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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

**(Warrant Code: 972)**

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD  
ON THE RECORD DATE WITH BONUS WARRANTS ON THE BASIS OF ONE  
BONUS WARRANT FOR EVERY FIVE RIGHTS SHARES TAKEN UP UNDER  
THE RIGHTS ISSUE;  
(2) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(3) RESUMPTION OF TRADING**

**Underwriters**



**Mansion House Securities  
(F.E.) Limited**

**Heung Wah Keung Family  
Endowment Limited**

### **RIGHTS ISSUE AND BONUS ISSUE**

Conditional upon, inter alia, the Capital Reorganisation becoming effective, the Company proposes to raise not less than approximately HK\$368.38 million but not more than approximately HK\$421.03 million before expenses, by way of rights issue of not less than 1,473,536,625 Rights Shares and not more than 1,684,106,889 Rights Shares at the Subscription Price of HK\$0.25 per Rights Share on the basis of three Rights Shares for every one Adjusted Share held on the Record Date. The Subscription Price is HK\$0.25 per Rights Share, payable in full on acceptance of the provisional allotment of the Rights Shares or application for excess Rights Shares

or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 54.55% to the adjusted closing price of HK\$0.55 per Adjusted Share (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 23.08% to the theoretical ex-entitlement price of approximately HK\$0.325 per Adjusted Share after the Rights Issue (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iii) a discount of approximately 56.90% to the adjusted average closing price of HK\$0.58 per Adjusted Share (adjusted for the effect of the Capital Reorganisation), based on the average closing price of HK\$0.058 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

Subject to the satisfaction of the conditions of the Rights Issue and the Bonus Issue, the Bonus Warrants will be issued to the first registered holders of the Rights Shares on the basis of one Bonus Warrant for every five Rights Shares taken up under the Rights Issue. On the basis of not less than 1,473,536,625 Rights Shares and not more than 1,684,106,889 Rights Shares to be issued under the Rights Issue, not less than 294,707,325 Bonus Warrants and not more than 336,821,377 Bonus Warrants will be issued. Each of the Bonus Warrant will entitle the holders thereof to subscribe for one Adjusted Share at the Bonus Warrants Subscription Price of HK\$0.25 per Bonus Warrant Share (subject to adjustment) during the Bonus Warrants Subscription Period. The Bonus Warrants Subscription Price is equivalent to the Subscription Price.

Given the Irrevocable Undertakings, details of which are set out in the paragraph headed “Irrevocable Undertakings” below, the Rights Issue will be fully underwritten by HWKFE and Mansion House, on the terms and subject to the conditions pursuant to the Underwriting Agreement, details of which are set out in the paragraph headed “Underwriting Agreement” below in this announcement.

To qualify for the Rights Issue and the Bonus Issue, 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 Adjusted Shares (with the relevant share certificates) for registration with the Registrar at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 20 May 2011.

The estimated net proceeds from the Rights Issue will be not less than approximately HK\$363.53 million and not more than approximately HK\$414.86 million. On 23 December 2010, the Company has entered into a conditional agreement with Sociedade de Turismo e Diversões de Macau, S.A. in relation to the Proposed Acquisition. As stated in its announcement dated 7 January 2011, the Company intends to develop the Sites into office units and residential apartment for sale and the street level of the Sites into an area consisting of restaurants, bars, nightclubs and art galleries in order to create traffic in the surrounding areas of Hotel Lan Kwai Fong. The Board considers that the Proposed Acquisition will diversify the Group's investment portfolio in Macau and broaden its revenue base which have a positive impact on its long-term profitability. Given lengthy due diligence process and/or pledging of assets required for bank financing, the Board intends to apply the net proceeds from the Rights Issue to fund the financial needs for developing of the Sites and/or for general working capital of the Group. If the Proposed Acquisition does not proceed, the Company intends to apply the net proceeds from the Rights Issue for other possible property investment opportunities in Macau, other investment opportunities and/or for general working capital of the Group. As at the date of this announcement, the Company has not identified any such investment opportunities. Assuming full exercise of the Bonus Warrants at the Bonus Warrants Subscription Price, the cash proceeds from the exercise of the Bonus Warrants would be not less than approximately HK\$73.68 million and not more than HK\$84.21 million. It is expected that the proceeds from the exercise of the Bonus Warrants, if any, will be used for general working capital of the Group.

#### **IMPLICATION UNDER THE LISTING RULES**

Pursuant to Rule 7.19(6) 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 Rights Issue and the Bonus Issue. As at the date of this announcement, there is no controlling Shareholder. Accordingly, Mr. Heung, Ms. Chen, HWKFE, Dorest, Eternity, Mr. Lei, Simple View and their respective associates who in aggregate hold approximately 19.28% of the existing issued share capital of the Company as at the date of this announcement will abstain from voting in favour of resolutions relating to the Rights Issue and the Bonus Issue at the SGM.

#### **IMPLICATION UNDER THE TAKEOVERS CODE AND WHITEWASH WAIVER**

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite the Underwritten Shares in the manner that if (a) the HWKFE's EAF Shares (if any) together with the Untaken Shares are equal or less than 800,000,000 Rights Shares, HWKFE shall subscribe for all such Untaken Shares; or (b) the HWKFE's EAF Shares (if any) together with the Untaken Shares exceed 800,000,000

Rights Shares, HWKFE shall subscribe for such number of Untaken Shares equivalent to 800,000,000 Rights Shares less the HWKFE's EAF Shares (if any), and Mansion House shall subscribe or procure subscription for all the remaining Untaken Shares (being not more than 610,092,389 Underwritten Shares). The underwriting obligation of HWKFE depends on whether HWKFE will apply for the Rights Shares by way of excess application and the actual number of Rights Shares allocated to HWKFE. The HWKFE's EAF Shares shall in any event not exceeding 800,000,000 Rights Shares. Therefore, the aggregate number of the HWKFE's EAF Shares and the Untaken Shares subscribed by HWKFE shall in any event no more than 800,000,000 Rights Shares.

In the case that none of the EOEW is exercised before the Record Date and no Qualifying Shareholders (except the Concert Group) take up the Rights Shares, the Concert Group's aggregate shareholding in the Company will increase from 94,680,202 Adjusted Shares, representing approximately 19.28% as at the date of this announcement, to 1,178,720,808 Adjusted Shares, representing approximately 60.00% immediately upon completion of the Rights Issue, which is the largest possible shareholding percentage of the Concert Group. Therefore, this will trigger an obligation on the Concert Group to make a mandatory offer for all the Adjusted Shares and securities issued by the Company (not already held by the Concert Group) under Rule 26 of the Takeovers Code.

An application will be made by HWKFE to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders (i.e. Shareholders who are not involved in or interested in the Underwriting Agreement, the Rights Issue, the Bonus Issue and the Whitewash Waiver) at the SGM. If the Whitewash Waiver is not granted by the Executive, the Rights Issue and the Bonus Issue will not proceed.

Mr. Heung, Ms. Chen, HWKFE, Dorest, Eternity, Mr. Lei, Simple View and their respective associates and the Shareholders who are involved in or interested in the Underwriting Agreement, the Rights Issue, the Bonus Issue and the Whitewash Waiver will abstain from voting on the relevant resolutions at the SGM.

## **CIRCULAR**

A circular containing, among others, details of the Rights Issue, the Bonus Issue and the Whitewash Waiver, the advice and recommendations of the Independent Board Committee and the letter from the Independent Financial Adviser (appointed by the Company and approved by the Independent Board Committee) to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Bonus Issue and the Whitewash Waiver, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules and the Takeovers Code. An announcement will be made after the appointment of the Independent Financial Adviser.

## **PROSPECTUS DOCUMENTS**

Subject to certain conditions precedent of the Rights Issue and the Bonus Issue being satisfied, the Prospectus Documents setting out details of the Rights Issue and the Bonus Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Overseas Letters, together with the Prospectus, will be despatched to the Prohibited Shareholders for information only.

