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**CHINA STAR ENTERTAINMENT LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 326)**



**CHINA STAR CULTURAL  
MEDIA GROUP LIMITED**  
**中國星文化產業集團有限公司\***  
*(Incorporated in the Cayman Islands and  
continued in Bermuda with limited liability)*  
**(Stock Code: 8172)**

**VOLUNTARY ANNOUNCEMENT  
IN RELATION TO THE  
ACQUISITION  
OF THE ENTIRE EQUITY  
INTEREST IN CHINA STAR  
MOVIE LIMITED AND  
THE SALE LOAN**

**(I) DISCLOSEABLE TRANSACTION  
AND CONNECTED TRANSACTION  
IN RELATION TO THE  
DISPOSAL OF THE ENTIRE  
EQUITY INTEREST IN CHINA  
STAR MOVIE LIMITED AND  
THE SALE LOAN;  
(II) RESIGNATION OF EXECUTIVE  
DIRECTOR, CHAIRMAN AND  
AUTHORIZED REPRESENTATIVE;  
AND  
(III) APPOINTMENT OF  
EXECUTIVE DIRECTOR AND  
AUTHORIZED REPRESENTATIVE**

#### **THE TRANSACTION**

On 7 October 2014 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the S&P Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan for an aggregate consideration of HK\$8,673,258 in cash.

#### **GENERAL**

This joint announcement is made by China Star on a voluntary basis.

\* For identification purpose only

Mr. Heung is the chairman and an executive director of China Star and is the former chairman, the former executive director and former authorized representative of China Star Cultural. He is interested in 4,661,203,680 shares of China Star, representing approximately 32.3% of the entire issued share capital of China Star as at the date of this joint announcement. As Mr. Heung is the Substantial Shareholder of China Star, the Purchaser is a connected person of China Star Cultural and therefore the Transaction constitutes a connected transaction on the part of China Star Cultural under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratio pursuant to Chapter 19 of the GEM Listing Rules in respect of the Transaction exceeds 5% but is less than 25% and the Consideration is less than HK\$10,000,000, the Transaction constitutes a discloseable transaction on the part of China Star Cultural and is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 19 and Chapter 20 of the GEM Listing Rules.

#### **RESIGNATION OF EXECUTIVE DIRECTOR, CHAIRMAN AND AUTHORIZED REPRESENTATIVE OF CHINA STAR CULTURAL**

The board of China Star Cultural Directors announces that Mr. Heung has resigned as executive director, chairman and authorized representative of China Star Cultural with effect from 7 October 2014.

#### **APPOINTMENT OF EXECUTIVE DIRECTOR AND AUTHORIZED REPRESENTATIVE OF CHINA STAR CULTURAL**

The board of China Star Cultural Directors is pleased to announce that Ms. Li Yee Mei has been appointed as executive director and authorized representative of China Star Cultural with effect from 7 October 2014.

### **INTRODUCTION**

On 7 October 2014 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the S&P Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan for an aggregate consideration of HK\$8,673,258 in cash.

### **THE TRANSACTION**

#### **Date**

7 October 2014

#### **Parties**

- (i) Purchaser: China Star Entertainment Holding Limited, an indirect wholly-owned subsidiary of China Star
- (i) Vendor: Dance Star Group Limited, a wholly-owned subsidiary of China Star Cultural

## **Relationship between China Star and China Star Cultural**

- (i) Mr. Heung is the chairman and an executive director of China Star. Mr. Heung has resigned as executive director, chairman and authorized representative of China Star Cultural with effect from 7 October 2014;
- (ii) Mr. Heung is interested in 4,661,203,680 shares of China Star, representing approximately 32.3% of the entire issued share capital of China Star as at the date of this joint announcement;
- (iii) China Star Film Group Limited, a joint venture company of which is principally engaged in film production, is beneficially owned as to 50% by China Star and 50% by China Star Cultural; and
- (iv) Eternity is interested in 146,640,000 shares of China Star Cultural, representing approximately 16.2% of issued share capital of China Star Cultural as at the date of this joint announcement and Eternity is interested in 1,723,854,545 shares of China Star, representing approximately 11.9% of the issued share capital of China Star as at the date of this joint announcement.

Save as disclosed above, to the best of the knowledge, information and belief of the China Star Directors having made all reasonable enquiries, China Star Cultural and its ultimate beneficial owners are independent of China Star and its connected persons (as defined under the Listing Rules).

