

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



THE PLACING

On 18 October 2016 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure subscriptions for a maximum of 150,600,000 Placing Shares on a best effort basis to not less than six Placees who and whose ultimate beneficial owners are third parties independent of, and not connected with, the Company, any Director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates.

The maximum number of 150,600,000 Placing Shares under the Placing represents (i) approximately 20.00% of the existing issued share capital of the Company of 753,103,493 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 903,703,493 Shares as enlarged by the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$1,506,000.

The Placing Price of HK\$0.53 per Placing Share was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent, and represents (i) a discount of approximately 8.62% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 18 October 2016, which is the date of the Placing Agreement; and (ii) a discount of approximately 7.02% to the average closing price of approximately HK\$0.57 per Share for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in all of the Placing Shares.

Assuming that the maximum number of 150,600,000 Placing Shares is placed to the Places in full, the maximum gross proceeds from the Placing will be approximately HK\$79.82 million. The maximum net proceeds from the Placing is estimate to be approximately HK\$77.64 million. The Company intends to use the net proceeds from the Placing for film production. The Placing Shares will be issued under the General Mandate and therefore the Placing is not subject to any Shareholders' approval.

As the Placing may or may not complete or complete in full, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

18 October 2016 (after trading hours)

Issuer

The Company

Placing Agent

VMS Securities Limited

The Placing Agent has conditionally agreed to procure subscriptions for a maximum of 150,600,000 Placing Shares on a best effort basis and will receive a placing commission of 2.5% of the aggregate Placing Price of the Placing Shares placed pursuant to its obligations under the Placing Agreement. Such commission was arrived at arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Placees

The Placing Shares will be placed to not less than six Placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of, and not connected with, the Company, any Director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates. The Placing Agent will use its best endeavours to ensure that none of the Placees would, immediately upon completion of the Placing, become a substantial shareholder (within the meaning of the Listing Rules) of the Company.

Number of Placing Shares

The maximum number of 150,600,000 Placing Shares under the Placing represents (i) approximately 20.00% of the existing issued share capital of the Company of 753,103,493 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 903,703,493 Shares as enlarged by the Placing Shares. The aggregate nominal value of the maximum number of the Placing Shares under the Placing will be HK\$1,506,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the existing Shares in issue as at the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.53 per Placing Share represents (i) a discount of approximately 8.62% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 18 October 2016, which is the date of the Placing Agreement; and (ii) a discount of approximately 7.02% to the average closing price of approximately HK\$0.57 per Share for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by the Shareholders at the AGM subject to the limit of up to 20% of the aggregate nominal value of the share capital of the Company in issue on that date. Under the General Mandate, the Company is authorised to issue up to 150,620,698 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate. The Placing Shares will be issued under the General Mandate and therefore the Placing is not subject to any Shareholders' approval.

Application for listing of Placing Shares

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Conditions of the Placing Agreement

Completion of the Placing under the Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment and/or despatch of certificates for the Placing Shares) the listing of, and permission to deal in all of the Placing Shares; and
- (ii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms hereof, including provisions regarding force majeure event.

Completion of the Placing, in any event, will take place within four Business Days after the fulfilment of the above conditions or such other date to be agreed between the Company and the Placing Agent. If the above conditions are not satisfied and/or waived in whole or in part by the Placing Agent prior to 5:00 p.m. on or before 7 November 2016 or such later date to be agreed by the Company and the Placing Agent, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties hereunder will forthwith cease and determine and no party will have any claim against the others.

Termination of the Placing

The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

- (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 Company and its subsidiaries (together 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 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 adversely prejudices the success of the placing of the Placing Shares to potential investors 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 investors) 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; or
- (d) 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
- (e) 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 announcement relating to the Placing Agreement; or
- (f) 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.

Completion of the Placing

Completion shall take place within four Business Day after fulfillment or waiver of the conditions set out in the Placing Agreement (or such later date as the Company and the Placing Agent may agree in writing).

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The principal activity of the Company is investment holding and the Group is principally engaged in film production, distribution of films and television drama series, investment in film, provision of artist management services, sales of health products, investing in operations which receive profit streams from the gaming promotion business, property and hotel investment, food and beverage operations and property development.

In view of the film business is flourishing in China, the Group has released its new film in July 2016 which received positive feedback and sound recognition from the film industry. The Directors believe that the Group can continue to leverage on the booming development of film market in China and consider that the Placing represents an opportunity to raise additional funds for the film production of the Group while broadening the shareholders' base of the Company. The Directors are of the view that the Placing is in the interest of the Company and the Shareholders as a whole.

Assuming that the maximum number of 150,600,000 Placing Shares is placed to the Placees in full, the maximum gross proceeds from the Placing will be approximately HK\$79.82 million and the maximum net proceeds from the Placing is estimated to be approximately HK\$77.64 million. On such basis, the net price to the Company of each Placing Share is estimated to be approximately HK\$0.52. The Company intends to use the net proceeds from the Placing for film production.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the shareholding structure of the Company as at the date of this announcement and the effect on the shareholding structure of the Company upon completion of the Placing (assuming there is no change in the shareholding structure of the Company from the date of this announcement to the Completion Date other than the issue of the Placing Shares) is set out as below (for illustrative purpose only):

Shareholders	As at the date of this announcement		Immediately upon completion of the Placing	
	<i>Number of Shares</i>	<i>Approximate %⁽⁴⁾</i>	<i>Number of Shares</i>	<i>Approximate %⁽⁴⁾</i>
Heung Wah Keung Family Endowment Limited ⁽¹⁾	186,446,502	24.76	186,446,502	20.63
Dorest Company Limited ⁽²⁾	1,644	0.00	1,644	0.00
Placees ⁽³⁾	–	–	150,600,000	16.67
Other public Shareholders	566,655,347	75.24	566,655,347	62.70
Total	753,103,493	100.00	903,703,493	100.00

Notes:

1. Heung Wah Keung Family Endowment Limited is owned as to 50% by Mr. Heung Wah Keung, the Chairman and an executive director of the Company (“Mr. Heung”), and as to 50% by Ms. Chen Ming Yin, Tiffany, the Vice-Chairman and an executive director of the Company (“Ms. Chen”).
2. Dorest Company Limited is beneficially owned as to 40% by Mr. Heung and as to 60% by Ms. Chen.
3. Pursuant to the Placing Agreement, none of the Placees will become a substantial Shareholder as a result of the Placing.
4. The percentage figures are rounded to two decimal places.

As the Placing may or may not complete or complete in full, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 28 June 2016 at which the General Mandate was granted to the Directors
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than public holiday, a Saturday or Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) 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 of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Placing

“Completion Date”	within four Business Day after fulfillment or waiver of the conditions or such later date as the Company and the Placing Agent may agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot and issue up to 150,620,698 new Shares
“Group”	the Company and its subsidiaries, from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, institutional and professional investors procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the Placing of a maximum of 150,600,000 Placing Shares on a best effort basis pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	VMS Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 18 October 2016 in respect of the Placing
“Placing Price”	HK\$0.53 per Placing Share
“Placing Share(s)”	new Share(s) up to a maximum of 150,600,000 Shares to be placed subject to the terms and conditions set out in the Placing Agreement
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 18 October 2016

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.