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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

VERY SUBSTANTIAL DISPOSAL OF PROPERTY LEASEHOLD RIGHTS, INSIDE INFORMATION AND RESUMPTION OF TRADING

LETTER OF INTENT

The Board announces that after trading hours on 31 October 2014, the Vendor, a direct wholly-owned subsidiary of the Company, entered into a legally binding Letter of Intent with the Purchaser and the Company (as varied by a supplemental agreement dated 18 November 2014) in relation to the Proposed Disposal.

The Initial Consideration for the Proposed Disposal shall be HK\$2,230,000,000 less Accruals and Other Liabilities, each as at Completion and as shown in the Completion Accounts. The Vendor may be entitled to the Bonus Consideration in addition to the Initial Consideration. For the details of the Consideration, please refer to the sections headed “Initial Consideration and Bonus Consideration” of this announcement.

The Target Group holds, inter alia, the Property Leasehold Rights to the Properties in Macau.

IMPLICATIONS UNDER THE LISTING RULES

The applicable percentage ratios (as defined in the Listing Rules) for the Proposed Disposal are more than 75% and therefore the Proposed Disposal constitutes a very substantial disposal of the Company and is subject to the announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Disposal. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Disposal; therefore, no Shareholder is required to abstain from voting for the resolution to approve the Proposed Disposal at the SGM.

A circular of the Company containing further information about the Proposed Disposal is expected to be despatched to the Shareholders on a date, which is more than 15 business days after publication of this announcement, as the Purchaser has until 12 December 2014 to conduct the Due Diligence Review. A further announcement will be made as and when applicable in respect of the despatch of the circular.

Shareholders and investors should note that the Proposed Disposal is subject to conditions as stated in the section headed "Conditions Precedent" in this announcement and therefore the Proposed Disposal may or may not complete and the Proposed Disposal may or may not be effected. As such, Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

INSIDE INFORMATION

The Board further announces that the consideration for the proposed disposal by the Group of the Hotel with a carrying amount of HK\$813,000,000 as at 30 June 2014 to an Independent Third Party has been agreed at HK\$3,750,000,000 and the proposed disposal is subject to the entering into of formal documentation. If the proposed disposal of the Hotel proceeds, it will constitute a very substantial disposal for the Company under the Listing Rules.

Shareholders and investors should note that:

- (i) Under Rule 14.82 of the Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Upon completion of the proposed disposal of the Hotel, the Company's cash level will increase significantly. If the assets of the Company consist substantially of cash or short-dated securities after such completion, it may become a cash company under Rule 14.82 of the Listing Rules. It will not be regarded as suitable for listing and trading in its securities will be suspended.
- (ii) Under Rule 13.24 of the Listing Rules, an issuer shall carry out a sufficient level of operations or have sufficient assets to warrant the continued listing of the issuer's securities. The operations of the Company will significantly diminish after the completion of the proposed disposal of the Hotel. If the Company does not have a sufficient level of operations and does not have sufficient assets after the such completion, the trading of the Shares will be suspended.

As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 3 November 2014 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 24 November 2014.

THE LETTER OF INTENT

The Board announces that after trading hours on 31 October 2014, the Vendor, a direct wholly-owned subsidiary of the Company, entered into a legally binding Letter of Intent (as varied by a supplemental agreement dated 18 November 2014) with the Purchaser and the Company in relation to the Proposed Disposal, the principal terms of which are set out below:

Date

31 October 2014

Parties

- (1) Vendor: China Star Entertainment (BVI) Limited, a direct wholly-owned subsidiary of the Company
- (2) Purchaser: Bestmix Holdings Limited, a company incorporated in the British Virgin Islands and which is a company carrying on the business of property investment and holding
- (3) Guarantor of the Vendor: The Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its beneficial owners and their respective associates are Independent Third Parties.

Subject Matter

Pursuant to the Letter of Intent, it is proposed that the Purchaser will acquire from the Vendor the entire issued share capital in the Target Company and the Sale Loans. As at the date of the Letter of Intent, CSCD, an indirect wholly-owned subsidiary of the Target Company, owns the Property Leasehold Rights to the Properties.

