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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

(Warrant Code: 972/1056)

- (i) PROPOSED CONDITIONAL CASH OFFER BY
GET NICE SECURITIES LIMITED
ON BEHALF OF
CHINA STAR ENTERTAINMENT LIMITED
TO REPURCHASE UP TO 982,830,877 SHARES
IN CHINA STAR ENTERTAINMENT LIMITED;**
- (ii) APPLICATION FOR WHITEWASH WAIVER;
(iii) POSSIBLE BONUS ISSUE OF SHARES
AND ISSUE OF NEW CONVERTIBLE BONDS
TO FULFIL THE MINIMUM PUBLIC FLOAT REQUIREMENT;**
- (iv) PROPOSED AMENDMENTS TO THE BYE-LAWS
AND
(v) RESUMPTION OF TRADING**

Financial Adviser to the Company

Nuada Limited

Corporate Finance Advisory

Joint independent financial advisers



Donvex Capital Limited
富城資本有限公司



大有融資有限公司
MESSIS CAPITAL LIMITED

PROPOSED CONDITIONAL CASH OFFER TO REPURCHASE SHARES

The Board announces that the Offer will be made by Get Nice Securities Limited on behalf of the Company to repurchase for cancellation up to 790,055,284 Shares (assuming none of the Share Options, the Warrants I, the Warrants II and Issued CBs are exercised or converted on or before the closing of the Offer), representing approximately 40.21% of the issued share capital of the Company as at the date of this announcement, or 982,830,877 Shares (assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full on or before the closing of the Offer), representing approximately 45.55% of the issued share capital of the Company as enlarged by the new Shares to be issued upon exercise of all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties), at the Offer Price of HK\$0.35 per Share. The Offer will be available for acceptance in respect of the Shares held by the Shareholders. The Offer will be made in full compliance with the Codes.

The Offer Price of HK\$0.35 per Share values the entire existing issued share of the Company of 1,964,721,284 Shares as at the date of this announcement at approximately HK\$687.65 million. The Offer Price represents (a) a premium of approximately 78.57% over the closing price of HK\$0.196 per Share as quoted on the Stock Exchange on the Last Trading Day; (b) a premium of approximately 76.77% over the average closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (c) a premium of approximately 72.41% over the average closing price of approximately HK\$0.203 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (d) a premium of approximately 69.08% over the average closing price of approximately HK\$0.207 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day.

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in 1,174,679,702 Shares, representing approximately 59.79% of the existing issued share capital of the Company and HWKFE, being one of the members of the Concert Group, held 898,686,000 Shares, representing approximately 45.74% of the existing issued share capital of the Company. Upon completion of the Offer, the number of Shares held by HWKFE will remain unchanged, but its shareholding may increase from 45.74% to 76.50% (assuming none of the Share Options, the Warrants I and the Warrants II are exercised and all Shareholders (except for the Undertaking Parties) accept the Offer in full), thereby resulting in an increase by more than 2% in the relevant 12-month period under Rule 26.1 of the Takeovers Code. Accordingly, HWKFE would be obliged to make an unconditional mandatory offer under Rule 26.1 of the Takeovers Code for all securities of the Company not already owned, controlled or agreed to be acquired by it, unless, among others, the Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders by way of poll.

An application will be made by HWKFE to the Executive for the Whitewash Waiver, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive the obligations of HWKFE to make such a mandatory general offer.

Principal terms of the Offer and the details of the Irrevocable Undertakings have been set out in this announcement.

The reasons for and benefit of the Offer is set out in this announcement.

POSSIBLE BONUS ISSUE AND ISSUE OF BONUS CBS TO FULFILL THE MINIMUM PUBLIC FLOAT REQUIREMENT

As disclosed under the sub-section headed “Reasons for and benefit of the Offer” below in this announcement, in view of the trading prices of Shares has been traded at discount to the NAV per Share in the past twelve months, it is intended that the Offer being made to all Shareholders and the level of premium of Offer Price over the prevailing market price of the Shares, all the Shareholders are given an equal opportunity to realise their investments in the Shares at the Offer Price, if they wish to do so. The Directors (other than the independent non-executive Directors whose opinion will be expressed and concluded in the Circular after considering the advice from independent financial advisers) consider that the making of the Offer to all Shareholders is just and fair, despite the fact the maximum number of Shares involved under the Offer is 982,830,877 Shares, representing approximately 45.55% of the enlarged issued share capital of the Company assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full on or before the closing of the Offer.

Under Rule 8.08(1)(a) of the Listing Rules, as least 25% of the Company’s total issued share capital must at all times be held by the public. As a result of the Offer, it is possible that all Shares held by the public Shareholders may less than 25% of the Company’s total issued share capital. Assuming the Offer becomes unconditional in all respects and the Shares held by public Shareholders are less than 25% of the Company’s total issued share capital, the Company will take steps to ensure that sufficient Shares are held in the hands of the public as required by the Listing Rules, including but not limited to the Possible Bonus Issue.

If the Offer is declared or becomes unconditional in all respects, and if necessary and feasible, the Company intends to restore the minimum public float by way of the Possible Bonus Issue. If the Offer is not declared or does not become unconditional in all respects, the Possible Bonus Issue will not proceed.

If the Possible Bonus Issue is finally determined to be adopted by the Board as the method or one of the methods to be used to restore the minimum public float of the Company, as the case may be, the Board will make a Possible Bonus Issue of up to a maximum of four Bonus Shares for every one existing Share held by the Shareholders, whose names appear on the Register on the record date for the Possible Bonus Issue, credited as fully-paid, and each eligible Shareholder will be given the option to elect to receive the Bonus CBs in lieu of all (or part) of its entitlement to the Bonus Shares under the Possible Bonus Issue.

The Bonus CBs will be unlisted, will carry no voting rights at general meetings of the Company and will have no maturity date, but will confer upon the holders thereof substantially the same economic interest attached to the Shares (including rights to receive payments representing any dividends declared and paid, assets distributed and shares or other securities issued under a capitalisation issue or scrip dividend scheme of the Company, to the Shareholders as if the outstanding Bonus CBs held by them had been converted on the relevant record date) which the electing Shareholders would otherwise be entitled to receive under the Possible Bonus Issue had such Shareholders not elected for the Bonus CBs. The Concert Group will be requested to receive the Bonus CBs in lieu of all of their entitlements to the Bonus Shares under the Possible Bonus Issue.

The proposed principal terms of the Bonus CBs are set out in this announcement.

