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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

CONNECTED TRANSACTION INVOLVING DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN AND THE SALE LOAN DUE BY STAR HOPE INVESTMENTS LIMITED

CONNECTED TRANSACTION

On 6 June 2014 (after trading hours), the Vendor, being an indirect non-wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan, at a total consideration of HK\$82,282,048.

Completion has taken place simultaneously upon signing of the Disposal Agreement. Upon Completion, each member of the Target Group has ceased to be a subsidiary of the Company and their financial results will no longer be consolidated into the Company's consolidated financial statements.

LISTING RULES IMPLICATION

As at the date of this announcement, Mighty Chief Limited and Rosy Mile Limited, who are interested in 37.5% and 12.5% of the issued share capital of Ace Season, an indirect non-wholly-owned subsidiary of the Company. As such, Mighty Chief Limited and Rosy Mile Limited, being the substantial shareholders of a subsidiary of the Company, are connected persons of the Company.

As the ultimate beneficial owner of the Purchaser is a family member of the ultimate beneficial owners of Mighty Chief Limited and Rosy Mile Limited, the Purchaser is considered as an associate of each of Mighty Chief Limited and Rosy Mile Limited under Chapter 14A of the Listing Rules. By virtue of being an associate of Mighty Chief Limited and Rosy Mile Limited, the Purchaser is also a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Disposal Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios is less than 5%, the transaction contemplated under the Disposal Agreement is subject to reporting and announcement requirements but are exempt from independent Shareholders' approval pursuant to Rule 14A.32 of the Listing Rules.

THE DISPOSAL

On 6 June 2014 (after trading hours), the Vendor, being an indirect non-wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan, at a total consideration of HK\$82,282,048. Details of the Disposal Agreement are as follows:

THE DISPOSAL AGREEMENT

Date: 6 June 2014 (after trading hours)

Parties:

Vendor: Empowered Century Limited, an indirect non-wholly-owned subsidiary of the Company

Purchaser: Wing Shan Int'l Limited

The Vendor is an indirect non-wholly-owned subsidiary of the Company and is principally engaged in investment holding. It is interested in the entire issued share capital of Well Full.

The Purchaser is an investment holding company incorporated in the British Virgin Islands.

As at the date of this announcement, Mighty Chief Limited and Rosy Mile Limited, who are interested in 37.5% and 12.5% of the issued share capital of Ace Season, an indirect non-wholly-owned subsidiary of the Company. As such, Mighty Chief Limited and Rosy Mile Limited, being the substantial shareholders of a subsidiary of the Company, are connected persons of the Company.

As the ultimate beneficial owner of the Purchaser is a family member of the ultimate beneficial owners of Mighty Chief Limited and Rosy Mile Limited, the Purchaser is considered as an associate of each of Mighty Chief Limited and Rosy Mile Limited under Chapter 14A of the Listing Rules. By virtue of being an associate of Mighty Chief Limited and Rosy Mile Limited, the Purchaser is also a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Disposal Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire:

- (a) the Sale Share, being the entire issued share capital of the Target Company; and
- (b) the Sale Loan which amounts to HK\$81,999,878.40 as at the date of the Disposal Agreement.

Further information on the Target Group was set out in the section headed “Information on the Target Group and the Property” below.

Consideration

The aggregate consideration for the sale and purchase of the Sale Share and the Sale Loan shall be the sum of HK\$82,282,048, which shall be paid by the Purchaser in cash on Completion by way of a cashier order issued by a licensed bank in Hong Kong drawn in favour of the Vendor (or its nominee) or in such manner as may be agreed by the parties thereto.

The consideration was arrived at after arm’s length negotiation between the Vendor and the Purchaser with reference to (i) the reasons for the Disposal as discussed in the section headed “Reasons for the Disposal” below; and (ii) the adjusted consolidated net asset value of the Target Group as at 5 June 2014 (adjusted for the outstanding balance of the Sale Loan as at the date of the Disposal Agreement) of approximately HK\$80,733,000; and (iii) the offer prices of properties which are similar to the Property in nearby location.

As such, the Directors consider that the terms and conditions of the Disposal, including the consideration are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Completion

Completion has taken place simultaneously upon signing of the Disposal Agreement.

Upon Completion, each member of the Target Group has ceased to be a subsidiary of the Company and their financial results will no longer be consolidated into the Company’s consolidated financial statements.

INFORMATION ON THE TARGET GROUP AND THE PROPERTY

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability, and is an indirect non-wholly-owned subsidiary of the Company immediately prior to the Completion. It is the legally and beneficial owner of the entire issued share capital of Well Full which is principally engaged in property holding investment.

