

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF MODERN VISION
AND THE SALE LOAN;
VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
RELATING TO
THE GRANTING OF LOAN AND THE ACCEPTANCE OF CALL OPTION;
AND
RESUMPTION OF TRADING**

THE ACQUISITION

The Company is pleased to announce that on 29 November 2016, after trading hours, the S&P Agreement was entered into between Best Combo as purchaser and Ms. Chen as vendor, pursuant to which Best Combo has agreed to acquire and Ms. Chen has agreed to dispose of the entire issued share capital of Modern Vision and the Sale Loan, at an aggregate consideration of HK\$1,000 million (subject to the Purchase Price Adjustment). The Purchase Price shall be satisfied by (i) the payment of HK\$400 million as a deposit upon the signing of the S&P Agreement to Ms. Chen; and (ii) the issue of the Promissory Note by the Company to Ms. Chen for the balance on Completion.

As one of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.07 of the Listing Rules. As Ms. Chen is an executive Director and a substantial Shareholder, who and her associates hold in aggregate 186,448,146 Shares, representing 20.63% of the existing issued share capital of the Company as at the date of the S&P Agreement, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. Ms. Chen and her associates shall abstain from voting at the SGM in respect of the resolutions to approve the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Acquisition.

THE GRANTING OF THE LOAN TO MS. CHEN BY BEST COMBO AND THE ACCEPTANCE OF THE CALL OPTION GRANTED TO BEST COMBO BY MS. CHEN

The Company is pleased to announce that on 29 November 2016 (after trading hours), Best Combo as lender entered into the Loan Agreement with Ms. Chen as borrower, pursuant to which Best Combo has agreed to grant to Ms. Chen a fixed term loan in the principal amount of HK\$500 million. The Loan will be secured by way of a share charge over the entire issued share capital of Reform Base.

Pursuant to the Loan Agreement, Ms. Chen has agreed to grant the Call Option to Best Combo which allows Best Combo to require Ms. Chen to sell the Call Option Shares to it at the Call Option Price at any time within 60 months after the date of drawdown of the Loan.

As one of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the granting of the Loan and the acceptance of the Call Option is more than 100%, the granting of the Loan and the acceptance of the Call Option will constitute a very substantial acquisition for the Company under Rule 14.07 of the Listing Rules. As Ms. Chen is an executive Director and a substantial Shareholder, who and her associates hold in aggregate 186,448,146 Shares, representing 20.63% of the existing issued share capital of the Company as at the date of the S&P Agreement, the granting of the Loan and the acceptance of the Call Option also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the granting of the Loan and the acceptance of the Call Option is subject to, among other things, the approval of the Independent Shareholders at the SGM. Ms. Chen and her associates shall abstain from voting at the SGM in respect of the resolutions to approve the granting of the Loan and the acceptance of the Call Option. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the granting of the Loan and the acceptance of the Call Option.

As the assets ratio (as defined under the Listing Rules) in respect of the granting of the Loan exceeds 8%, the Company will comply with Rule 13.20 of the Listing Rules to disclose in its interim and annual reports, details regarding the granting of the Loan as required under Rule 13.15 of the Listing Rules.

In addition, in the event the Company exercises the Call Option, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules by computing the applicable percentage ratios (as defined under the Listing Rules) at the time of exercise and, depending on the classification thereof, may subject to the reporting, announcement and Independent Shareholders' approval requirements.

GENERAL

A circular containing, among other things, (i) further information in respect of the Acquisition, the granting of the Loan and the acceptance of the Call Option; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the granting of the Loan and the acceptance of the Call Option, the accountants' reports on the Target Group, the independent valuation report of the Property, together with a notice convening the SGM and a form of proxy is expected to be despatched to the Shareholders on or before 6 February 2017, which is more than 15 business days after the publication of this announcement, as additional time is required for the Company to prepare relevant information including, among others, the accountants' reports on the Target Group, for inclusion in the circular.

The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 30 November 2016 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Tuesday, 6 December 2016.

THE S&P AGREEMENT

Date:

29 November 2016

Parties:

- (i) Purchaser: Best Combo Limited,
a wholly-owned subsidiary of the Company
- (ii) Vendor: Ms. Chen Ming Yin, Tiffany

The vendor is Ms. Chen Ming Yin, Tiffany, who is a merchant, an executive Director and a substantial Shareholder. As at the date of the S&P Agreement, Ms. Chen and her associates hold in aggregate 186,448,146 Shares, representing approximately 20.63% of the existing issued share capital of the Company. As such, Ms. Chen is a connected person of the Company under Chapter 14A of the Listing Rules.

The Acquisition

Pursuant to the S&P Agreement, Best Combo has agreed to acquire and Ms. Chen has agreed to dispose of 100% of the issued share capital of Modern Vision and the Sale Loan.

The major asset of Modern Vision is its 50% equity interest in Over Profit. Over Profit is accounted for as a subsidiary of Modern Vision, where the financial results of Over Profit and its subsidiaries are consolidated into those of Modern Vision.

Over Profit is an investment holding company which indirectly holds a 100% equity interest in Macau Co. Macau Co is the registered and beneficial owner of the Property. Details of which are set out in the paragraph headed “Information on the Property and the Prelim Figures” below.

Modern Vision was incorporated in the British Virgin Islands with limited liability on 25 May 2007. Modern Vision is an investment holding company. The major asset of Modern Vision is its 50% equity interest in Over Profit. Other than holding the 50% equity interest in Over Profit, Modern Vision has not carried out any other business since its date of incorporation.

According to the unaudited consolidated financial statements of the Target Group for the years ended 31 December 2014 and 31 December 2015 and the period from 1 January 2016 to 30 September 2016, which were prepared in accordance with the Hong Kong Financial Reporting Standards, the net liabilities of the Target Group as at 31 December 2014, 31 December 2015 and 30 September 2016 were approximately HK\$522.28 million, HK\$522.30 million and HK\$522.33 million respectively. The loss before and after tax for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016 were approximately HK\$20,000, HK\$20,000 and HK\$21,000 respectively.

According to the unaudited management accounts of Modern Vision for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016, the net liabilities of Modern Vision as at 31 December 2014, 31 December 2015 and 30 September 2016 were approximately HK\$39,000, HK\$44,000 and HK\$49,000 respectively. The loss before and after tax for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016 were all approximately HK\$5,000.

