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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

**(1) SUPPLEMENTAL UNDERWRITING AGREEMENT IN RELATION TO  
OPEN OFFER OF NOT LESS THAN 2,626,923,658 OFFER SHARES AND  
NOT MORE THAN 2,719,215,073 OFFER SHARES  
ON THE BASIS OF 2 OFFER SHARES  
FOR EVERY 5 EXISTING SHARES  
HELD ON THE RECORD DATE AT HK\$0.125 PER OFFER SHARE;**

**(2) ISSUE OF NEW BONUS CBs ON THE BASIS OF  
TWO NEW BONUS CBs FOR EVERY FIVE EXISTING BONUS CBs  
AT HK\$0.125 PER NEW BONUS CB;**

**AND**

**(3) RESUMPTION OF TRADING**

**Underwriter to the New Open offer**



**KINGSTON SECURITIES LTD.**

### **(1) THE NEW OPEN OFFER**

Under the New Open Offer, the Company proposes to raise not less than approximately HK\$328.37 million and not more than approximately HK\$339.90 million before expenses by issuing of not less than 2,626,923,658 Offer Shares

and not more than 2,719,215,073 Offer Shares at the Open Offer Subscription Price and payable in full upon application. The New Open Offer is only available to the Qualifying Shareholders and will not be extended to the Prohibited Shareholders. Qualifying Shareholders are not entitled to apply for excess Offer Shares and any such Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

Assuming no further issue of new Shares or repurchase of Shares on or before the New Open Offer Record Date, 2,626,923,658 Offer Shares are to be allotted and issued, representing approximately 40.00% of the Company's issued share capital as at the date of the Announcement and this announcement and approximately 28.57% of the Company's issued share capital as enlarged by the allotment and issue of the 2,626,923,658 Offer Shares immediately after completion of the New Open Offer.

Assuming the outstanding Options are exercised in full and the Bonus CBs are converted in full on or before the New Open Offer Record Date, 2,719,215,073 Offer Shares are to be allotted and issued, representing approximately 40.00% of the Company's issued share capital as at the date of the Announcement and this announcement and as enlarged by the allotment and issue of 230,728,538 new Shares pursuant to the exercise of the subscription rights attached to the Options and the conversion rights attached to the Bonus CBs and approximately 28.57% of the Company's issued share capital as enlarged by the allotment and issue of 230,728,538 new Shares pursuant to the exercise of the subscription rights attached to the Options and the conversion rights attached to the Bonus CBs and the 2,719,215,073 Offer Shares immediately after completion of the New Open Offer.

In order to be registered as members of the Company prior to the close of business on the New Open Offer Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 December 2013.

The last day of dealings in the Shares on cum-entitlement basis of the New Open Offer is Thursday, 19 December 2013. The Shares will be dealt in on ex-entitlement basis of the New Open Offer from Friday, 20 December 2013. The register of members of the Company will be closed from Friday, 27 December 2013 to Tuesday, 31 December 2013, both days inclusive. No transfer of Shares will be registered during the book closure period. To qualify for the New Open Offer: (i) the Shareholders must at the close of business on the New Open Offer Record Date be registered on the register of members of the Company; and (ii) not being the Prohibited Shareholders.

Since the New Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the twelve-month period immediately preceding the Announcement and the New Open Offer is fully underwritten by the Underwriter who is not a director, chief executive or substantial shareholder of the Company (or an associate (as defined under the Listing Rules) of any of them) pursuant to Rules 7.24(5) and 7.26(A) of the Listing Rules, the New Open Offer is not subject to Shareholders' approval under the Listing Rules.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the New Open Offer, to be despatched to the Qualifying Shareholders on Tuesday, 31 December 2013. The Company will send the Overseas Letters together with the Prospectus to the Prohibited Shareholders for their information only, but no Application Form will be sent to them on Tuesday, 31 December 2013.

#### **Warning of the risk of dealings in the Shares**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 20 December 2013 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is subject remain unfulfilled.**

**Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the New Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 20 January 2014), will accordingly bear the risk that the New Open Offer cannot become unconditional and may not proceed.**

**Shareholders, Bonus CBs Holders and potential investors should note that the New Open Offer is conditional upon the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement in accordance with the terms thereof.**

**Accordingly, the New Open Offer may or may not proceed. Shareholders, Bonus CBs Holders and potential investors should exercise extreme caution when dealing in the Shares or the Bonus CBs, and if they are in any doubt about their position, they should consult their professional advisers.**

#### **(2) ISSUE OF NEW BONUS CBs**

As the Company has conducted the New Open Offer, the Board offers the New Bonus CBs Subscription, which is the proposed subscription of New Bonus CBs

on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the price of HK\$0.125 per Bonus CB, to all Bonus CBs Holders. The New Bonus CBs Subscription is only available to all Bonus CBs Holders. No excess New Bonus CBs will be offered to the Bonus CBs Holders. There is no underwriting arrangement for the New Bonus CBs Subscription. Accordingly, unsubscribed New Bonus CBs will not be issued.

As at the date of this announcement, there are 9 Bonus CBs Holders and the aggregate outstanding principal amount of the Bonus CBs amounted to HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares, representing approximately 0.001% of the issued share capital of the Company as at the date of the Underwriting Agreement, at an initial conversion price of HK\$0.01 per Share (subject to adjustment).

Assuming no outstanding Bonus CBs are exercised on or before the New Bonus CBs Subscription Record Date, a maximum of 7,586,976 New Bonus CBs in the aggregate principal amount of HK\$75,869.76 will be issued, representing 40% of the outstanding Bonus CBs as at the date of this announcement and approximately 28.57% of the outstanding Bonus CBs as enlarged by the issue of the 7,586,976 New Bonus CBs in the aggregate principal amount of HK\$75,869.76 immediately after completion of the New Bonus CBs Subscription.