## **WARNING OF THE RISK OF DEALINGS IN THE ADJUSTED SHARES AND NIL-PAID RIGHTS SHARES**

**The last day of dealing in the Adjusted Shares on a cum-entitlement basis is Wednesday, 18 May 2011. The Adjusted Shares will be dealt in on an ex-entitlement basis commencing from Thursday, 19 May 2011. The Rights Shares are expected to be dealt in their nil-paid form from Thursday, 2 June 2011 to Friday, 10 June 2011 (both dates inclusive). Shareholders and potential investors of the Company should note that dealing in Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.**

**Shareholders and potential investors of the Company should note that the Rights Issue and the Bonus Issue is conditional upon fulfillment of various conditions precedent and the Underwriters are entitled to terminate the Underwriting Agreement prior to the Latest Time for Termination, details of which have been set out under the paragraph headed “Termination of the Underwriting Agreement” of this announcement. Accordingly, the Rights Issue and the Bonus Issue may or may not proceed.**

**Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue and the Bonus Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 20 June 2011) and/or dealing in nil-paid Rights Shares between Thursday, 2 June 2011 to Friday, 10 June 2011 (both dates inclusive), will accordingly bear the risk that the Rights Issue and the Bonus Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares and/or nil-paid Rights Shares should exercise extreme caution when dealing in Shares and/or nil-paid Rights Shares, and if they are in any doubt about their position, they should consult his/her/its own professional adviser.**

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares and the Existing Warrants was suspended with effect from 9:00 a.m. on 30 March 2011 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares and the Existing Warrants with effect from 9:00 a.m. on 19 April 2011.

## **RIGHTS ISSUE AND THE BONUS ISSUE**

Reference is made to the announcements dated 9 February 2011 and 28 February 2011 issued by the Company in relation to the Capital Reorganisation. Subject to the relevant resolutions in respect to the Capital Reorganisation being passed by the Shareholders at the special general meeting of the Company to be convened on 6 May 2011, the Capital Reorganisation is expected to become effective on 9 May 2011. The Rights Issue and the Bonus Issue is conditional upon, inter alia, the Capital Reorganisation becoming effective.

### **Issue statistics**

Basis of the Rights Issue:	Three Rights Shares for every one Adjusted Share held on the Record Date
Basis of the Bonus Issue:	One Bonus Warrant for every five Rights Shares taken up under the Rights Issue
Subscription Price:	HK\$0.25 per Rights Share
Number of Existing Shares or Adjusted Shares (assuming the Capital Reorganisation having become effective) in issue as at the date of this announcement:	4,911,788,757 Existing Shares or 491,178,875 Adjusted Shares
Number of Existing Shares or Adjusted Shares (assuming the Capital Reorganisation having become effective) in issue assuming the EOEW (excluding HWKFE Warrants and Simple View Warrants) are exercised in full before the Record Date:	5,613,689,637 Existing Shares or 561,368,963 Adjusted Shares

Number of Rights Shares:	Not less than 1,473,536,625 Rights Shares (with aggregate nominal value of HK\$14,735,366.25) and not more than 1,684,106,889 Rights Shares (with aggregate nominal value of HK\$16,841,068.89)
Number of Bonus Warrants:	Not less than 294,707,325 Bonus Warrants (entitling holders thereof to subscribe for a total of 294,707,325 Bonus Warrants Shares at the Bonus Warrants Subscription Price) and not more than 336,821,377 Bonus Warrants (entitling holders thereof to subscribe for a total of 336,821,377 Bonus Warrants Shares at the Bonus Warrants Subscription Price)
Number of Adjusted Shares in issue immediately upon completion of the Rights Issue and the Bonus Issue and assuming none of the Bonus Warrants is exercised:	Not less than 1,964,715,500 Adjusted Shares and not more than 2,245,475,852 Adjusted Shares
Number of Adjusted Shares in issue immediately upon completion of the Rights Issue and the Bonus Issue and assuming the Bonus Warrants are exercised in full:	Not less than 2,259,422,825 Adjusted Shares and not more than 2,582,297,229 Adjusted Shares

In view of the Irrevocable Undertakings given by HWKFE, Simple View, Eternity and Ms. Chen, details of which are set out in the paragraph headed “Irrevocable Undertakings” below, the Rights Issue is fully underwritten by the Underwriters on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out under the paragraph headed “Underwriting Agreement” under the section headed “Underwriting Arrangement” below.

### **Share Options, Existing Warrants, Chen Convertible Bonds and Eternity Convertible Bonds**

As at the date of this announcement, there are 263,304,058 Share Options entitling the holders thereof to subscribe for a total of 263,304,058 Existing Shares (including the 45,738,650 Share Options held by the Concert Group, representing approximately 17.37% of the total Share Options). Other than those held by the Concert Group, the Share Options are held by eligible persons as defined in the Share Option Scheme. There are an amount of HK\$111,525,643.67 Existing Warrants entitling the holders thereof to subscribe for a total of 612,778,261 Existing Shares (including the 177,031,269 Existing

Shares may be subscribed by the Concert Group after exercising the subscription rights attached to the HWKFE Warrants, Simple View Warrants, Mr. Lei Warrants and Dorest Warrants, representing approximately 28.89% of the Existing Warrants).

Pursuant to the Irrevocable Undertakings: (i) HWKFE has undertaken to the Company and Mansion House, among other things, not to dispose of and not to exercise the subscription rights attached to the HWKFE Warrants to subscribe for a total of 29,961,659 new Existing Shares on or before completion of the Rights Issue; and (ii) Simple View has undertaken to the Company and the Underwriters, among other things, not to dispose of and not to exercise the subscription rights attached to the Simple View Warrants to subscribe for 144,219,780 new Existing Shares on or before completion of the Rights Issue. Details of the Irrevocable Undertakings are set out in the paragraph headed “Irrevocable Undertakings” below.

Furthermore, the Chen Convertible Bonds may be issued to Ms. Chen in relation to the 2009 Proposed Acquisition (which is subject to conditions precedent and yet to be completed), details of which are set out in the announcement of the Company dated 5 May 2009, and the Eternity Convertible Bonds may be issued to Eternity in relation to the Proposed Subscription (which is subject to condition precedent and yet to be completed), details of which are set out in the announcement of the Company dated 9 February 2011. Pursuant to the Irrevocable Undertakings, Eternity has undertaken to the Company and the Underwriters, not to dispose of any Eternity Convertible Bonds, not to transfer the Eternity Convertible Bonds to any third party or take such actions to make those bonds available for conversions and not to exercise any of the conversion rights attaching to the Eternity Convertible Bonds, if issued, on or before completion of the Rights Issue, and Ms. Chen has undertaken to the Company and the Underwriters not to dispose of any Chen Convertible Bonds, not to transfer the Chen Convertible Bonds to any third party or take such actions to make those bonds available for conversions and not to exercise any of the conversion rights attaching to the Chen Convertible Bonds, if issued, on or before completion of the rights Issue, details of which are set out in the paragraph headed “Irrevocable Undertakings” below.

None of the holders of the Share Options (including the 45,738,650 Share Options held by the Concert Group) has given any undertaking in relation to the exercise of the Share Options nor acceptance or non-acceptance of Rights Shares.

Accordingly, other than the EOEW conferring rights to subscribe for an aggregate of 701,900,880 new Existing Shares (being the total 876,082,319 new Existing Shares which may fall to be issued upon exercise of the Share Options and the subscription rights attaching to the Existing Warrants less the total 174,181,439 new Existing Shares which may fall to be issued upon exercise of the subscription rights attaching to the HWKFE Warrants and the Simple View Warrants which will not be exercised on or before completion of the Rights Issue) which may be exercised by their holders, none of the Share Options or the Existing Warrants will be exercised on or before completion of the Rights Issue.



Save as disclosed above, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

### **Qualifying Shareholders**

The Rights Issue and the Bonus Issue are 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 Rights Issue and the Bonus Issue, 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 Adjusted Shares (with the relevant share certificates) for registration with the Registrar at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 20 May 2011.

### **Closure of register of members**

The register of members of the Company will be closed from Monday, 23 May 2011 to Monday, 30 May 2011, both dates inclusive, to determine the eligibility of the Rights Issue and the Bonus Issue. No transfer of the Shares will be registered during this period.