The Sale Loan amounted to approximately HK\$499.91 million as at the date of the S&P Agreement. The Sale Loan represents the interest-free loan advanced by Ms. Chen to Modern Vision from time to time.

Macau Co was incorporated in Macau with limited liability on 20 June 1989. Macau Co is principally engaged in property investment and development in Macau, with its principal asset being that of the Property.

According to the unaudited management accounts of Macau Co for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016, the net assets value of Macau Co as at 31 December 2014, 31 December 2015 and 30 September 2016 were all approximately HK\$1,385,000. The loss before and after tax for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016 were HK\$369, HK\$58 and HK\$618 respectively.

Information on the Property and the Prelim Figures

The Property is a lot of land granted by the land lease concession (the “**Land Grant**”) to Macau Co under the Dispatch No. 69/2001 of Secretary for Transport and Public Works of Macau published in the Macau Government Gazette No. 34 dated 22 August 2001, with the area of 4,669 square meters, named “Lote 7 da Zona C do Plano de Urbanização da Zona da Baía da Praia Grande”, located at Avenida Doutor Stanley Ho S/N and is registered with the Macau Land and Real Estate Registry under No. 23070.

According to the Land Grant, the Property is leased to Macau Co for a term of 25 years commencing on 22 August 2001, i.e. until 21 August 2026, and subject to the completion of the development, shall be automatically renewable for periods of 10 years until 19 December 2049 in accordance with the legislation in force in Macau. Under the Land Grant, the Property shall be developed into a building under strata title, for residential, commerce and parking, with the gross floor areas (in square meters): (i) residential 25,832; (ii) commerce 215; and (iii) parking 3,930. The development of the Property should have been completed within a term of 60 months commencing on 22 August 2001, i.e. until 21 August 2006 (the “**Development Period**”).

Due to the pending of the finalization by the Macau Government of the master plan for the development of the Nam Van District, of which the Property comprises a portion, the Land, Public Works and Transport Bureau of Macau (“**DSSOPT**”) has not granted a permit for the development of the Property and the Development Period has expired.

In light of the master plan for the Nam Van District being at a final stage, the draft Urbanistic Conditions Plan of the Property was issued by DSSOPT on 3 August 2016 for public consultation and the Urbanistic Conditions Plan of the Property (the “**UCP**”) have recently issued on 15 September 2016. Under the UCP, the Property shall be developed for residential and parking purpose, with the maximum allowed height of the building of 34.5 meters above sea level and maximum utilization rate of 5.58 (parking not included).

An architect has been engaged to compile a development plan of the Property (the “**Development Plan**”) in accordance with the parameters of the UCP for submission to DSSOPT’s approval. Based on the project summary of the Development Plan, the Property shall be developed into a building under strata title, for residential and parking, with the gross floor areas (in square meters): (i) residential 26,047; and (ii) parking 5,200, which are the Prelim Figures.

Given that the Development Plan is different from the Land Grant in term of gross floor area and purposes and the Development Period has expired, a new amendment to the Land Grant in respect of the Development Plan and an application for extending the Development Period or obtaining a new development period of the Property (the “**New Development Period**”) will be submitted to DSSOPT for approval.

As advised by the Company’s Macanese lawyers, the new amendment to the Land Grant in respect of the Development Plan shall be completed upon the gazetting of the contract of the amendment of the Land Grant and Macau Co shall be required to pay additional land premium for the additional gross floor area in comparing the gross floor area and purposes of the Development Plan and the Land Grant.

The Company’s Macanese lawyers also advise that, despite the fact that DSSOPT did not grant the permit for the development of the Property, the application for extending the Development Period or obtaining the New Development Period will attract a penalty to be paid by Macau Co.

As the lease term of the Property under the Land Grant has not yet expired, the Company’s Macanese lawyers are of the opinion that, in accordance with the relevant laws of Macau, they do not foresee any legal impediment for Macau Co to apply for an extension of the Development Period or obtaining the New Development Period within the lease term of the Property.

Given that the lease term of the Property under the Land Grant has not yet expired and the UCP has recently been issued on 15 September 2016, the Company’s Macanese lawyers are of the opinion that, on the basis of the Development Plan is within the parameters of the UCP and Macau Co pays the additional land premium and the penalty, they do not foresee any legal impediment for Macau Co to obtain approvals of (i) the new amendment of the Land Grant in respect of the Development Plan and (ii) the extension of the Development Period or the New Development Period.

The Company currently cannot ascertain the amount to be paid for the above land premium or penalty. Therefore, Ms. Chen undertakes with Best Combo that, in the event, Macau Co is required to pay the aforementioned land premium and penalty, (i) under the S&P Agreement, Ms. Chen shall pay to Best Combo 50% of the land premium and penalty; and (ii) under the Loan Agreement, Ms. Chen shall pay to Best Combo 25% of the land premium and penalty (to the extent that the Call Option has been exercised), within 14 days of Macau Co’s payment/demand for payment of such amount.

Purchase Price

The Purchase Price, being HK\$1,000 million (subject to the Purchase Price Adjustment (as defined below)), was determined between Best Combo and Ms. Chen on a “willing buyer – willing seller” basis having regards to (i) the UCP issued by DSSOPT; (ii) the Prelim Figures of (a) residential of 26,047 square meters and (b) parking of 5,200 square meters, which are compiled in accordance with the parameters of the UCP; (iii) Modern Vision’s 50% indirect interest in the Property; and (iv) the preliminary property valuation of HK\$2,000 million conducted by Roma Appraisals Limited, an independent valuer appointed by the Company based on the Prelim Figures. The date of the preliminary valuation of the Property is 31 October 2016 based on market approach by making reference to comparable sales transactions as available in the relevant market. The Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Acquisition) consider that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. In any event, a property valuation will be included in the circular to be despatched to the Shareholders and the Shareholders should therefore refer to those figures. Ms. Chen had acquired 50% interest in the Property in July 2007 at a consideration of HK\$500 million.

