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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

(1) OPEN OFFER OF NOT LESS THAN 888,486,080 OFFER SHARES AND NOT MORE THAN 1,064,486,080 OFFER SHARES ON THE BASIS OF TWO OFFER SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE WITH BONUS ISSUE ON THE BASIS OF THREE BONUS SHARES FOR EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER;

**(2) VERY SUBSTANTIAL ACQUISITION:
SUBSCRIPTION OF GC CONVERTIBLE BONDS;**

(3) PLACING OF NEW SHARES UNDER GENERAL MANDATE;

(4) INCREASE IN THE AUTHORISED SHARE CAPITAL;

AND

(5) RESUMPTION OF TRADING

UNDERWRITER AND PLACING AGENT



KINGSTON SECURITIES LIMITED

(1) OPEN OFFER WITH BONUS ISSUE

The Company proposes to raise not less than approximately HK\$44.4 million before expenses, by way of Open Offer of not less than 888,486,080 Offer Shares and not more than 1,064,486,080 Offer Shares at the Subscription Price of HK\$0.05 per Offer Share on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date and payable in full on acceptance. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer will not be extended to the Prohibited Shareholders.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Shares must be lodged for registration with the Registrar by 4:30 p.m. on 19 January 2009. The register of members of the Company will be closed from 20 January 2009 to 23 January 2009, both dates inclusive, to determine the eligibility of the Open Offer.

Mr. Heung has given the Heung Undertaking in favour of the Company and Kingston Securities that (a) to subscribe for or procure subscriptions for: (i) 10,918,500 Offer Shares to which Mr. Heung is entitled under the Open Offer; (ii) 6,343,322 Offer Shares to which Ms. Chen is entitled under the Open Offer; and (iii) 202,943,000 Offer Shares to which Porterstone is entitled under the Open Offer; and (b) to subscribe for additional not less than 50,442,955 Offer Shares and not more than 109,644,955 Offer Shares under excess application form, which, when the Offer Shares are fully allotted and issued under the Open Offer together with all Shares held by Mr. Heung, Ms. Chen, Porterstone, Dorest and their respective associates after the Open Offer, shall represent an aggregate of approximately 29.90% of the issued share capital of the Company on fully diluted basis. For the avoidance of doubt, under the Heung Undertaking, Mr. Heung will not procure subscription for those Offer Shares to which Dorest is entitled under the Open Offer.

All the holders of the Options have given irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Options held by them on or before the Record Date. The holder of the Convertible Bonds has given irrevocable undertaking in favour of the Company and the Underwriter not to convert part or the whole of the Convertible Bonds held by it into Shares on or before the Record Date.

Kingston Securities has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up or procured to be taken up by Mr. Heung and his associates under the Heung Undertaking) which have not been taken up. Accordingly, the Open Offer is fully underwritten.

The estimated net proceeds from the Open Offer will be not less than approximately HK\$42 million. The Board intends to apply such proceeds from the Open Offer to finance the Subscription.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every one (1) Offer Share taken up under the Open Offer.

On the basis of not less than 888,486,080 Offer Shares and not more than 1,064,486,080 Offer Shares to be issued under the Open Offer, not less than 2,665,458,240 Bonus Shares and not more than 3,193,458,240 Bonus Shares will be issued.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer and the Bonus Issue are conditional upon the Underwriting Agreement having become unconditional and Kingston Securities not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer and the Bonus Issue may or may not proceed.

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

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from 16 January 2009 and that dealing in Shares will take place while the conditions to which the 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 Open Offer and the Bonus Issue are subject are fulfilled (which is expected to be on 19 February 2009), will accordingly bear the risk that the Open Offer and the Bonus Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

The Company will send the Prospectus Documents to the Qualifying Shareholders and, the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders as soon as practicable.

(2) SUBSCRIPTION OF GC CONVERTIBLE BONDS

On 26 November 2008, the Company and Golife entered into the Subscription Agreement in respect of the subscription of the GC Convertible Bonds in the principal amount of HK\$60 million in five tranches of HK\$12,000,000 each during the Subscription Period. Completion of the Subscription is subject to the conditions as set out in the paragraph headed “Conditions precedent” in the section headed “Subscription Agreement dated 26 November 2008” below. Detailed terms of the GC Convertible Bonds are set out in the paragraph headed “Principal terms of the GC Convertible Bonds” in the section headed “Subscription Agreement dated 26 November 2008”.

The Subscription constitutes a very substantial acquisition on the part of the Company under the Listing Rules and is subject to, among other matters, the approval of the Shareholders.

(3) PLACING OF NEW SHARES

On 1 December 2008, the Company and Kingston Securities entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, and Kingston Securities has agreed to procure on a fully underwritten basis, the placing of 88,000,000 Placing Shares to the Placees at a price of HK\$0.102 per Placing Share.

The 88,000,000 Placing Shares represent (i) approximately 19.81% of the existing issued share capital of the Company; and (ii) approximately 16.53% of the issued share capital of Company as enlarged by the Placing but before completion of the Open Offer and the Bonus Issue.

The net proceeds from the Placing are intended to be used to finance the Subscription. The net price of the Placing will be approximately HK\$0.1 per Placing Share.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(4) INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares of HK\$0.05 each of which 444,243,040 Shares have been allotted and issued and fully paid or credited as fully paid. In order to accommodate the Open Offer and the Bonus Issue and also future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each.

