profit attributable to equity holder of Reform Base for the year ended 31 December 2008 and for the period from 1 January 2009 to 31 March 2009.

Macau Co was incorporated in Macau with limited liability on 20 June 1989. Macau Co is principally engaged in property investment and development in Macau, with its principal asset being that of the Property.

According to the unaudited management accounts of Macau Co for the years ended 31 December 2007 and 2008, the net assets value of Macau Co as at 31 December 2007 was HK\$1.54 million and the net liabilities value of Macau Co as at 31 December 2008 was HK\$1.54 million. The profit before and after taxation for the year ended 31 December 2007 were both HK\$0.74 million. The loss before and after taxation for the year ended 31 December 2008 were both HK\$3.08 million.

The Macau Co Sale Loan and the Over Profit Sale Loan amounted to HK\$88,368,136 and HK\$662,441,871 respectively as at the date of the S&P Agreement. The Sale Loans represent the interest-free advanced made by the Vendor to Macau Co and Over Profit.

Consideration

The Consideration, being HK\$900 million (subject to adjustment), was determined between the Purchaser and the Vendor on a “willing buyer – willing seller” basis having regards to (i) the land grant for the Property issued by Macau Government which contemplates the following as to the construction purposes and gross floor areas: (in square meters): (a) Housing 59,160; (b) Commerce 1,700; (c) Private Parking 12,966; (d) Public Parking 9,821; (e) Free area with facility 428; and (f) Free area without facility 2,308 (the “Land Grant Figures”); (ii) the estimated fair value of the Property of approximately HK\$1,200 million on the basis that the Property will be developed into residential apartments with figures stated in (i) above and with all relevant licences, permits and approvals obtained and (iii) a direct comparison approach by making reference to comparable sales transactions as available in the relevant market. The property valuation on the Property will be conducted by DTZ Debendham Tie Leung Limited, an independent valuer appointed by the Purchaser. The Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Acquisition) consider that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. In any event, a property valuation will be included in the circular to be despatched to the Shareholders and Shareholders should therefore refer to those figures. The Vendor had acquired its 75% interest in the Property in July 2007 based on the Land Grant Figures at a consideration of HK\$1,026 million.

The Consideration shall be satisfied by the Purchaser by:

- (i) the payment of HK\$200 million (the “Initial Deposit”) upon the signing of the S&P Agreement to the Vendor;
- (ii) the payment of HK\$350 million (the “Second Deposit”) in cash to the Vendor prior to Completion and to the extent that not the entire amount of the Second Deposit is paid on or before Completion then the issue of the Promissory Note to the Vendor for the shortfall on Completion; and

(iii) procuring the Company to issue the Convertible Bond to the Vendor on Completion.

The Initial Deposit and the Second Deposit (where applicable) shall immediately be returned to the Purchaser without interest in the event of termination or non-completion of the S&P Agreement for whatever reason.

The payment of the Initial Deposit is financed by the HK\$200 million advanced by China Star Investment Holdings Limited (“CSIHL”) (stock code: 764) pursuant to the loan agreement dated 11 March 2009 and entered into between the Company and CSIHL. Please refer to the CSIHL’s announcement dated 12 March 2009 for the details and the terms of the loan agreement.

In the event that the Property is constructed with gross floor areas which are less than the Land Grant Figures (“Actual Figures”), then the Consideration shall be reduced by the Adjustment. The Adjustment is calculated as follows:

$$\text{Adjustment} = \frac{\text{HK\$900 million}}{\text{Land Grant Figures}} \times (\text{Land Grant Figures} - \text{Actual Figures})$$

The Directors (excluding the Independent non-executive Directors whose opinion will depend on the advice from the independent financial adviser) are of the view that the terms of the S&P Agreement (including the interest rates and overdue rate) are fair and reasonable as the Company can acquire the Property without the full payment of the Consideration in cash.