Following the closing of the Offer and taking into consideration the level of acceptances of the Offer and the number of Shares remaining in the hands of the public Shareholders, under the mandate to be approved by the Shareholders at the SGM, the Board will determine the ratio of the Possible Bonus Issue, if made, which ratio will be up to a maximum of four Bonus Shares for every one existing Share. If the Board determines that the Possible Bonus Issue is not the sole feasible solution or a feasible solution to restore the minimum public float of the Company, the Board will consider other additional or alternative methods, including placing of new Shares, and/or requesting the Concert Group to assist in the implementation of an additional or alternative plan to be adopted by the Company to meet the requirements of Rule 8.08(1) of the Listing Rules (which additional or alternative plan could involve a placing by any of the Concert Group and/or a distribution of specie by any of the Concert Group). Until the closing of the Offer, it is not possible for the Board to determine the ratio of the Possible Bonus Issue or whether the Possible Bonus Issue is a feasible solution to restore the minimum public float of the Company.

The Company and the Concert Group have no intentions to privatise the Company or delist the Shares.

PROPOSED AMENDMENTS TO THE BYE-LAWS

As the Possible Bonus Issue, if made, will involve the issue of the Bonus CBs, in order to enable the Company to issue the Bonus CBs and new Shares or other securities to the Bonus CB Holders, whether upon conversion of the Bonus CBs or otherwise, and the distribution of the surplus assets of the Company to the Bonus CB Holders in the event of an involuntary winding up of the Company, in accordance with the Deed Poll and the terms and conditions of the Bonus CBs, the Board proposes that certain amendments be made to the Bye-laws. Such amendments to the Bye-laws will be conditional upon the Offer becoming or being declared unconditional in all respects.

WARNING

As the Offer is subject to fulfillment of conditions, it may or may not become unconditional and the Offer may or may not proceed. The Possible Bonus Issue is conditional on the Offer becoming or being declared unconditional in all respects and the Possible Bonus Issue may or may not be made, and if made, it would be after the Offer is closed and would be subject to fulfillment of conditions and may not become unconditional. Further announcement in relation to the Possible Bonus Issue will be made after the closing of the Offer, as appropriate.

The Offer Price is final and it will not be increased or revised. Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price (save in wholly exceptional circumstances) as a result of Rule 18.3 of the Takeovers Code.

Dealings in the Shares, the Warrants I and the Warrants II will continue notwithstanding the Offer has not become unconditional. During such period, persons dealing in the Shares, the Warrants I and the Warrants II will bear the risk that the Offer may lapse. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, the Warrants I and the Warrants II.

Trading in the Shares, the Warrants I and the Warrants II may be suspended following the closing of the Offer until the Company can restore its minimum public float.

GENERAL

Nuada Limited has been appointed as the financial adviser to the Company in respect of the Offer and the Whitewash Waiver.

Donvex Capital Limited and Messis Capital Limited have been appointed as the joint independent financial advisers to advise the Independent Board Committee in respect of the Offer and the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

The Concert Group is considered to have interest in the Offer which is different from the interests of all other Shareholders. Accordingly, the Concert Group is required to abstain from voting for the resolutions approving the Offer, the Whitewash Waiver, the Possible Bonus Issue and the proposed amendments to the Bye-laws at the SGM.

A copy of the Circular containing, amongst other things, further details of the Offer, the Whitewash Waiver, the Possible Bonus Issue and the proposed amendments to the Bye-laws, the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, the letter of advice from the independent financial advisers to the Independent Board Committee in respect of the Offer and the Whitewash Waiver and the notice convening the SGM is expected to be despatched to the Shareholders and the holders of Warrants II on or before 25 June 2012. Acceptance Forms will also be sent to the Shareholders (except under the circumstances mentioned in the section headed "Overseas Shareholders" in this announcement) together with the Circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares, the Warrants I and the Warrants II on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 May 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares, the Warrants I and the Warrants II on the Stock Exchange with effect from 9:00 a.m. on 5 June 2012.

PROPOSED CONDITIONAL CASH OFFER TO REPURCHASE SHARES

The Board announces that the Offer will be made by Get Nice Securities Limited on behalf of the Company to repurchase for cancellation up to 790,055,284 Shares (assuming none of the Share Options, the Warrants I and the Warrants II are exercised in full on or before the closing of the Offer), representing approximately 40.21% of the issued share capital of the Company as at the date of this announcement, or 982,830,877 Shares (assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full on or before the closing of the Offer), representing approximately 45.55% of the issued share capital of the Company as enlarged by the new Shares to be issued upon exercise of all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties), at the Offer Price of HK\$0.35 per Share. The Offer will be available for acceptance in respect of the Shares held by the Shareholders. The Offer will be made in full compliance with the Codes.

Principal Terms of the Offer

The principal terms of the Offer are as follows:

- (i) Get Nice Securities Limited will make the Offer to the Shareholders on behalf of the Company to repurchase for cancellation up to 982,830,877 Shares at the Offer Price of HK\$0.35 per Share;

- (ii) Shareholders may accept the Offer in respect of their holdings of Shares at the Offer Price up to their entire holdings;
- (iii) Acceptance Forms duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional;
- (iv) the Offer Price will be paid in cash;
- (v) Shares will be repurchased free of commission, levies and dealing charges, save that the amount of stamp duty (ad valorem stamp duty is calculated at a rate of HK\$1 for every HK\$1,000 or part thereof of the market value of the Shares to be repurchased under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher) due on Shares repurchased attributable to the seller will be deducted from the amount payable to the Accepting Shareholders and the Company will arrange payment of such stamp duty on behalf of the Accepting Shareholders;
- (vi) all Shares repurchased will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares repurchased accordingly; and
- (vii) acceptance of the Offer by any Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of their cancellation.

Other Terms of the Offer

Shareholders can tender their Shares for acceptance once the Offer is open for acceptance. If the Offer is declared unconditional, Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter. The Company reserves the right to extend the time for acceptance of the Offer to the maximum period allowed under the Codes.

The Offer will not extend to the holders of the Share Options, the Warrants I and the Warrants II pursuant to the share option scheme and relevant warrant instruments of the Company, and the Offer will not extend to the holders of the Issued CBs and the Unissued CBs, if issued, pursuant to the relevant instruments. The Offer will be made to the holders of Shares that are acquired through exercise of the subscription rights attaching to the Share Options and the conversion rights attaching to the Warrants I, the Warrants II, the Issued CBs and the Unissued CBs, if issued, on or before the

closing date of the Offer. The Offer is not conditional upon any minimum number of acceptances of the Offer. All Shares repurchased under the Offer will be cancelled.