(5) GENERAL

A circular containing, among other things, further details of the Open Offer, the Bonus Issue, the Increase in Authorised Share Capital, the Subscription, 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.

(6) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 27 November 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 9 December 2008.

OPEN OFFER WITH BONUS ISSUE

Issue statistics

Basis of the Open Offer:	Two (2) Offer Shares for every one (1) existing Share held on the Record Date and payable in full on acceptance, together with three (3) Bonus Shares for every one (1) Offer Share taken up
Subscription Price:	HK\$0.05 per Offer Share
Number of Shares in issue as at the date of this announcement:	444,243,040 Shares
Number of Placing Shares to be allotted and issue under the Placing:	88,000,000 Shares

Number of Offer Shares:	Not less than 888,486,080 Offer Shares and not more than 1,064,486,080 Offer Shares (assuming completion of the Placing prior to the Record Date)
Number of Bonus Shares:	Not less than 2,665,458,240 Bonus Shares and not more than 3,193,458,240 Bonus Shares to be issued to the first registered holders of the Open Offer on the basis of three (3) Bonus Shares for every one (1) Offer Share taken up under the Open Offer
Number of Offer Shares undertaken to be taken up or procured to be taken up by Mr. Heung and his associates	Mr. Heung has given the Heung Undertaking in favour of the Company and Kingston Securities that (a) to subscribe for or procure subscriptions for: (i) 10,918,500 Offer Shares to which Mr. Heung is entitled under the Open Offer; (ii) 6,343,322 Offer Shares to which Ms. Chen is entitled under the Open Offer; and (iii) 202,943,000 Offer Shares to which Porterstone is entitled under the Open Offer; and (b) to subscribe for additional not less than 50,442,955 Offer Shares and not more than 109,644,955 Offer Shares under excess application form, which, when the Offer Shares are fully allotted and issued under the Open Offer together with all Shares held by Mr. Heung, Ms. Chen, Porterstone, Dorest and their respective associates after the Open Offer, shall represent an aggregate of approximately 29.90% of the issued share capital of the Company on fully diluted basis. For the avoidance of doubt, under the Heung Undertaking, Mr. Heung will not procure subscription for those Offer Shares to which Dorest is entitled under the Open Offer.
Number of Offer Shares underwritten by Kingston Securities:	Not less than 617,838,303 Offer Shares and not more than 734,636,303 Offer Shares, being the number of the Offer Shares less the aggregate number of the Offer Shares agreed to be taken up or procured to be taken up under the Heung Undertaking
Number of Shares in issue upon completion of the Open Offer with the Bonus Issue:	Not less than 3,998,187,360 Shares and not more than 4,790,187,360 Shares

It is expected that the Placing will be completed before the Record Date.

As at the date of this announcement, the Company has (i) 75,922,972 outstanding Options entitling the holders thereof to subscribe for 75,922,972 Shares; and (ii) 56,000,000 underlying Shares to be issued and allotted upon the exercising of the conversion rights attaching to the Convertible Bonds. Save for the Options and the Convertible Bonds, the Company has no other outstanding warrants, options or convertible securities as at the date of this announcement.

All the holders of the Options have given irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Options held by them on or before the Record Date. The holder of the Convertible Bonds has given irrevocable undertaking in favour of the Company and the Underwriter not to convert part or the whole of the Convertible Bonds held by it into Shares on or before the Record Date.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of three (3) Bonus Shares for every one (1) Offer Share taken up under the Open Offer.

On the basis of not less than 888,486,080 Offer Shares and not more than 1,064,486,080 Offer Shares to be issued under the Open Offer, not less than 2,665,458,240 Bonus Shares and not more than 3,193,458,240 Bonus Shares will be issued.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on 19 January 2009. The address of the Registrar is at Shops 1712 – 1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable.

Closure of register of members

The register of members of the Company will be closed from 20 January 2009 to 23 January 2009, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price is HK\$0.05 per Offer Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 60% to the closing price of HK\$0.125 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a premium of 100% over the theoretical ex-entitlement price of approximately HK\$0.025 per Share based on the closing price of HK\$0.125 per Share after the Bonus Issue as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 60.51% to the average of the closing prices of HK\$0.1266 per Share for the last five consecutive trading days including and up to the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and Kingston Securities with reference to, among other things, the prevailing market price of the Shares and the recent financial requirements of the Company in light of the Subscription. In view of the recent financial requirements of the Group as mentioned above and taking into consideration of the theoretical ex-entitlement price per Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Status of the Offer Shares and the Bonus Shares

The Offer Shares and the Bonus Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares and the Bonus Shares.

Certificates of the Offer Shares and the Bonus Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares and the Bonus Shares are expected to be posted on or before 26 February 2009 to those entitled thereto by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be posted on or before 26 February 2009 by ordinary post at their own risk.

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of member of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Board will make enquiries to its lawyers as to whether the issue of Offer Shares and the Bonus Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

Application for excess Offer Shares

For excess application of Offer Shares, the Company will determine on a fair and equitable basis based on the following principles:

- (1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and
- (2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Offer Shares applied by them, with board lots allocations to be made on best effort's basis.

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 and the Bonus Shares.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 1 December 2008 (as supplemented by the supplemental agreement dated 8 December 2008)

Underwriter: Kingston Securities Limited

Number of Offer Shares underwritten: Pursuant to the Underwriting Agreement, Kingston Securities has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up under the Heung Undertaking) which have not been taken up. Accordingly, the Open Offer is fully underwritten.

