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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

**(1) APPOINTMENT OF CO-CHAIRMAN
AND
EXECUTIVE DIRECTOR;
(2) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE;
AND
(3) CONNECTED TRANSACTION RELATING TO
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

(1) APPOINTMENT OF CO-CHAIRMAN AND EXECUTIVE DIRECTOR

The Board is pleased to announce that Mr. Mung has been appointed as Co-Chairman of the Board and executive Director with effect from 8 July 2014.

In view of Mr. Mung's appointment, the existing Chairman of the Board, Mr. Heung, will act jointly with Mr. Mung as Co-Chairman of the Board with effect from 8 July 2014.

(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 8 July 2014 (after trading hours of the Stock Exchange), the Company entered into the Share Subscription Agreement with the Share Subscriber pursuant to which the Share Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,500,000,000 Subscription Shares at the Subscription Price of HK\$0.09 per Subscription Share.

Mr. Mung, a Co-Chairman of the Board and an executive Director, is an executive director of Well Way, the ultimate holding company of the Share Subscriber. Mr. Mung is also the substantial shareholder of Well Way holding approximately 22.82% of the issued share capital of Well Way as at the date of this announcement.

The Subscription Price of HK\$0.09 per Subscription Share represents: (i) a discount of approximately 28.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 8 July 2014, being the date of the Share Subscription Agreement; and (ii) a discount of approximately 24.87% to the average closing price of approximately HK\$0.1198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 July 2014, being the last trading day before the date of the Share Subscription Agreement.

The Subscription Shares represent: (i) approximately 10.39% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 9.41% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares; and (iii) approximately 7.34% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares and the 4,500,000,000 Conversion Shares.

The net proceeds from the Share Subscription of approximately HK\$134.30 million will be used for investment in gaming/gaming-related business in Macau.

(3) CONNECTED TRANSACTION RELATING TO PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 8 July 2014 (after trading hours of the Stock Exchange), the Company also entered into the CB Subscription Agreement with Mr. Mung pursuant to which the Company has conditionally agreed to issue, and Mr. Mung has conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of up to HK\$405.00 million by a maximum of five tranches during the CB Subscription Period. Subject to the fulfillment of the conditions of the CB Subscription Agreement, the Company will be entitled to demand for the CB Subscription by serving on Mr. Mung the Completion Notice for the relevant tranche of the CB Subscription at any time during the CB Subscription Period.

Mr. Mung is a Co-Chairman of the Board and an executive Director. He is an executive director of Well Way, the ultimate holding company of the Share Subscriber. Mr. Mung is the substantial shareholder of Well Way holding approximately 22.82% of the issued share capital of Well Way as at the date of this announcement.

The initial Conversion Price of HK\$0.09 per Conversion Share represents: (i) a discount of approximately 28.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 8 July 2014, being the date of the CB Subscription Agreement; and (ii) a discount of approximately 24.87% to the average closing price of approximately HK\$0.1198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 July 2014, being the last trading day before the date of the CB Subscription Agreement.

Assuming full subscription of the Convertible Bonds during the CB Subscription Period and full conversion of the Convertible Bonds, 4,500,000,000 Conversion Shares will be allotted and issued to Mr. Mung. The 4,500,000,000 Conversion Shares to be allotted and issued represent (i) approximately 31.16% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 23.76% of the issued share capital of the Company as enlarged by the allotment and issue of the 4,500,000,000 Conversion Shares; and (iii) approximately 22.02% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares and the 4,500,000,000 Conversion Shares.

The net proceeds from the CB Subscription of approximately HK\$404.20 million will be used for the construction and development of the Sites for expanding the operation of Hotel Lan Kwai Fong Macau.

(4) GENERAL

The Share Subscription is subject to the Shareholders' approval at the SGM. To the best of the Directors' knowledge, information and belief having making all reasonable enquiries, none of the Shareholders have any material interest in the Share Subscription Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting at the SGM to be convened to approve the Share Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Mr. Mung is a Co-Chairman of the Board and an executive Director, and therefore, is a connected person. Accordingly, the CB Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the SGM seek Independent Shareholders' approval for the CB Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares. Mr. Mung and his associates (if they hold any Shares at the date of the SGM) are required to abstain from voting at the SGM in this regard.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the CB Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, which appointment will be approved by the Independent Board Committee.