Due Diligence Review

Pursuant to the Letter of Intent, the Purchaser shall be entitled to perform a Due Diligence Review, on or before 12 December 2014, which includes, inter alia, the Property Leasehold Rights.

Initial Consideration

The Initial Consideration for the Proposed Disposal shall be HK\$2,230,000,000 less Accruals and Other Liabilities, each as at Completion and as shown in the Completion Accounts. At the same time as the delivery of the Completion Accounts, the Vendor shall also deliver to the Purchaser the Operating Subsidiaries' Accounts.

Bonus Consideration

The Vendor may be entitled to the Bonus Consideration in addition to the Initial Consideration.

The Bonus Consideration for the Proposed Disposal shall be (i) the total permissible residential and commercial (excluding those relating to car park/car port) gross construction floor area (GFA) for the building(s) which may be erected on Lot B, Lot C, Lot D and Lot E of the Properties pursuant to the relevant Property Leasehold Rights in excess of 50,052 square meters (“**Bonus Permitted GFA**”) which may be approved by the Macau Government (and accepted by CSCD or STDM on its/their behalf (with the written consent of the Purchaser if such approval is granted prior to Completion)) within 48 months following the date of the Letter of Intent multiplied by HK\$38,578 per square meter Bonus Permitted GFA, and less (ii) all premium and other payments which may be payable to the Macau Government in exchange for such Bonus Permitted GFA. The Bonus Consideration shall be paid within 21 days following the formal approval by Macau Government of the Permit for Construction Work for the Properties and the Bonus Permitted GFA shall be determined by reference to such approved permit.

As the Group has done a lot of work and put in great efforts in liaising with the Macau Government for developing the Properties as the Combined Sites (as defined in section headed “Information on the lots comprising the Properties” below), the Company has reached an agreement with the Purchaser for the payment of the Bonus Consideration in return for the works and efforts in liaison. According to the architectural design and drawings of the Combined Sites submitted to the Land, Public Works and Transport Bureau of Macau, the total gross construction floor area for residential and commercial is 63,079 square meters. As there may be a difference between the submitted and approved total gross construction floor area, the Company and the Purchaser have reached an agreement that 80% of the submitted gross construction floor area for residential and commercial of the Combined Sites serves as a base and the Vendor shall be entitled to the Bonus Consideration in accordance with the above calculation. The discount factor of 20% is a result of arm's length negotiations between the Vendor and the Purchaser and the price of HK\$38,578 per square meter is the land cost of similar lands in relevant locations.

Payment Terms

- (i) Initial deposit and part payment of the Initial Consideration in the sum of HK\$50,000,000 has been paid upon the signing of the Letter of Intent by the Purchaser to the Vendor's solicitors, which is held by the Vendor's solicitors as stakeholders pending Completion.
- (ii) Further deposit and part payment of the Initial Consideration in the sum of HK\$173,000,000 shall be payable within 14 business days following the despatch of the circular by the Company in connection with the Proposed Disposal as required by the Listing Rules by the Purchaser to the Vendor's solicitors, which shall be held by the Vendor's solicitors as stakeholders pending Completion.
- (iii) The balance of the Initial Consideration (subject to deduction of Accruals and Other Liabilities) shall be payable by the Purchaser to the Vendor or its nominee upon Completion in full by cashier order or telegraphic transfer of cleared funds from a licenced bank in Hong Kong or Macau, provided that for a maximum amount of up to HK\$2,230,000,000 (subject to deduction of Accruals and Other Liabilities) less HK\$1,300,000,000 (the "**Total P Note Sum**"), the Purchaser may settle the same by the issuance to the Vendor of (a) a promissory note for 51% of the Total P Note Sum from CSI Properties Limited ("**CSI**"), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange, and (b) a promissory note for 49% of the Total P Note Sum issued by the Joint Beneficial Owner (each, a "**P Note**"). Each P Note shall provide for interest to accrue in arrears on the principal amount outstanding thereunder at the simple rate of 5% per annum (on an actual number of days lapsed basis and based on 365 days in a year), and the repayment of 1/3 (one third) of the principal amount, together with all accrued interest then outstanding, on or before the expiry of each anniversary date following the date of that P Note's issuance, to the intent that all amounts (including interest) owing under that P Note shall be fully repaid on or before the expiry of the 3 years following the date of its issuance. Default interest at the rate of 15% shall apply to all overdue amounts under the relevant P Note.
- (iv) Upon Completion, the Purchaser shall also provide to the Vendor a several guarantee (as primary obligor and not as surety) from each of (a) CSI in respect of the payment by the Purchaser of 51% of the Bonus Consideration payable by the Purchaser, and (b) the Joint Beneficial Owner in respect of the payment by the Purchaser of 49% of the Bonus Consideration payable by the Purchaser.