To the best of the Directors' knowledge, information and belief, Kingston Securities and its ultimate beneficial owners are Independent Third Parties.

It is one of the conditions of the Underwriting Agreement that Kingston Securities would enter into of binding agreements with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares and Bonus Shares, such that none of (i) Kingston Securities together with its parties acting in concert nor (ii) 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 Open Offer, the Bonus Issue and the Placing.

Undertaking given by Mr. Heung

Mr. Heung has given the Heung Undertaking that (a) to subscribe for or procure subscriptions for: (i) 10,918,500 Offer Shares to which Mr. Heung is entitled under the Open Offer; (ii) 6,343,322 Offer Shares to which Ms. Chen is entitled under the Open Offer; and (iii) 202,943,000 Offer Shares to which Porterstone is entitled under the Open Offer; and (b) to subscribe for additional not less than 50,442,955 Offer Shares and not more than 109,644,955 Offer Shares under excess application forms, which, when the Offer Shares are fully allotted and issued under the Open Offer together with all Shares held by Mr. Heung, Ms. Chen, Porterstone, Dorest and their respective associates after the Open Offer, shall represent an aggregate of approximately 29.90% of the issued share capital of the Company on fully diluted basis. For the avoidance of doubt, under the Heung Undertaking, Mr. Heung will not procure subscription for those Offer Shares to which Dorest is entitled under the Open Offer.

Undertaking given by the holders of the Options and the holder of the Convertible Bonds

All the holders of the Options have given irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Options held by them on or before the Record Date. The holder of the Convertible Bonds has given irrevocable undertaking in favour of the Company and the Underwriter not to convert part or the whole of the Convertible Bonds held by it into Shares on or before the Record Date.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the 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 Kingston Securities, the success of the 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 Kingston Securities 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 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 hereof) 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 Kingston Securities 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 Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the 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 or trading in securities) occurs which in the absolute opinion of Kingston Securities is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the 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 Kingston Securities 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 any of Kingston Securities, a material omission in the context of the 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 this Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Kingston Securities shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Kingston Securities shall be entitled by notice in writing to rescind the 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 comes to the knowledge of Kingston Securities; or
- (2) any Specified Event comes to the knowledge of Kingston Securities.

Any such notice shall be served by Kingston Securities prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Conditions of the Open Offer and the Bonus Issue

The Open Offer and the Bonus Issue are 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 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 Open Offer on or before the Prospectus Posting Date;
- (3) 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 and the Bonus Shares by no later than the first day of their dealings;
- (4) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (5) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (6) the passing of the necessary ordinary resolutions at the SGM to approve the Open Offer by the Independent Shareholders, the Increase in Authorised Share Capital by the Shareholders and the transactions contemplated hereunder;
- (7) the passing of a special resolution by the Shareholders to approve the allotment and issue of the Bonus Shares;
- (8) compliance with and performance of all undertakings and obligations of Mr. Heung under the Heung Undertaking;
- (9) compliance with and performance of all undertakings and obligations of the holders of the Options and the Convertible Bonds under their respective irrevocable undertakings;

- (10) the filing of a copy of the Prospectus with the Registrar of Companies in Bermuda which is signed by or on behalf of all directors of the Company prior to or as soon as reasonably practicable after the publication of the Prospectus; and
- (11) the entering into of binding agreements by Kingston Securities with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares and the Placing Shares, such that none of (i) Kingston Securities together with its parties acting in concert nor (ii) 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 Open Offer, the Bonus Issue and the Placing.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and Kingston Securities may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

REASONS FOR THE OPEN OFFER AND THE BONUS ISSUE AND USE OF PROCEEDS

The estimated net proceeds from the Open Offer will be not less than approximately HK\$42 million. The Board intends to apply such proceeds from the Open Offer to finance the Subscription.

The estimated expense in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. In addition, the Bonus Issue will be as additional incentive for the Shareholders to take part into the Open Offer. **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 will be diluted.**

The Directors (including the independent non-executive Directors) consider that the Open Offer and the Bonus Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer and the Bonus Issue.

EXPECTED TIMETABLE OF THE OPEN OFFER AND THE BONUS ISSUE

2008

Despatch of Circular Tuesday, 30 December

2009

Last day of dealing in Shares on a cum-entitlement basis Thursday, 15 January

First day of dealing in Shares on an ex-entitlement basis Friday, 16 January

Latest time for lodging transfer of Shares in order
to be qualified for the Open Offer 4:30 p.m. Monday, 19 January

Register of members of the Company closes Tuesday, 20 January to
(both dates inclusive) Friday, 23 January

SGM Friday, 23 January

Record Date Friday, 23 January

Register of members for the Shares reopens Thursday, 29 January

Despatch of Prospectus Documents Thursday, 29 January

Latest time for acceptance of and payment for
Offer Shares 4:00 p.m. on Monday, 16 February

Latest time for the Open Offer to become
unconditional 4:00 p.m. on Thursday, 19 February

Announcement of the results of the
Open Offer and the Bonus Issue Thursday, 19 February

Despatch of refund cheques in respect of wholly or
partly unsuccessful excess applications Thursday, 26 February

Share certificates for
Offer Shares and Bonus Shares to be posted Thursday, 26 February

Dealing in Offer Shares and Bonus Shares commences Monday, 2 March

All times stated in this announcement refer to Hong Kong times. Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer and the Bonus Issue will be announced as appropriate.