Conditions

Completion is conditional upon, the following conditions being fulfilled and/or waived by the Purchaser as at the date of Completion:

- (a) the Purchaser obtaining to its satisfaction a legal opinion from Macanese lawyers on, inter alia,
 - (i) confirming Modern Vision and Reform Base indirectly have good title to the Property; and
 - (ii) the unrestricted right of the Property for residential and/or commercial use;
- (b) all consents of the Independent Shareholders and the Stock Exchange in connection with the transactions contemplated by the S&P Agreement including, inter alia, the issue of the Convertible Bond, the issue of Promissory Note (where applicable), the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond having been obtained;

- (c) the Vendor's warranties in the S&P Agreement remaining true and accurate in all material respects;
- (d) the Purchaser undertaking and completing a due diligence investigation in respect of the Property and Macau Co and being satisfied with the results of such due diligence investigation;
- (e) the Purchaser having received a property valuation from an independent property valuer (DTZ Debenham Tie Leung Limited) valuing the Property on Completion at not less than HK\$1,200 million;
- (f) the Stock Exchange not treating (a) the transactions contemplated under the S&P Agreement as a "reverse takeover" under Rule 14.06(6) of the Listing Rules and/or (b) the Company as a new listing applicant under Rule 14.54 of the Listing Rules;
- (g) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon conversion of the Convertible Bond;
- (h) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of Conversion Shares upon conversion of the Convertible Bond; and
- (i) the Capital Reorganisation becoming effective.

If the conditions of the S&P Agreement are not fulfilled or waived in whole or in part by the Purchaser in writing, in its absolute discretion by no later than 5:00 p.m. on 31 December 2009, then the S&P Agreement shall cease and be determined and all liabilities of the parties thereto will cease and no party will have any claim against the others (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the S&P Agreement).

Completion shall take place on the third Business Day after the fulfillment and/or waiver of the last of the conditions precedent in the S&P Agreement or such later date as the Vendor and the Purchaser may agree.

TERMS OF PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Parties: The Company as issuer and the Vendor as payee

Principal Amount: up to HK\$350 million

Maturity: A fixed term of twelve months from the date of issue of the Promissory Note.

If the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 10% per annum.

- Interest: The Promissory Note will not carry any interest.
- Early repayment: Provided that the Company has given to payee not less than ten Business Day's prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note, the Company may at any time from the date of the issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire Promissory Note up or part of it (in amounts of not less than HK\$1 million) by payment to payee of the outstanding principal amount of the Promissory Note save that if at that time, the outstanding principal amount of the Promissory Note is less than HK\$1 million, the whole (but not part only) of the Promissory Note may be repaid.
- Assignment: The Promissory Note may, subject to the ten Business Days' prior written notice to the Company and subject to the written consent of the Company, be transferred or assigned by the Vendor to any person. The Company will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to the connected persons of the Company.
- Extension: The Company has the right to extend the maturity date of the Promissory Note by giving not less than 30 days prior written notice to the payee.

TERMS OF THE CONVERTIBLE BOND

The terms of the Convertible Bond has been negotiated in an arm's length basis and the principal terms of which are summarised below:

- Issuer: The Company
- Principal amount: HK\$350 million
- Maturity: A fixed term of five years from the date of issue the Convertible Bond. Unless previously redeemed, converted or cancelled, the Company shall redeem the outstanding principal amount of the Convertible Bond on the maturity date.
- Interest: 6% per annum and payable on semi-annually in arrears

Redemption: The Company may at any time upon the date of issue and before the maturity date of the Convertible Bond, by serving at least seven days' prior written notice to the bondholder(s) with the total amount proposed to be redeemed from the bondholder(s) specified in the Convertible Bond, redeem the Convertible Bond at par.

Any amount of the Convertible Bond which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount.

Conversion Price: The Conversion Price is HK\$0.50 per Conversion Share (subject to adjustment) on the basis that the Capital Reorganisation has been completed. The adjustments are subject to review by the Company's auditors or independent financial advisers. The adjustments for the Conversion Price include the followings:

- (i) no alternation of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such);
- (iv) an offer of new Shares for subscription by way of rights, or grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 90% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 90% of the market price on the date of announcement of the terms of such issue; and

(vii) an issue of Shares for acquisition of assets at a total effective consideration per Share which is less than 90% of the market price of the date of the announcement of the terms of such issue.