Conditions of the Offer

The Offer will be conditional upon the fulfillment of the following conditions:

- (a) the passing of an ordinary resolution by the Independent Shareholders by way of poll to approve the Offer and the Whitewash Waiver at the SGM;
- (b) the Executive having granted a Whitewash Waiver to HWKFE;
- (c) the filing of the Circular and the Acceptance Form for the Offer with the Registrar of Companies in Bermuda in accordance with the Companies Act and with the Companies Registry of Hong Kong in compliance with the Listing Rules and the Companies Ordinance and all legal and other requirements under the Codes in connection with the Offer at the time when the Offer becomes unconditional; and
- (d) the consents, permissions and approvals required in connection with the Offer being obtained or having been obtained from the Registrar of Companies in Bermuda, and the Securities and Futures Commission, the Stock Exchange and the Companies Registry of Hong Kong and other relevant jurisdictions, if required at the time when the Offer becomes unconditional.

None of the above conditions can be waived. If any of the above conditions cannot be fulfilled on the date of which the Offer declares or becomes unconditional in all respects in accordance with the Codes, the Offer will lapse.

The Irrevocable Undertakings

Pursuant to the Irrevocable Undertakings,

- (a) HWKFE has irrevocably and unconditionally undertaken to the Company that it will not (i) accept the Offer; (ii) acquire any Shares; (iii) dispose of and/or transfer any of the 898,686,000 Shares held by HWKFE; and (iv) dispose of and/or transfer and/or exercise any of the subscription rights attaching to the Warrants I in an aggregate principal amount of HK\$5,453,021 and the Warrants II in an aggregate principal amount of HK\$43,700,725 held by HWKFE, before the closing or lapse or termination of the Offer;
- (b) Mr. Heung has irrevocably and unconditionally undertaken to the Company that he will not (i) acquire any Shares; and (ii) exercise any of the subscription rights attaching to the 1,567 Share Options held by him, before the closing or lapse or termination of the Offer;

- (c) Ms. Chen has irrevocably and unconditionally undertaken to the Company that she will not (i) acquire any Shares; and (ii) exercise any of the subscription rights attaching to the 1,567 Share Options held by her, before the closing or lapse or termination of the Offer;
- (d) Mr. Lei has irrevocably and unconditionally undertaken to the Company that he will not (i) accept the Offer; (ii) acquire any Shares; (iii) dispose of and/or transfer any of the 7,980,000 Shares held by him; (iv) exercise any of the subscription rights attaching to the 273,277 Share Options held by him; and (v) dispose of and/or transfer and/or exercise any of the subscription rights attaching to the Warrants I in an aggregate principal amount of HK\$513,380 and the Warrants II in an aggregate principal amount of HK\$299,250 held by him, before the closing or lapse or termination of the Offer;
- (e) Simple View has irrevocably and unconditionally undertaken to the Company that it will not (i) accept the Offer; (ii) acquire any Shares; (iii) dispose of and/or transfer any of the 200,000,000 Shares held by it; and (iv) dispose of and/or transfer and/or exercise any of the subscription rights attaching to the Warrants II in an aggregate principal amount of HK\$10,000,000 held by it, before the closing or lapse or termination of the Offer;
- (f) Victory Peace has irrevocably and unconditionally undertaken to the Company that it will not (i) accept the Offer; (ii) acquire any Shares; (iii) dispose of and/or transfer any of the 68,000,000 Shares held by it; and (iv) dispose of and/or transfer and/or exercise any of the subscription rights attaching to the Warrants I in an aggregate principal amount of HK\$26,248,000 held by it, before the closing or lapse or termination of the Offer;
- (g) Eternity Finance has irrevocably and unconditionally undertaken to the Company that it will not (i) acquire any Shares; (ii) dispose of and/or transfer and/or exercise any of the conversion rights attaching to the Issued CBs in an aggregate principal amount of HK\$350.00 million held by it, before the closing or lapse or termination of the Offer; and (iii) require the Company to extend any Offer notwithstanding the terms of the Issued CBs; and
- (h) Eternity has irrevocably and unconditionally undertaken to the Company that it will not (i) acquire any Shares; (ii) dispose of and/or transfer and/or exercise any of the conversion rights attaching to the Unissued CBs in an aggregate principal amount of HK\$300.00 million, if issued, before the closing or lapse or termination of the Offer; and (iii) require the Company to extend any Offer notwithstanding the terms of the Unissued CBs, if issued.

As Mr. Heung and Ms. Chen have been the executive Directors and their controlled corporations have been the largest Shareholder since 1996, they have no intention to dispose of their shareholding stake in the Company. Accordingly, HWKFE gives its irrevocable undertakings for not accepting the Offer.

Having regarded (i) the acquisition of the property leasehold rights in Macau by the Group in 2011; (ii) the proposed acquisition of the remaining equity interests in Hotel Lan Kwai Fong (Macau) Limited and Classic Management & Services Company Limited by the Group in 2012; and (iii) the continuous improvement of core profit of the Group for the past financial years, the board of directors of Eternity considers that the Offer Price is less than the value of the Shares. In addition, the board of directors of Eternity believes that the Offer, if materialises, will lead to an enhancement of the NAV per Share (as defined under the section headed “Reasons for and benefit of the Offer” in this announcement) and/or earnings per Share. As such, the board of directors of Eternity intends to hold the Shares for a longer time. Accordingly, Simple View and Victory Peace give their irrevocable undertakings for not accepting the Offer.

The Offer Price

The Offer Price of HK\$0.35 per Share values the entire existing issued share of the Company of 1,964,721,284 Shares as at the date of this announcement at approximately HK\$687.65 million.

The Offer Price represents:

- (a) a premium of approximately 78.57% over the closing price of HK\$0.196 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 76.77% over the average closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 72.41% over the average closing price of approximately HK\$0.203 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 69.08% over the average closing price of approximately HK\$0.207 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day.

Consideration for the Offer

As at the date of this announcement, there are

- (i) 1,964,721,284 Shares in issue, of which 1,174,679,702 Shares are held by the Concert Group and the remaining of 790,041,582 Shares are held by the Independent Shareholders;

- (ii) 3,013,112 Share Options, of which 276,411 Share Options are held by the Concert Group, 15,684 Share Options are held by a Director, 2,255,126 Share Options are held by employees of the Company and the remaining of 465,891 Share Options are held by other participants of the share option scheme of the Company, entitling the holders thereof to subscribe for 3,013,112 new Shares;
- (iii) the Warrants I in an aggregate principal amount of HK\$111,523,192.33, of which HK\$32,219,690.17 are held by the Concert Group and the remaining of HK\$79,303,502.16 are held by other holders of Warrants I, entitling the holders thereof to subscribe for 133,560,709 new Shares at an adjusted subscription price of HK\$0.835 per Share (subject to adjustment, if required);
- (iv) the Warrants II in an aggregate principal amount of HK\$73,677,043.50, of which HK\$53,999,975 are held by the Concert Group and the remaining HK\$19,677,068.50 are held by other holders of Warrants II, entitling the holders thereof to subscribe for 355,927,746 new Shares at an adjusted subscription price of HK\$0.207 per Share (subject to adjustment, if required); and
- (v) the Issued CBs in an aggregate principal amount of HK\$350.00 million carrying rights entitling Eternity Finance to convert their principal amount into 922,222,222 new Shares at an adjusted conversion price of HK\$0.36 per Share (subject to adjustment, if required).