Adjustments to Options and Convertible Bonds

As at the date of this announcement, there are 75,922,972 outstanding Options granted under the share option schemes adopted by the Company entitling the holders thereof to subscribe for a total of 75,922,972 Shares and the Convertible Bonds entitling the holder thereof to convert into 56,000,000 Shares. Save for the Options and the Convertible Bonds, the Company has no other outstanding options, warrants or other securities convertible into Shares.

Adjustments to the conversion price of the outstanding Convertible Bonds in issue and the exercise prices and numbers of the outstanding Options may be required under the relevant terms of the instrument constituting the Convertible Bonds and the share option schemes of the Company. An approved investment bank or the auditors of the Company will be appointed to certify the necessary adjustments, if any, to the conversion price of the outstanding Convertible Bonds and the exercise prices and numbers of the outstanding Options. Further announcement will be made by the Company in this regard.

INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares of HK\$0.05 each of which 444,243,040 Shares have been allotted and issued and fully paid or credited as fully paid. In order to accommodate the Open Offer and the Bonus Issue and also future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each.

The Increase in Authorised Share Capital is subject to and conditional upon the passing of an ordinary resolution by the Shareholders approving the Increase in Authorised Share Capital at the SGM.

THE PLACING AGREEMENT

On 1 December 2008, the Company and Kingston Securities entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, and Kingston Securities has agreed to procure on a fully underwritten basis, the placing of 88,000,000 Placing Shares to the Placees at a price of HK\$0.102 per Placing Share.

Date

1 December 2008

Issuer

The Company

Placing Agent

Kingston Securities has conditionally agreed to place in aggregate 88,000,000 Placing Shares on a fully underwritten basis. The Directors (including the independent non-executive Directors) are of the view that the placing commission is the normal market rate that Kingston Securities will charge, and therefore it is fair and reasonable.

It is one of the conditions of the Underwriting Agreement that Kingston Securities would enter into of binding agreements with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares and Bonus Shares, such that none of (i) Kingston Securities together with its parties acting in concert nor (ii) 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 Open Offer and the Bonus Issue.

Placees

Kingston Securities agreed to place the Placing Shares on a fully underwritten basis, to no less than six Placees who and whose ultimate beneficial owners will not be connected persons of the Company, any Director(s), chief executive, substantial shareholder(s) (as defined in the Listing Rules) of the Company or its subsidiaries or any of their respective associates. None of the Placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placing.

Placing Shares

The 88,000,000 Placing Shares represent (i) approximately 19.81% of the existing issued share capital of the Company of 444,243,040 Shares; and (ii) approximately 16.53% of the Company's issued share capital of 532,243,040 Shares as enlarged by the Placing.

Ranking of Placing Shares

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

Placing Price

The Placing Price of HK\$0.102 represents:

- (i) a discount of approximately 18.4% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 19.43% to the average of the closing prices per Share of approximately HK\$0.1266 for the last five consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and Kingston Securities. 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 shareholder base and as such the Placing is in the interests of the Company and the Shareholders as a whole.

General Mandate

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM, (i.e. 88,848,608 Shares, representing 20% of 444,243,040 Shares in issue as at the date of the AGM). Up to the date of this announcement, no Shares have been issued under the General Mandate.

Assuming immediately after the completion of the Placing, the General Mandate would be utilised by approximately 99.05%, and thereafter, 848,608 Shares, representing approximately 0.95% of the General Mandate remain not utilised.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (ii) the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

The Placing Agreement may be terminated by Kingston Securities if at any time at or before 10:00 a.m. on the date for completion of the Placing, there occur any of the following force majeure events:

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

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

Completion of the Placing

Completion of the Placing, in any event, will take place within four Business Days after the fulfilment of the conditions as set out in the Placing Agreement but not later than 31 December 2008 or such later date to be agreed between the Company and Kingston Securities.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The gross proceeds from the Placing will be approximately HK\$9.0 million. The net proceeds from the Placing are estimated to be approximately HK\$8.8 million after expenses. The net proceeds are intended to be used to finance the Subscription.

The net price of the Placing will be approximately HK\$0.1 per Placing Share.

On 26 November 2008, the Company has entered into the Subscription Agreement for the subscription of the GC Convertible Bonds, which constitutes a very substantial acquisition on the part of the Company. Details of the Subscription Agreement have been disclosed in this announcement in compliance with the Listing Rules. The Directors consider that the Placing represents an opportunity to raise capital for the Company to finance the proposed subscription of the GC Convertible Bonds and the Placing will also broaden the shareholder base of the Company at the same time.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past twelve months before the date of this announcement.

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
13 December 2007	Placing of 1,400,000,000 new Shares	HK\$163,500,000	For the proposed acquisition of Best Mind International Inc.	For the acquisition of Best Mind International Inc.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company immediately before and after the completion of (i) the Placing; and (ii) the Open Offer and the Bonus Issue are set out below (assuming that the Placing will be completed on or before the Record Date):