The Purchase Price shall be satisfied by Best Combo by:

- (i) the payment of HK\$400 million (the “**Initial Deposit**”) upon the signing of the S&P Agreement by Best Combo to Ms. Chen; and
- (ii) the issue of the Promissory Note by the Company to Ms. Chen for the balance on Completion.

The Initial Deposit shall immediately be returned to Best Combo without interest in the event of termination or non-completion of the S&P Agreement for whatever reason.

In the event that the gross construction floor area of the Property approved by DSSOPT (the “**Approved Figures**”) are less than the Prelim Figures, then the Purchase Price shall be reduced by an adjustment (the “**Purchase Price Adjustment**”). For the avoidance of doubt, there will be no Purchase Price Adjustment if the Approved Figures are greater than the Prelim Figures. The Purchase Price Adjustment is calculated as follows:

$$\text{Purchase Price Adjustment} = \frac{\text{HK\$1,000 million}}{\text{Prelim Figures}} \times (\text{Prelim Figures} - \text{Approved Figures})$$

Note: For calculation purpose only, the Prelim Figures used in the above formula will be the aggregate of the gross floor area for residential and parking purpose, i.e. 31,247 square meters, and the Approved Figures will be constructed in the same way by aggregating the gross floor area for residential and parking purpose.

If the Approved Figures could not be obtained and/or approved by DSSOPT on or before 21 August 2026, the Approved Figures would be treated as zero and the Purchase Price Adjustment will be deemed to be equal to the Purchase Price.

The Purchase Price Adjustment shall be initially offset against the Promissory Note on a dollar for dollar basis. In the event that the Promissory Note is insufficient to settle the Purchase Price Adjustment, Ms. Chen shall settle the remaining balance of the Purchase Price Adjustment in cash within 30 days of the date of the formal notice issued by DSSOPT notifying Macau Co the Approved Figures or 21 August 2026, whichever is earlier. No interest will be charged on the Purchase Price Adjustment as this forms part of the Purchase Price regardless of the Prelim Figures.

The Directors (excluding the Independent non-executive Directors whose opinion will depend on the advice from the independent financial adviser) are of the view that the terms of the S&P Agreement (including the interest rate and default interest rate of the Promissory Note as detailed below in the paragraph headed “Terms of the Promissory Note”) are fair and reasonable.

Conditions

Completion is conditional upon the following conditions being fulfilled and/or waived by Best Combo as at the date of Completion:

- (a) Best Combo obtaining to its satisfaction a legal opinion from Macanese lawyers on, inter alia,
 - (i) confirming Hercules and Stronghold hold 100% shareholding of Macau Co;
 - (ii) confirming the shareholding of Hercules and Stronghold;
 - (iii) confirming Macau Co has good title to the Property; and
 - (iv) the right of the Property for residential and/or car parking use;
- (b) all consents of the Independent Shareholders and the Stock Exchange in connection with the transactions contemplated by the S&P Agreement including, inter alia, the issue of Promissory Note (where applicable) having been obtained;
- (c) the warranties given by Ms. Chen in the S&P Agreement remaining true and accurate in all material respects;
- (d) Best Combo undertaking and completing a due diligence investigation in respect of the Property and the Target Group and being satisfied with the results of such due diligence investigation; and

- (e) Best Combo having received a property valuation from an independent property valuer, Roma Appraisals Limited, valuing the Property at not less than HK\$2,000 million.

If the conditions of the S&P Agreement are not fulfilled or waived in whole or in part by Best Combo in writing, in its absolute discretion by no later than 5:00 p.m. on 27 May 2017 or such other date as may be agreed in writing between Best Combo and Ms. Chen, then the S&P Agreement shall cease and be determined and all liabilities of the parties thereto will cease and no party will have any claim against the others (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the S&P Agreement).

Completion shall take place on the third Business Day after the fulfillment and/or waiver of the last of the conditions precedent in the S&P Agreement or such later date as Ms. Chen and Best Combo may agree in writing.

The S&P Agreement is separate and independent from the Loan Agreement and are not inter-conditional to each other.

Terms of Promissory Note

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Parties:

The Company as issuer and Ms. Chen as payee

Principal Amount:

HK\$600 million

Maturity:

A fixed term of 24 months from the date of issue of the Promissory Note.

Interest:

The Promissory Note will carry interest at the rate of 5% per annum, calculated on the basis of 365-day year and payable semi-annually in arrears.

If the Company defaults in repayment on the maturity date of any part of the principal sum, the Company shall pay interest on such overdue sum from the maturity date until payment in full (before and after judgment) at the rate of 5% per annum.

Early repayment:

Provided that the Company has given to Ms. Chen not less than ten Business Day's prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note, the Company may at any time from the date of the issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire outstanding sum under the Promissory Note or part of it (in amounts of not less than HK\$1 million) by payment to Ms. Chen of the outstanding principal amount of the Promissory Note save that if at that time, the outstanding principal amount of the Promissory Note is less than HK\$1 million, the whole (but not part only) of the Promissory Note may be repaid.

Assignment:

The Promissory Note may, subject to the ten Business Days' prior written notice to the Company and subject to the written consent of the Company, be transferred or assigned by Ms. Chen to any person. The Company will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to the connected persons of the Company (as defined in the Listing Rules).

Extension:

The Company has the right to extend the maturity date of the Promissory Note by giving not less than 30 days prior written notice to Ms. Chen.

THE GRANTING OF THE LOAN TO MS. CHEN BY BEST COMBO AND THE ACCEPTANCE OF THE CALL OPTION GRANTED TO BEST COMBO BY MS. CHEN

The Company is pleased to announce that on 29 November 2016 (after trading hours), Best Combo entered into the Loan Agreement with Ms. Chen, pursuant to which (i) Best Combo has agreed to grant the Loan in the principal amount of HK\$500 million to Ms. Chen for a term of 60 months from the date of drawdown; and (ii) Ms. Chen has agreed to grant the Call Option to Best Combo to require Ms. Chen to sell the Call Option Shares, which shall be exercisable by Best Combo at any time within 60 months after the date of drawdown of the Loan.