A circular containing, among other things, (i) further information on the Share Subscription and the CB Subscription; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the CB Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the CB Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 22 August 2014.

Completion of each of the Share Subscription and the CB Subscription is subject to the fulfillment of the conditions precedent in each of the Share Subscription Agreement and the CB Subscription Agreement respectively. The Share Subscription and the CB Subscription are not inter-conditional. As the Share Subscription and/or the CB Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(1) APPOINTMENT OF CO-CHAIRMAN AND EXECUTIVE DIRECTOR

The Board is pleased to announce that Mr. Mung has been appointed as Co-Chairman of the Board and executive Director with effect from 8 July 2014.

Mr. Mung, aged 53, is the chairman, a non-executive director and a shareholder of Hong Kong Airlines Limited, a Hong Kong-based airline operating scheduled passenger services to almost 30 cities regionally. Mr. Mung has investments in logistics and resources sectors in Mainland China. He has extensive experience in areas of business management, strategic planning and development. He holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. Mr. Mung was a member of the standing committee of All China Youth Federation during 2005 to 2010. Mr. Mung is currently a vice president of China Review News Agency.

Mr. Mung is also (i) the chairman, an executive director and the controlling shareholder of Mastermind Capital Limited (stock code: 905), (ii) the executive chairman, an executive director and a substantial shareholder of Shougang Concord Technology Holdings Limited (stock code: 521), (iii) an executive director of Bestway International Holdings Limited (stock code: 718), and (iv) an executive director and the substantial shareholder of Well Way (stock code: 8063). He was a non-executive director and an executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882) during the periods from 30 September 2008 to 30 October 2008 and from 31 October 2008 to 7 November 2012, respectively.

Save as disclosed above, Mr. Mung did not hold any directorships in any other listed public companies in the last three years.

Save for the positions held as stated in this announcement, Mr. Mung does not hold any other position with the Company or other members of the Group.

There is no service contract entered into between the Company and Mr. Mung. Mr. Mung is not appointed for a specific term. He will hold office until the next general meeting of the Company and will then be eligible for re-election; thereafter he will be subject to retirement by rotation and re-election in accordance with the bye laws of the Company. He is entitled to a director's fee of HK\$2.40 million per annum, which is determined by the remuneration committee of the Board with reference to his duties and responsibilities in the Company.

Mr. Mung has no relationship with any Directors, senior management or substantial or controlling Shareholders.

Save and except for the CB Subscription, Mr. Mung does not have any interests in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, there is no information relating to Mr. Mung which is required to be disclosed pursuant to rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders in relation to his appointment.

In view of Mr. Mung's appointment, the existing Chairman of the Board, Mr. Heung, will act jointly with Mr. Mung as Co-Chairman of the Board with effect from 8 July 2014.

The Board would like to express its warmest welcome to Mr. Mung for joining the Board.

(2) **PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

On 8 July 2014 (after trading hours of the Stock Exchange), the Company entered into the Share Subscription Agreement with the Share Subscriber pursuant to which the Share Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,500,000,000 Subscription Shares at the Subscription Price of HK\$0.09 per Subscription Share.

The principle terms of the Share Subscription Agreement are as follows:

Date: 8 July 2014

Parties: (i) the Company; and
(ii) the Share Subscriber

The Share Subscriber is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Well Way. The principal activities of Well Way and its subsidiaries are the provision and operation of travel business, treasury management and precious metals trading. The Share Subscriber is principally engaged in investment holding.

Mr. Mung, a Co-Chairman of the Board and an executive Director, is an executive director of Well Way, the ultimate holding company of the Share Subscriber. Mr. Mung is also the substantial shareholder of Well Way holding approximately 22.82% of the issued share capital of Well Way as at the date of this announcement.

As at the date of this announcement, the Share Subscriber and its associates do not hold any Shares.

Save for disclosed above and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Share Subscriber and its associates is an Independent Third Party.