In order to be registered as Bonus CB Holders of the Company prior to the close of business on the New Bonus CBs Subscription Record Date, Bonus CBs Holders must lodge any transfers of Bonus CBs (together with the relevant Bonus CBs certificates) for registration with Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 December 2013.

The register of Bonus CBs Holders will be closed from Friday, 27 December 2013 and Tuesday, 31 December 2013, both days inclusive in order to determine the entitlement of the New Bonus CBs Subscription. No transfer of Bonus CBs will be registered during the book closure period.

The issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs will be allotted and issued under a specific mandate to be sought at the SGM. The SGM will be convened for the Shareholders, other than those who are the Bonus CBs Holders, to approve the issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs. Given that the Bonus CB Holders have interests in the New Bonus CBs Subscription, the Shareholders who are also the Bonus CBs Holders are required to abstain from voting to approve the issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs at the SGM.

A circular containing further details of the New Bonus CBs Subscription and the notice convening the SGM is expected to be despatched to the Shareholders and the Bonus CBs Holder, for their information only, on or before Monday, 2 December 2013.

**However, those Bonus CBs Holders who do not subscribe for the New Bonus CBs to which they are entitled should note that their holdings in the Company's outstanding Bonus CBs would be diluted.**

**Warning of the risk of dealings in the Bonus CBs**

**Bonus CBs Holders and potential investors should note that the New Bonus CBs Subscription is subject to the satisfaction of the conditions as set out in the section headed "Conditions of the New Bonus CBs Subscription". Accordingly, the New Bonus CBs Subscription may or may not proceed.**

**Bonus CBs Holders and potential investors should exercise extreme caution when dealing in the Bonus CBs, and if they are in any doubt about their position, they should consult their professional advisers.**

**(3) RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 6 November 2013 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 on the Stock Exchange with effect from 9:00 a.m. on 19 November 2013.

Reference is made to (i) the Announcement; (ii) the announcement of the Company dated 6 November 2013 in relation to the suspension on trading in Shares on the Stock Exchange with effect from 9:00 a.m. on 6 November 2013; and (iii) the holding announcement of the Company dated 14 November 2013.

Subsequent to the publication of the Announcement, the Board considers that the Open Offer should not be extended to the Bonus CBs Holders. Accordingly, on 18 November 2013, the Company, HWKFE, Eternity Finance and the Underwriter entered into the Supplemental Underwriting Agreement to vary certain terms of the Underwriting Agreement in order to exclude the Bonus CBs Holders from participation in the Open Offer. The New Open Offer, which excludes the Bonus CBs Holders, is set out as follow:

**(1) THE NEW OPEN OFFER**

Under the New Open Offer, the Company proposes to raise not less than approximately HK\$328.37 million and not more than approximately HK\$339.90 million before expenses by way of open offer to the Qualified Shareholders and details are set out as follows:

### **New Open Offer statistics**

Basis of the New Open Offer: 2 Offer Shares for every 5 existing Shares held on the New Open Offer Record Date

Open Offer Subscription Price: HK\$0.125 per Offer Share

Number of Shares in issue as at the date of the Announcement and this announcement: 6,567,309,145 Shares

Number of outstanding Options: 211,761,098 Options entitling the holders thereof to subscribe for 211,761,098 new Shares under the Share Option Schemes

Outstanding amount of Bonus CBs: the outstanding principal amount of HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)

Number of Offer Shares: Not less than 2,626,923,658 Offer Shares and not more than 2,719,215,073 Offer Shares

Number of Offer Shares to be taken up or procure to be taken up by HWKFE pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement: HWKFE has irrevocably undertaken in favour of the Company and the Underwriter to subscribe for or procure the subscription for the 1,331,760,735 Offer Shares to be allotted to it under its entitlement pursuant to the New Open Offer

Number of Offer Shares underwritten by the Underwriter: Not less than 1,295,162,923 Offer Shares and not more than 1,387,454,338 Offer Shares. The New Open Offer is fully underwritten

Number of enlarged Shares in issue upon completion of the New Open Offer: Not less than 9,194,232,803 Shares and not more than 9,517,252,756 Shares

As at the date of the Announcement and this announcement, the Company has (i) 211,761,098 outstanding Options entitling the holders thereof to subscribe for

211,761,098 new Shares; (ii) outstanding Bonus CBs in the aggregate principal amount of HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment); and (iii) outstanding 8% CBs in the aggregate principal amount of HK\$225.00 million carrying rights entitling the holders thereof to convert their principal amount into 2,045,454,545 new Shares at an adjusted conversion price of HK\$0.11 per Share (subject to further adjustment, if required). Save for the Options, the Bonus CBs and the 8% CBs, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of the Announcement and this announcement.

Assuming no further issue of new Shares or repurchase of Shares on or before the New Open Offer Record Date, 2,626,923,658 Offer Shares are to be allotted and issued, representing approximately 40.00% of the Company's issued share capital as at the date of the Announcement and this announcement and approximately 28.57% of the Company's issued share capital as enlarged by the allotment and issue of the 2,626,923,658 Offer Shares immediately after completion of the New Open Offer.