The Initial Consideration and the Bonus Consideration were arrived at after negotiations on an arm's length commercial basis between the parties to the Letter of Intent with reference to, among others, prevailing market price of similar properties in relevant locations. No property valuations were taken into account when negotiating the Consideration.

Guarantee

Pursuant to the Letter of Intent, the Company has agreed to guarantee the performance of the Vendor under the Letter of Intent. The Guarantee and indemnity shall cease, fall away and be fully released 6 months after Completion on the understanding that any successful claims for a breach of the Letter of Intent or the Formal Agreement as adjudicated or determined by a competent court and which cannot be satisfied by the Vendor shall be deducted from the Total P Note Sum.

Conditions Precedent

Completion is conditional upon:

- (i) the Company having obtained all necessary Shareholder's approval(s) as may be required by the Listing Rules;
- (ii) the Purchaser not having notified the Vendor in writing on or before 12 December 2014 that it is not reasonably satisfied with the Due Diligence Review; and
- (iii) there being no material breach of any term of the Letter of Intent or warranty given by the Vendor in the Letter of Intent (unless as may be waived by the Purchaser).

If any of these conditions precedent is not satisfied on or before 30 August 2015 (or if the Purchaser has notified the Vendor in writing that it is not reasonably satisfied with any of those matters mentioned in (ii) above), then the Purchaser may at any time thereafter by written notice to the Vendor and the Vendor's solicitors terminate the Letter of Intent whereupon all initial and further deposits, part payment(s) of the Initial Consideration and the balance of the Initial Consideration to the extent paid by the Purchaser shall be forthwith returned to the Purchaser (without interest).

If the Vendor does not give notice of the non-satisfaction of the Due Diligence Review as described in (ii) above, then such condition shall be deemed satisfied. No consent is required from the Macau Government or STDM in order for the Vendor to enter into the Letter of Intent in relation to the sale of the Properties.

INFORMATION ON THE GROUP

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.

INFORMATION ON THE TARGET GROUP AND THE PROPERTIES

The Target Company is an investment holding and its subsidiaries are principally engaged in investment holding, immovable property development and investment, property project management and construction project management.

The Target Group holds, inter alia, the Property Leasehold Rights to the Properties in Macau.

The principal assets of the Target Group are the Property Leasehold Rights with book value of approximately HK\$563,742,000 and cash and bank balances of approximately HK\$9,308,000.

Information on the Target Group

Set out below is the audited consolidated financial information of the Target Group for the two years ended 31 December 2012 and 2013:

	For the year ended	
	31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	0	0
Loss before taxation	215	110
Loss after taxation	215	110

The audited consolidated net liabilities of the Target Group as at 31 December 2013 is approximately HK\$394,000.

Information on the lots comprising the Properties

The Properties comprise:

(i) Lot 6B

Lot 6B was leased to STDM by the Macau Government for a term of 25 years commencing on 26 December 1989, renewable for periods of 10 years until 19 December 2049. The renewal is subject to the completion of the development stated by the lease and the payment of a lump sum special contribution which corresponds to 10 years of updated rent. The updated rent should be calculated according to the law which regulates the rent of the lands lease concession at the time of renewal.