Save as disclosed above, the Company has no other Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

Assuming none of the Share Options, the Warrants I, the Warrants II and Issued CBs are exercised or converted on or before the closing of the Offer, there would be 790,055,284 Shares (being the Shares held by public Shareholders and Dorest) under the Offer, representing approximately 40.21% of the issued share capital of the Company as at the date of this announcement, and the consideration for the Offer would be approximately HK\$276.52 million if the Offer is accepted in full.

For illustration purpose only, assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full on or before the closing of the Offer (the Shares in issue would increase from 1,964,721,284 Shares to 2,157,496,877 Shares and there would be 982,830,877 Shares, being the Shares held by public Shareholders and Dorest) under the Offer, representing approximately 45.55% of the enlarged issued share capital of the Company. The Company would receive an aggregate cash proceeds of approximately HK\$203.68 million from the exercise of the Share Options, the Warrants I and the Warrants II and the consideration for the Offer would be approximately HK\$343.99 million if the Offer is accepted in full.

The consideration for the Offer will be paid in cash and be funded out of the internal resources of the Group. Nuada Limited, the financial adviser to the Company in respect of the Offer, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

Overseas Shareholders

The making of the Offer to and the acceptance of the Offer by the Overseas Shareholders may be subject to the laws of the relevant jurisdictions. Such overseas law may prohibit the making of the Offer to the Overseas Shareholders or require the compliance with filing, registration or other requirements. Subject to the prior consent of the Executive, any Overseas Shareholder whose address as shown on the register of the Company as at the latest practicable date for the purpose of the despatch of the offer document for the Offer is located in a jurisdiction the laws of which prohibit the despatch of the offer document for the Offer to such Overseas Shareholders or otherwise require the Company to comply with additional requirements which the Directors consider unduly onerous or burdensome to do so, having regard to the number of Overseas Shareholders involved in that jurisdiction, will be excluded from receiving the offer document for the Offer. As the Offer to the Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions, the Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory requirements.

The Company reserves the right and subject to the legal requirements, to make special arrangements regarding the despatch of the Circular to the Overseas Shareholders whose receipt of the Offer, the Circular, or the Acceptance Form is subject to the laws of overseas jurisdictions.

In the event that the despatch of the offer document for the Offer to the Overseas Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome, subject to the Executive's consent under Rule 8 of the Takeovers Code, the offer document for the Offer will not be sent to such Overseas Shareholders, but the Circular, notice of SGM and proxy form for voting at the SGM will be sent to such Overseas Shareholders for the purpose of attending and voting at the SGM. All Shareholders, including those who are Overseas Shareholders (if any), are entitled to attend the SGM and to accept the Offer and all the Independent Shareholders are entitled to vote at the SGM.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy itself, himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including, but not limited to, the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements. Any acceptance by any person shall be deemed to constitute a representation and warranty from such person to the Company that all applicable local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

The Company will give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with the Bye-laws, the Listing Rules and the Codes and, if so given, such notice is valid notwithstanding the fact that any Overseas Shareholder may not actually receive it.

Changes in Shareholding Structure

The table below shows that shareholding structure of the Company (i) as at the date of this announcement; (ii) assuming none of the Share Options, the Warrants I and the Warrants II are exercised and all Shareholders (except for the Undertaking Parties) accept the Offer in full; (iii) assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full and none of the Shareholders accept the Offer; and (iv) assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full and all Shareholders (except for the Undertaking Parties) accept the Offer in full:

	As at the date of this announcement	Approx. %	Assuming none of the Share Options, the Warrants I and the Warrants II are exercised and all Shareholders (except for the Undertaking Parties) accept the Offer in full	Approx. %	Assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties are exercised in full and none of the Shareholders accept the Offer	Approx. %	Assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full and all Shareholders (except for the Undertaking Parties) accept the Offer in full	Approx. %
The Concert Group								
Heung Wah Keung Family								
Endowment Limited (Note 1)	898,686,000	45.74	898,686,000	76.50	898,686,000	41.66	898,686,000	76.50
Mr. Lei Hong Wai (Note 2)	7,980,000	0.41	7,980,000	0.68	7,980,000	0.37	7,980,000	0.68
Simple View Investment Limited (Note 3)	200,000,000	10.18	200,000,000	17.03	200,000,000	9.27	200,000,000	17.03
Victory Peace Holdings Limited (Note 4)	68,000,000	3.46	68,000,000	5.79	68,000,000	3.15	68,000,000	5.79
Dorest Company Limited (Note 5)	13,702	0.00	0	0.00	20,036	0.00	0	0.00
Sub-total	1,174,679,702	59.79	1,174,666,000	100.00	1,174,686,036	54.45	1,174,666,000	100.00
Public Shareholders	790,041,582	40.21	0	0.00	982,810,841	45.55	0	0.00
Total	1,964,721,284	100.00	1,174,666,000	100.00	2,157,496,877	100.00	1,174,666,000	100.00

Notes:

1. HWKFE is owned as to 50% by Mr. Heung and as to 50% by Ms. Chen.
2. Mr. Lei an employee of the Company, the chairman of the board of directors of Eternity, an executive director of Eternity and a substantial shareholder of Eternity by virtue of his 50% shareholding interest in Twin Success, which holds approximately 20.56% of the issued share capital of Eternity.
3. Simple View is a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity.
4. Victory Peace is a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity.
5. Dorest is legally and beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung. Dorest owed to C.A. Pacific Finance Limited a debt and C.A. Pacific Finance Limited is in liquidation. The Shares held by Dorest are subject to a charging order filed by the liquidator of C.A. Pacific Finance Limited in January 2009. Dorest has not received any updated information relating to the status of the charging order from January 2009 up to the date of this announcement. Accordingly, Dorest is the register holder of the 13,702 Shares, beneficial interest in such Shares and has the voting right in respect of those Shares.

