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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE;
(II) APPLICATION FOR WHITEWASH WAIVER;
(III) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;
AND
(IV) RESUMPTION OF TRADING**

Joint financial advisers to the Company



中國農信財務顧問有限公司
China AF Corporate Finance Limited

KINGSTON CORPORATE FINANCE

Underwriter of the Rights Issue

Heung Wah Keung Family Endowment Limited

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



THE PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.25 per Rights Share. The Company will provisionally allot to the Qualifying Shareholders two Rights Shares in nil-paid form for every one Share in issue and held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The Company will raise gross proceeds of not less than approximately HK\$451.85 million (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date) and not more than approximately HK\$479.34 million (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date) before expenses by way of the issue of not less than 1,807,406,986 Rights Shares and not more than 1,917,361,048 Rights Shares.

The estimated net proceeds of the Rights Issue will be not less than approximately HK\$448.85 million and not more than approximately HK\$476.34 million, which are intended to be applied towards (i) financing the business operation of the property development and investment of the Group; and (ii) funding the film and television drama series related business operations of the Group.

IRREVOCABLE UNDERTAKING BY A SUBSTANTIAL SHAREHOLDER

As at the date of this announcement, the Underwriter is interested in an aggregate of 186,446,502 Shares, representing approximately 20.63% of the existing issued Shares of the Company. Pursuant to the Irrevocable Undertaking, the Underwriter has irrevocably undertaken to the Company, among other things, that (i) it will not dispose of, or agree to dispose of the Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date; and (ii) it will subscribe for 372,893,004 Rights Shares, representing its full entitlements to the new Rights Shares under the Rights Issue. Owing to the fact that the Shares held by Dorest, the associate of the Underwriter, are under charging order, Dorest has not given any undertaking in relation to acceptance of the 3,288 Rights Shares entitled by it.

THE UNDERWRITING AGREEMENT

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders, being not less than 1,434,513,982 Rights Shares and not more than 1,544,468,044 Rights Shares, excluding 372,893,004 Rights Shares undertaken to be subscribed by the Underwriter pursuant to the Irrevocable Undertaking and pursuant to the terms and subject to the conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

ADJUSTMENTS TO EXERCISE PRICES AND NUMBERS OF SHARE OPTIONS AND CONVERSION PRICE OF BONUS CONVERTIBLE BONDS

As at the date of this announcement, there are (i) 53,916,714 outstanding Share Options granted by the Company exercisable into 53,916,714 Shares; and (ii) outstanding Bonus Convertible Bonds in respect of 1,060,317 Shares convertible under the deed polls executed by the Company. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the date of this announcement. Adjustments to the exercise prices and numbers of the Share Options and the conversion price of the Bonus Convertible Bonds will be required under the Share Option Schemes and the relevant terms under the deed polls constituting the Bonus Convertible Bonds respectively as a result of the Rights Issue. An approved financial adviser or the auditor of the Company will be appointed to certify the necessary adjustments to the exercise prices and numbers of the Share Options and the conversion price of the Bonus Convertible Bonds. Further announcement relating to such adjustments will be made by the Company in this regard as and when appropriate.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, amongst other things, the Rights Issue must be made conditional on approval by the Independent Shareholders at the SGM and any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue.

As at the date of this announcement, the Company has no controlling Shareholder. Accordingly, HWKFE, which is owned as to 50% by Mr. Heung, the chairman of the Company and an executive Director and as to 50% by Ms. Chen, the vice chairman of the Company and an executive Director, and its associate, Dorest which are in aggregate interested in 186,448,146 Shares, representing approximately 20.63% of the existing issued share capital of the Company as at the date of this announcement, will abstain from voting in favour of resolutions relating to the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder at the SGM.

As the Underwriter is a substantial shareholder of the Company and thus, a connected person of the Company, the entering into of the Underwriting Agreement by the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.92(2) of the Listing Rules, as the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the issue of the Rights Shares to the Underwriter under the Rights Issue is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Underwriter alone holds 186,446,502 Shares, representing approximately 20.63% of the existing issued share capital of the Company. The Underwriter and parties acting in concert with it (including its associate, Dorest) hold an aggregate of 186,448,146 Shares, representing approximately 20.63% of the existing issued share capital of the Company.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. In the event that the Underwriter is called upon to subscribe for the Underwritten Shares in full pursuant to its obligations under the Underwriting Agreement, including its full acceptance of provisional entitlement for Rights Shares under the Irrevocable Undertaking, the aggregate interest of the Underwriter and parties acting in concert with it will increase to approximately 73.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date). In such circumstances, the underwriting by the Underwriter of the Underwritten Shares under the Rights Issue and its full acceptance of provisional entitlement for Rights Shares will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, unless a waiver is granted by the Executive.

The Underwriter will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders at the SGM by way of poll in accordance with the requirements of the Takeovers Code. The Underwriter and parties acting in concert with it (including its associate, Dorest), and any Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, shall abstain from voting on the resolution(s) approving the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM. Save for the above, none of the Shareholders are required to abstain from voting at the SGM to approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or it granted, is not approved by the Independent Shareholders, the Rights Issue will not become unconditional and the Rights Issue will not proceed.