Under the lease conditions, Lot 6B shall be developed with the construction of one building all with triple-deck platform and sixteen floors, for office, commerce and parking, with the following constructional floor areas: (a) office – 14,994 square meters; (b) commerce – 1,996 square meters; and (c) parking – 4,320 square meters.

(ii) Lot 6C

Lot 6C was leased by the Macau Government to STD M for a term of 25 years commencing on 21 December 1994, renewable for periods of 10 years until 19 December 2049. The renewal is subject to the completion of the development stated by the lease and the payment of a lump sum special contribution which corresponds to 10 years of updated rent. The updated rent should be calculated according to the law which regulates the rent of the lands lease concession at the time of renewal.

Under the lease conditions, Lot 6C shall be developed with the construction of one building all with double-deck cave, triple-deck platform and sixteen floors, for residence, commerce and parking, with the following constructional floor areas: (a) residence – 14,860 square meters; (b) commerce – 1,824 square meters; and (c) parking – 2,584 square meters.

(iii) Lot 6D

Lot 6D was leased by the Macau Government to STD M for a term of 25 years commencing on 21 December 1994, renewable for periods of 10 years until 19 December 2049. The renewal is subject to the completion of the development stated by the lease and the payment of a lump sum special contribution which corresponds to 10 years of updated rent. The updated rent should be calculated according to the law which regulates the rent of the lands lease concession at the time of renewal.

Under the lease conditions, Lot 6D shall be developed with the construction of one building all with double-deck cave, triple-deck platform and sixteen floors, for residence, commerce and parking, with the following constructional floor areas: (a) residence – 14,860 square meters; (b) commerce – 1,824 square meters; and (c) parking – 2,584 square meters.

(iv) Lot 6E

Lot 6E was leased by the Macau Government to STD M for a term of 25 years commencing on 21 December 1994, renewable for periods of 10 years until 19 December 2049. The renewal is subject to the completion of the development stated by the lease and the payment of a lump sum special contribution which corresponds to 10 years of updated rent. The updated rent should be calculated according to the law which regulates the rent of the lands lease concession at the time of renewal.

Under the lease conditions, Lot 6E shall be developed with the construction of one building all with double-deck cave, triple-deck platform and sixteen floors, for residence, commerce and parking, with the following constructional floor areas: (a) residence – 14,860 square meters; (b) commerce – 1,824 square meters; and (c) parking – 2,584 square meters.

STDM is the registered owner of the Properties and the Vendor has assumed legal rights and is the beneficial owner of the Properties pursuant to the Power of Attorney (as defined in section headed “The Power of Attorney” below).

Following the acquisition of the Property Leasehold Rights in June 2011, the Group has engaged an architectural firm to design the buildings to be erected on the Properties. After a thorough study, the Group had the following findings:

- (a) The Properties consist of four parcels of lands, namely Lot 6B, Lot 6C, Lot 6D and Lot 6E, in which Lot 6B is in trapezium shape with a site area of 1,420 square meters and each of Lot 6C, Lot 6D and Lot 6E is in rectangular shape with a site area of 1,292 square meters. Lot 6B, Lot 6C, Lot 6D and Lot 6E are situated just outside the main entrance of Hotel Lan Kwai Fong Macau and parallel to each other with three six-meter width roads dividing them separately.
- (b) Based on the land lease concessions, the aggregate gross construction floor area of the four buildings to be erected on the Properties are (a) residential – 44,580 square meters, (b) office – 14,994 square meters, (c) commercial – 7,468 square meters and (d) parking – 12,072 square meters.
- (c) Given that the average site area of each Lot 6B, Lot 6C, Lot 6D and Lot 6E is 1,324 square meters, the gross construction floor area of each floor of the four buildings to be erected on the Properties is relative small after deducting staircase, lifts and lift lobby.
- (d) In addition, Lot 6B, Lot 6C, Lot 6D and Lot 6E are parallel to each other with three six meter width roads dividing them separately, the four buildings to be erected on the Properties are also parallel to each other. With each buildings divided by a six-meter width road, the four buildings to be erected on the Properties are quite congested. Accordingly, the views of the buildings are seriously blocking each other.
- (e) The small site area of each of Lot 6B, Lot 6C, Lot 6D and Lot 6E and the three six-meter width roads dividing them impose limitation on the architectural design of the buildings, which in turn reduces the commercial value of the buildings.

