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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE SUBJECT TO SHAREHOLDERS' APPROVAL

Placing Agent



金利豐證券

KINGSTON SECURITIES

On 27 January 2014 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 3,200,000,000 Placing Shares by a maximum of four tranches (in which each tranche shall not be less than 800,000,000 Placing Shares, save for the last tranche) to not less than six Placees who are the Independent Third Parties at the Placing Price of HK\$0.125 per Placing Share.

The Placing Price of HK\$0.125 per Placing Share represents:

- (a) a discount of 6.72% to the closing price of HK\$0.134 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (b) a discount of approximately 11.35% to the average closing price of approximately HK\$0.141 per Share in the last five consecutive trading days prior to the date of the Placing Agreement; and
- (c) a discount of approximately 6.02% to the average closing price of approximately HK\$0.133 per Share in the last ten consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, (i) the recent trading price of the Shares; and (ii) the performance of the Shares and the attractiveness to the potential investors. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable as the Company can obtain financing for the Possible Acquisition. As such, the Placing is in the interests of the Company and the Shareholders as a whole.

Completion of the Placing is subject to the conditions as set out in the section headed "Conditions Precedent" below.

On the basis that all of the 3,200,000,000 Placing Shares are placed in full, the gross proceeds from the Placing will be amounted to approximately HK\$400.00 million and the net proceeds from the Placing will be amounted to approximately HK\$395.47 million which is intended to be used for the Possible Acquisition.

Shareholders and potential investors should note that the Placing is subject to fulfillment of the conditions as set out in the section headed "Conditions Precedent". Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

On 27 January 2014 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 3,200,000,000 Placing Shares by a maximum of four tranches (in which each tranche shall not be less than 800,000,000 Placing Shares, save for the last tranche) to not less than six Placees who are the Independent Third Parties at the Placing Price of HK\$0.125 per Placing Share.

THE PLACING AGREEMENT

Date: 27 January 2014

Parties: The Company and the Placing Agent

Placing Agent

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Placing Agent and its ultimate beneficial owners are the Independent Third Parties. As at the date of this announcement, the Placing Agent is interested in 27 Shares.

Placees

The Placing Shares will be placed to not less than six Placees, who and whose ultimate beneficial owners are the Independent Third Parties.

None of the individual Placees will become a substantial Shareholder (as defined in the Listing Rules) as a result of the Placing.

Placing Price

The Placing Price of HK\$0.125 per Placing Share represents:

- (a) a discount of 6.72% to the closing price of HK\$0.134 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (b) a discount of approximately 11.35% to the average closing price of approximately HK\$0.141 per Share in the last five consecutive trading days prior to the date of the Placing Agreement; and
- (c) a discount of approximately 6.02% to the average closing price of approximately HK\$0.133 per Share in the last ten consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, (i) the recent trading price of the Shares; and (ii) the performance of the Shares and the attractiveness to the potential investors. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable as the Company can obtain financing for the Possible Acquisition (as defined herein). As such, the Placing is in the interests of the Company and the Shareholders as a whole.

The net price per Placing Share will be approximately HK\$0.124.

Placing Shares

Pursuant to the Placing Agreement, up to 3,200,000,000 Placing Shares will be placed by the Placing Agent by a maximum of four tranches (in which each tranche shall not be less than 800,000,000 Placing Shares, save for the last tranche). The 3,200,000,000 Placing Shares represent (i) approximately 34.80% of the issued share capital of the Company of 9,194,232,803 Shares as at the date of the Placing Agreement; and (ii) approximately 25.82% of the issued share capital of the Company of 12,394,232,803 Shares as enlarged by the allotment and issue of the 3,200,000,000 Placing Shares.

The aggregate nominal value of the Placing Shares will be HK\$32,000,000.

The Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and bye-laws of the Company and with the relevant rules and regulations applicable to the Company in Bermuda and Hong Kong and will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the Placing and thereafter.

Specific Mandate to Allot and Issue Placing Shares

The Placing Shares will be allotted and issued pursuant to a specific mandate to be obtained at the SGM.

Ranking of the Placing Shares

The Placing Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with all Shares in issue as at the date of allotment and issue of the Placing Shares.

Placing Commission

The Placing Agent will receive a placing commission of 1.00% of the aggregate amount equal to the Placing Price multiplied by the actual number of Placing Shares being placed.

Conditions Precedent

Completion of the Placing is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting, if any) to approve the Placing Agreement and the transactions contemplated thereunder, including the allotment and issue of the Placing Shares, at the SGM;
- (b) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, all of the Placing Shares under the relevant tranche of the Placing; and
- (c) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

The Company and the Placing Agent agreed that the Placing will be completed in tranches by a maximum of four tranches provided that the aggregate number of the Placing Shares for each tranche of the Placing shall not be less than 800,000,000 (save for the last tranche of the Placing where the number of the Placing Shares to be allotted and issued may be less than 800,000,000) and that the listing approval as referred to condition (b) above in respect of the relevant tranche of the Placing Shares has been obtained and that the completion of the Placing shall apply to each of such partial completion.

Completion of the Placing

Completion of each tranche of the Placing will take place within four business days after the fulfillment of the conditions for each tranche of the Placing as set out above but not later than the 30th day from the date of the SGM (the “**Long Stop Date**”).

If the above conditions are not fulfilled on or before the Long Stop Date, the Placing Agreement will be terminated and the Placing will not proceed and all obligations and liabilities of the parties thereunder will forthwith cease and determine and no party will have any claim against the others, save for any antecedent breaches under the Placing Agreement.