The Conversion Price represents (i) a discount of approximately 13.79% to the adjusted closing price of HK\$0.58 per Consolidated Share (as adjusted for the Capital Reorganisation based on the closing price of HK\$0.029 per Existing Share) as quoted on the Stock Exchange immediately before the suspension of trading of the Shares (i.e. 29 April 2009); (ii) the adjusted closing price of HK\$0.50 per Consolidated Share (as adjusted for the Capital Reorganisation based on the closing price of HK\$0.025 per Existing Share) as quoted on the Stock Exchange in the Last Trading Day; (iii) a premium of approximately 48.81% over the average of the adjusted closing prices of HK\$0.336 per Consolidated Share (as adjusted for the Capital Reorganisation) based on the average closing price of HK\$0.0168 per Existing Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iv) a premium of approximately 61.29% over the average of the adjusted closing prices of HK\$0.31 per Consolidated Share (as adjusted for the Capital Reorganisation) based on the average closing price of HK\$0.0155 per Existing Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Conversion Shares: Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond at the Conversion Price by the bondholder(s), the Company will allot and issue an aggregate of 700,000,000 new Consolidated Shares, which is the maximum number of Shares to be issued, representing approximately 292.26% of the existing issued share capital of the Company (adjusted for the Capital Reorganisation) and approximately 74.51% of the issued share capital of the Company (adjusted for the Capital Reorganisation) as enlarged by the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM.

Conversion: The bondholder(s) may at any time during the Conversion Period convert the whole or part (in multiples of HK\$1 million), save that if at any time the aggregate outstanding principal amount of the Convertible Bond is less than HK\$1

million, the whole (but not part only) of the outstanding principal amount of the Convertible Bond may be converted, of the principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price.

Provided that any conversion of the Convertible Bond (i) does not result in the bondholder(s) and parties acting in concert with it shall be interested (whether directly or indirectly in 29.90% or more of the then issued share capital of the Company; (ii) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) and their respective concerted parties which exercised the conversion right; and (iii) will not cause the public float of the Company unable to meet the requirement under the Listing Rules, the bondholder(s) shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bond into the Conversion Shares.

Transferability: The bondholder(s) may only assign or transfer the Convertible Bond to the transferee subject to the consent of the Company.

The Company will promptly notify the Stock Exchange upon becoming aware of any dealings in the Convertible Bond by any connected person of the Company.

Ranking: The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all Shares in issue in the date of the allotment and issue of the Conversion Shares.

Status of Convertible Bond: The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