Dealings in the Shares by the Company, the Concert Group and other arrangements

Save and except for the transfer of 68,000,000 Shares and the Warrants I in an aggregate amount of HK\$26,562,347.30 from Simple View to Victory Peace at a price of HK\$0.21 per Share and at a price of HK\$0.01 per Warrants I respectively on 22 December 2011 for the purpose of group restructuring, there has been no dealings of the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Codes) of the Company by the Concert Group in the six-month period prior to the date of this announcement.

As the relevant Shares and the Warrants I were transferred from Simple View to Victory Peace before negotiations, discussions or the reaching of understandings or agreements with the Directors relating to the Offer, such transfers are not disqualifying transactions under the paragraph 3(a) to Schedule VI of the Takeovers Code.

As at the date of this announcement, save and except for

- (i) the 1,174,679,702 Shares, representing approximately 59.79% of the issued share capital of the Company as at the date of this announcement;
- (ii) the 276,411 Share Options entitling the holders thereof to subscribe for 276,411 new Shares, representing approximately 0.01% of the issued share capital of the Company as at the date of this announcement;

- (iii) the Warrants I in an aggregate amount of HK\$32,219,690.17 entitling the holders thereof to subscribe for 38,586,454 new Shares, representing approximately 1.96% of the issued share capital of the Company as at the date of this announcement;
- (iv) the Warrants II in an aggregate amount of HK\$53,999,975.00 entitling the holders thereof to subscribe for 260,869,443 new Shares, representing approximately 13.28% of the issued share capital of the Company as at the date of this announcement; and
- (v) the Issued CBs in an aggregate principal amount of HK\$350.00 million carrying rights entitling the holders thereof to convert their principal amount into 972,222,222 new Shares, representing approximately 49.48% of the issued share capital of the Company as at the date of this announcement,

held by the Concert Group, the Concert Group did not hold any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

As at the date of this announcement,

- (a) save and except for the subscription of the Unissued CBs in an aggregate principal amount of HK\$300.00 million, pursuant to the conditional subscription agreement dated 21 January 2011 entered into between the Company and Eternity, the Company, the Concert Group and parties acting in concert with them have not entered into any contract or arrangement resulting in the creation of outstanding derivatives in respect of the securities of the Company;
- (b) save and except for the Irrevocable Undertakings, the Company, the Concert Group and parties acting in concert with them has/have not received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Offer or the Whitewash Waiver;
- (c) save and except for the Irrevocable Undertakings, there are no other arrangements (whether by way of option, agreements, indemnities or otherwise) in relation to the Shares which may be material to the Offer or the Whitewash Waiver;
- (d) there are no other agreements or arrangements to which the Company, the Concert Group and parties acting in concert with them is a party and relate to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition of the Offer or to vote for or against the Offer and the Whitewash Waiver;
- (e) the Company, the Concert Group and parties acting in concert with them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and

- (f) save and except for the information disclosed in the beginning of this section, the Company, the Concert Group and parties acting in concert with them had not repurchased or dealt in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company since 2 November 2011 (being the date falling six months before the date on which the Board approved the proposal relating to the Offer).

Intention of the Company and maintaining minimum public float requirements under the Listing Rules

Under Rule 8.08(1)(a) of the Listing Rules, as least 25% of the Company's total issued share capital must at all times be held by the public. As a result of the Offer, it is possible that all Shares held by the public Shareholders may be less than 25% of the Company's total issued share capital. Assuming the Offer becomes unconditional in all respects and the Shares held by public Shareholders are less than 25% of the Company's total issued share capital, the Company will take steps to ensure that sufficient Shares are held in the hands of the public as required by the Listing Rules, including but not limited to the Possible Bonus Issue.

If the Offer is declared or becomes unconditional in all respects, and if necessary and feasible, the Company intends to restore the minimum public float by way of the Possible Bonus Issue, further details of which are set out in the section headed "Possible Bonus Issue and issue of Bonus CBs to fulfill the minimum public float requirement" below in this announcement. If the Offer is not declared or does not become unconditional in all respects, the Possible Bonus Issue will not proceed.

Following the closing of the Offer and taking into consideration the level of acceptances of the Offer and the number of Shares remaining in the hands of the public Shareholders, under the mandate to be approved by the Shareholders at the SGM, the Board will determine the ratio of the Possible Bonus Issue, if made, which ratio will be up to a maximum of four Bonus Shares for every one existing Share. If the Board determines that the Possible Bonus Issue is not the sole feasible solution or a feasible solution to restore the minimum public float of the Company, the Board will consider other additional or alternative methods, including placing of new Shares, and/or requesting the Concert Group to assist in the implementation of an additional or alternative plan to be adopted by the Company to meet the requirements of Rule 8.08(1) of the Listing Rules (which additional or alternative plan could involve a placing by any of the Concert Group and/or a distribution of specie by any of the Concert Group). Until the closing of the Offer, it is not possible for the Board to determine the ratio of the Possible Bonus Issue or whether the Possible Bonus Issue is a feasible solution to restore the minimum public float of the Company.

The Company and the Concert Group have no intentions to privatise the Company or delist the Shares.

Reasons for and benefit of the Offer

The Group has improved its profitability by expanding into hotel and gaming service operations. For the years ended 31 December 2010 and 2011, the Group recorded a profit from operations before major non-cash items of HK\$214.90 million and HK\$154.26 million respectively and cash and bank balances of HK\$625.83 million and HK\$903.09 million respectively. Based on the audited consolidated financial statements for the year ended 31 December 2011, the net assets per Share was HK\$1.00 (the “NAV per Share”) which is calculated based on the equity attributable to owners of the Company of HK\$1,968.59 million as at 31 December 2011 over 1,964,721,160 Shares in issue as at 31 December 2011.

However, the Directors have noticed that the trading prices of Shares are well below the NAV per Share and consider the trading prices of Shares do not reflect the profitability of the Group. Based on the trading prices of Shares as quoted on the Stock Exchange,

- (a) the highest trading price of Share of HK\$0.47 for the 12 months preceding 30 April 2012 represents a discount of approximately 53.00% to the NAV per Share of HK\$1.00; and
- (b) the closing price of Share of HK\$0.196 in the last trading day prior to the date of this announcement represents a discount of approximately 80.40% to the NAV per Share of HK\$1.00.

In view of the trading prices of Shares having been traded at discount to NAV per Share of HK\$1.00 in the past twelve months, the Directors can exercise the repurchase mandate granted by the Shareholders at the annual general meeting of the Company held on 30 June 2011 to repurchase Shares on the Stock Exchange. However, the Directors consider that the exercise of the repurchase mandate may be not an appropriate mean to benefit all Shareholders as the aggregate amount of Shares to be purchased is up to 10% of the issued Shares as at the date of the annual general meeting, i.e. 196,472,116 Shares and the repurchase price shall be at prevailing market price of the Shares, which may be lower than the Offer Price.