Number of the Subscription Shares

Pursuant to the Share Subscription Agreement, the Company has conditionally agreed to allot and issue and the Share Subscriber has conditionally agreed to subscribe in cash of HK\$135.00 million for a total of 1,500,000,000 Subscription Shares at the Subscription Price of HK\$0.09 per Subscription Share. The 1,500,000,000 Subscription Shares represent: (i) approximately 10.39% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 9.41% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares; and (iii) approximately 7.34% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares and the 4,500,000,000 Conversion Shares. The aggregate nominal value of the Subscription Shares is HK\$15,000,000.

The Subscription Price

The Subscription Price of HK\$0.09 per Subscription Share represents:

- (a) a discount of approximately 28.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 8 July 2014, being the date of the Share Subscription Agreement; and
- (b) a discount of approximately 24.87% to the average closing price of approximately HK\$0.1198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 July 2014, being the last trading day before the date of the Share Subscription Agreement.

The net Subscription Price, after deducting all relevant costs and expenses of approximately HK\$0.70 million, is estimated to be approximately HK\$0.09 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Share Subscriber with reference to, amongst others, the recent share price performance and liquidity of the Shares. The Directors consider that the Subscription Price and the terms of the Share Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Share Subscription

The Share Subscription is conditional upon:

- (a) the passing of the necessary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations) at the SGM to approve the Share Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Subscription Shares;
- (b) if necessary, the passing of the necessary resolution by the shareholders of Well Way (other than those who are required to abstain from voting under the GEM Listing Rules or other applicable laws and regulations) at the extraordinary general meeting to approve the Share Subscription Agreement and the transactions contemplated thereunder;
- (c) the Listing Committee granting the listing of and permission to deal in the Subscription Shares;
- (d) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares;

- (e) the warranties of the Share Subscription Agreement remaining true and accurate in all material respects; and
- (f) all necessary consents and approvals as may be required in respect of the Share Subscription Agreement and the transactions contemplated thereunder having been obtained by the Company and the Share Subscriber.

The Share Subscription Agreement and the CB subscription Agreement are not inter-conditional.

In the event that the conditions of the Share Subscription Agreement shall not have been fulfilled in full on or before 5:00 p.m. on 31 December 2014 (or such other date as may be agreed between the parties to the Share Subscription Agreement), all rights, obligations and liabilities of the parties to the Share Subscription Agreement in relation to the Share Subscription shall cease and terminate and none of the parties to the Share Subscription Agreement shall have any claim against any other in respect of the Share Subscription save for any antecedent breaches of the Share Subscription Agreement.

For information purpose only, as the Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (which includes the Stock Exchange). Therefore, so long as the Company remains listed on the Stock Exchange when the Subscription Shares (if any) are issued, no application needs to be made to Bermuda Monetary Authority for express permission.

Completion of the Share Subscription

Completion of the Share Subscription will take place at 4:00 p.m. on the third Business Day after the conditions of the Share Subscription Agreement are fulfilled (or such other date as may be agreed between the parties to the Share Subscription Agreement).

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Specific Mandate to allot and issue the Subscription Shares

The Company will seek the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Subscription Shares.

Application for listing

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

Reasons for the issue of the Subscription Shares and use of proceeds

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

The gross proceeds of the Share Subscription is HK\$135.00 million. All the net proceeds (after deducting all relevant costs and expenses) of the Share Subscription of approximately HK\$134.30 million will be used for investment in gaming/gaming-related business in Macau.

The Directors are of the view that the Share Subscription presents an opportunity to raise additional funds while introducing a strategic investor to the Company and strengthening the financial position of the Group.

The Directors consider that the Share Subscription Agreement was entered into upon normal commercial terms following arm's length negotiations between the Company and the Share Subscriber and that the terms of the Share Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

(3) CONNECTED TRANSACTION RELATING TO PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 8 July 2014 (after trading hours of the Stock Exchange), the Company also entered into the CB Subscription Agreement with Mr. Mung pursuant to which the Company has conditionally agreed to issue, and Mr. Mung has conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of up to HK\$405.00 million by a maximum of five tranches during the CB Subscription Period. Subject to the fulfillment of the conditions of the CB Subscription Agreement, the Company will be entitled to demand for the CB Subscription by serving on Mr. Mung the Completion Notice for the relevant tranche of the CB Subscription at any time during the CB Subscription Period.