As at the date of this announcement, the Company does not believe that the Rights Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM. Shinco Capital Limited has been appointed and approved by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee will formulate its view with respect to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver after obtaining and considering the advice of the Independent Financial Adviser. The advice of the Independent Board Committee and the Independent Financial Adviser and other relevant information will be set out in the circular.

GENERAL

The SGM will be convened and held to consider and, if appropriate, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver. The voting in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver will be conducted by way of a poll. The Underwriter and parties acting in concert with it, and those who have a material interest in the Rights Issue, the Underwriting Agreement or the Whitewash Waiver shall abstain from voting on the resolutions approving the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver.

A circular containing, among other matters, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice of the SGM, is expected to be despatched by the Company to the Shareholders within 21 days from the date of this announcement.

Subject to the approval of the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver by the Independent Shareholders at the SGM and the granting of the Whitewash Waiver by the Executive, the Prospectus Documents setting out details of, among other things, the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

RESUMPTION OF TRADING

Trading in the Shares has been halted at the request of the Company with effect from 9:00 a.m. on 16 April 2018 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 April 2018.

The Rights Issue is conditional, inter alia, upon the fulfilment of the conditions set out under the section headed “The Underwriting Agreement – Conditions of the Rights Issue” of this announcement. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue. Details of the Rights Issue are summarised below:

Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price:	HK\$0.25 per Rights Share
Number of Shares in issue as at the date of this announcement:	903,703,493 Shares
Minimum number of Rights Shares:	1,807,406,986 Rights Shares (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date)

Maximum number of Rights Shares:	1,917,361,048 Rights Shares (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date)
Aggregate nominal value of the Rights Shares:	not less than HK\$18,074,069.86 (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date) and not more than HK\$19,173,610.48 (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date)
Minimum number of the enlarged Shares in issue upon completion of the Rights Issue:	2,711,110,479 Shares (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date)
Maximum number of the enlarged Shares in issue upon completion of the Rights Issue:	2,876,041,572 Shares (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date)
Amount to be raised before expenses:	Not less than approximately HK\$451.85 million and not more than approximately HK\$479.34 million
Right of excess application:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are (i) 53,916,714 outstanding Share Options granted by the Company exercisable into 53,916,714 Shares; and (ii) outstanding Bonus Convertible Bonds in respect of 1,060,317 Shares convertible under the deed polls executed by the Company. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the date of this announcement.

Assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date, the minimum number of 1,807,406,986 Rights Shares to be issued pursuant to the Rights Issue represents (i) approximately 200.00% of the existing issued Shares as at the date of this announcement; and (ii) approximately 66.67% of the enlarged issued Shares immediately after completion of the Rights Issue.

Assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date, the maximum number of 1,917,361,048 Rights Shares to be issued pursuant to the Rights Issue represents (i) approximately 212.17% of the existing issued Shares as at the date of this announcement; and (ii) approximately 66.67% of the enlarged issued Shares immediately after completion of the Rights Issue.

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 June 2018.

Closure of register of members for the Rights Issue

The Company's register of members will be closed from Tuesday, 12 June 2018 to Tuesday, 19 June 2018, both days inclusive, to determine the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries with its lawyers in the relevant jurisdictions regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on such legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Issue to the Overseas Shareholders due to either the legal restrictions of the relevant jurisdiction or the applicable requirements of the relevant regulatory body or stock exchange in that place or it is not reasonably practicable to do so, the Rights Issue will not be available to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Non-Qualifying Shareholders.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on Wednesday, 20 June 2018. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but no PAL and EAF will be sent to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.25 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 36.71% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 35.40% to the average closing price of HK\$0.387 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 41.04% to the average closing price of approximately HK\$0.424 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 16.11% to the theoretical ex-rights price of approximately HK\$0.298 per Share based on the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (e) a discount of approximately 93.11% to the audited consolidated net asset value of the Company per Share as at 31 December 2017 of approximately HK\$3.63 (based on the Company's audited consolidated net assets attributable to the owners of the Company of approximately HK\$3,281,574,000 as at 31 December 2017 and 903,703,493 Shares in issue as at the date of this announcement).

The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the recent market prices of the Shares under the prevailing market conditions and the funding needs of the Group as detailed in the section headed "Reasons for the Rights Issue and use of proceeds" below.

Based on the funding needs for the existing business of the Group of approximately HK\$450 million, the Rights Issue would need to be at least on a ratio of 7 Rights Shares for 6 existing Shares with a discount of approximately 10% to the trading prices of Shares. However, the Company is of the view that 10% discount to the prevailing market price would be insufficient to attract the existing Shareholders or any underwriters. As such, the Company decided to proceed with a subscription ratio of at least 7 Rights Shares for 4 existing Shares, which provides the Company with more flexibility in terms of discount ratios. On this basis, the Directors considered all possible discount to the prevailing market price ranges up to 40% discount. Having reviewed the level of valid acceptance for provisional allotments of the recent comparable rights issue transactions in the market, the Board believes that the discount ranging from 30% to 40% would be sufficiently attractive to the Shareholders and potential underwriters. With a view to avoiding the potential odd lots problem that would arise due to a non-whole number offer ratio per one existing Share, the Company resolved the subscription ratio to be 2 Rights Shares for 1 existing Share and the discount to be within 40%.