Taking into account the Offer being made to all Shareholders and the level of premium of Offer Price over the prevailing market price of the Shares, all the Shareholders are given an equal opportunity to realise their investments in the Shares at the Offer Price, if they wish to do so. The Directors (other than the independent non-executive Directors whose opinion will be expressed and concluded in the Circular after considering the advice from independent financial advisers) consider that the making of the Offer to all Shareholders is just and fair, despite the fact the maximum number of Shares involved under the Offer is 982,830,877 Shares, representing approximately 45.55% of the enlarged issued share capital of the Company assuming all of the Share Options, the Warrants I and the Warrants II (except for those held by the Undertaking Parties) are exercised in full on or before the closing of the Offer. In addition, the Directors consider that the Offer will lead to an enhancement of NAV per Share and/or earnings per Share.

As such, the Directors (other than the independent non-executive Directors whose opinion will be expressed and concluded in the Circular after considering the advice from independent financial advisers) consider that the Offer provide benefits to each of the Company and the Shareholders, they consider that the terms of the Offer (including the Offer Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Group

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

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in 1,174,679,702 Shares, representing approximately 59.79% of the existing issued share capital of the Company and HWKFE, being one of the members of the Concert Group, held 898,686,000 Shares, representing approximately 45.74% of the existing issued share capital of the Company. Upon completion of the Offer, the number of Shares held by HWKFE will remain unchanged, but its shareholdings may increase from 45.74% to 76.50% (assuming none of the Share Options, the Warrants I and the Warrants II are exercised and all Shareholders (except for the Undertaking Parties) accept the Offer in full), thereby resulting in an increase by more than 2% in the relevant 12-month period under Rule 26.1 of the Takeovers Code. Accordingly, HWKFE would be obliged to make an unconditional mandatory offer under Rule 26.1 of the Takeovers Code for all securities of the Company not already owned, controlled or agreed to be acquired by it, unless, among others, the Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders by way of poll.

An application will be made by HWKFE to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive the obligations of HWKFE to make such a mandatory general offer.

POSSIBLE BONUS ISSUE AND ISSUE OF BONUS CBS TO FULFILL THE MINIMUM PUBLIC FLOAT REQUIREMENT

If the Offer is declared or becomes unconditional in all respects, and if necessary and feasible, the Company intends to restore the minimum public float by way of the Possible Bonus Issue. If the Offer is not declared or does not become unconditional in all respects, the Possible Bonus Issue will not proceed.

If the Possible Bonus Issue is finally determined to be adopted by the Board as the method or one of the methods to be used to restore the minimum public float of the Company, as the case may be, the Board will make a Possible Bonus Issue of up to a maximum of four Bonus Shares for every one existing Share held by the Shareholders, whose names appear on the Register on the record date for the Possible Bonus Issue, credited as fully-paid, and each eligible Shareholder will be given the option to elect to receive the Bonus CBs in lieu of all (or part) of its entitlement to the Bonus Shares under the Possible Bonus Issue.

The Bonus CBs will be unlisted, will carry no voting rights at general meetings of the Company and will have no maturity date, but will confer upon the holders thereof substantially the same economic interest attached to the Shares (including rights to receive payments representing any dividends declared and paid, assets distributed and shares or other securities issued under a capitalisation issue or scrip dividend scheme of the Company, to the Shareholders as if the outstanding Bonus CBs held by them had been converted on the relevant record date) which the electing Shareholders would otherwise be entitled to receive under the Possible Bonus Issue had such Shareholders not elected for the Bonus CBs. The Concert Group will be requested to receive the Bonus CBs in lieu of all of their entitlements to the Bonus Shares under the Possible Bonus Issue.

The table below summarises the proposed principal terms of the Bonus CBs are set out below:

Principal amount	Up to an amount equal to the maximum number of Bonus Shares issuable under the Possible Bonus Issue, following the cancellation of Shares tendered and accepted under the Offer, multiplied by the nominal value per Bonus Share, in the denomination of HK\$0.01 par value per unit of the Bonus CB
Conversion price	HK\$0.01 par value per Share, subject to adjustment in accordance with the Deed Poll
Mandatory conversion	On voluntary dissolution, liquidation or winding up of the Company, the Bonus CBs will be mandatorily converted into Shares at the then applicable conversion price
No redemption	The Bonus CBs will not be subject to redemption
Conversion period	At any time after the issue of the Bonus CBs, and the conversion date will be deemed to be the 30th Stock Exchange Business Day following the surrender of the Bonus CBs certificates by the Bonus CB(s) Holder(s) with a notice of conversion and the Bonus CB(s) Holder(s) will be deemed to be the holder(s) of the Shares so converted with effect from the aforesaid conversion date

If and to the extent that the minimum public float requirements in respect of the Shares under the Listing Rules could not be complied with immediately after the purported exercise of the conversion rights of any Bonus CB Holder, such holder shall not be entitled to exercise such conversion rights

Distributions

The Bonus CBs will have no entitlement to interest but:

- (i) if and whenever the Company shall pay or make any cash dividend or distribution of any kind or any distribution of assets in specie (other than distribution of Shares, debentures or other securities) to its Shareholders (the “**Distribution**”), the Company shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time pay or distribute to each Bonus CB Holder an amount of cash or other assets the subject matter of the Distribution which is equal to (a) the amount of cash or other assets the subject matter of the Distribution per Share receivable by the Shareholders under the Distribution, multiplied by (b) the number of Shares which the Bonus CB Holder would have become a holder of, had such Bonus CB Holder then outstanding been converted on the relevant record date for determining entitlement to the Distribution; or
- (ii) if and whenever the Company shall issue any Shares, debentures or other securities, credited as fully-paid, out of or by way of capitalisation of its profits or reserves, and, or share premium account to its Shareholders (the “**Capitalisation Issue**”), the Company shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, issue to each Bonus CB Holder either, at the option of the Company (a) such number of Shares, debentures or securities which is equal to (1) the number of such Shares, debentures or securities receivable by the Shareholders in respect of each issued Share held by them under the Capitalisation Issue, multiplied by (2) the number of Shares which the Bonus CB Holder would have become a holder of, had such Bonus CB Holder’s Bonus CBs then outstanding been converted on the relevant record

date for determining entitlement to the Capitalisation Issue, or (b) further convertible bonds on the same terms and conditions as the Bonus CBs in such amount which would on conversion thereof entitle the Bonus CB Holders of such convertible bonds to such number of Shares as is equal to (1) the number of Shares receivable by the Shareholders in respect of each issued Share held by them under the Capitalisation Issue, multiplied by (2) the number of Shares which the Bonus CB Holder would have become a holder of, had such Bonus CB Holder's Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Capitalisation Issue