Assuming the outstanding Options are exercised in full and the Bonus CBs are converted in full on or before the New Open Offer Record Date, 2,719,215,073 Offer Shares are to be allotted and issued, representing approximately 40.00% of the Company's issued share capital as at the date of the Announcement and this announcement and as enlarged by the allotment and issue of 230,728,538 new Shares pursuant to the exercise of the subscription rights attached to the Options and the conversion rights attached to the Bonus CBs and approximately 28.57% of the Company's issued share capital as enlarged by the allotment and issue of 230,728,538 new Shares pursuant to the exercise of the subscription rights attached to the Options and the conversion rights attached to the Bonus CBs and the 2,719,215,073 Offer Shares immediately after completion of the New Open Offer.

The aggregate nominal value of the Offer Shares will be not less than HK\$26,269,236.58 and not more than HK\$27,192,150.73.

### **Basis of entitlement**

The basis of the entitlement is 2 Offer Shares for every 5 existing Shares held on the New Open Offer Record Date, being not less than 2,626,923,658 Offer Shares and not more than 2,719,215,073 Offer Shares at the Open Offer Subscription Price. Acceptance for all or any part entitlement of a Qualifying Shareholder should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted for.

## **Qualifying Shareholders**

The New Open Offer is only available to the Qualifying Shareholders. The Company will send (a) the Prospectus Documents to the Qualifying Shareholders; and (b) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders.

To qualify for the New Open Offer: (i) the Shareholders must at the close of business on the New Open Offer Record Date be registered on the register of members of the Company; and (b) not being the Prohibited Shareholders.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the New Open Offer Record Date.

In order to be registered as members of the Company prior to the close of business on the New Open Offer Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 December 2013.

## **Closure of register of members for the New Open Offer**

The register of members of the Company will be closed from Friday, 27 December 2013 to Tuesday, 31 December 2013, both days inclusive. No transfer of Shares will be registered during the book closure period.

## **Open Offer Subscription Price**

The Open Offer Subscription Price of HK\$0.125 per Offer Share, which is the same as the subscription price under the Open Offer, payable in full upon application.

The Open Offer Subscription Price represents:

- (a) a discount of approximately 3.85% to the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 3.10% to the theoretical ex-entitlement price of HK\$0.129 based on the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (c) a discount of approximately 1.57% to the average closing price of approximately HK\$0.127 per Share for the last five consecutive trading days immediately prior to the Last Trading Day.



The Open Offer Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares. The Directors consider that each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Open Offer Subscription Price in proportion to his/her/its shareholding held on the New Open Offer Record Date and the terms of the New Open Offer, including the Open Offer Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging Qualifying Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. After deduct all relevant expenses relating to the New Open Offer, the net price per Offer Share under the New Open Offer will be approximately HK\$0.124.

### **Rights of Overseas Shareholders**

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

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the New Open Offer to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the New Open Offer will not be available to such Overseas Shareholders. Accordingly, the New Open Offer will not be extended to the Prohibited Shareholders.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the New Open Offer, to be despatched to the Qualifying Shareholders on Tuesday, 31 December 2013. The Company will send the Overseas Letters together with the Prospectus to the Prohibited Shareholders for their information only, but no Application Form will be sent to them on Tuesday, 31 December 2013.

### **Status of the Offer Shares**

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

### **Share certificates and refund cheques for the New Open Offer**

Subject to the fulfillment of the conditions of the New Open Offer, certificates for all fully-paid Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 22 January 2014. If the New Open Offer is terminated, refund cheques will be despatched on or before Wednesday, 22 January 2014 by ordinary post at the respective Shareholders' own risk.

### **No application for excess Offer Shares**

Considering that the New Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

### **Fractions of the Offer Shares**

Fractional entitlements to the Offer Shares will not be issued to the Qualifying Shareholders but will be aggregated and sold in the open market, if at premium, net of expenses can be obtained and the net proceeds, after deduction of related expenses arising from such sale, will be retained for the benefit of the Company.

### **Application for the Offer Shares**

The Application Form in respect of the entitlement of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing the Application Form and lodging the same with a remittance for the Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

**Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement**

Date of the Underwriting Agreement:	5 November 2013
Date of the Supplemental Underwriting Agreement:	18 November 2013
Underwriter:	Kingston Securities Limited
Number of Offer Shares to be underwritten:	Not less than 1,295,162,923 Offer Shares and not more than 1,387,454,338 Offer Shares. Accordingly, taking into account the HWKFE Undertaking, the New Open Offer is fully underwritten.
Undertaking relating to the Offer Shares	HWKFE has given the HWKFE Undertaking in favour of the Company and the Underwriter to subscribe for 1,331,760,735 Offer Shares to which it is entitled under the New Open Offer.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter is interested in 27 Shares. It is one of the conditions of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement that the Underwriter would enter into binding agreements with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Underwriter together with its parties acting in concert nor any of the placees and/or sub-underwriters and their respective parties acting in concert shall in aggregate be interested in 10% or more of the issued share capital of the Company as enlarged by the New Open Offer.

### **Underwriting Commission**

The Company will pay the Underwriter an underwriting commission of 1.0% of the aggregate Open Offer Subscription Price in respect of the maximum number of the underwritten Offer Shares. The Directors are of the view that the terms of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, including the commission, are fair and reasonable.