The principal terms of the CB Subscription Agreement are as follows:

Date: 8 July 2014

Parties: (i) the Company; and
(ii) Mr. Mung Kin Keung

Mr. Mung is a Co-Chairman of the Board and an executive Director. He is an executive director of Well Way, the ultimate holding company of the Share Subscriber. Mr. Mung is also the substantial shareholder of Well Way holding approximately 22.82% of the issued share capital of Well Way as at the date of this announcement.

As at the date of this announcement, Mr. Mung and his associates do not hold any Shares.

The CB Subscription

Subject to fulfillment of the conditions of the CB Subscription Agreement, Mr. Mung shall subscribe or procure the subscription by his nominee(s) of the Convertible Bonds in the maximum aggregate principal amount of HK\$405.00 million by a maximum of five tranches at their face value and shall pay or procure that there be paid to or to the order of the Company, up to HK\$405.00 million during the CB Subscription Period upon receipt of the Completion Notice for the relevant tranche of the CB Subscription from the Company.

The CB Subscription Period

The period of 36 months commences from the date of the SGM.

Number of tranches for subscribing the Convertible Bonds

Up to five tranches, and there shall be no limit as to the amount of the Convertible Bonds to be demanded for subscription in each tranche and the amount of the Convertible Bonds to be demanded for subscription in each tranche can be varied provided that (i) the amount of the Convertible Bonds to be demanded for subscription in each tranche shall be an integral multiple of HK\$5.00 million; and (ii) the maximum amount of the Convertible Bonds to be demanded for subscription shall not exceed HK\$405.00 million.

Conditions of the CB Subscription

The CB Subscription is conditional upon:

- (a) the Listing Committee having granted (either unconditionally or subject only to conditions to which the Company and Mr. Mung have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- (b) if necessary, the Independent Shareholders having approved at the SGM the transactions contemplated in the CB Subscription Agreement and the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights or otherwise pursuant to the terms and conditions of the Convertible Bonds;

- (c) (if so required) the Bermuda Monetary Authority granting permission for the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares;
- (d) the warranties of the CB Subscription Agreement remaining true, accurate and complete in all material respects; and
- (e) all necessary consents and approvals required to be obtained on the part of the Company and Mr. Mung in respect of the CB Subscription Agreement and the transactions contemplated thereby having been obtained.

The CB subscription Agreement and the Share Subscription Agreement are not inter-conditional.

In the event that the conditions of the CB Subscription Agreement are not fulfilled on or before 31 December 2014 (or such other date as may be agreed between the parties to the CB Subscription Agreement), the CB Subscription shall lapse and become null and void and the parties to the CB Subscription Agreement shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches of the CB Subscription Agreement.

For information purpose only, as the Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (which includes the Stock Exchange). Therefore, so long as the Company remains listed on the Stock Exchange when the Convertible Bonds (if any) are issued and on subsequent allotment and issue of Conversion Shares upon conversion of the Convertible Bonds (if any), no application needs to be made to Bermuda Monetary Authority for express permission.

Completion of the CB Subscription

Completion will be on the date as specified in the Completion Notice for each tranche of the CB Subscription which in any event shall not be later than (i) 14 days after the days of the Completion Notice or (ii) the date falling on the last day of the CB Subscription Period (whichever is earlier).

Principal terms of the Convertible Bonds

Issuer:	the Company
Subscriber:	Mr. Mung Kin Keung
Principal amount:	Up to HK\$405.00 million in aggregate
Maturity Date:	Tenth anniversary of the date of issue of each tranches of the Convertible Bonds
Conversion period:	The Convertible Bonds can be converted, at the option of the Bondholder(s), at any time and from time to time from the date of issue of the Convertible Bonds to and include the Maturity Date provided that any conversion of the Convertible Bond (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code and (ii) will not cause the public float of the Company unable to meet the requirement under the Listing Rules.
Coupon:	The Convertible Bonds shall carry no interest.
Security:	The Convertible Bonds will be unsecured.
Conversion Price:	HK\$0.09 per Conversion Share The Conversion Price will be subject to adjustments for, amongst other things, consolidations or subdivisions of Shares, capital distributions, bonus issues, rights issues and other usual events which may have a dilution effect on the Conversion Shares to be allotted and issued to the holders of the Convertible Bonds upon the exercise of the conversion right attached to the Convertible Bonds.
Conversion Shares:	Up to 4,500,000,000 Conversion Shares (subject to adjustment) will be allotted and issued pursuant to the Specific Mandate to be sought at the SGM assuming the conversion rights attaching to the Convertible Bonds are exercised in full.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all Shares in issue at the date of allotment and issue of such Conversion Shares.