### **Subscription Price**

The Subscription Price is HK\$0.25 per Rights Share, payable in full on acceptance of the provisional allotment of the Rights Shares or application for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 54.55% to the adjusted closing price of HK\$0.55 per Adjusted Share (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK\$0.055 per Existing Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 23.08% to the theoretical ex-entitlement price of approximately HK\$0.325 per Adjusted Share after the Rights Issue (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iii) a discount of approximately 56.90% to the adjusted average closing price of HK\$0.58 per Adjusted Share (adjusted for the effect of the Capital Reorganisation), based on the average closing price of HK\$0.058 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

The net price for the Rights Shares is approximately HK\$0.247 per Rights Share (calculated as the estimated net proceeds from the Rights Issue divided by the total number of the Rights Shares).

### **Bonus Warrants and Bonus Warrants Subscription Price**

Subject to the satisfaction of the conditions of the Rights Issue and the Bonus Issue, the Bonus Warrants will be issued to the first registered holders of the Rights Shares on the basis of one Bonus Warrant for every five Rights Shares taken up under the Rights Issue. Each of the Bonus Warrant will entitle the holders thereof to subscribe for one Adjusted Share at the Bonus Warrants Subscription Price of HK\$0.25 per Bonus Warrants Share (subject to adjustment). The Bonus Warrants Subscription Price is equivalent to the Subscription Price. The Bonus Warrants Subscription Period is 18 months from the date when dealings in the Bonus Warrants commence on the Stock Exchange.

On the basis of not less than 1,473,536,625 Rights Shares and not more than 1,684,106,889 Rights Shares to be issued under the Rights Issue, not less than 294,707,325 Bonus Warrants entitling holders thereof to subscribe for a total of 294,707,325 Bonus Warrants Shares at the Bonus Warrants Subscription Price and not more than 336,821,377 Bonus Warrants entitling holders thereof to subscribe for a total of 336,821,377 Bonus Warrants Shares at the Bonus Warrants Subscription Price will be issued. The Adjusted Shares to be issued upon exercise of the Bonus Warrants represents approximately 15.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately upon the Rights Issue.

In compliance with Rule 15.02 of the Listing Rules, the Adjusted Shares to be issued upon exercise of the Bonus Warrants will not, when aggregate with the Adjusted Shares which remain to be issued on exercise of the Existing Warrants, if the Existing Warrants were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Bonus Warrants are issued, given the Share Options which are granted under the Share Option Scheme which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

### **Basis of determining the Subscription Price and the Bonus Warrants Subscription Price**

The Subscription Price and the Bonus Warrants Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the prevailing market price of the Existing Shares. Taking into consideration the theoretical ex-entitlement price per Adjusted Share, the Directors consider that the Subscription Price and the Bonus Warrants Subscription Price are appropriate. The Directors consider that the discount would encourage the Qualifying Shareholders to participate in the Rights Issue, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group. The Directors consider the Subscription Price and the Bonus Warrants Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Status of the Rights Shares and the Bonus Warrants Shares**

The Rights Shares and the Bonus Warrants Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Adjusted Shares then in issue. Holders of the fully-paid Rights Shares and the Bonus Warrants 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 Rights Shares (in fully-paid form) and the Bonus Warrants Shares.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be three Rights Shares for every one Adjusted Share held by the Qualifying Shareholders on the Record Date. Acceptance for all or part of a Qualifying Shareholder's provisional allotment should be made by completing the provisional allotment letter and lodging the same with a remittance for the Rights Shares being accepted for.

### **Fractions of the Rights Shares and the Bonus Warrants**

The Company will not provisionally allot fractions of the Rights Shares in nil-paid form or allot fractions of Bonus Warrants. All fractions of Right Shares and Bonus Warrants will be aggregated (rounded down to the nearest whole number) and allotted to a nominee appointed by the Company and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be obtained, and the Company will retain the proceeds from such sale(s) for its own benefit.

Any unsold fractions of the Rights Shares and Bonus Warrants will be made available for excess applications by the Qualifying Shareholders.

### **Certificates of the Rights Shares and the Bonus Warrants and refund cheques**

Subject to fulfillment of the conditions of the Rights Issue and the Bonus Issue, share certificates for the fully-paid Rights Shares and warrant certificates for the Bonus Warrants are expected to be posted on or before Friday, 24 June 2011 to those entitled thereto by ordinary post to their registered addresses at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Friday, 24 June 2011 by ordinary post to the applicants' registered addresses at their own risk. Dealing in the fully-paid Rights Shares are expected to commence on Tuesday, 28 June 2011.

### **Rights of the Prohibited 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 Rights Issue and the Bonus Issue 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 Rights Shares and Bonus Warrants 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 the Rights Shares and the Bonus Issue to the Overseas Shareholders, no provisional allotment of Rights Shares of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to the Overseas Shareholders. Accordingly, the Rights Issue and the Bonus Issue will not be extended to the Prohibited Shareholders.

For those Overseas Shareholders who are to be excluded from the Rights issue and the Bonus Issue, the Company will, subject to compliance with the relevant local laws, regulations and requirements, send copies of the Prospectus for information only to those Prohibited Shareholders, but the Company will not send the provisional allotment letter and excess application form to such Prohibited Shareholders.

The Company shall provisionally allot the Rights Shares which represent the entitlements of the Prohibited Shareholders to nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in Rights Shares in nil-paid forms commence and in any event before the Latest Time for Acceptance at a net premium. If and to the extent that such Rights Shares in nil-paid forms can be so sold, the nominee shall account to the Company for the net proceeds of sale (after deduction the expenses of sale (if any) attributable to the sale of the Rights Shares that would otherwise have been allotted to the Prohibited Shareholders shall be distributed pro rata (but rounded down to the nearest cent) to the Prohibited Shareholders provided that individual amounts of \$100 or less shall be retained by the Company for its own benefit. Any of such Rights Shares in nil-paid forms which are not sold as aforesaid will be dealt with as Rights Shares not accepted.

### **Application for excess Rights Shares**

Qualifying Shareholders are entitled to apply for, by way of excess application, any unsold entitlements of the Prohibited Shareholders and for any nil-paid Rights Shares provisionally allotted but not accepted by other Qualifying Shareholders.

Applications for excess Rights Shares may be made by completing the excess application forms for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares

applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares, whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares).

No preference treatment will be given to the Concert Group in the allocation of the excess Rights Shares, if any.

Shareholders or potential investors of the Company should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders/investors. The investors whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of nominee companies (including Shares held through CCASS) should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Shareholders and investors should consult their professional advisers if they are in any doubt as to whether they should register their shareholdings in their own names and apply for excess Rights Shares themselves.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on or before Friday, 20 May 2011, being the business day immediately before the close of the register of members of the Company.

### **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 Rights Shares (in both nil-paid and fully-paid forms), the Bonus Warrants and the Bonus Warrants Shares.

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

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms), the Bonus Warrants and the Bonus Warrants Shares on the Stock Exchange, the Rights Shares (in both nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid forms, the Bonus Warrants and

the Bonus Warrants Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participations of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Existing Shares are currently traded on the Stock Exchange in board lots of 5,000 Shares. After the Capital Reorganisation becoming effective, the Adjusted Shares will be traded in board lots of 5,000 Adjusted Shares. Nil-paid Rights Shares are expected to be traded in board lots of 5,000 Rights Shares (being the same as that of the Adjusted Shares). Dealings in the Rights Shares, in both nil-paid and fully-paid forms (both in board lots of 5,000 Adjusted Shares), which are registered in the Registrar, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

## **UNDERWRITING ARRANGEMENT**

### **Irrevocable Undertakings**

As at the date of this announcement, HWKFE is interested in 246,715,000 Existing Shares, representing approximately 5.02% of the existing issued share capital of the Company, and the HKWFE Warrants conferring rights to subscribe for 29,961,659 new Existing Shares. HWKFE has given an irrevocable undertaking to the Company and Mansion House: (a) to accept or procure the acceptance for the 74,014,500 Rights Shares (with 14,802,900 Bonus Warrants), to which HWKFE is entitled under the Rights Issue and the Bonus Issue; and (b) not to dispose of and not to exercise the subscription rights attached to the HKWFE Warrants on or before completion of the Rights Issue.