The Board considers the terms of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

### **Irrevocable undertakings given by HWKFE and Eternity Finance**

As at the date of the Underwriting Agreement, HWKFE is interested in 3,329,401,839 Shares, representing approximately 50.70% of the total issued share capital of the Company. HWKFE irrevocably undertakes to the Company and to the Underwriter that:

- (1) not to dispose of, or agree to dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the New Open Offer Record Date;
- (2) to accept or procure the acceptance for the 1,331,760,735 Offer Shares to be allotted and issued to HWKFE under its entitlement pursuant to the New Open Offer; and
- (3) to lodge the Application Form(s) in respect of the 1,331,760,735 Offer Shares referred to in paragraph (2) above accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

As at the date of the Underwriting Agreement, Eternity Finance is interested in the 8% CBs in the aggregate principal of HK\$225.00 million which entitled Eternity Finance to convert their principal amount into 2,045,454,545 new Shares at an adjusted conversion price of HK\$0.11 per Share (subject to further adjustment, if required). Eternity Finance irrevocably undertakes to the Company and to the Underwriter that:

- (1) not to exercise its conversion rights attached to the 8% CBs held by it from the date of the Underwriting Agreement to the close of business on the New Open Offer Record Date; and

- (2) the 8% CBs registered in the name of and beneficially owned by Eternity Finance will remain registered in the name of and beneficially owned by Eternity Finance from the date of the Underwriting Agreement to the close of business on the New Open Offer Record Date.

**Termination of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that for the purposes of the termination clause of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the New Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the New Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the New Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the New Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the New Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the New Open Offer; or

- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the New Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the New Open Offer,

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

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

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (2) any specified event comes to the knowledge of the Underwriter.

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

Upon the giving of notice in accordance with the above, the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

### **Conditions of the New Open Offer**

The New Open Offer is conditional upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (2) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents duly signed by one Director (for and on behalf of all Directors) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act on or before the Prospectus Posting Date;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the New Open Offer on or before the Prospectus Posting Date;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time for Termination or such other time as the Underwriter may agree with the Company in writing;
- (6) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is not terminated in accordance with its terms;

- (7) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement;
- (8) compliance with and performance of all undertakings and obligations of HWKFE under the HWKFE Undertaking;
- (9) compliance with and performance of all undertakings and obligations of Eternity Finance under the Eternity Finance Undertaking; and
- (10) the entering into of binding agreements by the Underwriter with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Underwriter together with its parties acting in concert nor any of the placees and/or sub-underwriters and their respective parties acting in concert shall be interested in 10% or more of the issued share capital of the Company as enlarged by the New Open Offer.

All of the above conditions are not waivable. If any of the conditions of the New Open Offer is not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement shall terminate and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement.

#### **Revised expected timetable**

As certain terms of the Underwriting Agreement have been varied and the Shares were suspended for trading during the period from 6 November 2013 to 18 November 2013, the expected timetable is revised in the section headed “Expected timetable for the New Open Offer and the New Bonus CBs Subscription” in this announcement.



## Shareholding structure of the Company

Set out below is the shareholding structure of the Company before and after the completion of the New Open Offer:

- (a) Assuming no Option is exercised and no Bonus CBs is converted on or before the New Open Offer Record Date

	As at the date of the Announcement		Upon completion of the New Open Offer (assuming all Offer Shares are taken up by the Qualifying Shareholders)		Upon completion of the New Open Offer (assuming none of the Offer Shares are taken up by the Qualifying Shareholders other than HWKFE) <i>(Note 3)</i>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
HWKFE <i>(Note 1)</i>	3,329,401,839	50.70	4,661,162,574	50.70	4,661,162,574	50.70
Dorest Company Limited <i>(Note 2)</i>	41,106	0.00	57,548	0.00	41,106	0.00
<b>Public</b>						
Mr. Lei	9,425,652	0.14	13,195,912	0.14	9,425,652	0.10
The Underwriter	27	0.00	40	0.00	1,295,162,950	14.09
Existing public Shareholders	3,228,440,521	49.16	4,519,816,729	49.16	3,228,440,521	35.11
<b>Total</b>	<b>6,567,309,145</b>	<b>100.00</b>	<b>9,194,232,803</b>	<b>100.00</b>	<b>9,194,232,803</b>	<b>100.00</b>

- (b) Assuming the Options are exercised in full and the Bonus CBs are converted in full on or before the New Open Offer Record Date

	As at the date of the Announcement		Assuming the Options are exercised in full and the Bonus CBs are converted in full on or before the New Open Offer Record Date		Assuming the Options are exercised in full and the Bonus CBs are converted in full on or before the New Open Offer Record Date and assuming all Offer Shares are taken up by the Qualifying Shareholders		Assuming the Options are exercised in full and the Bonus CBs are converted in full on or before the New Open Offer Record Date and assuming none of the Offer Shares are taken up by the Qualifying Shareholders other than HWKFE) (Note 3)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
HWKFE (Note 1)	3,329,401,839	50.70	3,329,401,839	48.98	4,661,162,574	48.98	4,661,162,574	48.98
Dorest Company Limited (Note 2)	41,106	0.00	41,106	0.00	57,548	0.00	41,106	0.00
<b>Public</b>								
Holders of the Options (other than Mr. Lei)	0	0.00	188,988,328	2.78	264,583,659	2.78	188,988,328	1.98
Mr. Lei	9,425,652	0.14	51,049,726	0.75	71,469,616	0.75	51,049,726	0.54
The Underwriter	27	0.00	27	0.00	40	0.00	1,387,454,365	14.58
Existing public Shareholders	3,228,440,521	49.16	3,228,556,657	47.49	4,519,979,319	47.49	3,228,556,657	33.92
<b>Total</b>	<b>6,567,309,145</b>	<b>100.00</b>	<b>6,798,037,683</b>	<b>100.00</b>	<b>9,517,252,756</b>	<b>100.00</b>	<b>9,517,252,756</b>	<b>100.00</b>

*Notes:*

- Pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, HWKFE irrevocably undertakes to the Company and to the Underwriter that (1) not to dispose of, or agree to dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the New Open Offer Record Date; (2) to accept or procure the acceptance for the 1,331,760,735 Offer Shares to be allotted and issued to HWKFE under its entitlement pursuant to the New Open Offer; and (3) to lodge the Application Form(s) accompanied by the appropriate remittances in respect of the 1,331,760,735 Offer Shares prior to the Latest Time for Acceptance.
- Dorest Company Limited is owned as to 60% by Porterstone Limited and as to 40% by Mr. Heung Wah Keung, an executive Director. The Shares held by Dorest Company Limited are under a charging order.