Transferability

Transferable in whole or in part in respect of its amount outstanding from time to time

Other rights

If and whenever the Company shall offer to issue Shares or other securities by way of rights to its Shareholders (the "**Rights Issue**"), the Company shall, subject to compliance with the relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time offer to each Bonus CB Holder for subscription either, at the option of the Company (a) such number of Shares or securities which is equal to (i) the number of such Shares or securities offered by the Company to the Shareholders in respect of each issued Share held by them under the Rights Issue, multiplied by (ii) the number of Shares which the Bonus CB Holder would have become a holder of, had such Bonus CB Holder's Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue, or (b) further convertible bonds on the same terms and conditions as the Bonus CBs in such amount which would on conversion thereof entitle the Bonus CB Holders of such convertible bonds to such number of Shares as is equal to (i) the number of Shares offered for subscription by the Shareholders in respect of each issued Share held by the Shareholders under the Rights Issue, multiplied by (ii) the number of Shares which the Bonus CB Holder would have become a holder of, had such Bonus CB Holder's Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue

Conditions of the Possible Bonus Issue

The Possible Bonus Issue will only be made after the Offer, if approved, becomes or is declared unconditional in all respects, and if and when it is finally determined to be adopted by the Board as the method or one of the methods to be used to restore the minimum public float of the Company.

To enable the Company to make the Possible Bonus Issue, the Company will seek

- (a) the passing of a special resolution by way of poll by the Independent Shareholders at the SGM to approve the amendments to the Bye-laws which are necessary for the purpose of enabling the Company to issue the Bonus CBs; and
- (b) the passing of an ordinary resolution by way of poll from the Independent Shareholders at the SGM to grant a mandate to the Directors to implement the Possible Bonus Issue, including but not limited to, approving the terms and conditions of the Bonus CBs.

The Possible Bonus Issue, if made, is expected to be conditional upon the obtaining of the necessary approval by the Stock Exchange in respect of the issue and future conversion of the Bonus CBs (including the listing of, and permission to deal in, the Bonus Shares and the Shares to be issued upon conversion of the Bonus CBs).

No application will be made for the listing of the Bonus CBs on the Stock Exchange or any other recognised stock or securities exchanges.

If the Possible Bonus Issue is finally determined to be adopted by the Board as the method to be used to restore the minimum public float of the Company, the Company anticipates that the allotment and issuance the Bonus Shares and Bonus CBs pursuant to the Possible Bonus Issue will be approximately in three months (such date is indication only and the actual completion date may be subject to change) from the date of the Offer becomes or is declared unconditional in all respects. The Company will make further announcement in relation to the Possible Bonus Issue after the closing of the Offer, as and when appropriate.

Adjustments to Share Options, the Warrants I, the Warrants II, the Issued CBs and the Unissued CBs

If the Possible Bonus Issue is made, adjustments to the exercise prices and number of the Share Options, the subscription prices of the Warrants I and the Warrants II, and the conversion prices of the Issued CBs and the Unissued CBs, if issued on or before the closing date of the Offer, may be required under the share option scheme adopted by the Company and the relevant instruments respectively. An approved financial adviser or the auditors of the Company will be appointed to certify the necessary adjustments, if any. Further announcement will be made by the Company in this regard.

PROPOSED AMENDMENTS TO THE BYE-LAWS

As the Possible Bonus Issue, if made, will involve the issue of the Bonus CBs, in order to enable the Company to issue the Bonus CBs and new Shares or other securities to the Bonus CB Holders, whether upon conversion of the Bonus CBs or otherwise, and the distribution of the surplus assets of the Company to the Bonus CB Holders in the event of an involuntary winding up of the Company, in accordance with the Deed Poll and the terms and conditions of the Bonus CBs, the Board proposes that certain amendments be made to the Bye-laws. Such amendments to the Bye-laws will be conditional upon the Offer becoming or being declared unconditional in all respects.

Special resolutions to amend the Bye-laws will be put forward at the SGM.

GENERAL

Nuada Limited has been appointed as the financial adviser to the Company in respect of the Offer and the Whitewash Waiver.

Donvex Capital Limited and Messis Capital Limited have been appointed as the joint independent financial advisers to advise the Independent Board Committee in respect of the Offer and the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

The Concert Group is considered to have interest in the Offer which is different from the interests of all other Shareholders. Accordingly, the Concert Group is required to abstain from voting for the resolutions approving the Offer, the Whitewash Waiver, the Possible Bonus Issue and the proposed amendments to the Bye-laws at the SGM.

A copy of the Circular containing, amongst other things, further details of the Offer, the Whitewash Waiver, the Possible Bonus Issue and the proposed amendments to the Bye-laws, the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, the letter of advice from the independent financial advisers to the Independent Board Committee in respect of the Offer and the Whitewash Waiver and the notice convening the SGM is expected to be despatched to the Shareholders and the holders of Warrants II on or before 25 June 2012. Acceptance Forms will also be sent to the Shareholders (except under the circumstances mentioned in the section headed "Overseas Shareholders" of this announcement) together with the Circular.

As permitted under the Repurchase Code, as the Offer Price is lower than the exercise price of the Share Options and the exercise price of the Warrants I of more than 10%, the Company is not obliged to despatch the Circular to the holders of the Share Options and the Warrants I. However, the Circular will be despatched to the holders of the Share Options, the Warrants I and Issued CB(s) for information purpose.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Company are hereby reminded to disclose their dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company under Rule 22 of the Takeovers Code.

“Responsibilities of stockbrokers, banks and other intermediaries”

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates including a person who holding 5% of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and other persons under Rule 22 (of the Takeovers Code) and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules (of the Takeovers Code). However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

WARNING

As the Offer is subject to fulfillment of conditions, it may or may not become unconditional and the Offer may or may not proceed. The Possible Bonus Issue is conditional on the Offer becoming or being declared unconditional in all respects and the Possible Bonus Issue may or may not be made, and if made, it would be after the Offer is closed and would be subject to fulfillment of conditions and may not become unconditional. Further announcement in relation to the Possible Bonus Issue will be made after the closing of the Offer, as appropriate.

The Offer Price is final and it will not be increased or revised. Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price (save in wholly exceptional circumstances) as a result of Rule 18.3 of the Takeovers Code.

Dealings in the Shares, the Warrants I and the Warrants II will continue notwithstanding the Offer has not become unconditional. During such period, persons dealing in the Shares, the Warrants I and the Warrants II will bear the risk that the Offer may lapse. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, the Warrants I and the Warrants II.