The Loan Agreement

The terms the Loan Agreement have been negotiated on an arm's length basis and are summarized as follows:

Date	:	29 November 2016 (as supplemented by a deed of variation dated 5 December 2016)
Lender	:	Best Combo Limited, a wholly-owned subsidiary of the Company
Borrower	:	Ms. Chen Ming Yin, Tiffany

Principal amount of the Loan : HK\$500 million, subject to the Loan Amount Adjustment (as defined below)

Adjustment to the principal amount of the Loan : In the event that the Approved Figures are less than the Prelim Figures, then the principal amount of the Loan shall be reduced by an adjustment (the “**Loan Amount Adjustment**”). For the avoidance of doubt, there will be no Loan Amount Adjustment if the Approved Figures are greater than the Prelim Figures. The Loan Amount Adjustment is calculated as follows:

Loan Amount Adjustment =

$$\frac{\text{HK\$500 million}}{\text{Prelim Figures}} \times (\text{Prelim Figures} - \text{Approved Figures})$$

Note: For calculation purpose only, the Prelim Figures used in the above formula will be the aggregate of the gross floor area for residential and parking purpose, i.e. 31,247 square meters, and the Approved Figures will be constructed in the same way by aggregating the gross floor area for residential and parking purpose.

If the Loan has not been drawdown, the principal amount of the Loan available to Ms. Chen for drawing shall be immediately reduced by an amount equal to the Loan Amount Adjustment.

If the Loan has already been drawdown, Ms. Chen shall repay an amount equal to the Loan Amount Adjustment within 30 days of the date of the formal notice issued by DSSOPT notifying Macau Co the Approved Figures.

For the avoidance of doubt, the principal amount of the Loan shall in no event be adjusted upwards.

Availability period : The period of 90 days (or such other number of days as Best Combo and Ms. Chen may agree in writing) commencing on the date on which the Loan Agreement becoming unconditional.

Final repayment date : The date falling on the expiry of 60 months from the date of drawdown of the Loan.

- Interest rate : 5.00% per annum, calculated on the basis of 365-day year and payable semi-annually in arrears.
- Security : A share charge over the entire issued share capital of Reform Base.
- Repayment : Subject to the provisions of the Loan Agreement, Ms. Chen shall repay the outstanding principal amount of Loan together with outstanding interest in full on the final repayment date.
- Voluntary repayment : Ms. Chen may prepay the Loan (together with accrued interest) in full after the date of drawdown without penalty provided not less than ten Business Days' prior written notice has been given to Best Combo.
- Call Option : The Call Option allows Best Combo to require Ms. Chen to sell the Call Option Shares to it at the Call Option Price, subject to (i) the Macau Government's authorisation (if required) according to the requirements under the laws of Macau and (ii) the prior approval of the Independent Shareholders in general meeting (if required) pursuant to the requirements of the Listing Rules.
- Call Option Price : The principal amount of the Loan minus the Loan Amount Adjustment, if any.
- Exercisable period : The date falling on the expiry of 60 months from the date of drawdown of the Loan.
- Settlement of the Call Option Price : On completion of the purchase of the Call Option Shares, the Call Option Price shall be settled in the following manner:
- (a) If the Loan has not been drawdown, Best Combo shall pay to Ms. Chen in clear funds a sum equal to the Call Option Price.
 - (b) If the Loan has been drawdown, Best Combo shall net-off the Call Option Price payable to Ms. Chen from the outstanding principal amount of the Loan.

Conditions precedent : The Loan Agreement is conditional upon the fulfillment of the conditions:

- (i) all consent of the Independent Shareholders and the Stock Exchange in connection with the transactions contemplated by the Loan Agreement having been obtained;
- (ii) Best Combo having received the Share Charge duly and properly executed by Ms. Chen;
- (iii) Best Combo having received to its satisfaction a legal opinion from Macanese lawyer on, inter alia,
 - (a) confirming Hercules and Stronghold hold 100% shareholding of Macau Co;
 - (b) confirming the shareholding of Hercules and Stronghold;
 - (c) confirming Macau Co has good title to the Property; and
 - (d) confirming the right of the Property for residential and/or car parking;
- (vi) Best Combo having received evidence that all authorisations have been obtained and all necessary filings, registrations and other formalities have been or will be completed in order to ensure that the Loan Agreement and the security document is valid and enforceable;
- (v) all representations and warranties made by Ms. Chen in or in connection with the Loan Agreement remaining true and correct with the same effect as though made on and as of the Drawdown Date with reference to the facts and circumstances then subsisting; and
- (vi) Best Combo having received and found satisfactory such additional information and documents relating to any of the matters contemplated herein as Best Combo may reasonably require.

The Loan Agreement is separate and independent from the S&P Agreement, and are not inter-conditional to each other.

Basis of the Call Option Price or the principal amount of the Loan

The Call Option Price or the principal amount of the Loan, being HK\$500 million (subject to the Loan Amount Adjustment), was determined between Best Combo and Ms. Chen on a “willing buyer – willing seller” basis having regards to (i) the UCP issued by DSSOPT; (ii) the Prelim Figures of (a) residential of 26,047 square meters and (b) parking of 5,200 square meters, which are compiled in accordance with the parameters of the UCP; (iii) Reform Base’s 25% indirect interest in the Property; and (iv) the preliminary property valuation of HK\$2,000 million conducted by Roma Appraisals Limited, an independent valuer appointed by the Company based on the Prelim Figures. The date of the preliminary valuation of the Property is 31 October 2016 based on market approach by making reference to comparable sales transactions as available in the relevant market.

The Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Loan Agreement and the transactions contemplated thereunder) consider that the terms of the Loan Agreement, including the acceptance of the Call Option granted by Ms. Chen to Best Combo, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Ms. Chen had acquired 25% interest in the Property in July 2007 at a consideration of HK\$250 million.

Information on Reform Base

The major asset of Reform Base is its 25% equity interest in Over Profit.

Over Profit is an investment holding company which indirectly holds a 100% equity interest in Macau Co. Macau Co is the registered and beneficial owner of the Property. Please refer to the paragraph headed “The Acquisition” above for the information on Over Profit and Macau Co. Details of the Property are set out in the paragraph headed “Information on the Property and the Prelim Figures” above.