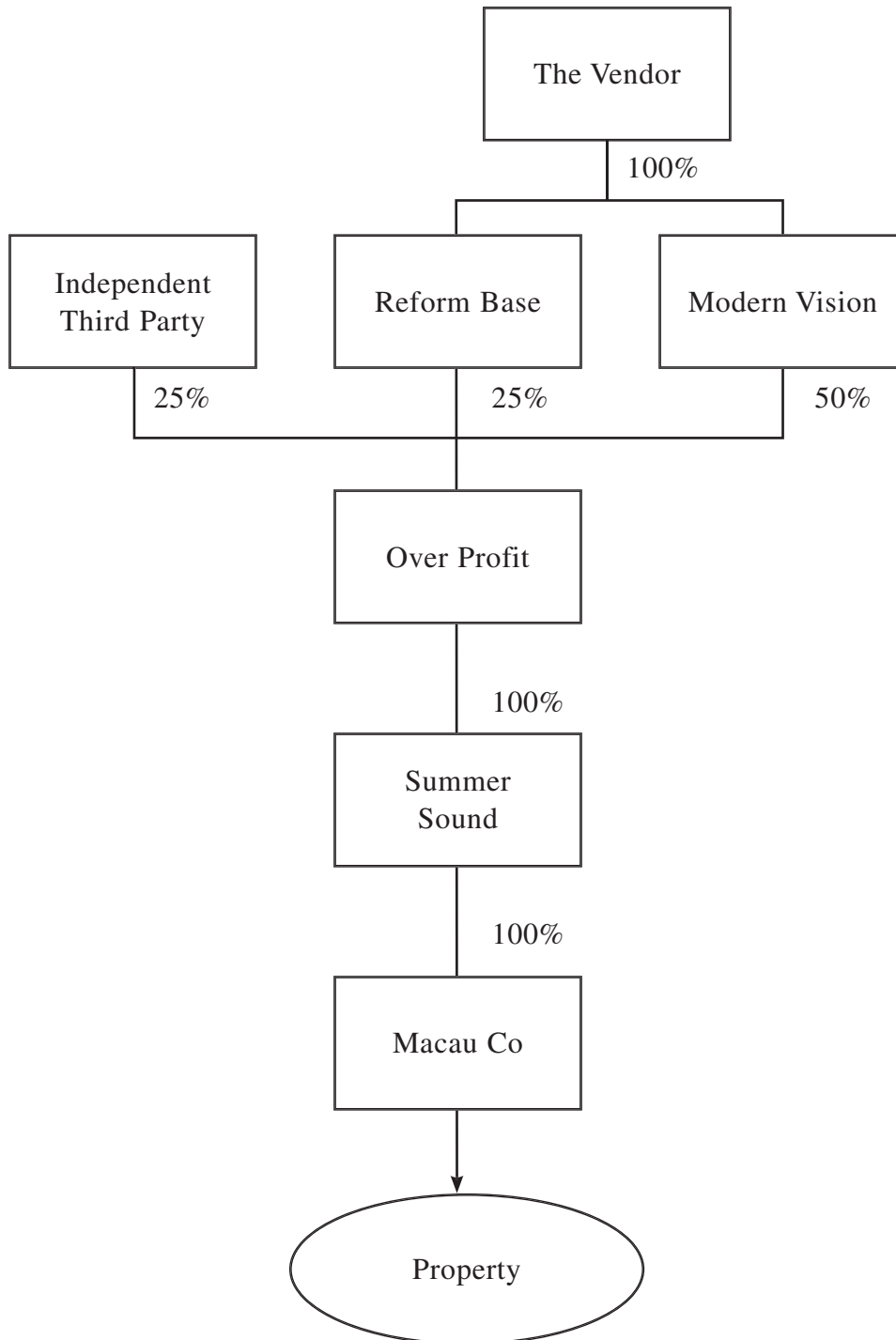
Voting rights: The Convertible Bond does not confer any voting rights at any meetings of the Company.

Application for listing: No application will be made by the Company for listing of the Convertible Bond. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