3. This scenario is for illustrative purpose only and will not occur. Pursuant to the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement, in the event of Underwriter being called upon to subscribe for or procure certain placees and/or sub-underwriters to subscribe for any of the Offer Shares: Underwriter together with its parties acting in concert nor any of the placees and/or sub-underwriters and their respective parties acting in concert shall be interested in 10% or more of the issued share capital of the Company as enlarged by the New Open Offer.

### **Reasons for the New Open Offer and use of proceeds**

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.

The gross proceeds from the New Open Offer will not be less than approximately HK\$328.37 million and not more than approximately HK\$339.90 million. The net proceeds from the New Open Offer after deducting all relevant expenses are estimated to be not less than HK\$324.47 million but not more than HK\$336.01 million. The net proceeds of the New Open Offer intended to be used for property investment in Hong Kong and/or Macau when suitable opportunity arises.

The Board considers that the New Open Offer presents an opportunity for the Company to strengthen capital base of the Company. The Board also considers that the New Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the future development of the Company.

On 23 October 2013, the Board announced that the Company was approached by an Independent Third Party relating to the possible disposal (the “**Possible Disposal**”) of Hotel Lan Kwai Fong Macau. The Board would like to inform the Shareholders and potential investors that the preliminary negotiation with the Independent Third Party regarding the Possible Disposal is still in progress. No terms and conditions of the Possible Disposal have been reached and no agreements or contacts have been signed in respect of such negotiation as at the date of this announcement.

**However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company would be diluted.**

## **Fund raising activity in the past 12 months immediately preceding the date of the Announcement**

Set out below is the fund raising activity conducted by the Company:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
10 January 2013	Placing of 400,000,000 new Shares at HK\$0.140 per Share	Approximately HK\$55.3 million	For property investment in Hong Kong	The net proceeds has been utilised as intended

### **Listing Rules Implications**

Since the New Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the twelve-month period immediately preceding the Announcement and the New Open Offer is fully underwritten by the Underwriter who is not a director, chief executive or substantial shareholder of the Company (or an associate (as defined under the Listing Rules) of any of them) pursuant to Rules 7.24(5) and 7.26(A) of the Listing Rules, the New Open Offer is not subject to Shareholders' approval under the Listing Rules.

### **Warning of the risk of dealings in the Shares**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 20 December 2013 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement is subject remain unfulfilled.**

**Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the New Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 20 January 2014), will accordingly bear the risk that the New Open Offer cannot become unconditional and may not proceed.**

**Shareholders, Bonus CBs Holders and potential investors should note that the New Open Offer is conditional upon the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement in accordance with the terms thereof.**

**Accordingly, the New Open Offer may or may not proceed. Shareholders, Bonus CBs Holders and potential investors should exercise extreme caution when dealing in the Shares or the Bonus CBs, and if they are in any doubt about their position, they should consult their professional advisers.**

## (2) ISSUE OF NEW BONUS CBs

Under the Deed Poll, the rights of the Bonus CBs Holders 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 into Shares on the relevant record date), but the Bonus CBs carry no voting rights at general meetings of the Company and have no maturity date.

Under the Deed Poll, 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 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.

As the Company has conducted the New Open Offer, the Board offers the New Bonus CBs Subscription, which is the proposed subscription of New Bonus CBs on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the price of HK\$0.125 per New Bonus CB, to all Bonus CBs Holders. Details of the New Bonus CBs Subscription are as follows:

## **The New Bonus CBs Subscription**

Under the New Bonus CBs Subscription, the Company proposes to raise not more than approximately HK\$0.95 million before expenses by way of subscription to the Bonus CBs Holders and details are set out as follows:

### **New Bonus CBs Subscription Statistics**

Basis of the New Bonus CBs Subscription: 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date

New Bonus CBs Subscription Price: HK\$0.125 per New Bonus CB

Number and principal amount of outstanding Bonus CBs: 18,967,440 Bonus CBs with the aggregate principal amount of HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)

Number and principal amount of New Bonus CBs: Not more than 7,586,976 New Bonus CBs with the aggregate principal amount of HK\$75,869.76 carrying rights entitling the holders thereof to convert their principal amount into 7,586,976 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)

Number of enlarged Bonus CBs in issue upon completion of the New Bonus CBs Subscription: Not more than 26,554,416 Bonus CBs with the aggregate principal amount of HK\$265,544.16 carrying rights entitling the holders thereof to convert their principal amount into 26,554,416 new Shares at an initial conversion price of HK\$0.01 per Share (subject to adjustment)

As at the date of this announcement, there are 9 Bonus CBs Holders and the aggregate outstanding principal amount of the Bonus CBs amounted to HK\$189,674.40 carrying rights entitling the holders thereof to convert their principal amount into 18,967,440 new Shares, representing approximately 0.001% of the issued share capital of the Company as at the date of the Underwriting Agreement, at an initial conversion price of HK\$0.01 per Share (subject to adjustment).