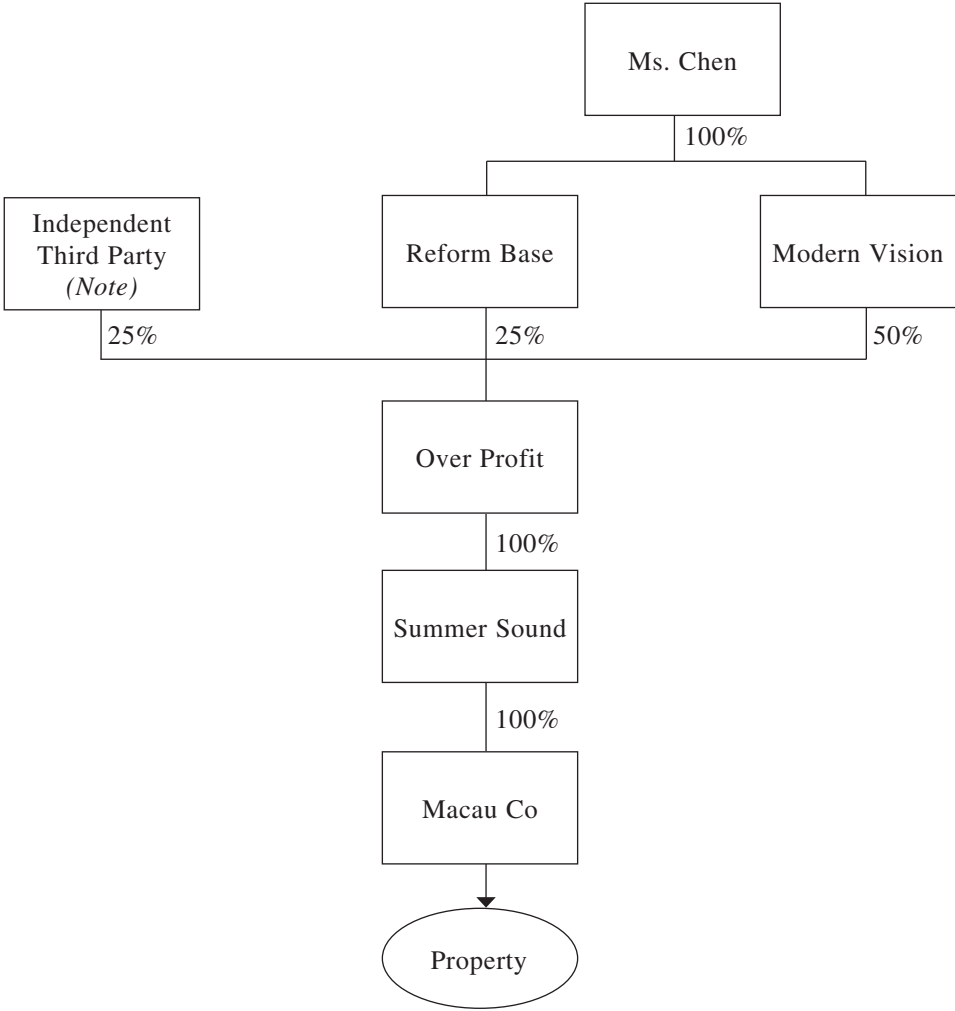
Reform Base was incorporated in the British Virgin Islands with limited liability on 5 June 2007. Reform Base is an investment holding company. The major asset of Reform Base is its 25% equity interest in Over Profit. Other than holding the 25% equity interest in Over Profit, Reform Base has not carried out any business since its date of incorporation.

According to the unaudited management accounts of Reform Base for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016, the net liabilities of Reform Base as at 31 December 2014, 31 December 2015 and 30 September 2016 were approximately HK\$40,000, HK\$45,000 and HK\$49,000 respectively. The loss before and after tax for the years ended 31 December 2014 and 31 December 2015 and for the period from 1 January 2016 to 30 September 2016 were all approximately HK\$5,000.

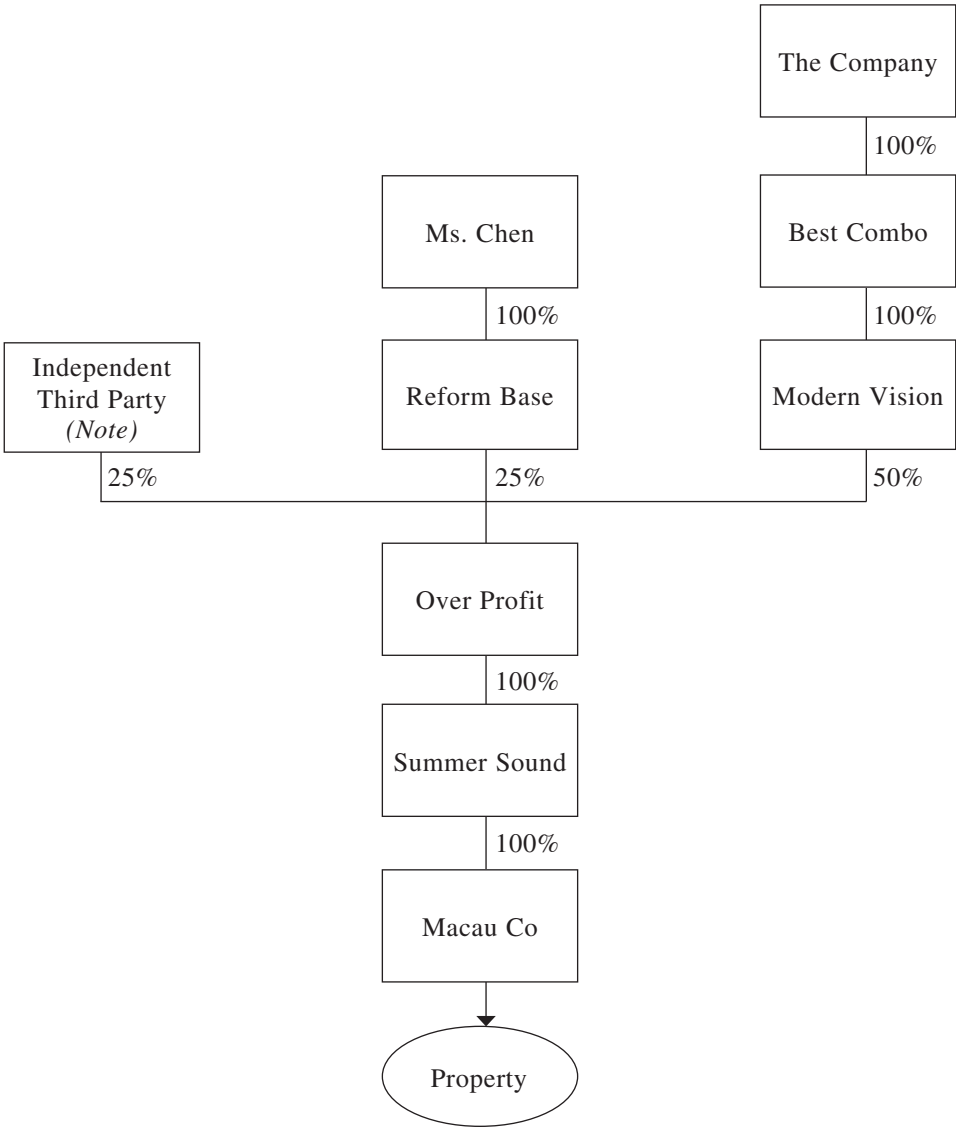
SHAREHOLDING STRUCTURE OF THE TARGET GROUP AND REFORM BASE