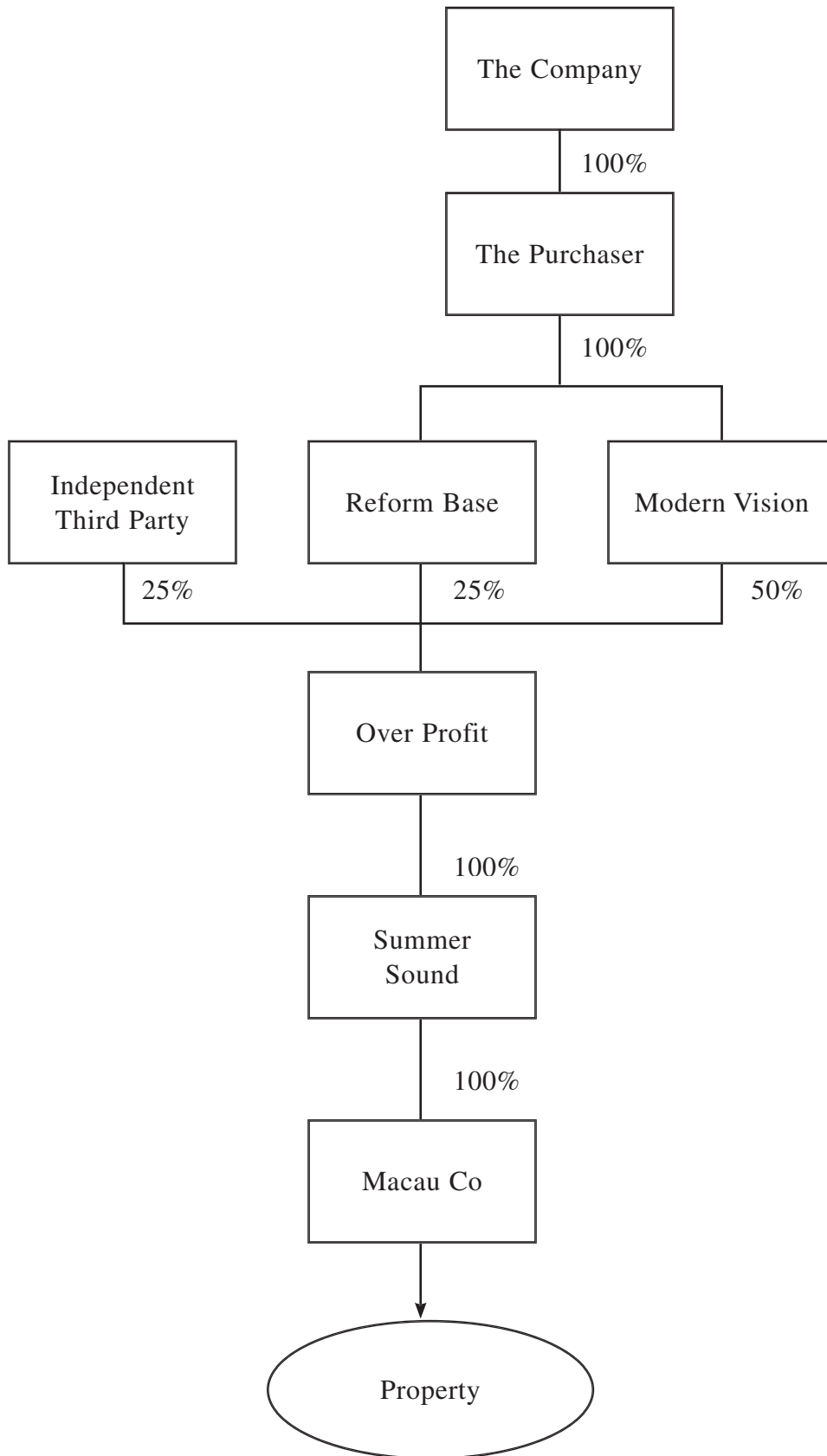
SHAREHOLDING STRUCTURE OF THE TARGET COMPANIES GROUP

Set out below is the summarised shareholding structure of the Target Companies Group before and after completion of the Acquisition:

Before:



After:



EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

| | Prior to the Capital Reorganisation became effective | | As at the date of this announcement | | Upon Completion and assuming the conversion rights attached to the Convertible Bond is exercised in full (Note 3) | | Upon Completion and assuming the conversion rights attached to the Convertible Bond is exercised to the extent that the Vendor and her parties acting in concert, in aggregate, holds not more than 29.90% of the issued share capital as enlarged by the Conversion Shares (Note 3) | |
|---------------------------------------|--|----------------|--|----------------|--|----------------|--|----------------|
| | No. of Existing Shares | Approx. | No. of Consolidated Shares | Approx. | No. of Consolidated Shares | Approx. | No. of Consolidated Shares | Approx. |
| | | | | | | | | |
| Porterstone Limited (Note 1) | 913,243,500 | 19.06% | 45,662,173 | 19.06% | 45,662,173 | 4.86% | 45,662,173 | 17.56% |
| Dorest Company Limited (Note 2) | 2,740,500 | 0.05% | 137,025 | 0.05% | 137,025 | 0.01% | 137,025 | 0.05% |
| Mr. Heung | 199,193,070 | 4.16% | 9,959,653 | 4.16% | 9,959,653 | 1.06% | 9,959,653 | 3.83% |
| The Vendor | 28,544,949 | 0.60% | 1,427,247 | 0.60% | 701,427,247 | 74.66% | 22,008,133 | 8.46% |
| Sub-total | 1,143,722,019 | 23.87% | 57,186,098 | 23.87% | 757,186,098 | 80.59% | 77,766,984 | 29.90% |
| <i>Public Shareholders</i> | | | | | | | | |
| Lucky State Group Limited (Note 4) | 465,419,997 | 9.72% | 23,271,000 | 9.72% | 23,271,000 | 2.48% | 23,271,000 | 8.95% |
| Other public Shareholders | 3,181,045,344 | 66.41% | 159,052,270 | 66.41% | 159,052,270 | 16.93% | 159,052,270 | 61.15% |
| | <u>4,790,187,360</u> | <u>100.00%</u> | <u>239,509,368</u> | <u>100.00%</u> | <u>939,509,368</u> | <u>100.00%</u> | <u>260,090,254</u> | <u>100.00%</u> |