In order to eliminate the above-mentioned disadvantage of the Properties and enhance the commercial value of the buildings, the Group has decided to develop the Properties as a single parcel of land, in which the three six-meter width roads dividing Lot 6B, Lot 6C, Lot 6D and Lot 6E are removed so as to combine Lot 6B, Lot 6C, Lot 6D and Lot 6E as a single parcel of land (the “**Combined Sites**”) with a site area of 6,106 square meters and a single building to be erected on the Combined Sites. By developing the Properties as the Combined Sites, the Group is able to build a luxury residential and commercial complex with spacious apartment units, which have higher selling prices.

In the second half of 2011, the Group held meetings with various Departments of Macau Government to seek their views on the proposed development of the Properties as the Combined Sites. In May 2012, the Group submitted the architectural design and drawings of the Combined Sites to the Land, Public Works and Transport Bureau of Macau. Following the submission, meetings have been held with various Departments of Macau Government for following up the proposed development.

Based on the architectural design and drawings submitted to the Land, Public Works and Transport Bureau of Macau, the constructional floor area of the building to be erected on the Combined Site are (a) residential – 49,030 square meters, (b) clubhouse – 3,923 square meters, (c) commercial – 14,049 square meters and (d) parking – 11,878 square meters.

Given that the location of the Properties is adjacent to Macao Polytechnic Institute and several tourist spots, Forum de Macao, Grand Prix Museum, Wine Museum and Golden Lotus Square, and is a couple of blocks away from Macau Fisherman's Wharf and Sands Casino, it is believed that the Macau Government requires a longer time to study the impacts of the proposed development of the Properties as the Combined Sites on traffic, environment and cultural heritage in the surrounding area, before the grant of an approval. Therefore, the Properties have remained undeveloped after the acquisition of the Property Leasehold Rights.

The Power of Attorney

At completion of the Acquisition Agreement, STDM had signed a power of attorney (summarised below (the “**Power of Attorney**”)) and the Declaration of Undertaking to CSCD.

Pursuant to the Acquisition Agreement, STDM had irrevocably warranted, guaranteed and undertook to CSCD, the Company and Mr. Heung Wah Keung (a substantial Shareholder and a Director) that the Power of Attorney shall not be revoked. STDM has also undertaken to CSCD that (i) STDM shall not revoke the Power of Attorney without CSCD's prior written consent and (ii) STDM shall maintain all legal power of the Power of the Attorney under the Acquisition Agreement by signing the Declaration of Undertaking.

The principal terms of the Power of Attorney are as follows:

- (i) to represent STDM before any public or private entities, particularly the Macau Public Works Department, the Macau Properties Registry, the Macau Tax Department, the Macau Civic and Municipal Matters Institute, the Macau Fire Department and the Macau Police, in everything that relates to the Properties namely its combination in on sole plot for development under development, as also any information on construction indices and for any type of licenses whatsoever howsoever, including licenses for foundations and construction;

