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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

PROPOSED PLACING OF NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL

Placing Agent



KINGSTON SECURITIES LIMITED

PROPOSED PLACING OF NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL

On 12 May 2009 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which, the Company conditionally agreed to place, through the Placing Agent, in aggregate 800,000,000 Placing Shares by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) on a fully underwritten basis, to independent investors at a price of HK\$0.20 per Placing Share.

The Placing Price of HK\$0.20 represents (i) a discount of approximately 38.46% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange at the date of this announcement; (ii) a discount of approximately 54.34% to the average of the closing prices per Share of approximately HK\$0.438 for the last five consecutive trading days prior to the date of this announcement; and (iii) a discount of approximately 48.32% to the average of the closing prices per Share of approximately HK\$0.387 for the last ten consecutive trading days prior to the date of this announcement.

The gross proceeds and the net proceeds from the Placing will be approximately HK\$160 million and approximately HK\$158 million respectively which are intended to be used to finance the hotel operation and for general working capital of the Group.

The Placing is conditional upon the fulfillment of the conditions as set out under the heading “Conditions Precedent” below. The Placing Shares to be issued under the Placing Agreement will be issued pursuant to a specific mandate to be obtained at the SGM.

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.

GENERAL

A circular containing, among other things, details of the Placing and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

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

THE PLACING AGREEMENT

Date: 12 May 2009 (after trading hours)

Parties: The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to place in aggregate 800,000,000 Placing Shares by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche), on a fully underwritten basis, to independent investors. As the placing commission of 1.0% under the Placing Agreement is at prevailing market rate, the Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable.

The Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with the Company or its subsidiaries or any of its respective associates.

Placees

The Placing Agent agreed to place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will be independent of and not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). It is expected that none of the individual Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the completion of the relevant tranche of the Placing.

Placing Price

The Placing Price of HK\$ 0.20 represents:

- (i) a discount of approximately 38.46% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange at the date of this announcement;
- (ii) a discount of approximately 54.34% to the average of the closing prices per Share of approximately HK\$0.438 for the last five consecutive trading days prior to the date of this announcement; and
- (iii) a discount of approximately 48.32% to the average of the closing prices per Share of approximately HK\$0.387 for the last ten consecutive trading days prior to the date of this announcement.

The Placing Price was determined after taking into account (a) the previous financial results and the current financial position of the Company; and (b) the market risks assumed by the Placing Agent and any Placees thereunder, on account of the fact that the Placing is subject to and cannot be completed until the approval by the Shareholders is obtained at the SGM. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable as the Company can broaden its Shareholders' base. As such, the Placing is in the interests of the Company and the Shareholders as a whole.

The net price for each Placing Share will be approximately HK\$0.1975.

Placing Shares

Pursuant to the Placing Agreement, in aggregate 800,000,000 Placing Shares will be placed by the Placing Agent by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) to independent investors on a fully underwritten basis, representing (i) approximately 334.02% of the Company's existing issued share capital of the Company of 239,509,368 Shares in issue as at the date of this announcement; (ii) approximately 76.96% of its issued share capital as enlarged by the Placing Shares upon completion of the Placing.

The Placing Shares will be allotted and issued under a specific mandate to be obtained at the SGM. The Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and bye-laws of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and Bermuda and will,

upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the Placing and thereafter.

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

Conditions Precedent

Completion of the Placing is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Placing Shares under the relevant tranche of the Placing;
- (b) the passing by Shareholders at SGM of all necessary resolutions in compliance with the Listing Rules to approve the transactions contemplated under the Placing Agreement and the allotment and issue of the Placing Shares;
- (c) the obligation of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provision regarding force majeure events; and
- (d) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Placing Shares under the relevant tranche of the Placing.

The Company and the Placing Agent agreed that the Placing will be completed in tranches by a maximum of eight tranches provided that the aggregate number of the Placing Shares for each tranche of the Placing shall not be less than 100,000,000 (save for the last tranche of the placing where the number of the Placing Shares to be allotted and issued may be less than 100,000,000) and in integral multiples of 10,000,000 and that the listing approval as referred to conditions (a) above in respect of the relevant tranche of the Placing Shares has been obtained and that the completion of the Placing shall apply to each of such partial completion.

The Placing Agent shall promptly provide to the Stock Exchange all information concerning itself and the Placers and their ultimate beneficial owners as the Stock Exchange may reasonably require.

Termination of the Placing

- (i) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) completion of Placing and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.