	As at the date of this announcement		Immediately after completion of the Placing but before the Open Offer and the Bonus Issue		Immediately after completion of the Placing, the Open Offer and the Bonus Issue (assuming no Qualifying Shareholders take up his/her/its entitlements under the Open Offer)		Immediately after completion of the Placing, the Open Offer and the Bonus Issue (assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer)	
	<i>No. of Shares</i>	<i>Approx. percentage</i>	<i>No. of Shares</i>	<i>Approx. percentage</i>	<i>No. of Shares</i>	<i>Approx. percentage</i>	<i>No. of Shares</i>	<i>Approx. percentage</i>
Porterstone	101,471,500	22.84%	101,471,500	19.06%	913,243,500	19.06%	913,243,500	19.06%
Dorest (Note 3)	2,764,500	0.62%	2,764,500	0.52%	2,764,500	0.06%	24,880,500	0.52%
Mr. Heung	5,459,250	1.23%	5,459,250	1.03%	487,713,070	10.18%	49,133,250	1.03%
Ms. Chen	3,171,661	0.72%	3,171,661	0.60%	28,544,949	0.60%	28,544,949	0.60%
Sub-total:	112,866,911	25.41%	112,866,911	21.21%	1,432,266,019	29.90%	1,015,802,199	21.21%
Lucky State Group Limited (Note 1)	23,633,333	5.32%	23,633,333	4.44%	23,633,333	0.49%	212,699,997	4.44%
Public Shareholders:								
Underwriter and/or sub-underwriters (Note 2)	–	–	–	–	2,938,545,212	61.35%	–	–
Placees	–	–	88,000,000	16.53%	88,000,000	1.84%	792,000,000	16.53%
Other public Shareholders	307,742,796	69.27%	307,742,796	57.82%	307,742,796	6.42%	2,769,685,164	57.82%
Sub-total:	307,742,796	69.27%	395,742,796	74.35%	3,334,288,008	69.61%	3,561,685,164	74.35%
	444,243,040	100.00%	532,243,040	100.00%	4,790,187,360	100.00%	4,790,187,360	100.00%

The existing and enlarged shareholding structures of the Company immediately before and after the completion of (i) the Placing; and (ii) the Open Offer and the Bonus Issue are set out below (assuming that the Placing will be completed after the completion of the Open Offer and the Bonus Issue):

	As at the date of this announcement		Immediately after completion of the Open Offer and the Bonus Issue (assuming no Qualifying Shareholders take up his/her/its entitlements under the Open Offer) but before completion of the Placing		Immediately after completion of the Open Offer and the Bonus Issue (assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer) but before completion of the Placing		Immediately after completion of the Placing, the Open Offer and the Bonus Issue (assuming no Qualifying Shareholders take up his/her/its entitlements under the Open Offer)		Immediately after completion of the Placing, the Open Offer and the Bonus Issue (assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer)	
	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage
Porterstone	101,471,500	22.84%	913,243,500	22.84%	913,243,500	22.84%	913,243,500	22.35%	913,243,500	22.35%
Dorest (Note 3)	2,764,500	0.62%	2,764,500	0.07%	24,880,500	0.62%	2,764,500	0.07%	24,880,500	0.61%
Mr. Heung	5,459,250	1.23%	250,905,070	6.27%	49,133,250	1.23%	250,905,070	6.14%	49,133,250	1.20%
Ms. Chen	3,171,661	0.72%	28,544,949	0.72%	28,544,949	0.72%	28,544,949	0.70%	28,544,949	0.70%
Sub-total:	112,866,911	25.41%	1,195,458,019	29.90%	1,015,802,199	25.41%	1,195,458,019	29.26%	1,015,802,199	24.86%
Lucky State Group Limited (Note 1)	23,633,333	5.32%	23,633,333	0.59%	212,699,997	5.32%	23,633,333	0.58%	212,699,997	5.21%
Public Shareholders:										
Underwriter and/or sub-underwriters (Note 2)	-	-	2,471,353,212	61.81%	-	-	2,471,353,212	60.48%	-	-
Placees	-	-	-	-	-	-	88,000,000	2.15%	88,000,000	2.15%
Other public Shareholders	307,742,796	69.27%	307,742,796	7.70%	2,769,685,164	69.27%	307,742,796	7.53%	2,769,685,164	67.78%
Sub-total:	307,742,796	69.27%	2,779,096,008	69.51%	2,769,685,164	69.27%	2,867,096,008	70.16%	2,857,685,164	69.93%
	<u>444,243,040</u>	<u>100.00%</u>	<u>3,998,187,360</u>	<u>100.00%</u>	<u>3,998,187,360</u>	<u>100.00%</u>	<u>4,086,187,360</u>	<u>100.00%</u>	<u>4,086,187,360</u>	<u>100%</u>

Notes:

- Lucky State Group Limited is wholly owned by Mr. Ng Cheuk Fai. Lucky State Group Limited is also the holder of the Convertible Bonds 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.

2. It is one of the conditions of the Underwriting Agreement that Kingston Securities would enter into of binding agreements with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares and Bonus Shares, such that none of (i) Kingston Securities together with its parties acting in concert nor (ii) 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 Open Offer, the Bonus Issue and Placing.
3. Among those shares held by Dorest, Dorest has deposited 24,000 shares with C. A. Pacific Finance Limited which is in liquidation.

The Company will take all appropriate steps to ensure that sufficient public float be maintained prior to the completion of the Open Offer in compliance with Rule 8.08(1)(a) of the Listing Rules.

SUBSCRIPTION AGREEMENT DATED 26 NOVEMBER 2008

(1) Parties

Issuer: Golife

Subscriber: the Company

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Golife and its beneficial owners is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates or its connected persons and is not a connected person of the Company.

(2) Principal terms of the GC Convertible Bonds

Principal amount: In the aggregate sum of HK\$60 million which will be issued by Golife in five tranches of HK\$12,000,000 each at the aggregate price of HK\$60 million, being 100% of the face value of the GC Convertible Bonds.