Transferability:

The Bondholder may only assign or transfer the Convertible Bonds to the transferee subject to the consent of the Company.

The Convertible Bonds may be assigned or transferred in whole or in part (in whole multiples of HK\$5.00 million) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bonds, including making any necessary applications to the Stock Exchange for the said approval (if required).

Redemption:

The Company may at any time before the Maturity Date by serving at least seven days' prior written notice on the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Convertible Bonds (in whole or in part) at par.

Any amount of the Convertible Bonds which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount.

Conversion Price

The initial Conversion Price of HK\$0.09 per Conversion Share represents:

- (a) a discount of approximately 28.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 8 July 2014, being the date of the CB Subscription Agreement; and
- (b) a discount of approximately 24.87% to the average closing price of approximately HK\$0.1198 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 7 July 2014, being the last trading day before the date of the CB Subscription Agreement.

The net Conversion Price, after deducting all relevant costs and expenses of approximately HK\$0.80 million, is estimated to be approximately HK\$0.09 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and Mr. Mung with reference to, amongst others, the recent share price performance, liquidity of the Shares and the zero coupon rate of the Convertible Bonds. The Directors (excluding the independent non-executive Directors who will give their opinion in the circular after considering the advice of an independent financial adviser) consider that the initial Conversion Price and the terms of the CB Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Conversion Shares

Assuming full subscription of the Convertible Bonds during the CB Subscription Period and full conversion of the Convertible Bonds, 4,500,000,000 Conversion Shares will be allotted and issued to Mr. Mung. The 4,500,000,000 Conversion Shares to be allotted and issued represent: (i) approximately 31.16% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 23.76% of the issued share capital of the Company as enlarged by the allotment and issue of the 4,500,000,000 Conversion Shares; and (iii) approximately 22.02% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,500,000,000 Subscription Shares and the 4,500,000,000 Conversion Shares.

Specific Mandate to issue the Conversion Shares

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM for the allotment and issue of the Conversion Shares.

Application for listing

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

Reasons for the issue of the Convertible Bonds and use of proceeds

The gross proceeds of the CB Subscription are HK\$405.00 million. All the net proceeds of the CB Subscription of approximately HK\$404.20 million will be used for the construction and development of the Sites, which is adjacent to Hotel Lan Kwai Fong Macau, for expanding the operation of Hotel Lan Kwai Fong Macau.

Hotel Lan Kwai Fong Macau is the core asset of the Group. For the year ended 31 December 2013, approximately 90% of the Group's revenue is generated by the hotel and gaming service operations segment. The segment profit of hotel and gaming service operations for 2013 was approximately HK\$215.79 million, an 11.91% growth as compared to that in 2012. In view of the growth of the Group's hotel and gaming service operations segment, it is the strategy of the Group to focus this segment. The Directors consider that the construction and development of the Sites, which adjacent to Hotel Lan Kwai Fong Macau, would enable the Group to expand the operation of Hotel Lan Kwai Fong Macau. By developing the Sites into a shopping and entertainment complex with apartments, the Directors believe that the complex will attract more traffic to both Hotel Lan Kwai Fong Macau and Casino Lan Kwai Fong.

The Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial adviser to be appointed) are of the view that the CB Subscription will not only further strengthen the financial position of the Group and provide financial flexibility to the Group for the construction and development of the Sites for expanding the operation of Hotel Lan Kwai Fong Macau, but also present the Company an opportunity to introduce Mr. Mung as a strategic investor and an executive Director in assisting the development of the Group's business. With Mr. Mung's extensive business experience, network in the Mainland China and commitment to the CB Subscription, the Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial adviser to be appointed) believe that the foundation of the Group's business will be inevitably solidified and strengthened. The Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial adviser to be appointed) consider that the CB Subscription Agreement was entered into upon normal commercial terms following arm's length negotiations between the Company and Mr. Mung and that the terms of the CB Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

(4) CHANGES IN SHAREHOLDING STRUCTURE

Assuming there being no other changes in the share capital of the Company, the changes of the shareholding structure of the Company as a result of the Share Subscription and upon full subscription of the Convertible Bonds during the CB Subscription Period and full conversion of the Convertible Bonds are as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Share Subscription but prior to any conversion of the Convertible Bonds		Immediately after completion of the Share Subscription and upon full conversion of the Convertible Bonds	
	<i>No. of Shares</i>	<i>approximate percentage (%)</i>	<i>No. of Shares</i>	<i>approximate percentage (%)</i>	<i>No. of Shares</i>	<i>approximate percentage (%)</i>
HWKFE (Note 1)	4,661,162,574	32.28	4,661,162,574	29.24	4,661,162,574	22.80
Dorest (Note 2)	41,106	0.00	41,106	0.00	41,106	0.00
Eternity	1,723,854,545	11.94	1,723,854,545	10.82	1,723,854,545	8.43
Mr. Lei Hong Wai (Note 3)	13,195,912	0.09	13,195,912	0.08	13,195,912	0.07
The Share Subscriber	-	0.00	1,500,000,000	9.41	1,500,000,000	7.34
Mr. Mung	-	0.00	-	-	4,500,000,000	22.02
Public Shareholders	8,041,433,211	55.69	8,041,433,211	50.45	8,041,433,211	39.34
Total	<u>14,439,687,348</u>	<u>100.00%</u>	<u>15,939,687,348</u>	<u>100.00%</u>	<u>20,439,687,348</u>	<u>100.00%</u>

Notes:

1. HWKFE is owned as to 50% by Mr. Heung and as to 50% by Ms. Chen.
2. Dorest is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung. The Shares held by Dorest are under a charging order.
3. Mr. Lei Hong Wai is the chairman of the board of directors and an executive director of Eternity. He is also an employee of the Company.

(5) FUND RAISING ACTIVITIES IN PAST 12 MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
27 January 2014	Placing of 3,200,000,000 new Shares at a placing price of HK\$0.125 per Share	Approximately HK\$395.47 million	Payment of the consideration for the acquisition of Protective Capital Group Limited and the shareholder's loan due by Eight Elements Entertainment Limited as announced by the Company on 25 February 2014	For the payment of the refundable deposits for the acquisition of Protective Capital Group Limited and the shareholder's loan due by Eight Elements Entertainment Limited as announced by the Company on 25 February 2014.
18 November 2013	Open offer of 2,626,923,658 new Shares at a subscription price of HK\$0.125 per Share	Approximately HK\$324.47 million	For property investment in Hong Kong and/or Macau	On 4 April 2014, the Board allocated the net proceeds of approximately HK\$200 million to be used for financing a loan agreement dated 4 April 2014 and the remaining balance of approximately HK\$124.47 million to be used for investment in gaming/gaming related business and/or general working capital of the Company and have been utilized as reallocated.

Save as disclosed above, the Company has not conducted any fund raising exercise during the past 12 months immediately preceding the date of this announcement.

(6) GENERAL

The Share Subscription is subject to the Shareholders' approval at the SGM. To the best of the Directors' knowledge, information and belief having making all reasonable enquiries, none of the Shareholders have any material interest in the Share Subscription Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting at the SGM to be convened to approve the Share Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Mr. Mung is a Co-Chairman of the Board and an executive Director, and therefore, is a connected person. Accordingly, the CB Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the SGM seek Independent Shareholders' approval for the CB Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares. Mr. Mung and his associates (if they hold any Shares at the date of the SGM) are required to abstain from voting at the SGM in this regard.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the CB Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, which appointment will be approved by the Independent Board Committee.

A circular containing, among other things, (i) further information on the Share Subscription and the CB Subscription; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the CB Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the CB Subscription; and (iv) a notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 22 August 2014.