The Board also observed that it is not uncommon for listed issuers in Hong Kong to set the subscription price in a rights issue at a discount to the closing prices. In addition, taking into account the fact that the scale of the Rights Issue (approximately HK\$451.85 million to approximately HK\$479.34 million in gross proceeds, being approximately 1.3 times of the Company's market capitalisation of approximately HK\$356.96 million as at the Last Trading Day), the Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) considers that it is necessary to offer a relatively deeper discount under the Rights Issue in order to encourage Qualifying Shareholders to participate in the Rights Issue by taking up their respective entitlements and to maintain their shareholdings in the Company and participate in the potential growth of the Group. Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its shareholding in the Company held on the Record Date, the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as they are each offered an equal opportunity to participate in the Rights Issue. Rather, the Company believes that such discount and ratio of Rights Shares will give each Qualifying Shareholder the option to maintain their respective shareholding in the Company at a relatively low price as compared to the prevailing market price, allowing them to have greater flexibility in determining the extent of his/her/its participation in the Rights Issue that is best suited to his/her/its own financial condition and/or investment strategy.

The Board is aware of the fact that the Subscription Price represents a discount of approximately 93.11% to the audited consolidated net asset value of the Company per Share as at 31 December 2017 of approximately HK\$3.63. The Board also noted that during the period from 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Last Trading Day, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 82% to 90%, with an average of approximately 86%. Notwithstanding this, given the fact that the Rights Shares are offered to all existing Qualifying Shareholders on a pro-rata basis with nil-paid rights and excess application, all Shareholders are afforded the same anti-dilution protection. The Board considers that it would be more appropriate to determine the Subscription Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share.

The Board considers that the terms of the Rights Issue are the best terms available to the Company, having regard to the fact that the Company has approached three other financial institutions which could act as underwriters, yet no positive feedbacks had been received by the Company from any of these or other potential underwriters. The Company then approached its executive Director and Chairman, Mr. Heung. Mr. Heung indicated his willingness to participate in underwriting the Rights Issue through HWKFE to demonstrate his commitment to and confidence in the prospects and sustainable development of the Group over the long run. The Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) considers that the present terms and structure of the Rights Issue reflects the best commercial deal that the Company could negotiate with the Underwriter on terms commercially acceptable to both the Company and the Underwriter.

Given that (i) the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to their respective shareholdings in the Company held on the Record Date; (ii) the Subscription Price has been set at a discount to the recent closing prices of the Shares with a view to encouraging the existing Shareholders to participate in the Rights Issue; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group, the Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) considers that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

After deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.248 (assuming the maximum of 1,917,361,048 Rights Shares are issued).

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) existing Share held on the Record Date, being not less than 1,807,406,986 Rights Shares (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date) and not more than 1,917,361,048 Rights Shares (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date), at the Subscription Price of HK\$0.25 per Rights Share.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by 4:00 p.m. on Thursday, 5 July 2018.

Fractions of the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares will arise as result of the Rights Issue.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by 4:00 p.m. on Thursday, 5 July 2018

The Directors will allocate the excess Rights Shares at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares comprised in applications by PAL or the number of new Shares held by the Qualifying Shareholders. No preference will be given to applications to topping up odd lot holdings to whole lot holdings.

Shareholders with Shares held by a nominee company (or which are held in CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are therefore advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date for the purpose of the Rights Issue.

Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4: 30 p.m. on Monday, 11 June 2018.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue as set out in the paragraph headed “The Underwriting Agreement – Conditions of the Rights Issue” in this announcement, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 16 July 2018. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Monday, 16 July 2018 by ordinary post to the applicants at their own risk.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be allotted and issued pursuant the Rights Issue.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

THE UNDERWRITING AGREEMENT

On 13 April 2018 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are set out as follows:

Date

13 April 2018

Parties

- (i) the Company (as the issuer); and
- (ii) HWKFE (as the Underwriter).

The Underwriter is an investment holding company incorporated in the British Virgin Islands and its ordinary course of business does not include underwriting. The Underwriter will not be entitled to any underwriting commission. As at the date of this announcement, the Underwriter and parties acting in concert with it (including its associate, Dorest) hold an aggregate of 186,448,146 Shares, representing approximately 20.63% of the existing issued share capital of the Company.

Total number of Underwritten Shares

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders, being not less than 1,434,513,982 Rights Shares and not more than 1,544,468,044 Rights Shares, excluding 372,893,004 Rights Shares undertaken to be subscribed by the Underwriter pursuant to the Irrevocable Undertaking set out in the paragraph headed “The Underwriting Agreement – Irrevocable Undertaking by a substantial Shareholder” of this announcement and pursuant to the terms and subject to the conditions set out in the Underwriting Agreement.

