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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

#### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

On 16 July 2009 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which, the Company has conditionally agreed to place, through the Placing Agent, in aggregate 207,900,000 Placing Shares on a fully underwritten basis to the Placees at a price of HK\$0.22 per Placing Share.

The 207,900,000 Placing Shares represent (i) approximately 20.00% of the existing issued share capital of the Company; and (ii) approximately 16.67% of the issued share capital of Company as enlarged by the Placing.

The gross proceeds and the net proceeds from the issue of the Placing Shares will be approximately HK\$45.738 million and HK\$45.238 million respectively which will be used for general working capital of the Group.

The Placing is conditional upon the fulfillment of the conditions as listed below.

#### **GENERAL**

The Placing is subject to the termination on the occurrence of, among other things, any event of force majeure (which include events set out in details below respectively) on the completion date of the Placing.

**Shareholders and potential investors should note that the Placing is subject to conditions under the Placing Agreement to be fulfilled. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **THE PLACING AGREEMENT**

**Date:** 16 July 2009 (after trading hours)

**Parties:** The Company and the Placing Agent

### **Placing Agent**

The Placing Agent has conditionally agreed to place 207,900,000 Placing Shares on a fully underwritten basis to the Placees. As the placing commission under the Placing Agreement is at prevailing market rate, the Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable. The Placing Agent and its ultimate beneficial owners are independent of, and not connected with the Company or its subsidiaries or any of its respective associates.

### **Placees**

The Placing Agent agreed to place the Placing Shares on a fully underwritten basis to not fewer than six Placees who and whose ultimate beneficial owners will be independent of and not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). None of the individual Placees will become a substantial Shareholder (as defined in the Listing Rules) as a result of the Placing.

### **Placing Price**

The Placing Price of HK\$0.22 represents:

- (i) a discount of approximately 15.38% to the closing price of HK\$0.2600 per Share as quoted on the Stock Exchange as at the date of this announcement;
- (ii) a discount of approximately 17.60% to the average of the closing prices per Share of approximately HK\$0.2670 for the last five consecutive trading days immediately prior to the date of this announcement; and
- (iii) a discount of approximately 12.63% to the average of the closing prices per Share of approximately HK\$0.2518 for the last ten consecutive trading days immediately prior to the date of this announcement.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable. As the Company can strengthen its financial position through the Placing, the Directors (including the independent non-executive Directors) are of the view that the Placing is in the interests of the Company and the Shareholders as a whole.

### **Number of Placing Shares**

Pursuant to the Placing Agreement, 207,900,000 Placing Shares will be placed by the Placing Agent on a fully underwritten basis, representing (i) approximately 20.00% of the Company's existing issued share capital of the Company of 1,039,509,368 Shares as at the date of this announcement; (ii) approximately 16.67% of its issued share capital as enlarged by the Placing Shares upon completion of the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$2,079,000.

### **Ranking of Placing Shares**

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

### **General Mandate**

The Placing Shares (being 207,900,000 Shares, representing approximately 20% of 1,039,509,368 Shares in issue as at the date of the AGM) will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM.

Up to the date of this announcement, no Shares have been issued under the General Mandate. At the AGM, the Directors were granted to allot and issue 207,901,873 Shares under the General Mandate. Assuming immediately after the completion of the Placing, the General Mandate would be substantially utilized.

The Placing is not subject to Shareholders' approval.

### **Conditions Precedent**

The completion of the Placing Agreement will be subject to the following conditions upon:

- (a) the Listing Committee of 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 the Placing Shares;
- (b) the obligation of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provision regarding force majeure events; and
- (c) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Placing Shares.

## **Termination of the Placing**

- (i) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) completion of Placing and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.
- (ii) The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 10:00 a.m. on the date of completion of Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a "force majeure event" refers to

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

- (iii) If, at or prior to 10:00 a.m. on the date of completion of Placing;
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
  - (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement; or
  - (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

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

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

The Directors are not aware of the occurrence of any of the above events as at the date of this announcement.