- (ii) to submit construction projects, as also any technical submissions required thereon or requested by the Macau Public Works Department or any other public entity or private entities or agency;
- (iii) to negotiate with the Macau Government to review the concession contract by lease, taking any decisions in that regard, including on the contractual clauses relating to the term, development and purposes, premiums and other charges and require the renewal of the permanent or temporary concession at the end of their term;
- (iv) to apply for a revised land concession contract from the relevant government authorities in Macau and to accept assignment of any interest relating directly to the Properties as the Target Company may think fit and to make all payments and enter into all covenants execute all such deeds and do all things which may be necessary for obtaining the revised land concession contract of the Properties, for redevelopment conditions to be included as also the transfer of its ownership to the Target Company or such other person as it may think fit;
- (v) to request the transmission of the right resulting from the land concession, irrespective of being temporary or permanent, receive the deposit, following deposits and its price, and provide for their discharge;
- (vi) to accept the terms and conditions of such transmission;
- (vii) to administer and manage the constructions, namely by signing agreements with developers and contractors and practicing all such acts and executing all such agreements with the purpose of developing the Properties fully and completely;
- (viii) to rent, renew, terminate, or in any way to terminate the lease of the property or the buildings erected on it, receive rents, even those deposited, deposit of rents and other payments; and
- (ix) in general, do all such acts that the attorney considers necessary, useful or convenient for the full compliance with this mandate, intended to carry out the duty of developing the Properties only.

REASONS FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

On 10 June 2011, the Group acquired the Property Leasehold Rights to the Properties for a proposed development into office units and residential apartments for sale. The Directors consider that the Proposed Disposal presents a good opportunity for the Group to realise its investment in the Property Leasehold Rights to the Properties at a profit and releases the Group from incurring further resources to develop the Property Leasehold Rights to the Properties for development into office units and residential apartments for sale.

As such, the Directors consider that the terms and conditions of the Letter of Intent, including the Consideration, and the Proposed Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The unaudited net asset value of the Property Leasehold Rights was HK\$563,742,000 as at 30 June 2014.

It is estimated that the Group would realise a gain on the Proposed Disposal of HK\$1,654,000,000, which is calculated with reference to the Initial Consideration of HK\$2,230,000,000 less the Accruals and Other Liabilities of HK\$2,627,000 and the net assets value of the Target Group (excluding the Sale Loans) of HK\$573,000,000 as at 30 June 2014. The actual gain on the Proposed Disposal to be recorded by the Group is subject to audit. The Company intends to apply the net proceeds from the Proposed Disposal to finance other possible property investment project as and when the opportunity arises, other business and operational investments and general working capital of the Group.

Following Completion, the Target Company will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The applicable percentage ratios (as defined in the Listing Rules) for the Proposed Disposal are more than 75% and therefore the Proposed Disposal constitutes a very substantial disposal of the Company and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Disposal. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Disposal; therefore, no Shareholder is required to abstain from voting for the resolution to approve the Proposed Disposal at the SGM.

A circular of the Company containing further information about the Proposed Disposal is expected to be despatched to the Shareholders on a date, which is more than 15 business days after publication of this announcement, as the Purchaser has until 12 December 2014 to conduct the Due Diligence Review. A further announcement will be made as and when applicable in respect of the despatch of the circular.

Shareholders and investors should note that the Proposed Disposal is subject to conditions as stated in the section headed "Conditions Precedent" in this announcement and therefore the Proposed Disposal may or may not complete and the Proposed Disposal may or may not be effected. As such, Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

INSIDE INFORMATION

Reference as made to the Company's announcement dated 13 November 2014. The Board announces that the consideration for the proposed disposal of the Hotel with a carrying amount of approximately HK\$813,000,000 as at 30 June 2014 by the Group to an Independent Third Party has been agreed at HK\$3,750,000,000. The payment terms of consideration is agreed as follows:

- (a) HK\$150,000,000 shall be paid to the Group upon the signing of a formal sale and purchase agreement;
- (b) HK\$1,350,000,000 shall be paid on completion of the proposed disposal; and
- (c) the balance of H\$K2,250,000,000 shall be satisfied on completion of the proposed disposal by the issue of a promissory note by the purchaser to the Group or its nominee. The promissory note shall contain the terms that HK\$2,250,000,000 shall be paid over 5 years in the amount of HK\$450,000,000 each year with the first payment to be made on the first anniversary of completion of the proposed disposal and subsequent payments on each anniversary thereof.

