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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 LTD.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 10 January 2013 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, whereby the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 400,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected or acting in concert with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates at a price of HK\$0.140 per Placing Share.

The Placing Price of HK\$0.140 per Placing Share represents (i) a discount of approximately 7.89% to the closing price of HK\$0.152 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 5.79% to the average closing price of approximately HK\$0.1486 per Share in the last five consecutive trading days immediately prior to the date of this announcement.

The 400,000,000 Placing Shares represent (i) approximately 18.16% of the existing issued share capital of the Company of 2,202,788,015 Shares as at the date of this announcement; and (ii) approximately 15.37% of the issued share capital of the Company of 2,602,788,015 Shares as enlarged by the allotment and issue of the 400,000,000 Placing Shares.

The Placing is conditional upon the fulfillment of the conditions as listed in the section headed “Conditions of the Placing” in this announcement. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

On the basis that all of the 400,000,000 Placing Shares are placed, the gross proceeds and the net proceeds from the Placing will be amounted to HK\$56 million and approximately HK\$55.3 million, respectively. The net price for each Placing Share will be approximately HK\$0.138. The Directors intend to apply the net proceeds for property investment in Hong Kong.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Placing is subject to the satisfaction of the conditions precedent as set out in the section headed “Conditions of the Placing” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are advised to exercise extreme caution when dealings in the Shares.

THE PLACING AGREEMENT

Date: 10 January 2013 (after trading hours of the Stock Exchange)

Parties: The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to place up to 400,000,000 Placing Shares, on a best effort basis, to not fewer than six Places. The Directors (including the independent non-executive Directors) consider that the terms of the Placing, including placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole. The Placing Agent holds 27 Shares as at the date of this announcement.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, save for the fact that the Placing Agent holds 27 Shares as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with any directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

Placees

The Placing Shares will be placed to not fewer than six Placees which are independent professional, institutional or other investors, and who and whose ultimate beneficial owners are third parties independent of and not connected or acting in concert with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

It is expected that none of the individual Placees will become a substantial shareholder of the Company immediately after the Placing nor will any new substantial/controlling shareholders of the Company to be introduced after the Placing. If any of the Placees becomes a new substantial/controlling shareholder of the Company after the completion of the Placing, further announcement will be made by the Company.

Placing Price

The Placing Price of HK\$0.140 per Placing Share represents:

- (i) a discount of approximately 7.89% to the closing price of HK\$0.152 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a discount of approximately 5.79% to the average closing price of approximately HK\$0.1486 per Share in the last five 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 Shares and was negotiated on an arm's length basis between the Company and 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 and the Placing is in the interests of the Company and the Shareholders as a whole.

Number of the Placing Shares

Pursuant to the Placing Agreement, up to 400,000,000 new Shares will be placed by the Placing Agent. The Placing Shares represent (i) approximately 18.16% of the existing issued share capital of the Company of 2,202,788,015 Shares as at the date of this announcement; and (ii) approximately 15.37% of the issued share capital of the Company of 2,602,788,015 Shares as enlarged by the allotment and issue of the 400,000,000 Placing Shares.

Ranking of the Placing Shares

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

General mandate to issue the Placing Shares

The Placing Shares will be issued under the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 28 June 2012, representing (i) 19.68% of the aggregate nominal amount of the share capital of the Company in issue on that date; and (ii) 18.16% of the aggregate nominal amount of the share capital of the Company as at the date of this announcement. On the basis that all of the 400,000,000 Placing Shares are allotted and issued, approximately 98.40% of the existing general mandate of 406,498,297 Shares will be utilised.

Accordingly, the allotment and issue of the Placing Shares is not subject to Shareholders' approval.

Conditions of the Placing

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

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

Completion of the Placing

Completion of the Placing, in any event, will take place within four business day after the fulfillment of the conditions as set out above or such other later date to be agreed between the Company and the Placing Agent.