Application for Listing

Application will be made by the Company to the Listing Committee for the grant of the listing of, and permission to deal in, the Placing Shares under the relevant tranche of the Placing.

Termination of the Placing Agreement

Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent’s appointment shall terminate upon the earlier of (i) the completion of each tranche of the Placing; and (ii) termination of the Placing Agreement by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.

The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the completion date of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the date of completion of the Placing;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcements or circulars relating to the Placing Agreement and the transactions contemplated thereunder; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

As disclosed in the announcements of the Company dated 21 and 27 January 2014, the Company has commenced preliminary discussion with an Independent Third Party in relation to a possible acquisition (the “**Possible Acquisition**”) of equity or beneficial interests in a company which will be entitled to the entirety of the net profit deriving from VIP gaming promotion operations (being activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage and entertainment in exchange for a commission or other compensation paid by a gaming concessionaire) in Macau.

On the basis that all of the 3,200,000,000 Placing Shares are placed in full, the gross proceeds from the Placing will be amounted to approximately HK\$400.00 million and the net proceeds from the Placing will be amounted to approximately HK\$395.47 million which are intended to be used for the Possible Acquisition. In the event that the Possible Acquisition is not materialised, the net proceeds from the Placing are intended to be used for property investment, including but not limited to the possible acquisition of the entire issued share capital of a company, the major asset of which is its certain indirect interest in a 20-storey commercial building located in Chaoyangmenwai Dajie (朝陽門外大街), Beijing, The People’s Republic of China, which was disclosed in the Company’s announcement on 27 January 2014.

The Directors are of the view that the Placing represents an opportunity to raise additional funds while broadening the shareholders’ base of the Company and strengthening the financial position of the Group. The Directors are of the view that the Placing is in the interest of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and the effects on the shareholding structure of the Company upon completion of the Placing (assuming (i) no new Shares are to be allotted and issued by the Company from the date of this announcement up to completion of the Placing; and (ii) all of the 3,200,000,000 Placing Shares are placed in full) are set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing (assuming (i) no new Shares are to be allotted and issued by the Company from the date of this announcement up to completion of the Placing; and (ii) all of the 3,200,000,000 Placing Shares are placed in full)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
HWKFE (Note 1)	4,661,162,574	50.70	4,661,162,574	37.61
Dorest (Note 2)	41,106	0.00	41,106	0.00
Public				
The Placing Agent	27	0.00	27	0.00
The Placees (Note 3)	–	–	3,200,000,000	25.82
Other public Shareholders (Note 4)	4,533,029,096	49.30	4,533,029,096	36.57
Total	<u>9,194,232,803</u>	<u>100.00</u>	<u>12,394,232,803</u>	<u>100.00</u>

Notes:

1. HWKFE is owned as to 50% by Mr. Heung and as to 50% by Ms. Chen.
2. Dorest is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung. The Shares held by Dorest are under a charging order.
3. Pursuant to the Placing Agreement, none of the Placees will become a substantial Shareholder (as defined in the Listing Rules) as a result of the Placing.
4. Certain Placees may be the existing Shareholders (holding less than 5% of the existing issued share capital of the Company as at the date of this announcement). The existing shareholdings of such Placees, if any, are included under “Other public Shareholders”.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

Set out below is the fund raising activities conducted by the Company in the past 12 months prior to the date of this announcement.

Date of announcement	Description	Net proceeds	Intended use of proceeds	Actual use of proceeds
18 November 2013	Open offer of 2,626,923,658 new Shares at HK\$0.125 per Share	Approximately HK\$324.47 million	For property investment in Hong Kong and/or Macau	The net proceeds have not been utilised
10 January 2013	Placing of 400,000,000 new Shares at HK\$0.140 per Share	Approximately HK\$55.30 million	For property investment in Hong Kong	The net proceeds has been utilised for acquisition of properties in Hong Kong in April 2013

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Placing Agreement and transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the Placing Agent who is considered to have a material interest (having the meaning of the Listing Rules) in the Placing, no Shareholder is required to abstain from voting at the SGM.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, sales of Chinese health products, investing in operations which receive the profit stream from gaming promotion business, property and hotel investment, and property development.

A circular containing, among other things, details of the Placing and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Placing is subject to fulfillment of the conditions as set out in the section headed "Conditions Precedent". Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein.

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday 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
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange
“Dorest”	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“Independent Third Party(ies)”	person(s) who is/are independent of and not connected with the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Heung”	Mr. Heung Wah Keung, the Chairman of the Board and an executive Director
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the Vice Chairman of the Board and an executive Director
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the terms and conditions of the Placing Agreement
“Placing”	the placing, on a best effort basis, of up to 3,200,000,000 Placing Shares by a maximum of four tranches (in which each tranche shall not be less than 800,000,000 Placing Shares, save for the last tranche) pursuant to the terms and conditions of the Placing Agreement
“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)
“Placing Agreement”	a conditional agreement dated 27 January 2014 entered into between the Company and the Placing Agent relating to the Placing
“Placing Price”	HK\$0.125 per Placing Share
“Placing Share(s)”	up to 3,200,000,000 new Shares to be placed by the Placing Agent pursuant to the Placing Agreement
“SGM”	the special general meeting of the Company to be convened to consider, if thought fit, and approve the Placing Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 27 January 2014

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