As at the date of this announcement, Simple View is interested in 680,000,000 Existing Shares, representing approximately 13.84% of the existing issued share capital of the Company, and the Simple View Warrants conferring rights to subscribe for 144,219,780 new Existing Shares. Simple View has given an irrevocable undertaking to the Company and the Underwriters: (a) to accept or procure the acceptance for 200,000,000 Rights Shares (with 40,000,000 Bonus Warrants), to which Simple View is entitled under the Rights Issue and the Bonus Issue; and (b) not to dispose of and not to exercise the subscription rights attached to the Simple View Warrants on or before completion of the Rights Issue. Simple View has not given any undertaking in relation to the acceptance of the remaining 4,000,000 Rights Shares (with 800,000 Bonus Warrants) entitled by it under the Rights Issue and the Bonus Issue.

Furthermore, the Chen Convertible Bonds may be issued to Ms. Chen in relation to the 2009 Proposed Acquisition (which is subject to conditions precedent and yet to be completed), details of which are set out in the announcement of the Company dated 5 May 2009, and the Eternity Convertible Bonds may be issued to Eternity in relation to the Proposed Subscription (which is subject to condition precedent and yet to be completed), details of which are set out in the announcement of the Company dated 9 February 2011. Ms. Chen has given an irrevocable undertaking to the Company and the

Underwriters not to dispose of any Chen Convertible Bonds, not to transfer the Chen Convertible Bonds to any third party or take such actions to make those bonds available for conversions and not to exercise any of the conversion rights attaching to the Chen Convertible Bonds (if issued) on or before completion of the Rights Issue. Eternity has given an irrevocable undertaking to the Company and the Underwriters not to dispose of any Eternity Convertible Bonds, not to transfer the Eternity Convertible Bonds to any third party or take such actions to make those bonds available for conversions and not to exercise any of the conversion rights attaching to the Eternity Convertible Bonds (if issued) on or before completion of the Rights Issue.

None of the holders of the Share Options (including the 45,738,650 Share Options held by the Concert Group, representing approximately 17.37% of the total Share Options) has given any undertaking in relation to the exercise of the Share Options nor acceptance or non-acceptance of Rights Shares.

Save for the Simple View Warrants and the HWKFE Warrants, none of the warrants holders has given any undertaking.

### **Underwriting Agreement**

**Date:** 29 March 2011

**Underwriters:** HWKFE and Mansion House

HWKFE is a Shareholder and its ordinary course of business does not include underwriting. HWKFE will not be entitled to any underwriting commission. HWKFE is a company owned as to 50% by Mr. Heung and as to 50% by Ms. Chen. As at the date of this announcement, the Concert Group is interested in approximately 19.28% of the existing issued share capital of the Company.

To the best of the Directors' knowledge and information, Mansion House and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), and are not interested in any Shares. Pursuant to the Underwriting Agreement, Mansion House will receive a commission calculated as 2.5% of the aggregate Subscription Price in respect of the number of Underwritten Shares based on the number of Rights Shares as determined on the Record Date minus 800,000,000 Rights Shares payable by the Company and the Company will reimburse the Underwriters for all reasonable costs and expenses incurred in connection with the Underwriting under the Underwriting Agreement.

### **Number of Rights Shares underwritten by the Underwriters**

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite the Underwritten Shares in the manner that if:

- (a) the HWKFE's EAF Shares (if any) together with the Untaken Shares are equal to or less than 800,000,000 Rights Shares, HWKFE shall subscribe for all such Untaken Shares; or

- (b) the HWKFE's EAF Shares (if any) together with the Untaken Shares exceed 800,000,000 Rights Shares, HWKFE shall subscribe for such number of Untaken Shares equivalent to 800,000,000 Rights Shares less the HWKFE's EAF Shares (if any), and Mansion House shall subscribe or procure subscription for all the remaining Untaken Shares (being not more than 610,092,389 Underwritten Shares).

As stated in (a) above, the aggregate number of HWKFE's EAF Shares and the Untaken Shares subscribed by HWKFE shall in any event not exceed 800,000,000 Rights Shares. Therefore, the HWKFE's EAF Shares shall in any event not exceed 800,000,000 Rights Shares and if the number of HWKFE's EAF Shares equals to 800,000,000, HWKFE will not take up any Untaken Shares.

Given the Irrevocable Undertakings, details of which are set out in the paragraph headed "Irrevocable Undertakings" above, the Rights Issue is fully underwritten.

Mansion House has sub-underwritten 610,092,388 Shares and one Share will be remained for its own account. Mansion House has undertaken to the Company that (i) it will ensure that the subscribers or purchasers of the Underwritten Shares procured by it or by the sub-underwriters are third parties independent of and not acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (including the Concert Group); (ii) no such subscriber or purchaser of the Underwritten Shares shall be procured by it or by the sub-underwriters if allotment and issue of any Rights Shares (with Bonus Warrants) to it would result in it and its associates and concert parties, when aggregated with the Adjusted Shares (if any) already held by them holding 30% or more of the enlarged issued share capital of the Company immediately after completion of the Rights Issue and the Bonus Issue; and (iii) in performing its underwriting obligations under the Underwriting Agreement, no subscriber or purchaser of the Underwritten Shares will become a substantial Shareholder immediately after completion of the Rights Issue and the Bonus Issue. The Underwritten Shares taken up by Mansion House will be placed to not less than six places.

### **Conditions of the Rights Issue and the Bonus Issue**

The Rights Issue and the Bonus Issue is conditional upon:

- (1) the passing by the Independent Shareholders at the SGM of an ordinary resolution (such vote shall be taken by way of poll) to approve the Rights Issue;
- (2) the passing by the Independent Shareholders at the SGM of any ordinary resolution (such vote shall be taken by way of poll) to approve the Whitewash Waiver;



- (3) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by either all Directors or one of the Directors (for and on behalf of all the Directors) (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act 1981 of Bermuda (as amended from time to time) as soon as reasonably practicable after the Prospectus Posting Date;
- (4) the Executive granting the Whitewash Waiver to the Concert Group and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such other necessary waiver or consent of the Executive for the transactions contemplated under the Rights Issue and the Bonus Issue;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Rights Shares, the Bonus Warrants and the Bonus Warrants Shares by the Latest Time of Termination or such later time as the Underwriters may agree with the Company in writing;
- (6) the delivery to the Stock Exchange 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) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (7) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (8) 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 Rights Shares (in both nil-paid and fully paid forms), the Bonus Warrants and the Bonus Warrants Shares by no later than the Prospectus Posting Date;
- (9) the Capital Reorganisation having become effective;
- (10) the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the issue of the Bonus Warrants and the issue and allotment of the Bonus Warrants Shares;
- (11) compliance with and performance of all undertakings and obligations of HWKFE under the Irrevocable Undertakings;
- (12) compliance with and performance of all undertakings and obligations of Simple View under the Irrevocable Undertakings;

- (13) compliance with and performance of all undertakings and obligations of Ms. Chen under the Irrevocable Undertakings;
- (14) compliance with and performance of all undertakings and obligations of Eternity under the Irrevocable Undertakings;
- (15) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement; and
- (16) compliance with and performance of all undertakings and obligations of the Underwriters under the Underwriting Agreement.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole by the Latest Time for Termination or such other date as the Company and the Underwriters 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, and the Rights Issue and the Bonus Issue will not proceed.

#### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination:

- (1) in the sole and absolute opinion of the Underwriters, the success of the Rights Issue and the Bonus Issue 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 sole and absolute opinion of the Underwriters 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 Rights Issue and the Bonus Issue; 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 sole and absolute opinion of the Underwriters 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 Rights Issue and the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and the Bonus Issue; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; 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 sole and absolute opinion of the Underwriters is likely to materially or adversely affect the success of the Rights Issue and the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and the Bonus Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriters 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 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 Rights Issue and the Bonus Issue; or
- (5) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriters is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue and the Bonus Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriters shall at their sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriters 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 warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or
- (2) any Specified Event comes to the knowledge of the Underwriters.

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

## **REASONS FOR THE RIGHTS ISSUE AND THE BONUS ISSUE AND USE OF PROCEEDS**

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

As disclosed in the Company's announcement dated 7 January 2011, the development period of the Sites shall end on 14 April 2013 and, subject to the fulfillment of the conditions precedent, the Proposed Acquisition is expected to be completed on or before 30 June 2011 (the long stop date), the Company has a funding need for development of the Sites. Given the tight deadline imposed on the development of the Sites, the entering into the Underwriting Agreements between the Company and the Underwriters prior to the Capital Reorganisation becoming effective enables the Company to have sufficient time to source other alternatives to fund the development of the Sites, if the Rights Issue and the Bonus Issue do not proceed.