Assuming no outstanding Bonus CBs are exercised on or before the New Bonus CBs Subscription Record Date, a maximum of 7,586,976 New Bonus CBs in the aggregate principal amount of HK\$75,869.76 will be issued, representing 40% of the outstanding Bonus CBs as at the date of this announcement and approximately 28.57% of the outstanding Bonus CBs as enlarged by the issue of the 7,586,976 New Bonus CBs in the aggregate principal amount of HK\$75,869.76 immediately after completion of the New Bonus CBs Subscription.

There is no underwriting arrangement for the New Bonus CBs Subscription. Accordingly, unsubscribed New Bonus CBs will not be issued.

### **Basis of entitlement**

The basis of the entitlement is 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the New Bonus CBs Subscription Price of HK\$0.125 per New Bonus CB. Acceptance for all or any part entitlement of a Bonus CBs Holder should be made by completing the subscription form and lodging the same with a remittance for the New Bonus CBs being subscribed for.

### **Qualifying Bonus CBs Holders**

The New Bonus CBs Subscription is only available to all Bonus CBs Holders. The Company will send the subscription forms to all Bonus CBs Holders on Tuesday, 31 December 2013.

To qualify for the New Bonus CBs Subscription, the Bonus CBs Holders must at the close of business on the New Bonus CBs Subscription Record Date be registered on the register of Bonus CB Holders.

In order to be registered as Bonus CB Holders of the Company prior to the close of business on the New Bonus CBs Subscription Record Date, Bonus CBs Holders must lodge any transfers of Bonus CBs (together with the relevant Bonus CBs certificates) for registration with Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 December 2013.

### **Closure of register of Bonus CBs Holders for the New Bonus CBs Subscription**

The register of Bonus CBs Holders will be closed from Friday, 27 December 2013 and Tuesday, 31 December 2013, both days inclusive in order to determine the entitlement of the New Bonus CBs Subscription. No transfer of Bonus CBs will be registered during the book closure period.

### **New Bonus CBs Subscription Price**

The New Bonus CBs Subscription Price is HK\$0.125 per New Bonus CB, payable in full upon application. The New Bonus CBs Subscription Price is same as the Open Offer Subscription Price.

### **Status of the New Bonus CBs to be issued under the New Bonus CBs Subscription and Shares issuable upon conversion of the New Bonus CBs**

The New Bonus CBs to be issued under the New Bonus CBs Subscription will be on the same terms and conditions as the existing Bonus CBs constituted by the Deed Poll. Holders of fully-paid New Bonus CBs will be entitled to receive all future dividends which are declared, made or paid after the date of issue of the New Bonus CBs. Before conversion, the New Bonus CBs do not carry voting rights at general meetings of the Company.

The new Shares which may fall to be allotted and issued on conversion of the New Bonus CBs, upon issue, will rank pari passu in all respects with the Shares then in issue on the date of such allotment and issue, including the entitlement to receive dividends and other distributions on the relevant record date which is on or after the date of allotment and issue of those Shares.

### **New Bonus CBs certificates and refund cheques for the New Bonus CBs Subscription**

Subject to the fulfillment of the conditions of the New Bonus CBs Subscription, certificates for all fully-paid New Bonus CBs are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 22 January 2014. If the New Bonus CBs Subscription is terminated, refund cheques will be despatched on or before Wednesday, 22 January 2014 by ordinary post at the respective Bonus CBs Holders' own risk.

### **No application for excess New Bonus CBs**

No excess New Bonus CBs will be offered to the Bonus CBs Holders and unsubscribed New Bonus CBs will not be issued.

### **Fractions of the New Bonus CBs**

Fractional entitlements to the New Bonus CBs will not be issued to the Bonus CBs Holders.



### **Conditions of the New Bonus CBs Subscription**

The completion of the New Bonus CBs Subscription is conditional upon,

- (i) the obtaining of the Shareholder's approval, other than the Bonus CBs Holders and those who are required to abstain from voting under the Listing Rules, on the New Bonus CBs Subscription and the transactions contemplated thereunder (including but not limited to the issue of the New Bonus CBs and the allotment and issue of the new Shares upon the exercise of the conversion rights attaching thereto) at the SGM;
- (ii) the New Open Offer having becoming unconditional; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be allotted and issued upon conversion of the New Bonus CBs.

### **Principal Terms of the Bonus CBs**

The terms and conditions of the New Bonus CBs are same as the Bonus CBs constituted by the Deed Poll. The table below summarises the principal terms of the Bonus CBs:

Conversion and Conversion price	:	Each unit of the Bonus CB with a par value of HK\$0.01 shall entitle the holders thereof to convert the same into one Share at the conversion price of HK\$0.01 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 is non-redeemable
Conversion period	:	At any time after the issue of the Bonus CBs, and the conversion date will be deemed to be the 30th Business Day of the Stock Exchange 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

- Interest : The Bonus CBs do not carry any interest
- 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’s Bonus CB 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 : The Bonus CB Holder(s) may only assign or transfer the Bonus CBs to the transferee subject to the consent of the Company

The Company will promptly notify the Stock Exchange upon becoming aware of any dealings in the Bonus CBs by any connected person (as defined under the Listing Rules) of the Company

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

### **Overseas Bonus CBs Holders**

To participate in the New Bonus CBs Subscription by persons not being a resident of Hong Kong or with a register address in jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Bonus CBs Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdiction.

It is the responsibility of any such persons who wish to subscribe for the New Bonus CBs to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any subscription application made by any person will be deemed to constitute a representation and warranty from such person to the Company that the local laws and requirements have been fully complied with. Bonus CBs Holders should consult their professional advisers if in doubt.