If the above conditions are not satisfied and/or waived in whole or in part by the Placing Agent prior to 5:00 p.m. on or before 9 March 2013 (the "**Long Stop Date**") or such later date to be agreed between the Company and the Placing Agent, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties to the Placing Agreement will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches of the Placing Agreement).

Application for 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.

Termination of the Placing

The Placing Agreement may be terminated by the Placing Agent if at any time at or before 9:00 a.m. on the date of completion of the Placing, there occurs:

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

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

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The Directors consider that the Placing present an opportunity for the Company to raise additional funds while broadening the shareholder and capital base of the Company. In view of the above, the Directors consider that the terms of the Placing are on normal commercial basis, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the basis that all of the 400,000,000 Placing Shares are placed, the gross proceeds and the net proceeds from the Placing will be amounted to HK\$56 million and approximately HK\$55.3 million, respectively. The net price for each Placing Share will be approximately HK\$0.138. The Directors intend to apply the net proceeds for property investment in Hong Kong.

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 of the 400,000,000 Placing Shares is set out below:

	As at the date of this announcement		Upon completion of the placing of 400,000,000 Placing Shares	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Heung Wah Keung Family Endowment Limited (<i>Note 1</i>)	1,109,800,613	50.38	1,109,800,613	42.64
Mr. Lei Hong Wai (<i>Note 2</i>)	9,425,652	0.43	9,425,652	0.36
Simple View Investment Limited (<i>Note 3</i>)	235,990,338	10.71	235,990,338	9.07
Victory Peace Holdings Limited (<i>Note 4</i>)	68,000,000	3.09	68,000,000	2.61
Dorest Company Limited (<i>Note 5</i>)	41,106	0.00	41,106	0.00
Sub-total	<u>1,423,257,709</u>	<u>64.61</u>	<u>1,423,257,709</u>	<u>54.68</u>
Public Shareholders (<i>Note 6</i>)	779,530,279	35.39	779,530,279	29.95
The Placing Agent	27	0.00	27	0.00
The Places	–	–	400,000,000	15.37
Sub-total	<u>779,530,306</u>	<u>35.39</u>	<u>1,179,530,306</u>	<u>45.32</u>
Total	<u>2,202,788,015</u>	<u>100.00</u>	<u>2,602,788,015</u>	<u>100.00</u>

Notes:

1. Heung Wah Keung Family Endowment Limited is owned as to 50% by Mr. Heung Wah Keung (“**Mr. Heung**”), an executive Director, and as to 50% by Ms. Chen Ming Yin, Tiffany (“**Ms. Chen**”), an executive Director and the spouse of Mr. Heung.
2. Mr. Lei Hong Wai is an employee of the Company, the chairman of the board of directors of Eternity Investment Limited (“**Eternity**”), an executive director of Eternity and a substantial shareholder of Eternity.
3. Simple View Investment Limited is a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity.

4. Victory Peace Holdings Limited is a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity.
5. Dorest Company Limited (“**Dorest**”) is legally and beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung. Dorest owed 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 registered holder of the 41,106 Shares and has a beneficial interest in such Shares. Dorest has the voting right in respect of those Shares.
6. Some Placees may be the existing public Shareholders (holding less than 5% of the existing issued share capital of the Company as at the date of this announcement). The existing holdings of such Placees, if any, are included under “Public Shareholders”.

EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has no equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL

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

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Placing is subject to the satisfaction of the conditions precedent as set out in the section headed “Conditions of the Placing” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are advised to exercise extreme caution when dealings 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.

“acting in concert”	has the meaning ascribed to it in The Hong Kong Code on Takeovers and Mergers
“associate”	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 and the issued Shares are listed on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any independent professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best effort basis, of up to 400,000,000 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”	the conditional placing agreement dated 10 January 2013 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.140 per Placing Share
“Placing Shares”	up to 400,000,000 new Shares to be placed pursuant to the terms of the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“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, 10 January 2013

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; and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.