Underwriting commission

No commission will be paid to the Underwriter under the Underwriting Agreement. The Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) is of the view that the terms of the Underwriting Agreement, including nil commission, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing of the necessary resolution by the Independent Shareholders at the SGM approving and confirming (a) the Rights Issue and the transactions contemplated thereunder (including the Underwriting Agreement), and authorizing the Directors to allot and issue the Rights Shares (in their nil paid and fully paid forms) and (b) the Whitewash Waiver, each in accordance with the bye-laws of the Company, the Listing Rules and the Takeovers Code on or before the Record Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (d) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in nil-paid and fully-paid forms by no later than the first day of their dealings;
- (e) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated pursuant to the terms thereof prior to the Latest Time for Termination;

- (f) the Executive having granted the Whitewash Waiver to the Underwriter, and the satisfaction of all conditions (if any) attached thereto and such other necessary waiver or consent as may be required to be obtained from the Executive for the transactions contemplated under the Rights Issue;
- (g) the compliance with and performance of all undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (h) the compliance with and performance of all undertakings and obligations of the Underwriter under the Irrevocable Undertaking.

The conditions above are incapable of being waived. If the conditions are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Irrevocable Undertaking by a Substantial Shareholder

As at the date of this announcement, the Underwriter is interested in an aggregate of 186,446,502 Shares, representing approximately 20.63% of the existing issued Shares of the Company. Pursuant to the Irrevocable Undertaking, the Underwriter has irrevocably undertaken to the Company, among other things, that (i) it will not dispose of, or agree to dispose of the Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date; and (ii) it will subscribe for 372,893,004 Rights Shares, representing its full entitlements to the new Rights Shares under the Rights Issue. Owing to the fact that the Shares held by Dorest, the associate of the Underwriter, are under charging order, Dorest has not given any undertaking in relation to acceptance of the 3,288 Rights Shares entitled by it.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

- (ii) 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 of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, inter alia, upon the fulfilment of the conditions set out under the section headed “The Underwriting Agreement – Conditions of the Rights Issue” of this announcement. Accordingly, the Rights Issue may or may not proceed. Furthermore, the Rights Issue is subject to the approval of the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver by the Independent Shareholders at the SGM and the granting of the Whitewash Waiver by the Executive.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

ADJUSTMENTS TO EXERCISE PRICES AND NUMBERS OF SHARE OPTIONS AND CONVERSION PRICE OF BONUS CONVERTIBLE BONDS

As at the date of this announcement, there are (i) 53,916,714 outstanding Share Options granted by the Company exercisable into 53,916,714 Shares; and (ii) outstanding Bonus Convertible Bonds in respect of 1,060,317 Shares convertible under the deed polls executed by the Company. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the date of this announcement. Adjustments to the exercise prices and numbers of the Share Options and the conversion price of the Bonus Convertible Bonds will be required under the Share Option Schemes and the relevant terms under the deed polls constituting the Bonus Convertible Bonds respectively as a result of the Rights Issue. An approved financial adviser or the auditor of the Company will be appointed to certify the necessary adjustments to the exercise prices and numbers of the Share Options and the conversion price of the Bonus Convertible Bonds. Further announcement relating to such adjustments will be made by the Company in this regard as and when appropriate.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Event	Date 2018
Despatch of circular with notice and form of proxy for the SGM	Thursday, 10 May
Latest time for lodging transfers of the existing Shares in order to qualify for the attendance and voting at the SGM	4:30 p.m. on Wednesday, 30 May
Register of members closes (both days inclusive)	Thursday, 31 May to Wednesday, 6 June
Latest time for lodging forms of proxy for the purpose of the SGM (not less than 48 hours prior to time of SGM)	4:00 p.m. on Monday, 4 June
Record date for attendance and voting at the SGM	Wednesday, 6 June
Expected date and time of the SGM	4:00 p.m. on Wednesday, 6 June

Event	Date 2018
Announcement of the poll results of the SGM	Wednesday, 6 June
Last day of dealings in Shares on a cum-rights basis of the Rights Issue	Thursday, 7 June
First day of dealings in Shares on an ex-rights basis of the Rights Issue	Friday, 8 June
Latest time for lodging transfers of the existing Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 11 June
Register of members closes to determine the entitlements under the Rights Issue (both days inclusive)	Tuesday, 12 June to Tuesday, 19 June
Record Date for determining entitlements to the Rights Issue	Tuesday, 19 June
Register of members of the Company re-opens and despatch of Prospectus Documents	Wednesday, 20 June
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 22 June
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 26 June
Last day of dealings in nil-paid Rights Shares	Friday, 29 June
Latest time for acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares	4:00 p.m. on Thursday, 5 July
Latest Time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 9 July
Announcement of results of the Rights Issue	Friday, 13 July