### **Application for listing**

An 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 new Shares to be allotted and issued upon conversion of the New Bonus CBs as soon as possible. No application will be made for the listing of the New Bonus CBs on the Stock Exchange or any other recognised stock or securities exchanges.

The new Shares upon conversion of the New Bonus CBs will be allotted and issued under a specific mandate to be sought from the Shareholders at the SGM.

### **Reasons for the New Bonus CBs Subscription and use of proceeds**

As the Company has conducted the New Open Offer, the Board offers the New Bonus CBs Subscription to the Bonus CBs Holders in order to fulfill the Company's obligations under the Deed Poll. As such, the Board considers that the New Bonus CBs Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole. After deduct all relevant expenses relating to the New Bonus CBs Subscription, the net price per New Bonus CBs under the New Bonus CBs Subscription will be approximately HK\$0.112.

The net proceeds of the New Bonus CBs Subscription will be used for general working capital of the Company.

**However, those Bonus CBs Holders who do not subscribe for the New Bonus CBs to which they are entitled should note that their holdings in the Company's outstanding Bonus CBs would be diluted.**

### **Warning of the risk of dealings in the Bonus CBs**

**Bonus CBs Holders and potential investors should note that the New Bonus CBs Subscription is subject to the satisfaction of the conditions as set out in the section headed “Conditions of the New Bonus CBs Subscription”. Accordingly, the New Bonus CBs Subscription may or may not proceed.**

**Bonus CBs Holders and potential investors should exercise extreme caution when dealing in the Bonus CBs, and if they are in any doubt about their position, they should consult their professional advisers.**

### **General**

The issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs will be allotted and issued under a specific mandate to be sought at the SGM. The SGM will be convened for the Shareholders, other than those who are the Bonus CBs Holders, to approve the issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs. Given that the Bonus CB Holders have interests in the New Bonus CBs Subscription, the Shareholders who are also the Bonus CBs Holders are required to abstain from voting to approve the issue of the New Bonus CBs under the New Bonus CBs Subscription and the new Shares to be allotted and issued upon the conversion of the New Bonus CBs at the SGM.

A circular containing further details of the New Bonus CBs Subscription and the notice convening the SGM is expected to be despatched to the Shareholders and the Bonus CBs Holder, for their information only, on or before Monday, 2 December 2013.

### **Adjustments to the Options and the 8% CBs**

Adjustments to the exercise prices and numbers of the Options and the conversion price of the 8% CBs may be required under the share option schemes of the Company and the relevant terms under the deed poll constituting the 8% CBs as a result of the New Open Offer and the New Bonus CBs Subscription. An approved financial adviser or the auditors of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the Options and the conversion price of the 8% CBs. Further announcement will be made by the Company in this regard as and when appropriate.

## **Expected timetable for the New Open Offer and the New Bonus CBs Subscription**

The expected timetables for the New Open Offer and the New Bonus CBs Subscription are set out below. The expected timetables are indicative only and have been prepared on the assumption that all conditions of the New Open Offer and the New Bonus CBs Subscription will be fulfilled. The expected timetables are subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate:

	<i>2013</i> <i>New Open Offer</i>	<i>2013</i> <i>New Bonus CBs</i> <i>Subscription</i>
Despatch of circular of New Bonus CBs Subscription		Monday, 2 December
Latest time for lodging proxy form of the SGM		at 4:30 on Monday, 16 December
The SGM		at 4:30 on Wednesday, 18 December
Announcement of the result of the SGM		Wednesday, 18 December
Last day of dealings in the Shares on cum-entitlement basis for the New Open Offer	Thursday, 19 December	
First day of dealings in the Shares on the ex-entitlement basis for the New Open Offer	Friday, 20 December	
Latest time for lodging transfers of Shares for registration in order to be entitled to the New Open Offer	4:30 p.m. on Tuesday, 24 December	
Latest time for lodging transfers of Bonus CBs for registration in order to be entitled to the New Bonus CBs Subscription		4:30 p.m. on Tuesday, 24 December

	<i>2013</i>	<i>2013</i>
	<i>New Open Offer</i>	<i>New Bonus CBs Subscription</i>
Register of members closes (both days inclusive)	Friday, 27 December to Tuesday, 31 December	
Register of the Bonus CBs Holders closes (both days inclusive)		Friday, 27 December to Tuesday, 31 December
New Open Offer Record Date for determining entitlements to the New Open Offer	Tuesday, 31 December	
New Bonus CBs Subscription Record Date for determining entitlements to the New Bonus CBs Subscription		Tuesday, 31 December
Despatch of the Prospectus for the New Open Offer	Tuesday, 31 December	
Posting of the subscription form of the New Bonus CBs Subscription		Tuesday, 31 December
	<i>2014</i>	<i>2014</i>
Latest time for acceptance and payment for the Offer Shares	4:00 p.m. on Wednesday, 15 January	
Latest time for the subscription form and payment for the New Bonus CBs		4:00 p.m. on Wednesday, 15 January
Latest time for termination of the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement by the Underwriter	4:00 p.m. on Monday, 20 January	



	<i>2014</i>	<i>2014</i>
	<i>New Open Offer</i>	<i>New Bonus CBs Subscription</i>
The New Bonus CBs Subscription becoming unconditional		Monday, 20 January
Announcement of the results of the New Open Offer and the New Bonus CBs Subscription	Monday, 20 January	Monday, 20 January
Despatch of share certificates for Offer Shares	Wednesday, 22 January	
Despatch of bond certificates for the New Bonus CBs		Wednesday, 22 January
Despatch of refund cheques to the shareholders if the New Open Offer is terminated	Wednesday, 22 January	
Despatch of refund cheques to the Bonus CBs Holders if the New Bonus CBs Subscription is terminated		Wednesday, 22 January
Expected first day of dealings in fully-paid Offer Shares on the Stock Exchange	9:00 a.m. on Thursday, 23 January	

*All times and dates stated in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders and Bonus CBs Holders as and when appropriate.*

### **(3) RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 6 November 2013 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 on the Stock Exchange with effect from 9:00 a.m. on 19 November 2013.