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## **Sale Shares**

Two (2) ordinary shares of the Target Company, representing the total issued and paid up capital of the Target Company.

## **Sale Loan**

The Sale Loan represents all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion, and as at the date of this joint announcement, amounted to approximately HK\$13,501,000.

## **Consideration**

Pursuant to the S&P Agreement, the Consideration shall be HK\$8,673,258 in cash, which is payable upon Completion.

## **Basis of the Consideration**

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms after taking into account (i) the net liabilities of the Target Company, which amounted to approximately HK\$4,828,000 as at 7 October 2014 and the Sale Loan; and (ii) the reasons for and benefits of the Transaction as disclosed in the following section.

The China Star Directors (including the independent non-executive China Star Directors) consider that the terms of the Transaction, including among other things, the Consideration, are fair and reasonable and the Transaction is in the interests of China Star and the China Star Shareholders as a whole.

The China Star Cultural Directors (including the independent non-executive China Star Cultural Directors) consider that the terms of the Transaction, including among other things, the Consideration, are fair and reasonable and the Transaction is on normal commercial terms and is in the interests of China Star Cultural and the China Star Cultural Shareholders as a whole.

## **Conditions Precedent**

Completion of the S&P Agreement is conditional upon:

- (i) the publication of an announcement of China Star Cultural, in relation to the S&P Agreement and the transactions contemplated thereunder in compliance with Chapter 19 and Chapter 20 of the GEM Listing Rules;
- (ii) the Vendor's warranties of the S&P Agreement remaining true and accurate in all material respects;
- (iii) all licenses, permissions, authorisations, certificates, regulatory approvals and consents in relation to the S&P Agreement and the transactions contemplated herein under any applicable laws, statutes, regulations and ordinances having been obtained by the Vendor and the parties of the S&P Agreement; and
- (iv) no Material Adverse Change (or Effects) occurred on the Target Company prior to Completion.

The Purchaser shall be entitled in its absolute discretion to waive the conditions (ii) and (iv) above.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 5:00 p.m. on the Longstop Date, the S&P Agreement shall cease and determine (save and except the confidentiality clause of the S&P Agreement which shall continue to have full force and effect) and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms of the S&P Agreement.

## **Completion**

Completion shall take place within three Business Days after the satisfaction and/or waiver of the last conditions precedent or such other date as may be agreed in writing between the Purchaser and the Vendor.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company was incorporated in Hong Kong with limited liability on 20 October 2000 and is principally engaged in film production.

According to the unaudited management accounts of the Target Company for the period from 1 January 2014 to 7 October 2014, which has been prepared in accordance with the HKGAAP, the unaudited net assets of the Target Company excluding the Sale Loan as at 7 October 2014 was approximately HK\$8,673,000; and the unaudited net loss both before and after income tax of the Target Company for the period from 1 January 2014 to 7 October 2014 and for the year ended 31 December 2013 were approximately HK\$207,000 and approximately HK\$10,000, respectively.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

China Star 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 profit streams from the gaming promotion business, property and hotel investment, and property development.

China Star Cultural is an investment holding company and its subsidiaries and joint ventures are principally engaged in the provision of artist management services and film production and distribution and sale of financial assets.

Reference is made to a joint announcement of China Star Cultural (formerly known as China Media and Films Holdings Limited) and China Star dated 14 April 2014 in relation to a conditional sale and purchase agreement entered into between the China Star Cultural Group and the China Star Group dated 14 April 2014, pursuant to which the China Star Cultural Group had agreed to purchase and the China Star Group had agreed to sell the entire equity interest of the Target Company and a sale loan amounted to approximately HK\$9,002,000 at an aggregate consideration of HK\$4,340,000 (the “Former Transaction”). The Former Transaction was completed on 17 April 2014. It was the intention of the China Star Cultural Group and the China Star Group to cooperate in the production of film and expected that both groups would enjoy synergy effects from the Former Transaction. Mr. Heung is a renowned figure in the Hong Kong and Greater China film production and distribution industry and has more than 30 years of experience and in-depth knowledge and well established connection in such industries. With Mr. Heung’s resignation as an executive director of China Star Cultural with effect from 7 October 2014 and cessation of his involvement in the film production business of the China Star Cultural Group, the China Star Cultural Directors consider that the interests of the China Star Cultural Group would be better served by re-allocating and

focusing its management and other resources to its other business segments. Taking into account that (i) after the Transaction, China Star Cultural Group will no longer be required to have further capital injection to support the future operation of the Target Company and therefore the China Star Cultural Group can deploy more resources to its other business segments; and (ii) the Consideration is based on the net liabilities of the Target Company, which amounted to approximately HK\$4,828,000 as at 7 October 2014, and the amount of the Sale Loan, which represents a good opportunity for the China Star Cultural Group to realise its investments in the Target Company, the China Star Cultural Directors consider that the terms of the S&P Agreement are fair and reasonable and are on normal commercial terms and that the Transaction is in the interests of China Star Cultural and the China Star Cultural Shareholders as a whole.