Trading in the Shares, the Warrants I and the Warrants II may be suspended following the closing of the Offer until the Company can restore its minimum public float.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares, the Warrants I and the Warrants II on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 May 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares, the Warrants I and the Warrants II on the Stock Exchange with effect from 9:00 a.m. on 5 June 2012.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acceptance Form(s)”	the form(s) to be sent out to the Shareholders together with the Circular for acceptance of the Offer
“Accepting Shareholder(s)”	Shareholder(s) who accept(s) the Offer by submitting Acceptance Form(s)
“acting in concert”	has the meaning ascribed to it under the Codes
“Board”	the board of Directors
“Bonus CB(s)”	the new convertible bond(s) to be constituted by the Deed Poll and to be issued by the Company pursuant to the Possible Bonus Issue to Shareholders electing to receive such new convertible bond(s) in lieu of their entitlements to the Bonus Shares
“Bonus CB Holder(s)”	holder(s) of the Bonus CB(s)
“Bonus Share(s)”	new Share(s) to be issued pursuant to the Possible Bonus Issue
“Bye-laws”	the bye-laws of the Company

“Circular”	the circular to the Shareholders (comprising the offer document, the notice of SGM and the proxy form for voting at the SGM) to be issued in connection with, among other things, the Offer, the Whitewash Waiver, the Possible Bonus Issue and the proposed amendments to the Bye-laws
“Codes”	the Takeovers Code and the Repurchase Code
“Company”	China Star Entertainment Limited, an exempted company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
“Concert Group”	HWKFE, Mr. Heung, Ms. Chen, Dorest, Eternity, Mr. Lei, Simple View, Victory Peace and Eternity Finance and their respective associates and parties acting in concert (has the same meaning ascribed to it under the Takeovers Code) with any of them
“Deed Poll”	the deed poll and any other documents (as from time to time altered in accordance with the Deed Poll) to be executed by the Company in order to provide for and to protect the rights and interests of the Bonus CB Holders
“Directors”	the directors 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. The Shares held by Dorest are under a charging order and Dorest is the registered shareholder and has the voting right. These Shares are under a charging order imposed by the liquidator of C.A. Pacific Finance Limited which is in liquidation.
“Eternity”	Eternity Investment Limited (stock code: 764), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange and the largest single shareholder of which is Twin Success holding approximately 20.56% of its issued share capital as at the date of this announcement

“Eternity Finance”	Eternity Finance Group Limited (formerly known as Wingo Consultants Limited), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors who have no interest in the Offer, namely Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert, which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Concert Group and those, who are involved in, or interested in the Offer and the Whitewash Waiver other than being as ordinary Shareholders
“Irrevocable Undertakings”	the irrevocable undertakings to the Company given by HWKFE, Mr. Heung, Ms. Chen, Eternity, Mr. Lei, Simple View, Victory Peace and Eternity Finance, details of which are set out in the paragraph headed “The Irrevocable Undertakings” of this announcement
“Issued CBs”	the convertible bonds in the aggregate principal amount of HK\$350.00 million carrying rights entitling the holders thereof to convert their principal amount into 972,222,222 new Shares at an adjusted conversion price of HK\$0.36 per Share (subject to adjustment, if required)

“Last Trading Day”	2 May 2012, being the last trading day prior to suspension of trading in the Shares pending the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director and a substantial Shareholder, and the spouse of Ms. Chen
“Mr. Lei”	Mr. Lei Hong Wai, an employee of the Company, the chairman of the board of directors of Eternity, an executive director of Eternity and a substantial shareholder of Eternity by virtue of his 50% shareholding interest in Twin Success
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and a substantial Shareholder, and the spouse of Mr. Heung
“Offer”	the conditional cash offer to be made by Get Nice Securities Limited on behalf of the Company to repurchase for cancellation up to 982,830,877 Shares at the Offer Price from the Shareholders
“Offer Price”	HK\$0.35 per Share
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the Register are outside Hong Kong
“Possible Bonus Issue”	possible issue of Bonus Shares by the Company on the basis of up to four Bonus Shares for every one existing Share held by the Shareholders whose names appear on the Register on the record date for ascertaining their entitlements
“Register”	the register of members of the Company
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the resolution(s) in connection with, among other things, the Offer, the Whitewash Waiver, the Possible Bonus Issue and the proposed amendments to the Bye-laws

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Options”	3,013,112 outstanding share options granted by the Company exercisable into 3,013,112 new Shares
“Simple View”	Simple View Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Twin Success”	Twin Success International Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 50% by Mr. Lei, as to 25% by Mr. Cheung Kwok Wai, an executive director of Eternity, and as to 25% by Mr. Cheung Kwok Fan, a non-executive director of Eternity and a substantial shareholder of Eternity
“Undertaking Parties”	HWKFE, Mr. Heung, Ms. Chen, Eternity, Mr. Lei, Simple View, Victory Peace and Eternity Finance, being parties who provided the Irrevocable Undertakings to the Company
“Unissued CBs”	the convertible bonds in principal amount of HK\$300.00 million to be issued by the Company to Eternity, which is subject to conditions precedent and yet to be completed, details of which are set out in the announcement dated 9 February 2011 jointly issued by the Company and Eternity and the circular of the Company dated 1 April 2011
“Victory Peace”	Victory Peace Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity

“Warrants I”	the outstanding listed warrants (warrant code: 972) in an aggregate principal amount of HK\$111,523,192.33 entitling the holders thereof to subscribe for 133,560,709 new Shares at an adjusted subscription price of HK\$0.835 per Share (subject to adjustment, if required) and exercisable at any time during the period from 15 June 2010 to 14 June 2012 (both days inclusive) pursuant to the warrant instrument issued by the Company on 15 June 2010
“Warrants II”	the outstanding listed warrants (warrant code: 1056) in an aggregate principal amount of HK\$73,677,043.50 entitling the holders thereof to subscribe for 355,927,746 new Shares at an adjusted subscription price of HK\$0.207 per Share (subject to adjustment, if required) and exercisable at any time during the period from 29 June 2010 to 28 December 2012 (both days inclusive) pursuant to the warrant instrument issued by the Company on 29 June 2011
“Whitewash Waiver”	the waiver by the Executive under Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the HWKFE to make a general offer to the Shareholders for all issued shares and other securities of the Company not already owned or agreed to be acquired by HWKFE as a result of the Offer
“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, 4 June 2012

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 the accuracy of the information 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.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day of its publication and will be published and remains on the website of the Company at www.chinastar.com.hk and www.irasia.com/listco/hk/chinastar.