Interest rate: The GC Convertible Bonds shall not carry any interest.

Maturity date: Unless previously redeemed, repurchased and cancelled or converted, any outstanding GC Convertible Bonds shall be redeemed on the date falling on the tenth anniversary of the date of issue of such tranche of the GC Convertible Bonds.

Ranking: The GC Convertible Bonds constitutes general and unsecured obligations of Golife and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of Golife.

Subscription price: HK\$12,000,000, being the subscription price of each tranche of the Subscription, shall be payable by the Company to Golife at completion of each tranche of the Subscription in cash.

Early redemption: Golife may at any time upon the date of issue and before the maturity date of the GC Convertible Bonds, by serving at least seven days' prior written notice on the bondholder(s) with the total amount proposed to be redeemed from the bondholder(s) specified therein, redeem the GC Convertible Bonds at par.

Any amount of the GC Convertible Bonds which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount.

Conversion: Provided that any conversion of the GC Convertible Bonds (i) does not trigger off a mandatory offer under rule 26 of the Takeovers Code on the part of the Company and its concerted parties (as defined under the Takeovers Code) which exercised the conversion right; and (ii) will not cause the public float of the Company unable to meet the requirement under Rule 8.08 of the Listing Rules, the Company will have the right to convert the whole or part of the principal amount of the GC Convertible Bonds into GC Shares at any time and from time to time, from the date of issue of the GC Convertible Bonds in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion.

Conversion price: The conversion price is initially HK\$0.05 per GC Share, subject to adjustment for, among other matters, subdivision or consolidation of GC Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events (which are the standard anti-dilution adjustment) (i) from the date of the extraordinary general meeting to be convened by Golife to approve, among others, the Subscription and the issue of GC Convertible Bonds until the date immediately before the issue date of the GC Convertible Bonds; and (ii) from the date of issue of the GC Convertible Bonds. The initial conversion price represents:

- (a) a discount of 18.03% to the closing price of HK\$0.061 per GC Share as quoted on the Stock Exchange on 18 November 2008, being the date immediately prior to the date of suspension of trading in the GC Shares on GEM before the date of the Subscription Agreement; and
- (b) a discount of approximately 43.82% to the average of the closing prices of HK\$0.089 per GC Share for the last five trading days ended on 18 November 2008, being the date immediately prior to the date of suspension of trading in the GC Shares on GEM before the date of the Subscription Agreement.

Voting: The Company will not be entitled to attend or vote at any general meeting of Golife by reason only of it being the holder of the GC Convertible Bonds.

Transfer: The bondholder(s) may only assign or transfer the GC Convertible Bonds to the transferee subject to the consent of Golife.

Based on the conversion price of HK\$0.05 per GC Conversion Share, a maximum number of 1,200,000,000 GC Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the GC Convertible Bonds in full, which represent: (i) approximately 434.90% of the issued share capital of Golife as at the date of this announcement; and (ii) approximately 81.30% of the issued share capital of Golife as enlarged by the allotment and issue of the GC Conversion Shares upon the exercise in full of the conversion rights attaching to the GC Convertible Bonds in full.

The GC Conversion Shares will rank *pari passu* in all respects with the GC Shares in issue as at the date of allotment and issue of the GC Conversion Shares.

No application will be made for listing of, or permission to deal in, the GC Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by Golife to the Stock Exchange for the listing of, and permission to deal in, the GC Conversion Shares.

(3) Conditions precedent

Completion of the Subscription Agreement is conditional upon the fulfillment of the following conditions precedent:

- (a) the GEM Listing Committee of the Stock Exchange shall have granted the listing of and permission to deal in the GC Conversion Shares;
- (b) (if necessary) the passing by the GC Shareholders of the necessary resolution at the extraordinary general meeting to be convened and held to approve the issue of the GC Convertible Bonds and the transactions contemplated thereunder including but not limited to the allotment and issue of the GC Conversion Shares;
- (c) (if necessary) the passing by the Shareholders of the necessary resolution at the SGM to approve the Subscription and the transactions contemplated thereunder;
- (d) there being no event existing or having occurred and no condition being in existence which would be (after the issue of the GC Convertible Bonds) an event of default under the GC Convertible Bonds and no event or act having occurred which, with the giving of notices, or the lapse of time, or both, would (after the issue of the GC Convertible Bonds), constitute such an event of default;
- (e) the Company being satisfied in its absolute discretion with the results of the due diligence review to be conducted on the assets, liabilities, affairs and operations of the GC Group;
- (f) the representations and warranties given by Golife to the Company under the Subscription Agreement remaining true, accurate and complete in all material respects; and
- (g) all necessary consents and approvals required to be obtained on the part of the Company and Golife in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained.

If any of the above conditions are not fulfilled on or before the date falling 180 days from the date of the Subscription Agreement or such other date as the Company and Golife may agree, the Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations hereunder, save the liabilities for any antecedent breaches thereof.

(4) Completion

Completion shall take place on the date as specified in the Subscription Completion Notice for each tranche of the Subscription which in any event shall not be later than (i) seven (7) days after the date the Subscription Completion Notice or (ii) the date falling on the last day of the Subscription Period (whichever is earlier).

Subject to fulfillment of the conditions precedent, each tranche of the Subscription may be demanded by Golife by serving on the Company a Subscription Completion Notice for the relevant tranche of the Subscription at any time during the Subscription Period. The Subscription Completion Notice shall specify the completion date of such tranche of Subscription which, once given, may not be withdrawn without the prior written consent of the Company.