The China Star Directors consider that the Transaction will enable China Star Group to continue its furtherance and development of its already well established film production business alongside its other principal businesses such as the hotel and gaming services operation and other gaming related services businesses in Macau. Given that the continuous financial investment in the film in progress of the Target Company and the Consideration is arrived based on the net liabilities and the Sale Loan of the Target Company, the China Star Directors consider that the terms of the S&P Agreement have been negotiated on an arm's length basis, on normal commercial terms, are fair and reasonable and in the interests of China Star and the China Star Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE TRANSACTION**

After Completion, the Target Company will cease to become a subsidiary of China Star Cultural, and therefore, the assets, liabilities and results of the Target Company will no longer be consolidated with those of the China Star Cultural Group. Based on the Consideration of the Transaction and the unaudited financial results of the Target Company as at 7 October 2014, China Star Cultural Group is expected to record an estimated loss of approximately HK\$166,000 after the Transaction which mainly represented the legal fees and administrative expenses incurred during the period from the completion of the Former Transaction to 7 October 2014. The actual book result of China Star Cultural Group derived from the Transaction would depend on the financial results of the Target Company on the date of the Completion and is subject to final audit to be performed by the auditors of the China Star Cultural Group. China Star Cultural Group will apply the net proceeds of the Transaction for general working capital purpose.

After Completion, China Star will be interested in 100% of the entire issued share capital of the Target Company. The Target Company will be accounted for as a subsidiary by China Star and the assets, liabilities and results of the Target Company will be consolidated with those of the China Star Group after Completion.

## **GENERAL**

This joint announcement is made by China Star on a voluntary basis.

Mr. Heung is the chairman and the executive director of China Star and is the former chairman and the former executive director of China Star Cultural. He is interested in 4,661,203,680 shares of China Star, representing approximately 32.3% of entire issued share capital of China Star as at the date of this joint announcement. As Mr. Heung is the Substantial Shareholder of China Star, the Purchaser is the connected person of China Star Cultural and therefore the Transaction constitutes a connected transaction on the part of China Star Cultural under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratio pursuant to Chapter 19 of the GEM Listing Rules in respect of the Transaction exceeds 5% but is less than 25% and the Consideration is less than HK\$10,000,000, the Transaction constitutes a discloseable transaction on the part of China Star Cultural and is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 19 and Chapter 20 of the GEM Listing Rules.

None of the China Star Cultural Directors has any interest in the Transaction and is required to abstain from voting on the board resolution approving the Transaction.

## **RESIGNATION OF EXECUTIVE DIRECTOR, CHAIRMAN AND AUTHORIZED REPRESENTATIVE OF CHINA STAR CULTURAL**

The board of China Star Cultural Directors announces that Mr. Heung has resigned as executive director, chairman and authorized representative of China Star Cultural with effect from 7 October 2014.

Mr. Heung has resigned due to his other business commitments which require more of his dedication and has confirmed that he has no disagreement with the board of China Star Cultural Directors and there are no matters relating to his resignation that needs to be brought to the attention of the China Star Cultural Shareholders.

The board of China Star Cultural Directors would like to thank Mr. Heung for his valuable contribution to the China Star Cultural during his tenure of office.

## **APPOINTMENT OF EXECUTIVE DIRECTOR AND AUTHORIZED REPRESENTATIVE OF CHINA STAR CULTURAL**

The board of China Star Cultural Directors is pleased to announce that Ms. Li Yee Mei (“**Ms. Li**”) has been appointed as executive director and authorized representative of China Star Cultural with effect from 7 October 2014.

The biographical details of Ms. Li are as follows:

Ms. Li, aged 51, is the Talent and PR Controller and a director of China Star Management Limited, being a wholly-owned subsidiary of China Star Cultural and Ms. Li is also a director of Anglo Market International Limited, being a wholly-owned subsidiary of China Star Cultural. Ms. Li has over 30 years of experience in the entertainment business and culture industry.