The gross proceeds from the Rights Issue will be not less than approximately HK\$368.38 million and not more than 421.03 million. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$363.53 million but not more than approximately HK\$414.86 million. On 23 December 2010, the Company has entered into a conditional agreement with Sociedade de Turismo e Diversões de Macau, S.A. in relation to the Proposed Acquisition. As stated in its announcement dated 7 January 2011, the Company intends to develop the Sites into office units and residential apartment for sale and the street level of the Sites into an area consisting of restaurants, bars, nightclubs and art galleries in order to create traffic in the surrounding areas of Hotel Lan Kwai Fong. The Board considers that the Proposed Acquisition will diversify the Group's investment portfolio in Macau and broaden its revenue base which have a positive impact on its long-term profitability. Given lengthy due diligence process and/or pledging of assets required for bank financing, the Board intends to apply the net proceeds from the Rights Issue to fund the financial needs for developing of the Sites and/or for general working capital of the Group. If the Proposed Acquisition does not proceed, the Company intends to apply the net proceeds from the Rights Issue for other possible property investment opportunities in Macau, other investment opportunities and/or for general working capital of the Group. As at the date of this announcement, the Company has not identified any such investment opportunities. As at the date of this announcement, the Company is in the process of preparing the circular in respect of the Proposed Acquisition. The Company expects that the circular in respect of the Proposed Acquisition will be despatched to the Shareholders as soon as possible and, subject to the fulfillment of the conditions precedent, the completion of the Proposed Acquisition is expected to be on or before 30 June 2011 (the long stop date).

Assuming full exercise of the Bonus Warrants at the Bonus Warrants Subscription Price, the cash proceeds from the exercise of the Bonus Warrants would be not less than approximately HK\$73.68 million and not more than HK\$84.21 million. It is expected that the proceeds from the exercise of the Bonus Warrants, if any, will be used for general working capital of the Group.

Having taken into account the terms of the Rights Issue and the Bonus Issue, the Board considers that the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, it also 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 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 in the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares (with the Bonus Warrants) to which they are entitled should note that their shareholdings in the Company will be diluted.**

## EFFECTS ON SHAREHOLDING STRUCTURE

For illustration purposes only, the effects on the shareholding structure of the Company as a result of the Rights Issue and the Bonus Issue based on the Irrevocable Undertakings and different assumed scenarios are illustrated as follows:

(1) Assuming none of the EOEW are exercised before the Record Date:

	As at the date of this announcement		After the Capital Reorganisation becoming effective but immediately before completion of the Rights Issue and the Bonus Issue				Immediately upon completion of the Rights Issue and the Bonus Issue, assuming all Qualifying Shareholders take up his/her/its entitlements under the Rights Issue and the Bonus Issue				Immediately upon completion of the Rights Issue and the Bonus Issue, assuming no Qualifying Shareholders take up Rights Shares (except the Underwriters)				Immediately upon completion of the Rights Issue and Bonus Issue, assuming no Qualifying Shareholders take up Rights Shares (except the Concert Group) (Note 5)			
					Assuming none of the Bonus Warrants are exercised		Assuming the Bonus Warrants are exercised in full		Assuming none of the Bonus Warrants are exercised		Assuming the Bonus Warrants are exercised in full		Assuming none of the Bonus Warrants are exercised		Assuming the Bonus Warrants are exercised in full		Assuming the Bonus Warrants held by Concert Group are exercised	
	No. of Existing Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %
<b>The Concert Group</b>																		
HWKFE (Note 1)	246,715,000	5.02	24,671,500	5.02	98,686,000	5.02	113,488,900	5.02	898,686,000	45.74	1,073,488,900	47.51	898,686,000	45.74	1,073,488,900	47.51	1,073,488,900	49.21
Dorest (Note 2)	137,025	0.01	13,702	0.01	54,808	0.01	63,029	0.01	13,702	0.00	13,702	0.00	54,808	0.01	63,029	0.01	63,029	0.01
Simple View and its associates (Note 3a)	699,950,000	14.25	69,995,000	14.25	279,980,000	14.25	321,977,000	14.25	269,995,000	13.74	309,995,000	13.72	279,980,000	14.25	321,977,000	14.25	321,977,000	14.76
									(Note 3b)									
<b>Sub-total</b>	<b>946,802,025</b>	<b>19.28</b>	<b>94,680,202</b>	<b>19.28</b>	<b>378,720,808</b>	<b>19.28</b>	<b>435,528,929</b>	<b>19.28</b>	<b>1,168,694,702</b>	<b>59.48</b>	<b>1,383,497,602</b>	<b>61.23</b>	<b>1,178,720,808</b>	<b>60.00</b>	<b>1,395,528,929</b>	<b>61.76</b>	<b>1,395,528,929</b>	<b>63.97</b>
Mansion House (Note 4)	-	-	-	-	-	-	-	-	399,522,125	20.34	479,426,550	21.22	389,496,019	19.82	467,395,222	20.69	389,496,019	17.85
Public Shareholders	3,964,986,732	80.72	396,498,673	80.72	1,585,994,692	80.72	1,823,893,896	80.72	396,498,673	20.18	396,498,673	17.55	396,498,673	20.18	396,498,674	17.55	396,498,674	18.18
<b>Total</b>	<b>4,911,788,757</b>	<b>100.00</b>	<b>491,178,875</b>	<b>100.00</b>	<b>1,964,715,500</b>	<b>100.00</b>	<b>2,259,422,825</b>	<b>100.00</b>	<b>1,964,715,500</b>	<b>100.00</b>	<b>2,259,422,825</b>	<b>100.00</b>	<b>1,964,715,500</b>	<b>100.00</b>	<b>2,259,422,825</b>	<b>100.00</b>	<b>2,181,523,621</b>	<b>100.00</b>

(2) Assuming the EOEW are exercised in full before the Record Date:

	As at the date of this announcement		After the Capital Reorganisation becoming effective but immediately before completion of the Rights Issue and the Bonus Issue		Immediately upon completion of the Rights Issue and the Bonus Issue, assuming all Qualifying Shareholders take up his/her/its entitlements under the Rights Issue and the Bonus Issue				Immediately upon completion of the Rights Issue and the Bonus Issue, assuming no Qualifying Shareholders take up Rights Shares (except the Underwriters)				Immediately upon completion of the Rights Issue and Bonus Issue, assuming no Qualifying Shareholders take up Rights Shares (except the Concert Group) (Note 5)					
					Assuming none of the Bonus Warrants are exercised		Assuming the Bonus Warrants are exercised in full		Assuming none of the Bonus Warrants are exercised		Assuming the Bonus Warrants are exercised in full		Assuming none of the Bonus Warrants are exercised		Assuming the Bonus Warrants are exercised in full		Assuming that only the Bonus Warrants held by Concert Group are exercised	
	No. of Existing Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %	No. of Adjusted Shares	Approx. %
<b>The Concert Group</b>																		
HWKFE (Note 1)	246,715,000	5.02	24,671,500	4.39	98,686,000	4.39	113,488,900	4.39	898,686,000	40.02	1,073,488,900	41.57	898,686,000	40.02	1,073,488,900	41.57	1,073,488,900	43.56
Dorest (Note 2)	137,025	0.01	16,608	0.01	66,432	0.01	76,396	0.01	16,608	0.00	16,608	0.00	66,432	0.01	76,396	0.01	76,396	0.01
Mr. Heung	-	0.00	926	0.00	3,704	0.00	4,260	0.00	926	0.00	926	0.00	3,704	0.00	4,260	0.00	4,260	0.00
Ms. Chen	-	0.00	926	0.00	3,704	0.00	4,260	0.00	926	0.00	926	0.00	3,704	0.00	4,260	0.00	4,260	0.00
Simple View and its associates (Note 3a)	699,950,000	14.25	74,849,089	13.33	299,396,356	13.33	344,305,809	13.33	274,849,089	12.24	314,849,089	12.19	299,396,356	13.33	344,305,809	13.33	344,305,809	13.97
									(Note 3b)									
<b>Sub-total</b>	<b>946,802,025</b>	<b>19.28</b>	<b>99,539,049</b>	<b>17.73</b>	<b>398,156,196</b>	<b>17.73</b>	<b>457,879,625</b>	<b>17.73</b>	<b>1,173,553,549</b>	<b>52.26</b>	<b>1,388,356,449</b>	<b>53.76</b>	<b>1,198,156,196</b>	<b>53.36</b>	<b>1,417,879,625</b>	<b>54.91</b>	<b>1,417,879,625</b>	<b>57.52</b>
Mansion House (Note 4)	-	-	-	-	-	-	-	-	610,092,389	27.17	732,110,866	28.35	585,489,742	26.07	702,584,690	27.21	585,489,742	23.75
Public Shareholders	3,964,986,732	80.72	461,829,914	82.27	1,847,319,656	82.27	2,124,417,604	82.27	461,829,914	20.57	461,829,914	17.89	461,829,914	20.57	461,829,914	17.88	461,829,914	18.73
<b>Total</b>	<b>4,911,788,757</b>	<b>100.00</b>	<b>561,368,963</b>	<b>100.00</b>	<b>2,245,475,852</b>	<b>100.00</b>	<b>2,582,297,229</b>	<b>100.00</b>	<b>2,245,475,852</b>	<b>100.00</b>	<b>2,582,297,229</b>	<b>100.00</b>	<b>2,245,475,852</b>	<b>100.00</b>	<b>2,582,297,229</b>	<b>100.00</b>	<b>2,465,199,281</b>	<b>100.00</b>

