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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

ANNOUNCEMENT ON ENTERING INTO A LETTER OF INTENT IN RELATION TO A PROPOSED DISPOSAL

This announcement is made pursuant to the Inside Information Provisions (as defined in the Rules (“**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”)) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

The board (“**Board**”) of directors (“**Directors**”) of China Star Entertainment Limited (“**Company**”, together with its subsidiaries, the “**Group**”) would announce that on 29 June 2017, the Company and China Star Entertainment (BVI) Limited (a wholly-owned subsidiary of the Company) entered into a letter of intent (“**LOI**”) with Paradise Entertainment Limited (“**Possible Buyer**”, a company whose shares are listed on the Stock Exchange (stock code: 1180)). Under the LOI, the parties to it have indicated the intent of the Group’s proposed sale (“**Proposed Disposal**”) to the Possible Buyer of (i) the entire issued share capital in each of Most Famous Enterprises Limited, Exceptional Gain Profits Limited and Charming Era Investment Limited (collectively, the “**Target Companies**”, all of which are presently wholly-owned subsidiaries of the Company), and (ii) the related shareholder loans to the Target Companies from the Group (excluding the Target Companies). The group of companies constituted by Target Companies and its subsidiaries owns and operates Hotel Lan Kwai Fong Macau and a few other residential units in Macau which are currently being used as staff quarters.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Possible Buyer and its substantial shareholders are independent third parties of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

The total price for the Proposed Disposal is indicated in the LOI to be HK\$2,380 million, which will be subject to adjustment as detailed in a formal sale and purchase agreement to be entered into (if entered into) between the Group and the Possible Buyer (or its nominee).

During the period from the date of the LOI to 30 September 2017, it has been agreed that the Group shall not negotiate with, or solicit offers from, any other parties in relation to the sale of the shares in the Target Companies or Hotel Lan Kwai Fong Macau and the residential units mentioned above.

The terms of the LOI generally are not legally binding, except for certain provisions (such as the provisions on confidentiality, exclusivity, costs and governing law) which are legally binding.

As indicated in the Company's annual report 2016, the Group has been planning to develop the combined site at Lot 6C, Lot 6D and Lot 6E at Zona de Aterros do Porto Exterior, Macau. The combined site is planned to be developed into a luxury residential and commercial complex of two towers with spacious apartment units and construction works already started in June 2017. It is budgeted that such development will require substantial cash resources, and the Group is considering to use part of the proceeds of the Proposed Disposal (if realized) to fund the development of such combined site.

The Proposed Disposal, if materialised, may constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules. If the Company proceeds with the Proposed Disposal, it will enter into legally binding agreement(s) with the Possible Buyer (or its nominee) in respect of the Proposed Disposal and will make further announcement as and when appropriate in compliance with the Listing Rules.

The LOI is generally not legally binding, and the terms contained in the LOI (as summarised above) are subject to further changes and further negotiations and agreement between the parties. Definitive agreement for the Proposed Disposal may or may not be entered into. Even if the definitive agreement is entered into, the conditions precedent to completion of such agreement may or may not be fulfilled, and the Proposed Disposal may or may not materialise.

Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in securities in the Company.

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

Hong Kong, 29 June 2017

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.