Event	Date 2018
Refund cheques for wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before	Monday, 16 July
Despatch of certificates for fully paid Rights Shares on or before	Monday, 16 July
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 17 July

All time in this announcement refer to Hong Kong times. The Company will make further announcement(s) if there is any change to the above timetable. Dates or deadlines specified in this announcement for events in the above timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. The timetable will be affected by a number of matters such as the timing of despatch of the circular with respect to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, which are required to take into account, among other matters, relevant financial information of the Group. It is currently expected that the circular with respect to the Rights Issue will be despatched to the Shareholders on or before Thursday, 10 May 2018. Any changes to the anticipated timetable for the Rights Issue, if required, will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is 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 Rights Issue in the manner contemplated under the Underwriting Agreement as set out below:

(a) Assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares from the date of this announcement up to the Record Date

	As at the date of this announcement		Assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted on or before the Record Date, and that all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate) have taken up any entitlements of the Rights Shares	
	Number of Shares	Approximate%	Number of Shares	Approximate%	Number of Shares	Approximate%
The Underwriter and its parties acting in concert						
The Underwriter (<i>Note 1</i>)	186,446,502	20.63	559,339,506	20.63	1,993,853,488	73.54
Dorest (<i>Note 2</i>)	1,644	0.00	4,932	0.00	1,644	0.00
Sub-total	186,448,146	20.63	559,344,438	20.63	1,993,855,132	73.54
Public Shareholders						
Other public Shareholders	717,255,347	79.37	2,151,766,041	79.37	717,255,347	26.46
Sub-total	717,255,347	79.37	2,151,766,041	79.37	717,255,347	26.46
Total	903,703,493	100.00	2,711,110,479	100.00	2,711,110,479	100.00

(b) Assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, from the date of this announcement up to the Record Date

	As at the date of this announcement		Assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full on or before the Record Date, and all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full on or before the Record Date, and no Qualifying Shareholders (except the Underwriter and its associate) have taken up any entitlements of the Rights Shares	
	Number of Shares	Approximate%	Number of Shares	Approximate%	Number of Shares	Approximate%
The Underwriter and its parties acting in concert						
The Underwriter (Note 1)	186,446,502	20.63	559,339,506	19.45	2,103,807,550	73.15
Dorest (Note 2)	1,644	0.00	4,932	0.00	1,644	0.00
Sub-total	186,448,146	20.63	559,344,438	19.45	2,103,809,194	73.15
Public Shareholders						
Holders of Share Options (Note 3)	–	0.00	161,750,142	5.62	53,916,714	1.87
Holders of Bonus Convertible Bonds (Note 3)	–	0.00	3,180,951	0.11	1,060,317	0.04
Other public Shareholders	717,255,347	79.37	2,151,766,041	74.82	717,255,347	24.94
Sub-total	717,255,347	79.37	2,316,697,134	80.55	772,232,378	26.85
Total	903,703,493	100.00	2,876,041,572	100.00	2,876,041,572	100.00

Notes:

1. HWKFE, being the Underwriter, 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. These Shares had been deposited in C.A. Pacific Finance Limited which is in liquidation. Owing to the fact that the Shares held by Dorest are under charging order, Dorest has not given any undertaking in relation to acceptance of the 3,288 Rights Shares entitled by it.
3. As at the date of this announcement, there are (i) 53,916,714 outstanding Share Options granted by the Company exercisable into 53,916,714 Shares; and (ii) outstanding Bonus Convertible Bonds in respect of 1,060,317 Shares convertible under the deed polls executed by the Company. None of the Share Options and Bonus Convertible Bonds was held by the Underwriter and its parties acting in concert, and all the outstanding Share Options and Bonus Convertible Bonds are held by employees and other participants, which are counted as public Shareholders.

4. Save for Mr. Heung and Ms. Chen who are beneficially interested in the Shares held by HWKFE, none of the Directors had any interests or short position in the Shares, underlying Shares or debentures of the Company as at the date of this announcement.
5. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

As illustrated in the above tables, upon completion of the Rights Issue, the Company is able to fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in investment, production and distribution of films and television drama series, provision of artist management services and property development.

The gross proceeds from the Rights Issue will be not less than approximately HK\$451.85 million (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date) and not more than approximately HK\$479.34 million (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date) before expenses. The estimated expenses of the Rights Issue (including professional fees and other related expenses) amount to approximately HK\$3 million and will be borne by the Company. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$448.85 million (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date) and not more than approximately HK\$476.34 million (assuming all the outstanding Share Options being exercised and Bonus Convertible Bonds being converted in full, and that there is no other change in the number of issued Shares, on or before the Record Date), which are intended to be used in the following manner:

- (i) approximately HK\$350.00 million will be applied to finance the business operation of the property development and investment; and
- (ii) approximately HK\$98.85 million to HK\$126.34 million will be applied to fund the film and television drama series related business operations.