Notes:

- Porterstone Limited is wholly-owned by the Vendor and Dorest Company Limited is owned as to 60% by Porterstone Limited and as to 40% by Mr. Heung.
- Shares held by Dorest Company Limited are under a charging order.
- For illustration purpose only. Pursuant to the terms of the Convertible Bond, provided the conversion of the Convertible Bond (i) does not result in the bondholder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 29.90% or more of the then issued share capital of the Company; (ii) does not trigger a mandatory offer obligation under Rule 26 of the Code on the part of the bondholder(s) and their respective concerted parties which exercised the conversion right; and (iii) will not cause the public float of the Company unable to meet the requirement under the Listing Rules, the bondholder(s) shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bond into the Conversion Shares.

4. Lucky State Group Limited is wholly-owned by Mr. Ng Cheuk Fai. Lucky State Group Limited is the holder of HK\$72 million outstanding convertible notes of the Company and Mr. Ng Cheuk Fai is the general manager of the Company. Save for being a Shareholder and the general manager of the Company, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lucky State Group Limited and Mr. Ng Cheuk Fai are Independent Third Parties.

Reasons and Benefits of the Acquisition

The Group is principally engaged in film production, distribution of film and television drama series, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

In view of the Group's return to profitability by investing in Macau, the Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Acquisition) believe that the Acquisition will diversify the Group's investment portfolio in Macau and broaden its revenue base which have a positive impact on the Group's long-term profitability. As such, the Directors believe that the Acquisition is in the interest of the Company and the Shareholders as a whole.

Following Completion, the Target Companies Group will be treated as subsidiaries of the Company and their financial results will be consolidated into the Group.

General

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the Vendor and her associates who holds 1,143,722,019 Existing Shares as at the date of the S&P Agreement and the Vendor is an executive Director, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. The Vendor and her associates shall abstain from voting at the SGM in respect of the resolutions to approve the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Acquisition.

There have been no previous transactions entered into between the Company and the Vendor that requires aggregation pursuant to Rule 14A.25 of the Listing Rules.

A circular containing, among other things, further information in respect of the Acquisition, the letter of advice from the Independent Board Committee to the Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the accountant's reports on the Target Companies Group, the independent valuation report on the Property, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Suspension and resumption of trading

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on 29 April 2009 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 May 2009.

Definitions

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| “Acquisition” | the proposed acquisition of the entire issued share capital of the Target Companies and Sale Loans; |
| “associate” | has the meaning as ascribed to it under the Listing Rules; |
| “Board” | the board of Directors; |
| “Business Day” | a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business; |
| “Capital Reorganisation” | the proposed capital reorganisation of the Company involving the share consolidation, the capital reduction and the share subdivision announced by the Company on 26 February 2009 which was effective on 4 May 2009; |
| “Code” | Hong Kong Code on Takeovers and Mergers; |
| “Company” | China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Stock Exchange; |
| “Completion” | the completion of the Acquisition; |
| “Consideration” | the total consideration payable by the Purchaser for the Acquisition pursuant to the S&P Agreement, being HK\$900 million (subject to adjustment); |
| “Consolidated Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective; |
| “Conversion Shares” | the new Consolidated Shares to be allotted and issued upon conversion of the Convertible Bond; |

