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

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



*(Incorporated in the Cayman Islands and
continued in Bermuda with limited liability)*
(Stock Code: 8172)

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

THE TRANSACTION

On 14 April 2014 (after trading hours), 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\$4,340,000 in cash.

GENERAL

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

Mr. Heung is the chairman and the executive director of both China Star and China Media. He is interested in 4,661,203,680 shares of China Star, representing approximately 41.5% 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 Vendor is the connected person of China Media and therefore the Transaction constitutes a connected transaction for China Media under Chapter 20 of the GEM Listing Rules.

* For identification purpose only

As the applicable percentage ratio under the GEM Listing Rules for the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

On 14 April 2014 (after trading hours), 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\$4,340,000 in cash.

THE TRANSACTION

Date

14 April 2014

Parties

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

Relationship between China Media and China Star

- (i) Mr. Heung is the chairman and the executive director of both China Star and China Media;
- (ii) 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 Media; and
- (iii) Eternity is interested in 146,640,000 shares of China Media, representing approximately 29.0% of issued share capital of China Media as at the date of this joint announcement and Eternity is interested in 1,836,804,545 shares of China Star, representing approximately 16.3% 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 Media 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

HK\$2, 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, which amounted to approximately HK\$9,002,000.

Consideration

Pursuant to the S&P Agreement, the Consideration shall be HK\$4,340,000 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 by reference to the net liabilities of the Target Company, which was approximately HK\$4,662,000 as at 31 March 2014 and the Sale Loan.

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.

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Conditions Precedent

Completion of the S&P Agreement is conditional upon:

- (i) the publication of an announcement of China Media, in relation to the S&P Agreement and the transactions contemplated thereunder in compliance with 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 hereunder save for any antecedent breaches of the terms of the S&P Agreement.

Completion

Completion shall take place on the third business day 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 is incorporated in Hong Kong with limited liability by China Star Group 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 31 March 2014, which has been prepared in accordance with the HKGAAP, the unaudited net assets of the Target Company excluding the Sale Loan as at 31 March 2014 was approximately HK\$4,340,000; and the unaudited net loss before and after income tax of the Target Group for the period from 1 January 2014 to 31 March 2014 and for the year ended 31 December 2013 were approximately HK\$41,000 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, 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 China Star Directors consider that the Transaction will enable China Star Group to focus on its other principal businesses such as the hotel and gaming services operation and other gaming related services businesses in Macau.

China Media is an investment holding company and its subsidiaries and jointly controlled entities are principally engaged in the provision of artist management services and film production and distribution. The China Media Directors consider that the Transaction will enable China Media to further develop its film production business.

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.

The China Media 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 Media and the China Media Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION

After Completion, the Target Company will cease to become a subsidiary of China Star, and therefore, the assets, liabilities and results of the Target Company will no longer be consolidated with those of the China Star Group. Based on the Consideration of the Transaction and with reference to the unaudited financial results of the Target Company as at 31 March 2014, no book gain or loss from China Star is expected after the Transaction. The actual book gain or loss of China Star 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 China Star. China Star Group will apply the net proceeds of the Transaction for general working capital purpose.

After Completion, China Media 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 Media and the assets, liabilities and results of the Target Company will be consolidated with those of the China Media 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 both China Star and China Media. He is interested in 4,661,203,680 shares of China Star, representing approximately 41.5% 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 Vendor is the connected person of China Media and therefore the Transaction constitutes a connected transaction for China Media under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratio under the GEM Listing Rules for the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“China Media”	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 Media Director(s)”	the director(s) of China Media
“China Media Group”	China Media and its subsidiaries
“China Media Shareholder(s)”	the shareholder(s) of China Media
“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\$4,340,000, 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 May 2014, or such other date as the parties of the S&P Agreement may agree
“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 Company
“Mr. Heung”	Mr. Heung Wah Keung, the chairman and the executive director of both China Star and China Media
“Purchaser”	Dance Star Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China Media
“S&P Agreement”	sale and purchase agreement dated 14 April 2014 entered into between the Purchaser and the Vendor in relation to the Transaction
“Sale Shares”	HK\$2, being the total issued and paid up capital of the Target Company
“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\$9,002,000
“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”	China Star Entertainment Holding Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of China Star
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	%

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

By Order of the board of
China Media and Films Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 14 April 2014

As at the date of this joint announcement, the executive directors of China Star are Mr. Heung Wah 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 Media are Mr. Heung Wah Keung and Mr. Leung Wai Man and the independent non-executive directors of China Media 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 Media Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the issuer. The directors of China Media, 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 Media at www.cmfl.com