Subscription Completion Notices for all five tranches of the Subscription shall be served by Golife to the Company on or before the expiry of the Subscription Period. Should there be a failure on the part of Golife to fulfill the aforementioned obligation, the Subscription shall be terminate and the Subscription for the remaining portion of the GC Convertible Bonds will not proceed and all obligations and liabilities of the parties under the Subscription Agreement shall forthwith cease and determine and party thereto shall have any claim against the others (save for any antecedent breaches thereof).

(5) Termination

The Subscription Agreement may, as agreed in writing by the Company and Golife, be terminated at any time prior to the payment in full of the maximum aggregated Subscription Price to Golife, and the Subscription for the remaining portion of the GC Convertible Bonds shall not proceed and all obligations and liabilities of the parties under the Subscription Agreement shall forthwith cease and determine and neither party shall have any claim against the others (save for any antecedent breaches hereof and the obligations and liabilities of the parties hereto under any Bonds issued prior to such termination).

In addition, the Company may, by notice to Golife given at any time prior to payment of the subscription price for the GC Convertible Bonds to Golife, terminate the Subscription Agreement in any of the following circumstances:

- (a) in the absolute opinion of the Company, the success of the Subscription would be materially and adversely affected by:
- (i) 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 Company materially and adversely affect the business or the financial or trading position or prospects of the GC Group as a whole or is materially adverse in the context of the Subscription; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) 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 Company materially and adversely affect the business or the financial or trading position or prospects of the GC Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the Subscription; or
 - (iii) 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 or trading in securities) occurs which in the absolute opinion of the Company is likely to materially or adversely affect the success of the Subscription or otherwise makes it inexpedient or inadvisable to proceed with the Subscription; or
 - (iv) 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
 - (v) any suspension in the trading of securities generally or the Golife' securities on GEM for a period of more than 15 consecutive business days, excluding any suspension in connection with the clearance of the announcement, the circular or other documents in connection with the Subscription; or
 - (vi) any material breach of any of the representations, warranties or undertakings contained in the Subscription Agreement comes to the knowledge of the Company.

In the event that the Company terminates the Subscription Agreement, the obligations of all parties under the Subscription Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

(6) Financial Information of the GC Group

According to the unaudited consolidated financial statements of the GC Group for the six months ended 30 June 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards, the unaudited consolidated net liabilities of the GC Group as at 30 June 2008 was approximately HK\$12.2 million. The unaudited loss before and after taxation for the six months ended 30 June 2008 were both approximately HK\$25.1 million.

According to audited financial statements of the GC Group for the nine months ended 31 December 2006 and the year ended 31 December 2007, the profit before and after taxation for the nine months ended 31 December 2006 were approximately HK\$1.8 million and HK\$1.1 million respectively. The loss before and after taxation for the year ended 31 December 2007 were both approximately HK\$92.2 million.

As the conversion of the GC Convertible Bonds is subject to the provision that such conversion will not trigger off a mandatory offer under Rule 26 of the Takeovers Code on the part of the Company and its concerted parties, under the current Takeovers Code regime, the ultimate equity interest of the Company in Golife would be limited to less than 30% unless a whitewash waiver would be granted by the Securities and Futures Commission in accordance with the Takeovers Code.

The accounting treatments of the Company on the GC Convertible Bonds will be as follows:

- a. upon the completion of each tranches the Subscription, each tranches of the GC Convertible Bonds will be recognised as a financial asset on the Company's consolidated balance sheet; or
- b. upon the conversion of the GC Convertible Bonds into the GC Conversion Shares and the converted GC Conversion Shares representing less than 20% of the issued share capital of Golife as enlarged by the converted GC Conversion Shares, the converted GC Conversion Shares will be recognised as a financial asset on the Company's consolidated balance sheet; or

- c. upon the conversion of the GC Convertible Bonds into the GC Conversion Shares and the converted GC Conversion Shares representing more than 20% of the issued share capital of Golife as enlarged by the converted GC Conversion Shares, Golife will be treated as an associate of the Company and the investment in the converted GC Conversion Shares will be accounted for in the Group's consolidated financial statements using the equity method in accordance with Hong Kong Accounting Standard 28 - Investments in Associates.

REASON FOR THE SUBSCRIPTION

The GC Group is principally engaged in design, development and sales of location-based technology devices and applications, and distribution of high-end apparel and accessories.

The conversion price of the GC Convertible Bonds represents a discount of approximately 18.03% as compared to the latest market price of the GC Shares, The conversion rights attached to the GC Convertible Bonds offer to the Company a ten-year timeframe to evaluate the financial performance of the GC Group and the market performance of the GC Shares, and the flexibility to acquire equity interests in Golife and an opportunity to enjoy any potential capital gain in the value of the GC Shares. Based on the above, the Directors (including independent non-executive Directors) consider that the terms of the Subscription Agreement is entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

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

Pursuant to Rule 7.24(5) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer and the Bonus Issue. As at the date of this announcement, there is no controlling Shareholder. Accordingly, Mr. Heung, Ms. Chen, Ms. Li Yuk Sheung, being the executive Directors, and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer and the Bonus Issue at the SGM.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Open Offer and the Bonus Issue are fair and reasonable and whether the Open Offer and the Bonus Issue are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offer and the Bonus Issue are fair and reasonable.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there are no common shareholders between the Company and Golife. In the event that there are any common shareholders between the Company and Golife, those Shareholders shall abstain from voting the resolution approving the Subscription at the SGM.