*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 and Dorest is the registered shareholder and has the voting right. These Shares had been deposited in C.A. Pacific Finance Limited which is in liquidation.
- 3a. Simple View is a wholly owned subsidiary of Eternity. Mr. Heung and Ms. Chen are directors of Simple View.
- 3b. This figure includes the 200,000,000 Rights Shares (with 40,000,000 Bonus Warrants) undertaken to be accepted by Simple View.
4. This scenario is for illustrative purpose only and will not occur. Mansion House has undertaken to the Company that (i) it will ensure that the subscribers or purchasers of the Underwritten Shares procured by it or by the sub-underwriters are third parties independent of and not acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; (ii) no such subscriber or purchaser of the Underwritten Shares shall be procured by it or by the sub-underwriters if allotment and issue of any Rights Shares (with Bonus Warrants) to it would result in it and its associates and concert parties, when aggregated with the Adjusted Shares (if any) already held by them holding 30% or more of the enlarged issued share capital of the Company immediately after completion of the Rights Issue and the Bonus Issue; and (iii) in performing its underwriting obligations under the Underwriting Agreement, no subscriber or purchaser of the Underwritten Shares will become a substantial Shareholder immediately after completion of the Rights Issue and the Bonus Issue.
5. These scenarios are for illustrative purpose assuming the Concert Group take up their respective entitlements, if any, under the Rights Issue and the Bonus Issue. It should be noted that:
  - (a) Dorest has not given any undertaking in relation to exercise of the Dorest Warrants nor acceptance of the 41,106 Rights Shares (with 8,221 Bonus Warrants) entitled by it. The Shares held by Dorest are under charging order.
  - (b) None of the holders of the Share Options (including the 45,738,650 Share Options held by the Concert Group, representing approximately 17.37% of the total Share Options) has given any undertaking in relation to the exercise of the Share Options nor acceptance or non-acceptance of Rights Shares. Save for the Simple View Warrants and the HWKFE Warrants, none of the warrants holders has given any undertaking.
  - (c) Pursuant to the Irrevocable Undertakings, Simple View has undertaken to accept 200,000,000 Rights Shares (with 40,000,000 Bonus Warrants) to which it is entitled under the Rights Issue and the Bonus Issue. Save as disclosed, Simple View has not given any undertaking in relation to acceptance or non-acceptance of the remaining 4,000,000 Rights Shares (with 800,000 Bonus Warrants ) entitled by it under the Rights Issue and the Bonus Issue.



**EXPECTED TIMETABLE OF THE RIGHTS ISSUE AND THE BONUS ISSUE**

*2011*

Special general meeting of the Company to be held for considering and, if thought fit, approving the Capital Reorganisation . . . . .	Friday, 6 May
Capital Reorganisation becoming effective (Note) . . . . .	Monday, 9 May
Despatch of circular with notice of SGM . . . . .	Monday, 9 May
Last day of dealing in the Adjusted Shares on a cum-entitlement basis . . . . .	Wednesday, 18 May
First day of dealing in the Adjusted Shares on an ex-entitlement basis . . . . .	Thursday, 19 May
Latest time for lodging transfer of the Adjusted Shares in order to be qualified for subscription of the Rights Issue and the Bonus Issue . . . . .	4:30 p.m. on Friday, 20 May
Register of members for the Shares closes (both dates inclusive) . . . . .	Monday, 23 May to Monday, 30 May
Latest time for lodging proxies . . . . .	4:00 p.m. on Saturday, 28 May
Record Date . . . . .	Monday, 30 May
SGM . . . . .	4:00 p.m. on Monday, 30 May
Announcement of result of SGM to be posted on the Stock Exchange’s website . . . . .	Monday, 30 May
Register of members for the Shares reopens . . . . .	Tuesday, 31 May
Despatch of Prospectus Documents . . . . .	Tuesday, 31 May
First day of dealing in nil-paid Rights Shares . . . . .	Thursday, 2 June
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Tuesday, 7 June

Last day of dealing in nil-paid Rights Shares . . . . .	Friday, 10 June
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares . . . . .	4:00 p.m. on Wednesday, 15 June
Latest time for the Rights Issue and the Bonus Issue to become unconditional . . . . .	4:00 p.m. on Monday, 20 June
Announcement of the results of acceptance and excess application of the Rights Issue to be posted on the Stock Exchange's website. . . . .	Tuesday, 21 June
Refund cheques for wholly and partially unsuccessful excess applications to be posted . . . . .	Friday, 24 June
Certificates for fully-paid Rights Shares and Bonus Warrants to be posted . . . . .	Friday, 24 June
Dealing in fully-paid Rights Shares commences . . . . .	Tuesday, 28 June

*Note:* For the timetable regarding implementation of the Capital Reorganisation and the associated trading arrangement, please refer to the announcement dated 28 February 2011 and the circular dated 7 March 2011 of the Company.

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 expected timetable for the Rights Issue and the Bonus Issue will be announced as appropriate.

#### **IMPLICATION UNDER THE LISTING RULES**

Pursuant to Rule 7.19(6) 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 Rights Issue and the Bonus Issue. As at the date of this announcement, there is no controlling Shareholder. Accordingly, Mr. Heung, Ms. Chen, HWKFE, Dorest, Eternity, Mr. Lei, Simple View and their respective associates who in aggregate hold approximately 19.28% of the existing issued share capital of the Company as at the date of this announcement will abstain from voting in favour of resolutions relating to the Rights Issue and the Bonus Issue at the SGM.

## **IMPLICATION UNDER THE TAKEOVERS CODE AND WHITEWASH WAIVER**

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite the Underwritten Shares in the manner that if (a) the HWKFE's EAF Shares (if any) together with the Untaken Shares are equal to or less than 800,000,000 Rights Shares, HWKFE shall subscribe for all such Untaken Shares; or (b) the HWKFE's EAF Shares (if any) together with the Untaken Shares exceed 800,000,000 Rights Shares, HWKFE shall subscribe for such number of Untaken Shares equivalent to 800,000,000 Rights Shares less the HWKFE's EAF Shares (if any), and Mansion House shall subscribe or procure subscription for all the remaining Untaken Shares (being not more than 610,092,389 Underwritten Shares. The underwriting obligation of HWKFE depends on whether HWKFE will apply for the Rights Shares by way of excess application and the actual number of Rights Shares allocated to HWKFE. The HWKFE's EAF Shares shall in any event not exceed 800,000,000 Rights Shares. Therefore, the aggregate number of the HWKFE's EAF Shares and the Untaken Shares subscribed by HWKFE shall in any event no more than 800,000,000 Rights Shares.