The proposed disposal of the Hotel is subject to the entering into of formal documentation. A further announcement will be made as and when applicable. If the proposed disposal of the Hotel proceeds, it will constitute a very substantial disposal for the Company under the Listing Rules.

Shareholders and investors should note that:

- (i) Under Rule 14.82 of the Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Upon completion of the proposed disposal of the Hotel, the Company's cash level will increase significantly. If the assets of the Company consist substantially of cash or short-dated securities after such completion, it may become a cash company under Rule 14.82 of the Listing Rules. It will not be regarded as suitable for listing and trading in its securities will be suspended.
- (ii) Under Rule 13.24 of the Listing Rules, an issuer shall carry out a sufficient level of operations or have sufficient assets to warrant the continued listing of the issuer's securities. The operations of the Company will significantly diminish after the completion of the proposed disposal of the Hotel. If the Company does not have a sufficient level of operations and does not have sufficient assets after such completion, the trading of the Shares will be suspended.

Shareholders and potential investors should note that the proposed disposal of the Hotel is subject to, among other things, the signing of definitive agreement, the terms and conditions of which are yet to be finalised. The proposed disposal of the Hotel may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 3 November 2014 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 24 November 2014.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Accrual”	accruals of the Target Group for unpaid administration and operating charges and expenses as shown in the Completion Accounts
“Acquisition Agreement”	the agreement dated 23 December 2010 entered into between the Target Company, the Company, Mr. Heung Wah Keung and STDM relating to the sale and purchase of the Property Leasehold Rights
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday, a Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Bonus Consideration”	an additional consideration that may be payable by the Purchaser to the Vendor in connection with the Proposed Disposal as detailed in the section headed “Bonus Consideration” in this announcement
“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 Formal Agreement or if there is no Formal Agreement, completion of the transactions contemplated by the Letter of Intent
“Completion Accounts”	the pro forma unaudited consolidated balance sheet of the Target Company as at Completion prepared by the Vendor

“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	collectively the Initial Consideration and the Bonus Consideration
“CSCD”	China Star Creative Development Limited, a company incorporated in Macau with quota capital and an indirect wholly-owned subsidiary of the Target Company which owns the Property Leasehold Rights to the Properties
“Director(s)”	the director(s) of the Company
“Declaration of Undertaking”	the undertaking given by STDM in favor of CSCD for (i) not revoking the Power of Attorney without CSCD’s prior written consent and (ii) maintaining all legal power of the Power of Attorney under the Acquisition Agreement
“Due Diligence Review”	a due diligence review on the Property Leasehold Rights and/or the amount of Other Liabilities likely to be reflected in the Completion Accounts and/or any other material contracts which any member of the Target Group may likely to remain to be bound following Completion
“Formal Agreement”	a formal sale and purchase agreement to be entered into by the Purchaser, the Company and the Vendor in relation to the Proposed Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	Hotel Lan Kwai Fong Macau located in Macau
“Independent Third Party(ies)”	independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected persons of the Company
“Initial Consideration”	HK\$2,230,000,000, less Accruals and Other Liabilities

“Joint Beneficial Owner”	an Independent Third Party who beneficially owns 49% of the Purchaser
“Letter of Intent”	the legally binding letter of intent dated 31 October 2014 entered into between, inter alia, the Purchaser, the Company and the Vendor (as varied by a supplemental agreement dated 18 November 2014) in relation to the Proposed Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot 6B”	an undeveloped parcel of land named as “Quarteirão 6 – Lote B”, located in Macau at Zona de Aterros do Porto Exterior (ZAPE), with a total site area of 1,420 square meters, including walkways and other external areas, legally and validly granted to STDM under leasehold by Dispatch no. 27/SATOP/89, published in the Macau Official Gazette on 26 December 1989, and later reviewed by Dispatch no. 149/SATOP/97, published in the Official Gazette no. 49 of 3 December 1997, for which certain infrastructures shall be paid by the lessee, which is registered in the Macau Properties Registry under no. 22608 and currently bounded by Rua de Xiamen on the west and Rua de Luis Gonzaga Gomes on the north, is adjacent to Lot 6C to the east
“Lot 6C”	an undeveloped parcel of land named as “Quarteirão 6 – Lote C”, located in Macau at Zona de Aterros do Porto Exterior (ZAPE), with a total site area of 1,292 square meters, including walkways and other external areas, legally and validly granted to STDM under leasehold by Dispatch no. 148/SATOP/94, published in the Macau Official Gazette on 21 December 1994, for which certain infrastructures shall be paid by the lessee, which is registered in the Macau Properties Registry under no. 22618 and currently bounded by Rua de Luis Gonzaga Gomes on the north, Lot 6B on the west and Lot 6D on the east