The principal asset of Well Full is the Property. The Property is a retail shop situated at Nos. 1 and 3, Mercer Street, Hong Kong. The Property is currently subject to the legal charge/mortgage as security for a mortgage loan from the Bank with outstanding principal amount of approximately HK\$1,912,000 as at the date of this announcement.

Accordingly to the unaudited financial statements of the Target Company from 12 December 2012 (date of incorporation) to 31 December 2013, which were prepared in accordance with the Hong Kong Financial Reporting Standards, the turnover, the loss before tax and the loss after tax of the Target Company was nil, HK\$110,000 and HK\$110,000 respectively.

Accordingly to the unaudited financial statements of Well Full, which were prepared in accordance with the Hong Kong Financial Reporting Standards, the turnover, the profit before tax and the profit after tax for the period from 1 April 2013 to 31 December 2013 was nil, HK\$213,000 and HK\$213,000 respectively. The turnover, the profit before tax and the profit after tax for the financial year ended 31 March 2013 was HK\$362,000, HK\$743,000 and HK\$743,000 respectively.

As at 5 June 2014, the unaudited consolidated net liabilities of the Target Group was approximately HK\$1,267,000.

REASONS FOR THE DISPOSAL

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

In light of the gain from the Disposal as disclosed below, the Board considers that the Disposal represents an opportunity for realisation of the Group's investment in the Property having considered the recent market sentiments towards property investment in Hong Kong. The Board also considers that the Disposal will enable the Group to focus its financial resources on its other principal businesses such as the hotel and gaming services operation and other gaming related services businesses in Macau.

The Directors consider that the Disposal and the transactions contemplated under the Disposal Agreement have been made on normal commercial terms and that such terms are fair and reasonable and that the Disposal contemplated under the Disposal Agreement are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, the Group is expected to record an unaudited gain on the Disposal of approximately HK\$1,549,000). Such gain is estimated based on the gross proceeds from the Disposal less the aggregate carrying values of the Sale Share and the Sale Loan of approximately HK\$80,733,000 as at the date of the Disposal Agreement.

The Board intends to apply the net proceeds from the Disposal of approximately HK\$41,141,000 as the general working capital of the Group and approximately HK\$41,141,000 to repay advances from non-controlling interest.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mighty Chief Limited and Rosy Mile Limited, who are interested in 37.5% and 12.5% of the issued share capital of Ace Season, an indirect non-wholly owned subsidiary of the Company. As such, Mighty Chief Limited and Rosy Mile Limited, being the substantial shareholders of a subsidiary of the Company, are connected persons of the Company.

As the ultimate beneficial owner of the Purchaser is a family member of the ultimate beneficial owners of Mighty Chief Limited and Rosy Mile Limited, the Purchaser is considered as an associate of each of Mighty Chief Limited and Rosy Mile Limited under Chapter 14A of the Listing Rules. By virtue of being an associate of Mighty Chief Limited and Rosy Mile Limited, the Purchaser is also a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Disposal Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios is less than 5%, the transaction contemplated under the Disposal Agreement is subject to reporting and announcement requirements but are exempt from independent Shareholders' approval pursuant to Rule 14A.32 of the Listing Rules.

As none of the Directors has any material interest in the connected transaction contemplated under the Disposal Agreement, no Directors were required to abstain from voting on the board resolutions passed in connection with the Disposal Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Ace Season”	Ace Season Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect non-wholly-owned subsidiary of the Company
“associates(s)”	has the meaning ascribed thereto under the Listing Rules
“Bank”	Industrial and Commercial Bank of China (Asia) Limited
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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 (stock code: 326)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the unconditional sale and purchase agreement dated 6 June 2014 (after trading hours) entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Wing Shan Int’l Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property”	cockloft floor and the ground floor of Nos. 1 and 3 Mercer Street, Hong Kong
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which will be assigned to the Purchaser upon Completion and amounted to HK\$81,999,878.40 as at the date of the Disposal Agreement
“Sale Share”	1 issued share of US\$1.00 in the capital of the Target Company, which is beneficially owned by the Vendor, representing the entire issued share capital of the Target Company
“Shares”	ordinary share(s) in issued share capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Star Hope Investments Limited, a company incorporated in the British Virgin Islands with limited liability

“Target Group”	the Target Company and Well Full
“Vendor”	Empowered Century Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Well Full”	Well Full Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of the America
“%”	per cent.

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

Hong Kong, 6 June 2014

As at the date of this announcement, the executive Directors are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.