In the case that none of the EOEW is exercised before the Record Date and no Qualifying Shareholders (except the Concert Group) take up the Rights Shares, the Concert Group's aggregate shareholding in the Company will increase from 94,680,202 Adjusted Shares, representing approximately 19.28% as at the date of this announcement, to 1,178,720,808 Adjusted Shares, representing approximately 60.00% immediately upon completion of the Rights Issue, which is the largest possible shareholding percentage of the Concert Group. Therefore, this will trigger an obligation on the Concert Group to make a mandatory offer for all the Adjusted Shares and securities issued by the Company (not already held by the Concert Group) under Rule 26 of the Takeovers Code.

An application will be made by HWKFE to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders (i.e. Shareholders who are not involved in or interested in the Underwriting Agreement, the Rights Issue, the Bonus Issue and the Whitewash Waiver) at the SGM. If the Whitewash Waiver is not granted by the Executive, the Rights Issue and the Bonus Issue will not proceed.

Mr. Heung, Ms. Chen, HWKFE, Dorest, Eternity, Mr. Lei, Simple View and their respective associates and the Shareholders who are involved in or interested in the Underwriting Agreement, the Rights Issue, the Bonus Issue and the Whitewash Waiver will abstain from voting on the relevant resolutions at the SGM.

Completion of the Rights Issue and the Bonus Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. Accordingly, if the Whitewash Waiver is not obtained, the Rights Issue and the Bonus Issue will lapse and will not proceed.

## **DEALINGS OF THE EXISTING SHARES BY THE CONCERT GROUP**

There has been no dealing of Existing Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by the Concert Group for the six months' period immediately prior to the date of this announcement.

As at the date of this announcement, save as the 946,802,025 Existing Shares (representing approximately 19.28% of the entire issued share capital of the Company), the 45,738,650 Share Options (representing approximately 17.37% of the total Share Options) and the Existing Warrants which can be exercised to subscribe 177,031,269 Existing Shares (representing 28.89% of the Existing Warrants held by the Concert Group), the Concert Group:

- (a) did not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) save for the Irrevocable Undertakings, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of HWKFE and the Company and which may be material to the Underwriting Agreement, the Whitewash Waiver, the Rights Issue and the Bonus Issue;
- (c) there was no agreements or arrangements to which the Concert Group is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement, the Whitewash Waiver, the Rights Issue and the Bonus Issue, other than those set out in the section headed "Condition of the Rights Issue and the Bonus Issue" in this announcement;
- (d) did not receive any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Bonus Issue or the Whitewash Waiver; and
- (e) did not borrow or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below is the fund raising activities conducted by the Company in the past 12 months immediately prior to the date of this announcement:

Date of announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
9 February 2011	The Proposed Subscription	HK\$649.50 million	For financing the Proposed Acquisition and development of the Sites and/or general working capital of the Group	The Proposed Subscription is subject to conditions precedent and may or may not proceed.
14 January 2011	Placing of up to 577,855,000 new Existing Shares at a price of HK\$0.07 per new Existing Share	HK\$39.93 million	To satisfy part of the consideration for the Proposed Acquisition	The net proceeds will be used as intended
8 July 2010	Rights issue of 1,444,643,184 new Existing Shares on the basis of one rights Existing Share for every two Existing Shares held on 20 July 2010 at the subscription price of HK\$0.10 per rights Existing Share	HK\$141.46 million	To reduce the Group's bank borrowings and financing hotel operation or finance the general working capital of the Group	Approximately HK\$41 million has been applied to hotel operation and general working capital of the Group and HK\$100.46 million will be applied to the Proposed Acquisition

## **CIRCULAR**

A circular containing, among others, details of the Rights Issue, the Bonus Issue and the Whitewash Waiver, the advice and recommendations of the Independent Board Committee and the letter from the Independent Financial Adviser (appointed by the Company and approved by the Independent Board Committee) to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Bonus Issue and the Whitewash Waiver, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules and the Takeovers Code. An announcement will be made after the appointment of the Independent Financial Adviser.

## **PROSPECTUS DOCUMENTS**

Subject to certain conditions precedent of the Rights Issue and the Bonus Issue being satisfied, the Prospectus Documents setting out details of the Rights Issue and the Bonus Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Overseas Letter, together with the Prospectus will be despatched to the Prohibited Shareholders for information only.

## **ADJUSTMENTS TO SHARE OPTIONS AND EXISTING WARRANTS**

Adjustments to the exercise prices and number of the Share Options and the subscription price of the Existing Warrants may be required under the Share Option Scheme and the relevant terms under the warrant instrument constituting the Existing Warrants. An approved financial adviser or the auditors of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the Share Options and the subscription price of the Existing Warrants. Further announcement will be made by the Company in this regard.

## **WARNING OF THE RISK OF DEALINGS IN THE ADJUSTED SHARES AND NIL-PAID RIGHTS SHARES**

**The last day of dealing in the Adjusted Shares on a cum-entitlement basis is Wednesday, 18 May 2011. The Adjusted Shares will be dealt in on an ex-entitlement basis commencing from Thursday, 19 May 2011. The Rights Shares are expected to be dealt in their nil-paid form from Thursday, 2 June 2011 to Friday, 10 June 2011 (both dates inclusive). Shareholders and potential investors should note that dealing in Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.**

**Shareholders and potential investors of the Company should note that the Rights Issue and the Bonus Issue is conditional upon fulfillment of various conditions precedent and the Underwriters are entitled to terminate the Underwriting Agreement prior to the Latest Time for Termination, details of which have been set out under the paragraph headed “Termination of the Underwriting Agreement” of this announcement. Accordingly, the Rights Issue and the Bonus Issue may or may not proceed.**

**Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue and the Bonus Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 20 June 2011) and/or dealing in nil-paid Rights Shares between Thursday, 2 June 2011 to Friday, 10 June 2011 (both dates inclusive), will accordingly bear the risk that the Rights Issue and the Bonus Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares and/or nil-paid Rights Shares should exercise extreme caution when dealing in Shares and/or nil-paid Rights Shares, and if they are in any doubt about their position, they should consult his/her/its own professional adviser.**

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares and the Existing Warrants was suspended with effect from 9:00 a.m. on 30 March 2011 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares and the Existing Warrants with effect from 9:00 a.m. on 19 April 2011.

## **TERMS USED IN THIS ANNOUNCEMENT**

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

“2009 Proposed Acquisition”	the proposed acquisition of business interests pursuant to a conditional agreement dated 29 April 2009 entered into between the Group and Ms. Chen, details of which are set out in the announcement and circular of the Company dated 5 May 2009 and 17 August 2009 respectively, which is subject to conditions precedent and yet to be completed
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Bonus Issue”	the proposed issue of the Bonus Warrants on the basis of one Bonus Warrant for every five Rights Shares taken up under the Rights Issue

“Bonus Warrants”	not less than 294,707,325 bonus warrants and not more than 336,821,377 bonus warrants to be issued under the Bonus Issue
“Bonus Warrants Share(s)”	the new Adjusted Shares to be allotted and issued pursuant to the exercise of the subscription rights attached to the Bonus Warrant(s) at the Bonus Warrants Subscription Price
“Bonus Warrants Subscription Price”	the initial subscription price of HK\$0.25 per Bonus Warrants Share (subject to adjustment)
“Bonus Warrants Subscription Period”	the period of 18 months from the date when dealings in the Bonus Warrants commence on the Stock Exchange
“Business Day”	a day (other than a Saturday, a Sunday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Capital Reorganisation”	the proposed capital reorganisation of the Company involving (i) the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) consolidated Existing Share of HK\$0.10 each; (ii) the capital reduction of the nominal value of all the authorised share capital of the Company and the cancellation of the paid-up capital of the issued Shares from HK\$0.10 each to HK\$0.01 each and the credit arising from reduction of the issued share capital of the Company be transferred to the contributed surplus account of the Company; and (iii) increase of authorised share capital of the Company, details of which were disclosed in the announcement(s) of the Company dated 9 February 2011 and 28 February 2011 and the circular of the Company dated 7 March 2011, which is subject to conditions precedent and may or may not proceed.
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC