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| “Conversion Period” | the period commencing from the date of issue of Convertible Bond up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date; |
| “Conversion Price” | the initial conversion price of HK\$0.50 per Consolidated Share (subject to adjustment) pursuant to the terms of the Convertible Bond; |
| “Convertible Bond” | a 5-year term convertible bond carrying interest at 6% per annum conferring rights to subscribe for the Conversion Shares at the Conversion Price in the principal amount of HK\$350 million to be issued by the Company in favour of the Vendor pursuant to the S&P Agreement; |
| “Director(s)” | the director(s) of the Company; |
| “Existing Share(s)” | the ordinary share(s) of HK\$0.05 each in the share capital of the Company as at the date of the S&P Agreement; |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Board Committee” | the independent board committee comprising Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Leung Hok Man, all of which are independent non-executive Directors to advise the Independent Shareholders on the Acquisition; |
| “Independent Shareholders” | Shareholders other than the Vendor and her associates; |
| “Independent Third Party” | person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules); |

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| “Last Trading Day” | 28 April 2009, being the last full trading day of the Existing Shares on the Main Board of the Stock Exchange immediately prior to the date of this announcement; |
| “Land Grant Figures” | the land grant for the Property issued by the Macau Government which contemplates the following as to the construction purposes and gross floor areas: (in square meters): (a) Housing 59,160; (b) Commerce 1,700; (c) Private Parking 12,966; (d) Public Parking 9,821; (e) Free area with facility 428; and (f) Free area without facility 2,308; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Modern Vision” | Modern Vision (Asia) Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Vendor; |
| “Macau” | Macau Special Administrative Region of the People’s Republic of China; |
| “Macau Co” | Legstrong Construction and Investment Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of Over Profit; |
| “Macau Co Sale Loan” | the total obligations liabilities and debts owing or incurred by Macau Co to the Vendor in the sum of HK\$88,368,136 as at the date of the S&P Agreement; |
| “Mr. Heung” | Mr. Heung Wah Keung, an executive Director, the husband of the Vendor and a substantial Shareholder; |
| “Over Profit” | Over Profit International Limited, a company incorporated in the British Virgin Islands and which indirectly owns the entire issued quota of Macau Co; |
| “Over Profit Sale Loan” | the total obligations liabilities and debts owing or incurred by Over Profit to the Vendor in the sum of HK\$662,441,871 as at the date of the S&P Agreement; |

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| “Promissory Note” | the 1-year term zero coupon promissory note to be issued by the Company to the Vendor of up to the principal amount of HK\$350 million pursuant to the terms of the S&P Agreement; |
| “Property” | 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; |
| “Purchaser” | Bestjump Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned subsidiary of the Company; |
| “Reform Base” | Reform Base Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Vendor; |
| “Sale Loans” | the Macau Co Sale Loan and the Over Profit Sale Loan; |
| “Share(s)” | Existing Share(s) and/or Consolidated Shares, as the case may be; |
| “Shareholder(s)” | the holder(s) of the Share(s); |
| “SGM” | a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Acquisition; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Summer Sound” | Summer Sound Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Over Profit; |
| “S&P Agreement” | a conditional sale and purchase agreement entered into between the Purchaser and the Vendor dated 29 April 2009 in respect of the Acquisition; |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers; |
| “Target Companies” | collectively, Modern Vision and Reform Base; |

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| “Target Companies Group” | the group headed by the Target Companies included but not limited to Macau Co and Summer Sound; |
| “Vendor” | Ms. Chen Ming Yin, Tiffany, an executive Director and a substantial Shareholder; and |
| “%” | per cent. |

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

Hong Kong, 5 May 2009

As at the date of this announcement, the Board comprises three executive Directors namely, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; and three independent non-executive Directors namely, Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Leung Hok Man.