In respect of proceeds to be allocated for financing the business operation of the property development and investment, the Group intends to utilise such proceeds to fund the development costs for the existing properties under development in Macau. As set out in the Company's annual results announcement dated 26 March 2018 for the year ended 31 December 2017, the Group has a positive outlook on the Macau property market and believes that there is strong demand for housing in Macau and considers that property development and investment is stable investment for maintaining stable future revenue for the Group. In regard to these development and investment, the Group expects that substantial cash resources is required to invest in this business operation in the next few years.

Currently, the Group has two projects under development in Macau, namely (i) the combined site at Lot 6C, Lot 6D and Lot 6E at Zona de Aterros do Porto Exterior, Macau (the "**Combined Site**"); and (ii) "Lote 7 da Zona C do Plano de Urbanização da Zona da Baía da Praia Grande", located at Avenida Doutor Stanley Ho (the "**Property C7**"). The construction works of the Combined Site already started in June 2017 and is expected to complete in 2019. As at the date of this announcement, the Combined Site is undergoing foundation and basement structure works which are expected to complete by no later than April 2018. It is expected that the reinforced concrete framed structure works will complete by around October 2018, the architectural works, mechanical, electrical and plumbing (MEP) services installation and fitting-out works will complete by around August 2019, the whole Combined Site will complete by around September 2019, and occupation permit from The Land, Public Works and Transport Bureau of Macau ("**DSSOPT**") will be obtained by around October 2019. The total construction cost of the Combined Site was estimated to be approximately HK\$1,600 million. As the Group had invested approximately HK\$212 million in the construction of the Combined Site up to 31 March 2018, the expected remaining fund required to be invested in the construction of the Combined Site would be approximately HK\$1,388 million. However, the cash and cash equivalent as at 31 March 2018 (including the actual net proceeds of approximately HK\$1,362.4 million received from a disposal of Hotel Lan Kwai Fong Macau of the Company which completed on 3 January 2018 (details of which are disclosed on the circular in relation to a very substantial disposal of the Company dated 21 November 2017)) amounted to approximately HK\$1,228 million. Having considered that the outstanding cash and cash equivalent is insufficient to finance the remaining fund required to be invested in the construction of the Combined Site, the Company intends to apply approximately HK\$350.00 million from the net proceeds from the Rights Issue for the development of the Combined Site. As regards the Property C7, an architect has been engaged and is still in the process to compile a development plan of the Property C7 in accordance with the parameters for submission to DSSOPT for approval. Accordingly, at this early stage for the development of the Property C7, it is estimated that the cost of architectural design and documentation work for construction amounts to not less than approximately HK\$30 million. It is expected that substantial cash resources is also required in the next few years and its development is estimated to start after the development of the Combined Site is completed.

In respect of proceeds to be allocated for funding the film and television drama series related business operations, the Group intends to utilise approximately HK\$98.85 million to approximately HK\$126.34 million from the net proceeds from the Rights Issue to fund the production of television drama series and/or films. Following the establishment of the production line in the television drama series in the beginning of 2017, the Group is in the preliminary stage of preparing the story board for its first production in television drama series after for more than 10 years from its last production in television drama series. This television drama series will be around 36 episodes which is expected to be released in internet platform. Shooting for this first television drama series is expected to start before end of 2018. Besides, more films production will commence recently so long as the feasibility study for new films is satisfactory. Accordingly, the Company expects to apply approximately HK\$98.85 million to HK\$126.34 million from the net proceeds of the Rights Issue to the production of films and television drama series.

Having considered that the proceeds from the Rights Issue can satisfy the Company's expected funding needs for the next 12 months, as at the date of this announcement, the Board has no intention to undertake further fundraising activities in the next 12 months based on the current plan of the business development of the Company.

Taking into account that the Rights Issue will provide a good opportunity for the Company to raise funds to strengthen its capital base and will be conducive to its business development, the Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) considers that the terms and conditions of the Rights Issue to be fair and reasonable and the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

The Directors had considered alternative ways of fund raising, including debt financing from banks. Having considered the tight schedule of the construction and the lengthy due diligence for bank financing, the Directors considered the debt-financing may not be appropriate. Among different equity fund raising methods, the Directors have focused on evaluating the possibilities of carrying out fund raising through rights issue and open offer as they are relatively larger in scale as compared to placing of new shares under a general mandate. Moreover, unlike a rights issue which offers an opportunity for the Qualifying Shareholders to participate in the enlargement of the capital base of the Company, a placing of new Shares to third party places will result in immediate dilution to the percentage shareholding of existing Shareholders. The Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation into the Rights Issue, providing an opportunity to all Qualifying Shareholders to participate in the growth of the Group. However, under an open offer, Shareholders who do not wish to take up their entitlements will not be afforded the opportunity to sell their entitled nil-paid Rights Shares on the market as an anti-dilution protection.