“Chen Convertible Bonds”	the convertible bonds in an principal amount of HK\$350 million conferring rights to subscribe for 700,000,000 new Existing Shares at the initial subscription price of HK\$0.50 per Share (subject to adjustment) to be issued to Ms. Chen in relation to the 2009 Proposed Acquisition (which is subject to conditions precedent and yet to be completed)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Concert Group”	HWKFE, Mr. Heung, Ms. Chen, Dorest, Eternity, Mr. Lei, Simple View and their respective associates and parties acting in concert with any of them
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“Directors’ Options”	9,263 Shares Options held by Mr. Heung conferring rights to subscribe for 9,263 new Existing Shares, and 9,263 Shares Options held by Ms. Chen conferring rights to subscribe for 9,263 new Existing Shares
“Dorest”	Dorest Company Limited, an investment holding company beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung
“Dorest Warrants”	an amount of approximately HK\$5,289 Existing Warrants held by Dorest entitling it to subscribe for 29,061 new Existing Shares
“Eternity”	Eternity Investment Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 764) and its single largest shareholders is Mr. Lei who holds 19.99% of its issued shares

“Eternity Convertible Bonds”	the convertible bonds in principal amount of HK\$650 million conferring rights to subscribe for 8,125,000,000 new Existing Shares at the initial conversion price of HK\$0.08 (subject to adjustment) proposed to be issued by the Company to Eternity in relation to the Proposed Subscription (which is subject to conditions precedent and yet to be completed)
“Executive”	Executive Director of the Corporate Finance Division of the Securities and Future Commission of Hong Kong or any of his delegates
“EOEW”	the outstanding Share Options and Existing Warrants, except for the HWKFE Warrants and Simple View Warrants, which HWKFE and Simple View have undertaken not to exercise the subscription rights thereof respectively on or before completion of the Rights Issue pursuant to the Irrevocable Undertakings
“Existing Shares”	ordinary shares of HK\$0.01 each in the existing issued and unissued share capital of the Company before the Capital Reorganisation becoming effective
“Existing Warrants”	the outstanding warrants in an aggregate principal amount of HK\$111,525,643.67 entitling the holders thereof to subscribe for 612,778,261 new Existing Shares at an adjusted subscription price of HK\$0.182 per Existing Share (subject to further adjustment) pursuant to the warrant instrument issued by the Company on 15 June 2010
“Group”	the Company and its subsidiaries
“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the British Virgin Islands and owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“HWKFE’s EAF Shares”	the Rights Shares successfully applied for or taken up by HWKFE and its associates by way of excess application for Rights Shares under the Rights Issue, which shall in any event not exceed 800,000,000 Right Shares

“HWKFE Warrants”	an amount of approximately HK\$5,453,021 Existing Warrants held by HWKFE entitling it to subscribe for 29,961,659 new Existing Shares or 2,996,166 new Adjusted Shares
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	the parties or persons who are third parties independent of and not connected with the director, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Independent Board Committee”	a committee of the Board, comprising all independent non-executive Directors to advise the Independent Shareholders on the Rights Issue, and the Bonus Issue and the Whitewash Waiver
“Independent Financial Adviser”	the independent financial adviser which will be appointed by the Company and approved by the Independent Board Committee as to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Bonus Issue and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Concert Group and those who are involved in, or interested in the Underwriting Agreement, the Rights Issue, the Bonus Issue and the Whitewash Waiver, who are required to abstain from voting in respect of the Rights Issue, the Bonus Issue and the Whitewash Waiver at the SGM pursuant to the Takeovers Code and the Listing Rules
“Irrevocable Undertakings”	the irrevocable undertakings given by HWKFE, Simple View, Eternity, and Ms. Chen respectively, details of which are set out in the paragraph headed “Irrevocable Undertakings” in this announcement
“Last Trading Day”	29 March 2011, being the last trading day for the Shares before the date of this announcement
“Latest Lodging Time”	4:30 p.m. on Friday, 20 May as the latest time for lodging transfer of the Adjusted Shares in order to be qualified for the subscription of the Rights Issue and the Bonus Issue

“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 15 June 2011 or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of and payment for, the Rights 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 the Underwriters, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mansion House”	Mansion House Securities (F.E.) Limited, a corporation licensed to conduct Type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance), 7 (providing automated trading services) and 9 (asset management) regulated activities under the Securities and Future Ordinance, being one of the Underwriters
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director and the spouse of Ms. Chen
“Mr. Lei”	Mr. Lei Hong Wai, the single largest shareholder of Eternity holding 19.99% of the issued share capital of Eternity and an employee of the Company
“Mr. Lei Warrants”	an amount of approximately HK\$513,380 Existing Warrants held by Mr. Lei entitling him to subscribe for 2,820,769 new Existing Shares or 282,077 new Adjusted Shares, which represents approximately 0.46% of the total warrants of the Company
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and the spouse of Mr. Heung
“Overseas Letter(s)”	letter(s) from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Rights Issue and the Bonus Issue
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date

“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 Rights Shares (with the Bonus Warrants) to them
“Proposed Acquisition”	the proposed acquisition of the property leasehold right in respect of the leasehold granted by the Macau Government over the Sites pursuant to the conditional agreement entered into between the Company and Sociedade de Turismo e Diversões de Macau, S.A., details of which are set out in the announcement dated 7 January 2011 of the Company, which is subject to conditions precedent and yet to be completed
“Proposed Subscription”	the proposed subscription of the Eternity Convertible Bonds by Eternity, details of which are set out in the announcement dated 9 February 2011 jointly issued by the Company and Eternity, which is subject to condition precedent and yet to be completed
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue and the Bonus Issue
“Prospectus Documents”	the Prospectus and the provisional allotment letter of Rights Shares and the form of application for excess Rights Shares
“Prospectus Posting Date”	Tuesday, 31 May 2011 or such later date as may be agreed between the Underwriters 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”	Monday, 30 May 2011, being the date by reference to which entitlements to the Rights Issue and the Bonus Issue will be determined

“Registrar”	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights issue on the basis of three Rights Shares for every one Adjusted Share held on the Record Date, with Bonus Warrants on the basis of one Bonus Warrant for every five Rights Shares taken up
“Rights Share(s)”	Not less than 1,473,536,625 Adjusted Shares and not more than 1,684,106,889 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription under the Rights Issue
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the Shareholder to consider and approve, inter alia, the Rights Issue, the Bonus Warrants and the Whitewash Waiver and the transactions contemplated thereunder
“Share(s)”	the Existing Share(s) or the Adjusted Share(s), as the case may be
“Shareholder(s)”	holder(s) of the Shares
“Share Options”	263,304,058 outstanding share options granted by the Company exercisable into 263,304,058 Existing Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 27 May 2002
“Simple View”	Simple View Investment Limited, a wholly-owned subsidiary of Eternity and whose directors are Mr. Heung and Ms. Chen
“Simple View Warrants”	an amount of approximately HK\$26,248,000 Existing Warrants held by Simple View entitling it to subscribe for 144,219,780 new Existing Shares or 14,421,978 new Adjusted Shares

“Sites”	Lot 6B, Lot 6C, Lot 6D and Lot 6E, located in Macau at Zona de Aterros do Porto Exterior (ZAPE)
“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 Price”	HK\$0.25 per Rights Share
“Supplemental Agreement”	the supplemental agreement dated 18 April 2011 entered into amongst the Company and the Underwriters in relation to the Underwriting Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwritten Shares”	the Rights Shares, other than those entitled and undertaken to be taken up by HWKFE and Simple View respectively under the Rights Issue pursuant to the Irrevocable Undertakings
“Underwriters”	Mansion House and HWKFE
“Underwriting Agreement”	the underwriting agreement dated 29 March 2011 (as supplemented by the Supplemental Agreement) entered into between the Company and the Underwriters in relation to the Rights Issue and the Bonus Issue
“Untaken Shares”	the Rights Shares not taken up by the Qualifying Shareholders
“Whitewash Waiver”	a waiver from the obligation of the Concert Group to make a mandatory offer to the Shareholders under Rule 26 of the Takeovers Code as a result of the acceptance for the Rights Shares and underwriting the Rights Shares (with Bonus Warrants) under the Underwriting Agreement and/or application of excess Rights Shares pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code

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

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

Hong Kong, 18 April 2011

*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.*

*All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.*