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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION INVOLVING DISPOSAL OF THE SALE SHARES IN AND THE SALE LOAN DUE BY ACE SEASON HOLDINGS LIMITED

DISCLOSEABLE TRANSACTION

On 11 June 2014, the Vendor, being a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 50% of the entire issued share capital of the Target Company, and the Sale Loan, at a total consideration of HK\$45,000,000.

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 the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE DISPOSAL

On 11 June 2014, the Vendor, being a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 50% the entire issued share capital of the Target Company, and the Sale Loan, at a total consideration of HK\$45,000,000. Details of the Disposal Agreement are as follows:

THE DISPOSAL AGREEMENT

Date: 11 June 2014

Parties:

Vendor: China Star Entertainment (BVI) Limited, a direct wholly-owned subsidiary of the Company

Purchaser: Attentive Wealth Investments Limited

The Purchaser is an investment holding company incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner and their respective associates is an Independent Third Party.

Assets to be disposed of

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

- (a) the Sale Shares, being the 50% of the entire issued share capital of the Target Company; and
- (b) the Sale Loan which amounts to HK\$46,361,858.00 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" below.

Immediately after the signing of the Disposal Agreement, Mighty Chief Limited and Rosy Mile Limited, being the legal and beneficial owners of an aggregate of 50% of the entire issued share capital of the Target Company had entered into sale and purchase agreements with the Purchaser in relation to the sale and purchase of the remaining 50% of the entire issued share capital of the Target Company at an aggregate consideration of HK\$45,000,000. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the consideration of the aforesaid sale and purchase agreements has been financed by a loan granted by a wholly owned subsidiary of Eternity Investment Limited. Eternity Investment Limited is a company incorporated in Bermuda with limited liability with its issued shares listed on the Stock Exchange and is a Substantial Shareholder of the Company.

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares and the Sale Loan shall be the sum of HK\$45,000,000, which shall be paid to the Vendor by the Purchaser in cash 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 by the following: (a) HK\$9,000,000 shall be paid within two months from the date of the Disposal Agreement; and (b) the remaining balance of HK\$36,000,000 shall be paid within six months from the date of the Disposal Agreement.

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 unaudited consolidated net assets value of the Target Group as at 10 June 2014 (as adjusted for the outstanding balance of the Sale Loan) of approximately HK\$46,232,000.

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.

Conditions precedent and Completion

The Disposal Agreement is unconditional and Completion has taken place simultaneously upon the 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

The Target Company is a company incorporated in the British Virgin Islands on 12 March 2013 with limited liability, and is an indirect non-wholly-owned subsidiary of the Company immediately prior to the Completion. The Target Group is principally engaged in sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services.

According to the unaudited consolidated financial statements of the Target Group for the financial year ended 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 Group was approximately HK\$157,769,000, approximately HK\$3,421,000 and approximately HK\$3,218,000 respectively.

According to the unaudited proforma consolidated financial statements of the Target Group for the financial year ended 31 December 2012, the turnover, the profit before tax and the profit after tax of the Target Group was approximately HK\$132,429,000, approximately HK\$487,000 and approximately HK\$487,000 respectively.

As at 10 June 2014, the unaudited consolidated net liabilities of the Target Group was approximately HK\$130,000.

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.

The Directors consider that the Disposal will enable the Group to focus 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, subject to the review by the auditors of the Company, it is estimated that the Disposal will be a loss of approximately HK\$1,232,000. Such loss is estimated based on the gross proceeds from the Disposal of HK\$45,000,000 less the aggregate of the net liabilities of the Target Group as at 10 June 2014 of HK\$130,000 and the carrying value of the Sale Loan of approximately HK\$46,361,858 as at the date of the Disposal Agreement.

The Board intends to apply the net proceeds from the Disposal of approximately HK\$45,000,000 as the general working capital of the Group.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“associates(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 11 June 2014 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
“Most Trade”	Most Trade Enterprises Limited, a company incorporated in Hong Kong with limited liability and is owned as to 70% by NPH Sum Yung (Hong Kong) and as to 30% by an Independent Third Party
“NPH”	NPH Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and is directly and wholly-owned by the Target Company
“Nam Pei Hong Holdings Limited”	Nam Pei Hong Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by NPH
“NPH Investments Limited”	Nam Pei Hong Investments Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by NPH
“NPH Sino-Meditech Limited”	NPH Sino-Meditech Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by NPH

“NPH Sum Yung (Hong Kong)”	Nam Pei Hong Sum Yung Drugs Company Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by NPH
“NPH Sum Yung (Macau)”	Nam Pei Hong Sum Yung Drugs Company Limited, a company incorporated in Macau and is owned as to 90% by PYL Limited and as to 10% by NPH Sino-Meditech Limited
“Purchaser”	Attentive Wealth Investments 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
“PYL Food”	Poo Yuk Loong Food (Shenzhen) Company Limited, a company established in the PRC with limited liability and is wholly owned by NPH Sino-Meditech Limited
“PYL Limited”	Poo Yuk Loong Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by NPH
“Sale Loan”	50% of 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\$46,361,858.00 as at the date of the Disposal Agreement
“Sale Shares”	500 issued shares of US\$1.00 each in the issued share capital of the Target Company, which is beneficially owned by the Vendor, representing 50% the entire issued share capital of the Target Company
“Shares”	ordinary share(s) in the issued share capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules

“Target Company”	Ace Season Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries, including NPH, Nam Pei Hong Holdings Limited, NPH Investments Limited, PYL Limited, NPH Sum Yung (Macau), NPH Sino-Meditech Limited, PYL Food, NPH Sum Yung (Hong Kong) and Most Trade
“Vendor”	China Star Entertainment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the 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, 11 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.