Set out below is the summarised shareholding structure of the Target Group and Reform Base (i) before the Completion and the exercise of the Call Option; (ii) after the Completion and before the exercise of the Call Option; and (iii) after the Completion and the exercise of the Call Option:

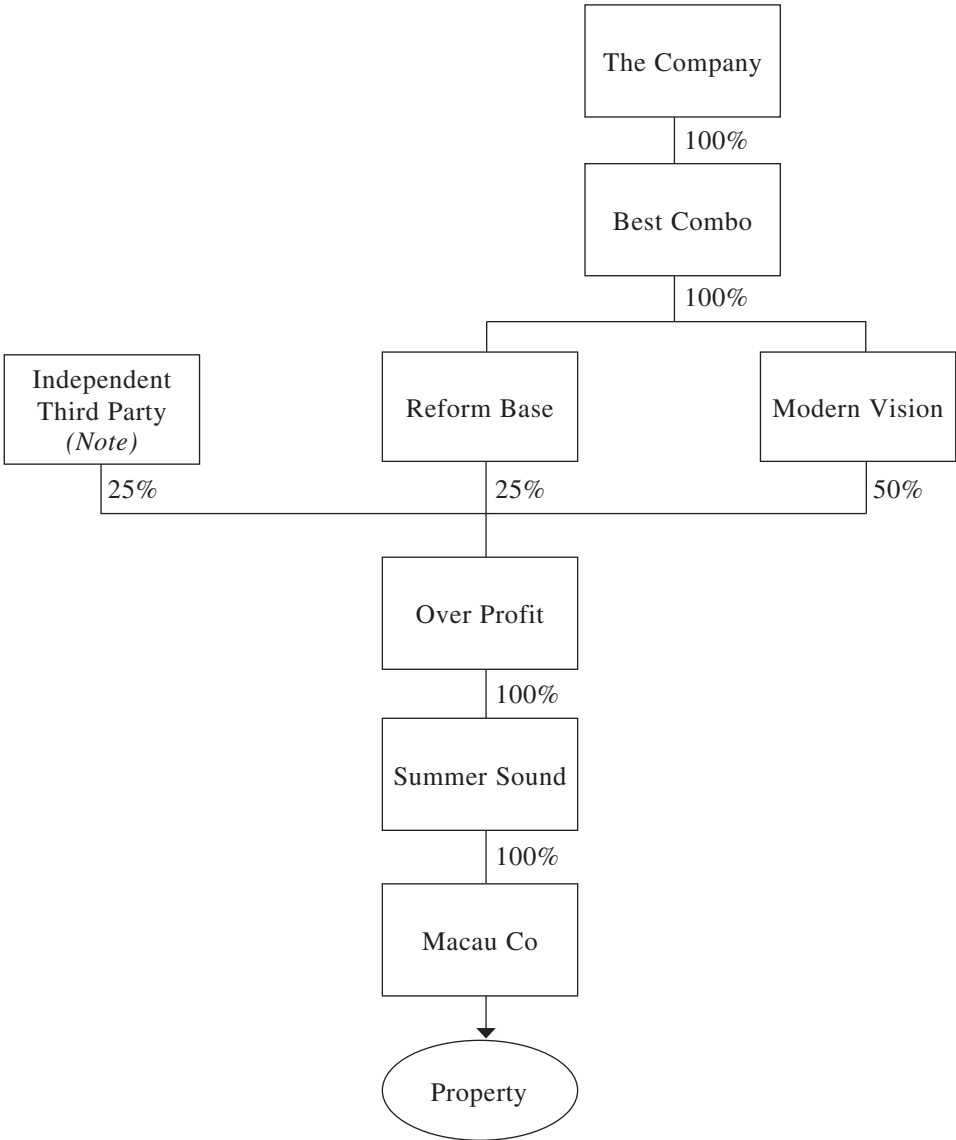
(i) Before the Completion and the exercise of the Call Option:



(ii) After the Completion and before the exercise of the Call Option:



(iii) After the Completion and the exercise of the Call Option:



Note: To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the remaining 25% interest in Over Profit is held by AGrade Holdings Limited (“**AGrade**”), a company incorporated in the British Virgin Islands and wholly-owned by Ms. Wong Hoi Ping (“**Ms. Wong**”). Ms. Wong is also a director of Over Profit. Both of AGrade and Ms. Wong are Independent Third Parties who are also independent of Ms. Chen and her associates.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE GRANTING OF THE LOAN AND THE ACCEPTANCE OF THE CALL OPTION

The Company is an investment holding company and the Group is principally engaged in film production, distribution of film and television drama series, investment in film, provision of artist management services, sales of health products, property and hotel investment, food and beverage operations and property development.