- (ii) The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 10:00 a.m. on the date of completion of Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
 - (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.
- (iii) If, at or prior to 10:00 a.m. on the date of completion of Placing;
 - (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or

- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

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

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

Completion of the Placing

Completion of each tranche of the Placing will take place within four business day after the fulfillment of the condition for each tranche as set out in the Placing Agreement but not later than 31 December 2009 or such other later date to be agreed between the Company and the Placing Agent.

Each tranche of the Placing is conditional upon the fulfillment of the conditions and is subject to the termination on the occurrence of, among other things, any event of force majeure as listed above. The Placing Shares to be allotted and issued under the Placing Agreement will be allotted and issued pursuant to a specific mandate to be obtained at the SGM.

Listing

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

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The gross proceeds from the Placing will be approximately HK\$160 million and the net proceeds from the Placing will be approximately HK\$158 million which are intended to be used by the Company to finance the hotel operations and for general working capital of the Group. Accordingly, the Directors consider the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

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

	As at the date of this announcement		Upon completion of the Placing	
	No. of Shares	Approx.	No. of Shares	Approx.
Porterstone (<i>Note 1</i>)	45,662,174	19.06%	45,662,174	4.39%
Dorest (<i>Notes 1 and 2</i>)	137,025	0.05%	137,025	0.01%
Mr. Heung	9,959,653	4.16%	9,959,653	0.96%
Ms. Chen	1,427,247	0.60%	1,427,247	0.14%
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Sub-total	57,186,099	23.87%	57,186,099	5.50%
	<hr/>		<hr/>	
<i>Public Shareholders</i>				
Lucky State Group Limited (<i>Note 3</i>)	23,271,000	9.72%	23,271,000	2.24%
Placees	0	0.00%	800,000,000	76.96%
Other public Shareholders	159,052,269	66.41%	159,052,269	15.30%
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	<u>239,509,368</u>	<u>100.00%</u>	<u>1,039,509,368</u>	<u>100.00%</u>

Notes:

1. Porterstone is wholly-owned by Ms. Chen and Dorest is owned as to 60% by Porterstone and as to 40% by Mr. Heung.
2. Shares held by Dorest are under a charging order.
3. Lucky State Group Limited is wholly-owned by Mr. Ng Cheuk Fai. Lucky State Group Limited is the holder of HK\$72 million outstanding convertible notes of the Company and Mr. Ng Cheuk Fai is the general manager of the Company. Save for being a Shareholder and the general manager of the Company, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lucky State Group Limited and Mr. Ng Cheuk Fai are Independent Third Parties.

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

Set out below is the fund raising activities conducted by the Company in the past twelve months prior to the date of this announcement.

Date of initial announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
8 December 2008	Placing of 88,000,000 Old Shares at HK\$0.102 per Old Share	Approximately HK\$8.8 million	To finance the subscription of the convertible bonds of Golife Concepts Holdings Limited	The net proceeds has been fully utilized as intended
8 December 2008	Open offer of 1,064,486,080 Old Shares on the basis of two offer Old Share for every one existing Old Share at the subscription price of HK\$0.05 per offer Old Share with bonus issue on the basis of three bonus Old Shares for every one offer Old Share taken up	Approximately HK\$51.5 million	To finance the subscription of the convertible bonds of Golife Concepts Holdings Limited	The net proceeds has been fully utilized as intended

SGM

A SGM will be convened and held for the purpose of considering and, if thought fit, approve the entering into of the Placing Agreement and transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

GENERAL

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

A circular containing, among other things, details of the Placing and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

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

TERMS USED IN THIS ANNOUNCEMENT

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, a Sunday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning given to that term in the Listing Rules;
“Dorest”	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen through Porterstone and as to 40% by Mr. Heung;
“Directors”	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;
“Independent Third Party(ies)”	person who is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director;
“Old Share(s)”	the ordinary shares of HK\$0.05 each of the Company prior to the capital reorganisation of the Company, which became effective on 4 May 2009;
“Placee(s)”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe for any of the Placing Shares;
“Placing”	the proposed offer by way of a private placing of the Placing Shares by a maximum of eight tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche), on a fully underwritten basis, procured by the Placing Agent to selected investors on the terms and subject to the conditions set out in the Placing Agreement;
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	a conditional agreement dated 12 May 2009 entered into between the Company and the Placing Agent in respect of the Placing;
“Placing Price”	HK\$0.20 per Placing Share;
“Placing Share(s)”	800,000,000 new Shares to be placed pursuant to the Placing Agreement;

“Porterstone”	Porterstone Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen. Accordingly, Mr. Heung, the husband of Ms. Chen, is deemed to be interested in the Shares held by Porterstone;
“SGM”	the special general meeting of the Company to be convened to consider, if thought fit, and approve the Placing Agreement and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.01 each in issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 12 May 2009

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