The Company had approached three financial institutions and these potential underwriters did not indicate interest in acting as underwriter for the Rights Issue. Upon receiving these negative feedbacks, and having taken into account the tight time schedule of the Rights Issue, the Company began negotiations with its executive Director and Chairman of the Company, Mr. Heung. Mr. Heung indicated his willingness to participate in underwriting the Rights Issue through HWKFE to demonstrate his commitment to and confidence in the prospects and sustainable development of the Group over the long run. As HWKFE agreed on the proposed terms of the Rights Issue with the Company including but not limited to accepting the tight schedule of the Rights Issue, the proposed subscription ratio, proposed price discount and nil underwriting commission, the Company did not further approach other financial institutions given the tight schedule of the construction of the Combined Site. In view of the Underwriter being the only currently commercially feasible available option for the Group which is willing to act as the underwriter for the Rights Issue under the proposed terms without charging any underwriting commission, the Directors appointed the Underwriter as the underwriter for the Rights Issue.

The Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) considers that the Rights Issue will enable the Group to strengthen the capital base of the Group, reduce its liabilities and finance costs and equip the Group with the funding for further development of the Group's existing business. Notwithstanding the potential dilution impact of the Rights Issue as set out in the section headed "Effects on the shareholding structure of the Company" above, in view of the reasons mentioned above and other relevant factors as disclosed in this announcement, the Director, Ms. Li Yuk Sheung (while other Directors, Mr. Heung and Ms. Chen who have abstained from voting will not express their view in this regard, and the independent non-executive Directors will form their view after receiving and considering the advice by the Independent Financial Adviser) considers that the terms and conditions of the Rights Issue and the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any other fund raising activities in the past 12 months immediately prior to the date of this announcement.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, amongst other things, the Rights Issue must be made conditional on approval by the Independent Shareholders at the SGM and any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue.

As at the date of this announcement, the Company has no controlling Shareholder. Accordingly, HWKFE, which is owned as to 50% by Mr. Heung, the chairman of the Company and an executive Director and as to 50% by Ms. Chen, the vice chairman of the Company and an executive Director, and its associate, Dorest which are in aggregate interested in 186,448,146 Shares, representing approximately 20.63% of the existing issued share capital of the Company as at the date of this announcement, will abstain from voting in favour of resolutions relating to the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder at the SGM.

As the Underwriter is a substantial shareholder of the Company and thus, a connected person of the Company, the entering into of the Underwriting Agreement by the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.92(2) of the Listing Rules, as the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the issue of the Rights Shares to the Underwriter under the Rights Issue is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Underwriter alone holds 186,446,502 Shares, representing approximately 20.63% of the existing issued share capital of the Company. The Underwriter and parties acting in concert with it (including its associate, Dorest) hold an aggregate of 186,448,146 Shares, representing approximately 20.63% of the existing issued share capital of the Company.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. In the event that the Underwriter is called upon to subscribe for the Underwritten Shares in full pursuant to its obligations under the Underwriting Agreement, including its full acceptance of provisional entitlement for Rights Shares under the Irrevocable Undertaking, the aggregate interest of the Underwriter and parties acting in concert with it will increase to approximately 73.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue (assuming no outstanding Share Options being exercised and Bonus Convertible Bonds being converted, and that there is no change in the number of issued Shares on or before the Record Date). In such circumstances, the underwriting by the Underwriter of the Underwritten Shares under the Rights Issue and its full acceptance of provisional entitlement for Rights Shares will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, unless a waiver is granted by the Executive.

As at the date of this announcement: (a) save for (i) 53,916,714 outstanding Share Options granted by the Company exercisable into 53,916,714 Shares; and (ii) outstanding Bonus Convertible Bonds in respect of 1,060,317 Shares convertible under the deed polls executed by the Company, the Company does not have any outstanding options, derivatives, warrants or other convertible securities; (b) none of the Underwriter or parties acting in concert with it holds, controls or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (c) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of the Underwriter or the Company and which might be material to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver; (d) there are no agreements or arrangements to which the Underwriter is a party which relate to the circumstances in which the Underwriter may or may not invoke or seek to invoke a precondition or a condition to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver; and (e) there is no borrowing or lending of any relevant securities (as defined in note 4 of Rule 22 of the Takeovers Code) of the Company by the Underwriter and the parties acting in concert with it.

The Underwriter will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders at the SGM by way of poll in accordance with the requirements of the Takeovers Code. The Underwriter and parties acting in concert with it (including its associate, Dorest), and any Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, shall abstain from voting on the resolution(s) approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the SGM. Save for the above, none of the Shareholders are required to abstain from voting at the SGM to approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or it granted, is not approved by the Independent Shareholders, the Rights Issue will not become unconditional and the Rights Issue will not proceed.

None of the Underwriter or parties acting in concert with it has any dealings in any securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) in the six-month period preceding the date of this announcement.

As at the date of this announcement, save for the Irrevocable Undertaking from the Underwriter which provides for irrevocable commitments to accept its entitlement of the Rights Shares, the Company has not received any irrevocable commitments to accept or reject the Rights Shares or to vote in favour of or against the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver.