The recent overall performance of the hotel and gaming operations in Hotel Lan Kwai Fong is susceptible to the surrounding region, government regulatory policies, and the level of visitation to Macau, as well as to the competitive situation among hotels in Macau. Property development and investment is considered more stable investment for maintaining stable future revenue. In view of this, the Company believes that the susceptible performance of the hotel and gaming operations in Hotel Lan Kwai Fong would be compensated by the Group's property development business, which has been commenced by the Group's acquisition of a 100% interest in the property leasehold rights over four undeveloped parcel of lands named as Lot 6B, Lot 6C, Lot 6D and Lot 6E located at Zona de Aterros do Porto Exterior (ZAPE), Macau (the "Site") in 2011. The Site is being developed into a luxury residential and commercial complex of two towers with a total gross floor area of 45,989 square meters. The development of the Site is expected to commence in the beginning of year 2017 and to complete in year 2019.

According to the latest statistic figures released by the Statistics and Census Service of Macau in November 2016, the monthly number of resident unit transacted and the corresponding total transaction amount in the third quarter of 2016 have represented increases since April 2016 as compared with the corresponding months in 2015. In particular, the number of resident unit transacted totaled 878 in September 2016, representing an increase of approximately 86.8% from that of 470 in September 2015, while the total transaction amount of resident unit recorded approximately MOP4,568 million in September 2016, representing an increase of approximately 70.4% from that of approximately MOP2,681 million in September 2015. In addition, the average price of residential properties sold in the third quarter of 2016 has increased by approximately 5.0%, from approximately MOP84,342 per square meter in the third quarter of 2015 to approximately MOP88,564 per square meter in the third quarter of 2016. These reflected a general growth trend in the residential property market of Macau in the recent period. Given that land is a scarce resource in Macau and the land supply of Macau is limited, the Company is positive on the Macau property market and believes that there is a strong demand for housing in Macau.

The Property is located at the Nam Van Lake, which is one of the two man-made lakes in the Macau Peninsula. In addition to the Macau Tower standing at the Nam Van Lake, Macau International Fireworks Display Contest is held in the Nam Van Lake in September and October every year. With its superb location and spectacular view overlooking the Macau Peninsula and the Cotai Island, the Company intends to develop the Property into high-end residential apartments for sale.

The Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Acquisition) believe that the Acquisition will diversify the Group's stock of properties and strengthen the Group's property development footprint in Macau which have a positive impact on the Group's long-term profitability. Meanwhile, the Loan Agreement not only provides the Group with stable interest income during its terms, but also grants to the Group the option to acquire an additional 25% interest in the Property, through the exercise of the Call Option as and when appropriate, at its sole discretion.

The exclusion of the approvals of (i) the new amendment of the Land Grant in respect of the Development Plan using the Prelim Figures and (ii) the extension of the Development Period or the obtaining of the New Development Period from the conditions precedent under the S&P Agreement (the “**Exclusion Arrangement**”) is purely for the purpose of enabling the Group to complete the Acquisition speedily.

The Company considers that an early Completion is essential as it warrants the Group to take part in the early stage of the development of the Property, particularly the designing stage. As a blueprint for building a property, the designing stage is relative lengthy and important as it affects the overall quality and the total construction costs of a property, which is vital to a success of a property development project. The designing stage not only involves the design of layout of each floor, interior and exterior of the Property, building facilities and club house, but also the decision on which types of building materials to be used. In addition, the designing stage involves marketing research, and costs and benefits analysis. Without an early Completion, the Group cannot participate in the designing stage of the development of the Property. The Company considers that an early Completion will enable the Group to fully utilise its existing property development capabilities and speed up the development of the Property.

In deciding on an early Completion, the Company has considered, in light of the opinions made by the Company’s Macanese lawyers, the following aspects:

- (a) Approval of the new amendment of the Land Grant in respect of the Development Plan using the Prelim Figures

The parameters of the UCP and the Land Grant Figures are the same, save and except for the commercial purpose is deleted from the UCP. In addition, the gross floor areas above the sea level of 26,047 square meters under the Prelim Figures and the Land Grant Figures are the same and the only different between the Prelim Figures and the Land Grant Figures is the gross floor areas of parking, which are 5,200 square meters for Prelim Figures and 3,930 square meters for the Land Grant Figures. If the new amendment of the Land Grant in respect of the Development Plan using the Prelim Figures is not approved by DSSOPT, the development of the Property will adopt the Land Grant Figures and reduce the gross floor areas of parking of the Property to 3,930 square meters. Given that the Development Plan using the Prelim Figures is within the parameters of the UCP, the Company considers that DSSOPT not approving new amendment of the Land Grant in respect of the Development Plan using the Prelim Figures is highly unlikely. Even if the approval of the new amendment of the Land Grant in respect of the Development Plan using the Prelim Figures is not granted, the Company believes that the change in adoption of the Land Grant Figures has no material effect on the progress of the development of the Property and the Purchase Price Adjustment mechanism provided in the S&P Agreement enables to recover the shortfall of gross floor area in the event that the Prelim Figures is less than the Land Grant Figures.

(b) Approval of the extension of the Development Period or the New Development Period

As the lease term of the Property has not expired, Macau Co has a right to apply for an extension of the Development Period in accordance with the laws of Macau. In fact, two applications for the extension of the development period of the Site have been successfully made in 2010 and 2015 and DSSOPT has granted the extensions of the development period of the Site from 20 June 1997 to 20 December 2019 on the condition of the payment of penalty. Therefore, the Company considers that DSSOPT not granting an extension of the Development Period or the New Development Period is highly unlikely.

Taking into account of the above considerations and the Purchase Price Adjustment mechanism provided in the S&P Agreement, which enable the Group to recover the entire or part of the Purchase Price (as the case may be), the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the independent financial adviser to be appointed by the Company) consider that the Exclusion Arrangement are in the interests of the Company and the Shareholders as a whole.

In light of the foregoing, the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the independent financial adviser to be appointed by the Company) consider that the terms of the Acquisition and the Loan Agreement (including the acceptance of the Call Option) are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Following Completion, each of the companies in the Target Group will be treated as subsidiaries of the Company and their financial results will be consolidated into the Group.

It is the intention of the Company to continue the operation of its existing business as disclosed in its latest interim report for the six months ended 30 June 2016 with no material changes, and, as at the date of this announcement, the Company does not foresee any other acquisition of new business or assets other than the proposed Acquisition.

LISTING RULES IMPLICATIONS

As one of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Acquisition and the granting of the Loan and the acceptance of the Call Option is more than 100%, each of the Acquisition and the granting of the Loan and the acceptance of the Call Option will constitute a very substantial acquisition for the Company under Rule 14.07 of the Listing Rules.