Ms. Li did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the date of this joint announcement.

Ms. Li has not entered into a service contract with China Star Cultural. Ms. Li has not been appointed for a specific term. Ms. Li is subject to re-appointment or retirement by rotation in accordance with the bye-laws of China Star Cultural. Ms. Li is entitled to a fixed director’s fee of HK\$120,000 per annum which will be reviewed annually by the remuneration committee of the board of China Star Cultural Directors with reference to her duties and responsibilities with China Star Cultural and the remuneration policy of China Star Cultural.

As at the date of this joint announcement, Ms. Li does not have any relationship with any directors, senior management or substantial or controlling shareholders of China Star Cultural or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules). Ms. Li does not have, and is not deemed to have any interests or short positions in any shares, underlying shares or debentures of China Star Cultural or any of its associated corporations which is required to be disclosed under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

There is no information relating to Ms. Li that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, China Star Cultural is not aware of any other matters that need to be brought to the attention of the China Star Cultural Shareholders in relation to Ms. Li’s appointment.

The board of China Star Cultural Directors would like to take this opportunity to welcome Ms. Li to join the board of China Star Cultural Directors.



## DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Business Day”	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 am) on which banks in Hong Kong are generally open for business
“China Star Cultural”	China Star Cultural Media Group Limited (formerly known as China Media and Films Holdings Limited), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on GEM (stock code: 8172)
“China Star Cultural Director(s)”	the director(s) of China Star Cultural
“China Star Cultural Group”	China Star Cultural and its subsidiaries
“China Star Cultural Shareholder(s)”	the shareholder(s) of China Star Cultural
“China Star”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board (stock code: 326)
“China Star Director(s)”	the director(s) of China Star
“China Star Group”	China Star and its subsidiaries
“China Star Shareholder(s)”	the shareholder(s) of China Star
“Completion”	completion of the Transaction
“connected person(s)”	has the meaning set out in the GEM Listing Rules or the Listing Rules
“Consideration”	HK\$8,673,258, being the consideration for sale and purchase of the Sale Shares and the Sale Loan pursuant to the terms of the S&P Agreement

“Eternity”	Eternity Investment Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board (stock code: 764)
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HKGAAP”	accounting principles, standards, and practices generally accepted in Hong Kong, including but not limited to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	31 October 2014, or such other date as the parties of the S&P Agreement may agree
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM
“Material Adverse Change (or Effect)”	means any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Target Company
“Mr. Heung”	Mr. Heung Wah Keung, the chairman and the executive director of China Star and the former chairman, former executive director and former authorized representative of China Star Cultural

“Purchaser”	China Star Entertainment Holding Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of China Star
“S&P Agreement”	sale and purchase agreement dated 7 October 2014 entered into between the Purchaser and the Vendor in relation to the Transaction
“Sale Loan”	shareholder’s loan owed by the Target Company to the Vendor on Completion, and as at the date of this joint announcement, which amounted to approximately HK\$13,501,000
“Sale Shares”	two (2) ordinary shares of the Target Company, representing the total issued and paid up capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning set out in the GEM Listing Rules or the Listing Rules
“Target Company”	China Star Movie Limited, a company incorporated in Hong Kong with limited liability
“Transaction”	the sale and purchase of the Sale Shares and the Sale Loan between the Purchaser and the Vendor pursuant to terms of the S&P Agreement
“Vendor”	Dance Star Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China Star Cultural
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

By Order of the board of  
**China Star Cultural Media Group Limited**  
**Leung Wai Man**  
*Executive Director*

Hong Kong, 7 October 2014

*As at the date of this joint announcement, the executive directors of China Star 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 of China Star are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.*

*As at the date of this joint announcement, the executive directors of China Star Cultural are Mr. Leung Wai Man and Ms. Li Yee Mei and the independent non-executive directors of China Star Cultural are Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching.*

*This joint announcement (other than the particular information in relation to China Star), for which the China Star Cultural Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The directors of China Star Cultural, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint announcement (other than the particular information in relation to China Star) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this joint announcement misleading.*

*This joint announcement will remain on the page of “Latest Company Announcements” on the GEM website for at least 7 days from the date of its posting and the website of China Star Cultural at [www.chinastarcmg.com.hk](http://www.chinastarcmg.com.hk).*