“Lot 6D”	an undeveloped parcel of land named as “Quarteirão 6 – Lote D”, located in Macau at Zona de Aterros do Porto Exterior (ZAPE), with a total site area of 1,292 square meters, including walkways and other external areas, legally and validly granted to STDM under leasehold by Dispatch no. 149/SATOP/94, published in the Macau Official Gazette on 21 December 1994, for which certain infrastructures shall be paid by the lessee, which is registered in the Macau Properties Registry under no. 22619 and currently bounded by Rua de Luis Gonzaga Gomes on the north, Lot 6C on the west and Lot 6E on the east
“Lot 6E”	an undeveloped parcel of land named as “Quarteirão 6 – Lote E”, located in Macau at Zona de Aterros do Porto Exterior (ZAPE), with a total site area of 1,292 square meters., including walkways and other external areas, legally and validly granted to STDM under leasehold by Dispatch no. 150/SATOP/94, published in the Macau Official Gazette on 21 December 1994, for which certain infrastructures shall be paid by the lessee, which is registered in the Macau Property Registered under no. 22620 and currently bounded by Rua de Luis Gonzaga Gomes on the north, Lot 6D on the west
“Macau”	the Macau Special Administrative Region of the PRC
“Operating Subsidiaries’ Accounts”	unaudited balance sheet of each of CSCD and China Star Management Company Limited, each being an indirectly wholly-owned subsidiary of the Target Company, as at the date of Completion prepared by the Vendor
“Other Liabilities”	other actual or contingent liabilities (save and except for the Sale Loans and obligations under the Property Leasehold Rights and inter-company liabilities owing amongst the member of the Target Group) as shown in the Completion Accounts
“Permit for Construction Work”	the permit to perform construction work on the Properties to be issued by Land, Public Works and Transport Bureau of Macau

“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan
“Properties”	collectively the pieces of land known as Lot 6B, Lot 6C, Lot 6D and Lot 6E acquired by CSCD from STDM on 10 June 2011
“Property Leasehold Rights”	all the rights and obligations acquired and assured by CSCD from STDM under the leasehold granted by the Macau Government to STDM over the Properties
“Proposed Disposal”	the proposed disposal of the entire issued share capital of the Target Company and the Sale Loans by the Vendor
“Purchaser”	Bestmix Holdings Limited, an Independent Third Party, held as to 51% by CSI Properties Limited, a company whose shares are listed on the Main Board of the Stock Exchange under stock code: 497 and 49% by the Joint Beneficial Owner
“Sale Loans”	all loans due by the Target Company to its shareholders and/or the Company at Completion which as at the date of this announcement is approximately HK\$573,876,000
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“SGM”	a special general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Proposed Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STDM”	Sociedade de Turismo e Diversões de Macau, S.A., a company incorporated in Macau and having diverse business interests predominantly based in Macau including entertainment, leisure, sports, tourism and realty

“Target Company”	Triumph Top Limited, an investment holding company incorporated in the British Virgin Islands whose major asset is its indirect interest in the Property Leasehold Rights to the Properties thereto
“Target Group”	the Target Company and its subsidiaries (including Star Choice Investments Limited, Star Joy International Limited, CSCD and China Star Management Company Limited) collectively
“Vendor”	China Star Entertainment (BVI) Limited, a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 21 November 2014

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