As at the date of this announcement, the Company does not believe that the Rights Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM. Shinco Capital Limited has been appointed and approved by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee will formulate its view with respect to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver after obtaining and considering the advice of the Independent Financial Adviser. The advice of the Independent Board Committee and the Independent Financial Adviser and other relevant information will be set out in the circular.

GENERAL

The SGM will be convened and held to consider and, if appropriate, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver. The voting in respect of the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver will be conducted by way of a poll. The Underwriter and parties acting in concert with it, and those who have a material interest in the Rights Issue, the Underwriting Agreement or the Whitewash Waiver shall abstain from voting on the resolutions approving the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver.

Kingston Securities Limited, an affiliated company of Kingston Corporate Finance Limited, being one of the joint financial advisers to the Company in respect of the Rights Issue was interested in 4 Shares as at the date of this announcement. Accordingly, Kingston Securities Limited shall abstain from voting in favour of resolutions relating to the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM.

A circular containing, among other matters, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice of the SGM, is expected to be despatched by the Company to the Shareholders within 21 days from the date of this announcement.

Subject to the approval of the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver by the Independent Shareholders at the SGM and the granting of the Whitewash Waiver by the Executive, the Prospectus Documents setting out details of, among other things, the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

RESUMPTION OF TRADING

Trading in the Shares has been halted at the request of the Company with effect from 9:00 a.m. on 16 April 2018 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 April 2018.

The Rights Issue is conditional, inter alia, upon the fulfilment of the conditions set out under the section headed “The Underwriting Agreement – Conditions of the Rights Issue” of this announcement. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

- “acting in concert” has the meaning ascribed thereto under the Takeovers Code
- “associate(s)” has the meaning ascribed thereto under the Listing Rules
- “Board” the board of Directors

“Bonus Convertible Bonds”	the bonus convertible bond(s) constituted by the deed polls executed by the Company on 9 January 2013 and 22 January 2014, respectively, carrying right entitling holders thereof to convert its principal amount into a new Share at the adjusted conversion price of HK\$0.25 per conversion Share (being adjusted as a result of capital reorganisation of the share capital of the Company which became effective on 9 November 2015) with the aggregate outstanding principal amount of HK\$265,079.61, which is convertible into an aggregate of 1,060,317 Shares, as at the date of this announcement
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Company”	China Star Entertainment Limited (stock code: 326), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dorest”	Dorest Company Limited, an investment holding company beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung

“EAF(s)”	the forms of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert, which has been established to advise the Independent Shareholders on the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Independent Financial Adviser”	Shinco Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Underwriter, parties acting in concert with it, and any Shareholders who are involved or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver
“Irrevocable Undertaking”	an irrevocable undertaking dated 13 April 2018 given by the Underwriter in favour of the Company, details of which are set out in the paragraph headed “The Underwriting Agreement – Irrevocable Undertaking by a Substantial Shareholder” in this announcement
“Last Trading Day”	13 April 2018, being the date of the Underwriting Agreement and the last trading day for the Shares on the Stock Exchange prior to the release of this announcement

“Latest Time for Acceptance”	4:00 p.m. on Thursday, 5 July 2018 or such later time or date as agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Monday, 9 July 2018, being the second Business Day following the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director and the spouse of Ms. Chen
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and the spouse of Mr. Heung
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date) are outside of Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue

“Posting Date”	Wednesday, 20 June 2018 or such other date as may agree between the Underwriter and the Company for the despatch of the Prospectus Documents
“Prospectus”	the prospectus to be despatched to Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and the EAF
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Tuesday, 19 June 2018 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the proposed issue by way of rights issue to the Qualifying Shareholders on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	new Shares to be allotted and issued under the Rights Issue, being not less than 1,807,406,986 new Shares and not more than 1,917,361,048 new Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder, and the Whitewash Waiver

“Share(s)”	ordinary share(s) of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Share Options”	the total of 53,916,714 outstanding share options granted by the Company pursuant to the Share Option Schemes adopted by the Company
“Share Option Schemes”	the old share option scheme adopted on 27 May 2002 which was expired on 26 May 2012 and the new share option scheme of the Company adopted on 28 June 2012
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.25 per Rights Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Underwriter” or “HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands and owned as to 50% by Mr. Heung and as to 50% by Ms. Chen and the directors are Mr. Heung and Ms. Chen
“Underwriting Agreement”	the underwriting agreement dated 13 April 2018 entered into among the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue

“Underwritten Shares”	all the Rights Shares (being not less than 1,807,406,986 Rights Shares and not more than 1,917,361,048 Rights Shares) in excess of the aggregate of 372,893,004 Rights Shares that shall be provisionally allotted to and subscribed for by the Underwriter pursuant to the Irrevocable Undertaking, which are fully underwritten by the Underwriter pursuant to the terms and subject to the conditions set out in the Underwriting Agreement
“Whitewash Waiver”	a waiver of the obligation of the Underwriter to make a mandatory general offer as a result of the underwriting of the Rights Issue for all the Shares not already owned, controlled or agreed to be acquired by them pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code by the Executive
“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, 19 April 2018

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.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.