



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 326)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

PLACING AGENT



KINGSTON SECURITIES LIMITED

Top-Up Placing and Subscription

On 24 February 2005, the Vendors entered into the Top-Up Placing Agreement and the Subscription Agreement with the Placing Agent and the Company respectively. Pursuant to the Top-Up Placing Agreement, the Vendors have agreed to place, through the Placing Agent, an aggregate of 76,600,000 existing Shares, on a fully underwritten basis, to not less than six independent investors at a price of HK\$0.50 per Share. Pursuant to the Subscription Agreement, the Vendors conditionally agreed to subscribe for an aggregate of 76,600,000 Subscription Shares at a price of HK\$0.50 per Share.

The Top-Up Placing Shares and the Subscription Shares represent (i) about 17.25% of the existing issued share capital of the Company of 443,941,608 Shares; and (ii) about 14.72 % of the issued share capital of the Company of 520,541,608 Shares as enlarged by the Subscription.

The Top-Up Placing Price and the Subscription Price of HK\$0.50 represents (i) a discount of about 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 24 February 2005, being the last trading day before this announcement; (ii) a discount of about 14.68% to the average of the closing price per Share of HK\$0.586 as quoted on the Stock Exchange for the last five trading days up to and including 24 February 2005, being the last trading day before this announcement; and (iii) a discount of about 12.89% to the average of the closing price per Share of HK\$0.574 as quoted on the Stock Exchange for the last ten trading days up to and including 24 February 2005, being the last trading day before this announcement.

The Subscription is conditional upon the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares.

The gross proceeds from the Subscription will be about HK\$38.30 million. The net proceeds from the Subscription of about HK\$37.30 million will be used for general working capital of the Group and/or any future possible acquisition which is yet to be identified. As at the date of this announcement, the Company has no concrete plans or targets for the future possible acquisition.

THE TOP-UP PLACING AGREEMENT

On 24 February 2005, the terms of the Top-Up Placing were fixed and the Vendors entered into the Top-Up Placing Agreement with the Placing Agent. Pursuant to the Top-Up Placing Agreement, the Vendors have agreed to place, through the Placing Agent, an aggregate of 76,600,000 existing Shares, on a fully underwritten basis, to not less than six independent investors at a price of HK\$0.50 per Share.

Date

24 February 2005

Parties involved

The Placing Agent and the Vendors

Placing Agent

Kingston Securities Limited is the Placing Agent and will receive a placing commission of 2.0% on the gross proceeds of the Top-Up Placing paid by the Company, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is not a connected person (as defined in Listing Rules) of the Company and are third parties independent of the Company and its connected persons.

Placees

Not less than six independent placees (which will be independent individual, corporate and/or institutional investors) (the "Placee(s)"), who and whose ultimate beneficial owners are not connected person and are independent of the Company and its connected persons (as defined in Listing Rules). No Placees will become the substantial Shareholders.

Top-Up Placing Price

The Top-Up Placing Price and the Subscription Price of HK\$0.50 represents (i) a discount of about 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 24 February 2005, being the last trading day before this announcement; (ii) a discount of about 14.68% to the average of the closing price per Share of HK\$0.586 as quoted on the Stock Exchange for the last five trading days up to and including 24 February 2005, being the last trading day before this announcement; and (iii) a discount of about 12.89% to the average of the closing price per Share of HK\$0.574 as quoted on the Stock Exchange for the last ten trading days up to and including 24 February 2005, being the last trading day before this announcement.

The Top-Up Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent.

The Top-Up Placing Shares

The Top-Up Placing Shares represent (i) about 17.25% of the existing issued share capital of the Company of 443,941,608 Shares; and (ii) about 14.72 % of the issued share capital of the Company of 520,541,608 Shares as enlarged by the Subscription.

Condition of the Placing

The Top-Up Placing is unconditional and is expected to be completed on 1 March 2005.

THE SUBSCRIPTION AGREEMENT

On 24 February 2005, the terms of the Subscription were fixed and the Vendors entered into the Subscription Agreement with the Company. Pursuant to the Subscription Agreement, the Vendors conditionally agreed to subscribe for an aggregate of 76,600,000 Subscription Shares at a price of HK\$0.50 per Share.

Date

24 February 2005

Parties involved

The Company and the Vendors

The Subscription Price

The Subscription Price is HK\$0.50 per Share. The Subscription price is equivalent to the Top-Up Placing Price and was determined after arm's length negotiation between the Company and the Vendors with reference to the Top-Up Placing Price of the Top-Up Placing. The Directors (including the independent non-executive Directors) consider that the terms of the Top-Up Placing and the Subscription (including the Top-Up Placing Price and the Subscription Price) are fair and reasonable based on the current market condition and in the interests of the Company and its Shareholders as a whole.

The net proceeds raised per Subscription Share upon the completion of Subscription will be HK\$0.49 per Share.

Number of Subscription Shares

The Subscription Shares represent (i) about 17.25% of the existing issued share capital of the Company of 443,941,608 Shares; and (ii) about 14.72 % of the issued share capital of the Company of 520,541,608 Shares as enlarged by the Subscription.

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions

The Subscription is conditional upon:

- the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- completion of the Top-Up Placing; and
- if required, the Bermuda Monetary Authority granting or agreeing to grant permission to allot, issue and subsequent transfer of the Subscription Shares.

The Subscription Agreement does not provide either party the rights to waive the above conditions.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Completion

Although the Vendors are the connected persons (as defined in the Listing Rules) of the Company and the arrangement of the Subscription has constituted connected transaction under the Listing Rules, such connected transaction is exempted from the reporting, announcement and independent shareholders' approval requirement under Rule 14A.31(3)(d) of the Listing Rule. Under the Listing Rules, the Subscription must be completed within 14 days after the date of the Subscription Agreement, that is on or before 10 March 2005.