## 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.

“8% CBs”	the 8% convertible bonds in the aggregate principal amount of HK\$350.00 million issued by the Company to Eternity Finance on 7 July 2011 due on the 5th anniversary of the date of their issue, of which HK\$225.00 million outstanding as at the date of the Underwriting Agreement
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement of the Company dated 5 November 2013 in relation to the Open Offer pursuant to the Underwriting Agreement
“Application Form”	the form of application to be used by the Qualifying Shareholders to apply for the Offer Shares in the agreed form
“Board”	the board of Directors
“Bonus CB(s)”	bonus convertible bond(s) with a par value of HK\$0.01 each constituted by the Deed Poll carrying right entitling the holders thereof to convert its principal amount into a new Share at an initial conversion price of HK\$0.01 per Share (subject to adjustment) with the aggregate outstanding principal amount of HK\$189,674.40 as at the date of this announcement
“Bonus CB(s) Holder(s)”	the holder(s) of the Bonus CB(s)
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the central Clearing and Settlement Systems established and operated by HKSCC

“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	China Star Entertainment Limited, an exempted company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Company Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Deed Poll”	the deed poll executed by the Company on 9 January 2013 to provide for and to protect the rights and interests of the Bonus CB Holders. Detailed terms of the Bonus CBs are disclosed in the Company’s circular dated 12 December 2012
“Directors”	the directors of the Company
“Eternity”	Eternity Investment Limited (stock code: 764) an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Eternity Finance”	Eternity Finance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Eternity
“Eternity Finance Undertaking”	the irrevocable undertaking given by Eternity Finance under the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement not to exercise its conversion rights attached to the 8% CBs held by it
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“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
“HWKFE Undertaking”	the irrevocable undertaking given by HWKFE under the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement to take up in full its entitlements under the New Open Offer to subscribe for 1,331,760,735 Offer Shares
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Last Trading Day”	5 November 2013, being the last trading day for the Shares before the date of the Announcement
“Latest Time for Acceptance”	the latest time for acceptance for the Offer Shares at 4:00 p.m., on Wednesday, 15 January 2014 or such other time as may be agreed between the Company and the Underwriter
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement as supplemented by the Supplemental Underwriting Agreement at 4:00 p.m., on Monday, 20 January 2014, being the third Business Day after the Latest Time for Acceptance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange
“Mr. Heung”	Mr. Heung Wah Keung, the Chairman of the Board, an executive Director and a controlling Shareholder (as defined under the Listing Rules)

“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 (as defined under the Listing Rules) of Eternity
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the Vice Chairman of the Board, an executive Director and a controlling Shareholder (as defined under the Listing Rules)
“New Bonus CBs”	not more than 7,586,976 units of new Bonus CBs in the aggregate principal amount of HK\$75,869.76 to be issued to the Bonus CBs Holders pursuant to the New Bonus CBs Subscription
“New Bonus CBs Subscription”	the proposed subscription of New Bonus CBs offered by the Company to the Bonus CBs Holders on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on the New Bonus CBs Subscription Record Date at the New Bonus CBs Subscription Price of HK\$0.125 per Bonus CB
“New Bonus CBs Subscription Record Date”	Tuesday, 31 December 2013, or such other date to be determined by the Company
“New Bonus CBs Subscription Price”	HK\$0.125 per New Bonus CB
“New Open Offer”	the revised proposed issue of the Offer Shares at the Open Offer Subscription Price on the basis of 2 Offer Shares for every 5 existing Shares held on the New Open Offer Record Date
“New Open Offer Record Date”	Tuesday, 31 December 2013, or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the New Open Offer
“Offer Shares”	not less than 2,626,923,658 new Shares and not more than 2,719,215,073 new Shares to be allotted and issued pursuant to the New Open Offer

“Open Offer”	the proposed issue of not less than 2,634,510,634 offer Shares and not more than 2,719,215,073 offer Shares at the subscription price of HK\$0.125 per offer Share on the basis of 2 offer Shares for every 5 existing Shares held (on the basis that as-if the Bonus CBs having been fully converted) as announced by the Company on 5 November 2013
“Open Offer Subscription Price”	HK\$0.125 per Offer Share
“Options”	the share options granted under the Share Option Schemes
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the New Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the New Open Offer Record Date) are outside Hong Kong
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Prospectus”	the document containing details of the New Open Offer to be despatched to the Shareholders
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Tuesday, 31 December 2013 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders (or the Prospectus only in case of Prohibited Shareholder(s))

“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the New Open Offer Record Date, other than the Prohibited Shareholders
“Registrar”	Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share register and transfer office of the Company in Hong Kong and the registrar and transfer agent of the Bonus CBs
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the resolution in connection with the New Bonus CBs Subscription and the transaction contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Share Option Schemes”	the share option schemes of the Company adopted on 27 May 2002 and 28 June 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 18 November 2013 entered into between the Company, the Underwriter, HWKFE and Eternity Finance to vary certain terms of the Underwriting Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 5 November 2013 in relation to the Open Offer entered into between the Company, the Underwriter, HWKFE and Eternity Finance

“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, 18 November 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.*