Completion of each of the Share Subscription and the CB Subscription is subject to the fulfillment of the conditions precedent in each of the Share Subscription Agreement and the CB Subscription Agreement respectively. The Share Subscription and the CB Subscription are not inter-conditional. As the Share Subscription and/or the CB Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(7) **DEFINITIONS**

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder in whose name the Convertible Bonds is registered in the Register, and “ holder ” in relation to the Convertible Bonds shall have the corresponding meaning
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CB Subscription”	the subscription of the Convertible Bonds in accordance with the terms of the CB Subscription Agreement and the Instrument
“CB Subscription Agreement”	the subscription agreement dated 8 July 2014 and entered into between the Company and Mr. Mung relating to the CB Subscription
“CB Subscription Period”	the period of 36 months commencing from the date of the SGM
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 326)
“Completion Notice”	a notice to be given by the Company to Mr. Mung pursuant to the terms of the CB Subscription Agreement which shall specify the completion date of the relevant tranche of the CB Subscription
“connected persons”	has the meaning ascribed to it in the Listing Rules

“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Conversion Shares”	up to 4,500,000,000 new Shares falling to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds at the Conversion Price
“Conversion Price”	the initial conversion price of HK\$0.09 per Conversion Share (subject to adjustments as set out in the Instrument)
“Convertible Bonds”	the unsecured zero-coupon convertible bonds up to an aggregate principal amount of HK\$405.00 million to be created by the Instrument and for the time being outstanding or, as the context may require, any part of the principal amount
“Dorest”	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung
“Directors”	the directors of the Company
“Eternity”	Eternity Investment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 764) and a substantial Shareholder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Lan Kwai Fong Macau”	Hotel Lan Kwai Fong (Macau) which is situated at Rua Xiamen No.59, R/C, Macau, properties wholly owned by the Group

“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors established to provide recommendation to the Independent Shareholders in relation to the CB Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Instrument”	the instrument to be executed by the Company by way of a deed poll constituting the Convertible Bonds (subject to such amendments as Mr. Mung and the Company may reasonably agree), together with the schedules (as from time to time altered in accordance with the instrument) and any other document executed in accordance with the instrument (as from time to time so altered) and expressed to be supplemental to the instrument
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Maturity Date”	the tenth anniversary of the date of issue of each tranche of the Convertible Bonds

“Mr. Heung”	Mr. Heung Wah Keung, the chairman of the Board, an executive Director and a controlling Shareholder
“Mr. Mung”	Mr. Mung Kin Keung
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the vice chairman of the Board, an executive Director and a controlling Shareholder
“Register”	the register of the Bondholder maintained by the Registrar
“Registrar”	until a professional registrar is appointed by the Company pursuant to the terms of the Instrument, the Company and any successor registrar appointed
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Share Subscription Agreement, the CB Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the Conversion Shares
“Share Subscriber”	Long Joy Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Well Way and an Independent Third Party
“Share Subscription”	the subscription for the 1,500,000,000 Subscription Shares by the Share Subscriber pursuant to the terms of the Share Subscription Agreement
“Share Subscription Agreement”	the subscription agreement dated 8 July 2014 and entered into between the Company and the Share Subscriber relating to the Share Subscription
“Shareholders”	holders of the issued Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company

“Sites”	the undeveloped parcel of lands named as “Quarteirão 6 – Lote B”, “Quarteirão 6 – Lote C”, “Quarteirão 6 – Lote D” and “Quarteirão 6 – Lote E” located in Macau at Zona de Aterros do Porto Exterior (ZAPE)
“Specific Mandate”	the specific mandate to be obtained from the Shareholders at the SGM to allot and issue the Subscription Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.09 per Subscription Share
“Subscription Shares”	1,500,000,000 new Shares to be subscribed by the Share Subscriber pursuant to the Share Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules and the GEM Listing Rules (as appropriate)
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers
“Well Way”	Well Way Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8063) and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
China Star Entertainment Limited
Heung Wah Keung Mung Kin Keung
Co-Chairman Co-Chairman

Hong Kong, 8 July 2014

As at the date of this announcement, the executive Directors are Mr. Heung Wah Keung, Mr. Mung Kin 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.