In the event that the conditions to the Subscription Agreement are not fulfilled by 10 March 2005, the Company and the Vendors may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion of the Subscription to a later date to be agreed between the Company and the Vendors.

GENERAL MANDATE

The Subscription Shares will be issued under the general mandate ("General Mandate") to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the special general meeting of the Company (the "SGM") held on 21 January 2005 subject to the limit up to 20% of the issued share capital of the Company as at the date of passing the resolution at the SGM (i.e. 76,635,321 Shares). As at the date of this announcement, none of the new Shares has been issued under the General Mandate.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company upon completion of the Top-Up Placing and Subscription are set out as below (assuming no further share capital would be issued until the completion of the Top-Up Placing and Subscription):

	Existing		Immediately after completion of the Top-Up Placing		Immediately after completion of Top-Up Placing and Subscription	
	Shares	%	Shares	%	Shares	%
Porterstone (note 1)	61,905,000	13.95	1,905,000	0.43	61,905,000	11.89
Dorest (note 2)	18,510,000	4.17	18,510,000	4.17	18,510,000	3.56
Mr. Heung	18,395,000	4.14	1,795,000	0.41	18,395,000	3.53
Ms. Chen	9,429,410	2.12	9,429,410	2.12	9,429,410	1.81
Ms. Li Yuk Sheung, being a Director	16	0.00	16	0.00	16	0.00
Subtotal	108,239,426	24.38	31,639,426	7.13	108,239,426	20.79
Public						
Placees for the Top-Up Placing	0	0.00	76,600,000	17.25	76,600,000	14.72
Other public Shareholders	335,702,182	75.62	335,702,182	75.62	335,702,182	64.49
Total	443,941,608	100.00	443,941,608	100.00	520,541,608	100.00

Note:

- The entire issued share capital of Porterstone is beneficially owned by Ms. Chen. Accordingly, Mr. Heung, the husband of Ms. Chen, is deemed to be interested in the Shares held by Porterstone.
- The issued share capital of Dorest is beneficially owned as to 60% by Ms. Chen through Porterstone and as to 40% by Mr. Heung.

USE OF PROCEEDS

The gross proceeds from the Subscription will be about HK\$38.30 million. The net proceeds from the Subscription of about HK\$37.30 million will be used for general working capital of the Group and/or any future possible acquisition which is yet to be identified. As at the date of this announcement, the Company has no concrete plans or targets for the future possible acquisition.

The net proceeds raised per Subscription Share upon completion of Subscription will be approximately HK\$0.49 per Share.

REASONS FOR THE TOP-UP PLACING AND SUBSCRIPTION

The Directors consider that the Top-Up Placing and the Subscription represent an opportunity to raise capital for the Company under the current positive market condition while broadening the shareholder base and the capital base of the Company.

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THE TOP-UP PLACING AGREEMENT AND THE SUBSCRIPTION AGREEMENT

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
15 December 2004	Issue of 60,765,000 new Shares	HK\$35.6 million	HK\$20 million will be used for two movies' production which have been scheduled to be produced in 2005, planned screenplay and principal production personal have been arrange and approximately HK\$15.6 million will be used as the general working capital	Approximately HK\$3.7 million has been used for movies' production and approximately HK\$15.6 million has been used for general working capital and the remaining balance of approximately HK\$16.3 million are intended to be used for movies' production
15 December 2004	Issue of 60,765,000 new Shares	HK\$35.6 million	HK\$20 million will be used for two movies' production which have been scheduled to be produced in 2005, planned screenplay and principal production personal have been arrange and approximately HK\$15.6 million will be used as the general working capital	The total net proceeds of HK\$35.6 million has not yet been utilized at all up to the date of this announcement and such proceeds will be utilized in accordance with the intended use of proceeds as set out in the content of Company's announcement dated 15 December 2004

GENERAL

The principal activities of the Company are engaged in film production, distribution of film and television drama series, and provision of post-production services.

As at the date of this announcement, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung are executive Directors and Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Fung Ho Sum are the independent non-executive Directors.

TERMS AND DEFINITION

"Board"	the board of Director
"Company"	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Director(s)"	director(s) of the board of the Company
"Dorest"	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen through Porterstone and as 40% by Mr. Heung
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Heung"	Mr. Heung Wah Keung, a Director
"Ms. Chen"	Ms. Chen Ming Yin, Tiffany, a Director
"Placing Agent"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Porterstone"	Porterstone Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen. Accordingly, Mr. Heung, the husband of Ms. Chen, is deemed to be interested in the Shares held by Porterstone.
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK\$0.05 in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription for the 76,600,000 Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement between the Company and the Vendors dated 24 February 2005 in relation to the Subscription
"Subscription Price"	HK\$0.50 per Share
"Subscription Shares"	a total of 76,600,000 new Shares to be subscribed for by the Vendors pursuant to the Subscription Agreement
"Top-Up Placing"	the placing of 76,600,000 existing Shares beneficially owned by the Vendors pursuant to the terms of Top-Up Placing Agreement
"Top-Up Placing Agreement"	the placing agreement between the Vendors and the Placing Agent dated 24 February 2005 in relation to the Top-Up Placing
"Top-Up Placing Price"	HK\$0.50 per Shares
"Top-Up Placing Shares"	a total of 76,600,000 existing Shares beneficially owned by the Vendors and to be placed pursuant to the Top-Up Placing Agreement
"Vendors"	Porterstone and Mr. Heung
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

By Order of the board
Heung Wah Keung
 Chairman