### **Completion of the Placing**

Completion of the Placing will take place within four business day after the fulfillment of the conditions as set out in the Placing Agreement but not later than 30 September 2009 or such other later date to be agreed between the Company and the Placing Agent.

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

### **Listing**

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

## REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The gross proceeds from the Placing would be about HK\$45.738 million and the net proceeds from the Placing would be about HK\$45.238 million which will be used for general working capital of the Group. Accordingly, the Directors consider the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

The net price for each Placing Share will be approximately HK\$0.2176.

## EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

	As at the date of this announcement		Upon completion of the Placing	
	No. of Shares	Approx.	No. of Shares	Approx.
Porterstone ( <i>Note 1</i> )	45,662,174	4.39%	45,662,174	3.66%
Dorest ( <i>Note 2</i> )	137,025	0.01%	137,025	0.01%
Mr. Heung	23,176,653	2.23%	23,176,653	1.86%
Ms. Chen	1,427,247	0.14%	1,427,247	0.11%
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Sub-total	70,403,099	6.77%	70,403,099	5.64%
<i>Public Shareholders</i>				
Placees	–	–	207,900,000	16.67%
Other public Shareholders	969,106,269	93.23%	969,106,269	77.69%
	<hr/>		<hr/>	
Total	<u>1,039,509,368</u>	<u>100.00%</u>	<u>1,247,409,368</u>	<u>100.00%</u>

### Notes:

1. Porterstone is wholly-owned by Ms. Chen and Dorest is owned as to 60% by Porterstone and as to 40% by Mr. Heung.
2. Shares held by Dorest are under a charging order.

**FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT**

Set out below is the fund raising activities conducted by the Company in the past twelve months immediately preceding the date of this announcement:

<b>Date of initial announcement</b>	<b>Description</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
8 December 2008	Placing of 88,000,000 Old Shares at HK\$0.102 per Old Share	Approximately HK\$8.8 million	To finance the subscription of the convertible bonds of Golife Concepts Holdings Limited	The net proceeds has been fully utilized as intended
8 December 2008	Open offer of 1,064,486,080 Old Shares on the basis of two offer Old Shares for every one existing Old Share at the subscription price of HK\$0.05 per offer Old Share with bonus issue on the basis of three bonus Old Shares for every one offer Old Share taken up	Approximately HK\$51.5 million	To finance the subscription of the convertible bonds of Golife Concepts Holdings Limited	The net proceeds has been fully utilized as intended
12 May 2009	Placing of 800,000,000 new Shares at HK\$0.20 per Share	Approximately HK\$158.0 million	To finance the hotel operation and for general working capital of the Group	The net proceeds will be used as intended

## GENERAL

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

**Shareholders and potential investors should note that the Placing is subject to conditions under the Placing Agreement to be fulfilled. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## TERMS USED IN THIS ANNOUNCEMENT

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

“AGM”	the annual general meeting of the Company held on 29 June 2009;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“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;
“connected person(s)”	has the meaning given to that term in the Listing Rules;
“Dorest”	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen through Porterstone and as to 40% by Mr. Heung;
“Directors”	the directors of the Company;
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM;
“Group”	the Company and its subsidiaries;



“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director;
“Old Share(s)”	the ordinary shares of HK\$0.05 each of the Company prior to the capital reorganisation of the Company, which became effective on 4 May 2009;
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares;
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement;
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	a conditional agreement entered into between the Company and the Placing Agent dated 16 July 2009 in respect of placing of 207,900,000 Placing Shares at HK\$0.22 per Placing Share on a fully underwritten basis;
“Placing Price”	HK\$0.22 per Placing Share;
“Placing Share(s)”	207,900,000 new Shares to be placed pursuant to the Placing Agreement;
“Porterstone”	Porterstone Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen. Accordingly, Mr. Heung, the husband of Ms. Chen, is deemed to be interested in the Shares held by Porterstone;

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

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

Hong Kong, 16 July 2009

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