Furthermore, given that the Ms. Chen (the vendor under the S&P Agreement and the borrower under the Loan Agreement) is an executive Director and a substantial Shareholder, Ms. Chen is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition and the granting of the Loan and the acceptance of the Call Option also constitute connected transactions for the Company respectively pursuant to Rule 14A.23 and Rule 14A.24(4) of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements.

Ms. Chen and her associates (beneficially interested in an aggregate of 186,448,146 Shares, representing approximately 20.63% of the entire issued share capital of the Company as at the date of this announcement) shall abstain from voting on the proposed resolutions to approve the Acquisition; and the granting of the Loan and the acceptance of the Call Option at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Acquisition; and the granting of the Loan and the acceptance of the Call Option. An independent financial adviser will be appointed by the Company in due course to advise the Independent Board Committee and the Independent Shareholders in this regard.

As the assets ratio (as defined under the Listing Rules) in respect of the granting of the Loan exceeds 8%, the Company will comply with Rule 13.20 of the Listing Rules to disclose in its interim and annual reports, details regarding the Loan as required under Rule 13.15 of the Listing Rules.

In addition, in the event the Company exercises the Call Option, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules by computing the applicable percentage ratios (as defined under the Listing Rules) at the time of exercise and, depending on the classification thereof, may subject to the reporting, announcement and Independent Shareholders' approval requirements.

GENERAL

There have been no previous transactions entered into between the Company and Ms. Chen that requires aggregation pursuant to Rule 14A.25 of the Listing Rules.

A circular containing, among other things, (i) further information in respect of the Acquisition; and the granting of the Loan and the acceptance of the Call Option, (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, granting of the Loan and the acceptance of the Call Option, the accountants' reports on the Target Group, the independent valuation report of the Property, together with a notice

convening the SGM and a form of proxy is expected to be despatched to the Shareholders on or before 6 February 2017, which is more than 15 Business Days after the publication of this announcement, as additional time is required for the Company to prepare relevant information including, among others, the accountants' reports on the Target Group, for inclusion in the circular.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 30 November 2016 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Tuesday, 6 December 2016.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of 100% of the issued share capital of Modern Vision and the Sale Loan;
“associate”	has the meaning as ascribed to it under the Listing Rules;
“Best Combo”	Best Combo Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“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 a.m.) on which banks in Hong Kong are generally open for business;
“Call Option”	the call option granted by Ms. Chen to Best Combo to acquire the Call Option Shares at the Call Option Price;
“Call Option Price”	principal amount of the Loan minus the Loan Amount Adjustment, if any;
“Call Option Shares”	the entire issued share capital of Reform Base held by Ms. Chen;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Stock Exchange;

“Completion”	the completion of the Acquisition;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hercules”	Hercules – Holding Company Limited, a company incorporated in Macau with limited liability and an indirect subsidiary of Over Profit;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee comprising Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert, all of which are independent non-executive Directors to advise the Independent Shareholders on the Acquisition; and the granting of the Loan and the acceptance of the Call Option;
“Independent Shareholders”	Shareholders other than Ms. Chen and her associates;
“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
“Land Grant Figures”	the land grant for the Property issued by the Macau Government which contemplates the following as to the construction purposes and gross floor areas: (in square meters): (a) residential 25,832; (b) commerce 215; and (c) parking 3,930;
“Last Trading Day”	29 November 2016, being the last full trading day of the Shares on the Main Board of the Stock Exchange immediately prior to the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan”	a sum of HK\$500 million, subject to Loan Amount Adjustment;
“Loan Agreement”	a loan agreement entered into between Ms. Chen and Best Combo on 29 November 2016 and as supplemented by a deed of variation dated 5 December 2016 between the same parties regarding the granting of the Loan in the principal sum of HK\$500 million, subject to Loan Amount Adjustment;
“Macau”	Macau Special Administrative Region of the People’s Republic of China;
“Macau Co”	Splendid Construction and Investment Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of Over Profit;
“Modern Vision”	Modern Vision (Asia) Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Chen;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director, the husband of Ms. Chen and a substantial Shareholder;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and a substantial Shareholder;
“Over Profit”	Over Profit International Limited, a company incorporated in the British Virgin Islands with limited liability and which indirectly owns the entire issued quota of Macau Co;
“Prelim Figures”	the gross construction floor area of the Property in the draft development plan to be submitted and subject to approval and revision of the Land Grant issued by the Macau Government which contemplates construction purposes and gross floor areas as follows: (in square meters): (a) residential 26,047; and (b) parking 5,200;
“Promissory Note”	the 2-year term 5% coupon promissory note to be issued by the Company to Ms. Chen of up to the principal amount of HK\$600 million pursuant to the terms of the S&P Agreement;

“Property”	a lot of land granted by the land lease concession under the Dispatch No. 69/2001 of Secretary for Transport and Public Works of Macau which is published in the Macau SAR Government Gazette no. 34, dated 22 August 2001, with the area of 4,669 square meters, named “Lote 7 da Zona C do Plano de Urbanização da Zona da Baía da Praia Grande”, located at Avenida Doutor Stanley Ho S/N, registered with the Macau Land and Real Estate Registry under No. 23070;
“Purchase Price”	the total consideration payable by Best Combo for the Acquisition pursuant to the S&P Agreement, being HK\$1,000 million, subject to the Purchase Price Adjustment;
“Reform Base”	Reform Base Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Chen;
“Sale Loan”	the total obligations, liabilities and debts owing or incurred by Modern Vision to Ms. Chen at Completion which is approximately HK\$499.91 million as at the date of the S&P Agreement;
“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 Acquisition and the granting of the Loan and the acceptance of the Call Option;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“S&P Agreement”	a conditional sale and purchase agreement entered into between Best Combo and Ms. Chen dated 29 November 2016 in respect of the Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Stronghold”	Stronghold – Holding Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of Over Profit;

“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules;
“Summer Sound”	Summer Sound Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Over Profit;
“Target Group”	Modern Vision and its associates and subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“MOP”	Macau Pataca, the lawful currency of Macau; and
“%”	per cent.

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

Hong Kong, 5 December 2016

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; the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.