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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

VOLUNTARY ANNOUNCEMENT UPDATE ON LITIGATION

Reference is made to the circular (the “**Circular**”) of China Star Entertainment Limited (the “**Company**”) dated 7 June 2018 in relation to, among other things, the Rights Issue. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

As set out in the section headed “8. Litigation” in Appendix IV to the Circular, the Group had filed an appeal to the President of the Macau Second Instance Court on 30 December 2016 and this matter had not ruled out as at the Latest Practicable Date (i.e. 5 June 2018).

On 11 June 2018, the Company received a letter dated 8 June 2018 from the Tribunal de Ultima Instancia (終審法院) of the Macau Government, in which the Tribunal de Ultima Instancia (終審法院) rejected the application of the final appeal (the “**Decision**”). Accordingly, Lot 6B will be reclaimed by the Macau Government. As disclosed in the abovementioned section in the Circular and the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”), according to the legal opinion obtained by the Company, the Group has strong legal ground to seek compensation for damages sustained by the Group as a result and the Court will consider and rule taking into account all the essential points including delays caused by the Macau Government. As such, the Group is now seeking legal advice from its Macau legal representative and will make an application in this regard as soon as possible. A further announcement will be made as and when applicable.

As disclosed in the Circular and the 2017 Annual Report, one of the Group's properties in Macau included Lot 6B and the Combined Site (together the "Sites"). Lot 6B is in trapezium shape with a site area of 1,420 square meters next to Hotel Lan Kwai Fong Macau and Lot 6C, Lot 6D and Lot 6E are in rectangular shape with each site area of 1,292 square meters next to Lot 6B and adjacent to each other with three six-meter width roads dividing them separately. In order to enhance the commercial value of the Sites, the Group had decided to build a luxury residential and commercial complex of two towers with spacious apartment units in the Combined Site and Lot 6B will be developed into a recreational area between the Combined Site and Hotel Lan Kwai Fong Macau (the Group had no plan to dispose of Hotel Lan Kwai Fong Macau at the development planning stage), which is expected to have higher selling prices than the existing development plan of the individual Lot 6B, Lot 6C, Lot 6D and Lot 6E. This development plan is also in response to the local planning authorities' push for connectivity with the existing city and thus considerable portions of the area of the Sites have been dedicated to public use. Besides, the Board had considered the fact that the expiry of land concession of Lot 6B is 25 December 2014 and Lot 6C, Lot 6D and Lot 6E are all 21 December 2019.

Immediately after the acquisition of the property leasehold rights of the Sites in year 2011, the Group held meetings with various departments of the Macau Government to seek their views on the proposed development of the Sites as the Combined Site. In May 2012, the Group submitted the architectural design and drawings of the Combined Site to the DSSOPT for approval. Following the submission, meetings had been held with various departments of the Macau Government for following up on the proposed development plan. Given that the location of the Sites is adjacent to Macao Polytechnic Institute and several tourist spots, Forum de Macao, Grand Prix Museum, Wine Museum and Golden Lotus Square, and is a few blocks away from Macau Fisherman's Wharf and Sands Casino, it is believed that the Macau Government required longer time to study the impacts of the proposed development of the Combined Site on traffic, environment and cultural heritage in the surrounding area, before the grant of an approval. Besides, Lot 6B, Lot 6C, Lot 6D and Lot 6E are properties classified as those of 65 properties which non-development are not the responsibility of the land concessioner announced in year 2011. Finally, the DSSOPT approved the combination of development of the Combined Site of Lot 6C, Lot 6D and Lot 6E but do not reply on the suggested development of the recreational area of Lot 6B prior to reclaiming it.

As stated above, Lot 6B is planned to develop into a recreational area besides the Combined Site and the Group treated the development of the Sites (i.e. the Combined Site and Lot 6B collectively) as one development project in its financial position since the acquisition of the property leasehold rights of the Sites. Based on the recent property valuation report as set out in Appendix III to the Circular (the "**Valuation Report**"), the valuation of the Combined Site is approximately HK\$2,288 million and Lot 6B has no commercial value as at 30 April 2018, respectively, which together is higher than the book value of the cost of the Combined Site and Lot 6B. Given that the valuation of the Sites is higher than its book value, no significant impairment loss is expected to be recognised in respect of the stock of properties as a result of the Decision. As such, the Board is of the view that the Decision on Lot 6B has no material adverse impact on the

financial and trading position of the Group. Furthermore, according to the Valuation Report from JP Assets Consultancy Limited (the “**Valuer**”), no value-added factor of the recreational area of Lot 6B was included in the valuation of the Combined Site given that (i) each of the Combined Site and Lot 6B was valued severally; and (ii) the market comparison method which is based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties, was adopted. As such, the Board is of the view that the valuation of the Combined Site as assessed in the Valuation Report would not be influenced by the Decision. The Board has informed and discussed with the Valuer on the Decision, and the Valuer concurs with the view of the Board in this regard.

The Board is also of the view that the Decision will (i) not affect the development of the Combined Site (including its development plan and schedule of the construction) as the Combined Site excluded Lot 6B; and (ii) have minimal effect on the development value of the Combined Site (as the existing development value of the Combined Site had excluded Lot 6B). The Board has informed and discussed with the Independent Financial Adviser on the Decision. The Independent Financial Adviser is aware of the Decision and the minimal effect on the Group as a result of the Decision. As such, the Independent Financial Adviser has expressed that the Decision will not affect their opinion as stated in the Letter from the Independent Financial Adviser.

By Order of the Board
CHINA STAR ENTERTAINMENT LIMITED
Heung Wah Keung
Chairman

Hong Kong, 20 June 2018

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.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.