The Underwriting Agreement, the Placing Agreement and the Subscription Agreement are not inter-conditional upon each other. There were no previous transactions between the Company and each of the other parties to the Underwriting Agreement, the Placing Agreement and the Subscription Agreement which would require aggregation under Rule 14.22 of the Listing Rules.

The Open Offer, the Bonus Issue, the Increase in Authorised Share Capital and the Subscription are subject to, among other matters, the approval of the Shareholders or the Independent Shareholders at the SGM. A circular containing, among other things, further details of the Open Offer, the Bonus Issue, the Increase in Authorised Share Capital, the Subscription, 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.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 27 November 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 9 December 2008.

Terms and definitions

“AGM”	the annual general meeting of the Company held on 27 June 2008
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors

“Bonus Shares”	the bonus Shares to be issued (for no additional payment) to the first registered holders of Offer Shares on the basis of three (3) Bonus Shares for every one (1) Offer Share taken up under the Open Offer subject to the terms and upon conditions as set out in the Underwriting Agreement
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	China Star Entertainment Limited, an exempted company incorporated in the Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Convertible Bonds”	the outstanding unsecured convertible notes in aggregate principal amount of HK\$168,000,000 issued by the Company on 18 March 2008 conferring rights to convert the same into a total of 56,000,000 Shares at the conversion price of HK\$3.00 per Share (subject to further adjustments)
“Director(s)”	director(s) of the Company
“Dorest”	Dorest Company Limited, a company owned as to 60% by Porterstone and as to 40% by Mr. Heung and as at the date of the Underwriting Agreement, holding 2,764,500 Shares
“GC Conversion Share(s)”	the GC Share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the GC Convertible Bonds

“GC Convertible Bonds”	the zero coupon convertible bonds in principal amount of HK\$60 million to be issued by Golife in five tranches of HK\$12,000,000 each due on the tenth anniversary of the date of issue for such tranche of the Subscription to the Company pursuant to the Subscription Agreement during the Subscription Period
“GC Group”	Golife and its subsidiaries
“GC Share(s)”	share(s) of HK\$0.05 each in the share capital of Golife
“GC Shareholder(s)”	holder(s) of the GC Share(s)
“Golife”	Golife Concepts Holdings Limited, a company incorporated in Cayman Island with limited liability whose issued GC Shares are listed on GEM
“GEM”	the Growth Enterprise Market of the Stock Exchange
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM
“Group”	the Company and its subsidiaries
“Heung Undertaking”	the irrevocable undertaking given by Mr. Heung in favour of the Company and Kingston Securities, further details of which are set out in the paragraph headed “Undertaking given by Mr. Heung” in the section headed “Open Offer with Bonus Issue” in this announcement
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors) and their respective associates
“Independent Third Party”	any person or company 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 persons

“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares to HK\$500,000,000 divided into 10,000,000,000 Shares
“Kingston Securities” or “Underwriter”	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)
“Last Trading Day”	26 November 2008, being the last trading day for the Shares before the date of this announcement
“Latest Lodging Date”	4:30 p.m. on 19 January 2009 as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on 16 February 2009 or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Heung”	Mr. Heung Wah Keung, the Chairman of the Company and an executive Director and as at the date of this announcement, personally holding 5,459,250 Shares
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the Vice-chairman of the Company and an executive Director and as at the date of this announcement, personally holding 3,171,661 Shares
“Offer Share(s)”	not less than 888,486,080 new Shares and not more than 1,064,486,080 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date and payable in full on acceptance pursuant to the Open Offer

“Open Offer”	the proposed issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
“Options”	the share options granted or to be granted under the share option schemes adopted by the Company
“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 Open Offer
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by Kingston Securities to subscribe for any of the Placing Shares pursuant to Kingston Securities’ obligations under the Placing Agreement
“Placing”	the placing for 88,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing agreement entered into between the Company and Kingston Securities dated 1 December 2008 in relation to the Placing
“Placing Price”	HK\$0.102 per Placing Share
“Placing Share(s)”	88,000,000 new Shares to be placed through Kingston Securities pursuant to the Placing Agreement
“Porterstone”	Portstone Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is owned by Ms. Chen and holding 101,471,500 Shares as at the date of this announcement

“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of 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 them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus, the application form in respect of the assured allotment of Offer Shares and the form of application for excess Offer Shares
“Prospectus Posting Date”	29 January 2009 or such later date as may be agreed between Kingston Securities and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	23 January 2009, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, Shops 1712 – 1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve the Open Offer, the Bonus Issue, the Increase in Authorised Share Capital, the Subscription and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.05 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of GC Convertible Bonds by the Company pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 November 2008 and entered into between the Company and Golife in relation to the subscription and issue of the GC Convertible Bonds
“Subscription Completion Notice”	a notice to be given by Golife to the Company pursuant to the terms and conditions of the Subscription Agreement
“Subscription Period”	the period of five years commencing from the date of the extraordinary general meeting of the GC Shareholders to approve, inter alia, the issue of the GC Convertible Bonds and the issue and allotment of the GC Conversion Shares, being the period for subscription of the GC Convertible Bonds
“Subscription Price”	the subscription price of HK\$0.05 per Offer Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 1 December 2008 (as supplemented by the supplemental agreement dated 8 December 2008) entered into between the Company and Kingston Securities in relation to the Open Offer

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

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

Hong Kong, 8 December 2008

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. Leung Hok Man.