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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

POTENTIAL ACQUISITION AND CHANGE IN USE OF PROCEEDS FROM THE RIGHTS ISSUE

This announcement is made by China Star Entertainment Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) to inform the shareholders and potential investors of the Company of the latest information in relation to the business development of the Company.

The board of directors (the “**Board**”) of the Company would like to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that (i) the Company is in discussions with an independent third party, a property developer, regarding the potential acquisition (the “**Potential Acquisition**”) of a property (the “**Property**”) located in the Republic of China (“**Taiwan**”); and (ii) change in use of proceeds from the rights issue (the “**Rights Issue**”) of the Company which completed on 6 August 2018.

POTENTIAL ACQUISITION

The Company is contemplating the acquisition of the Property, which comprises a luxury residential apartment with two car parking spaces, situated in a prime luxury residential location in Taipei, Taiwan. The Property was valued by an independent professional valuer as engaged by the Company at approximately NT\$580,000,000 (equivalent to approximately HK\$162,400,000) as at 18 November 2020. The consideration of the Potential Acquisition of NT\$580,000,000 (equivalent to approximately HK\$162,400,000) (the “**Consideration**”) was arrived at after arm’s length negotiation between the Company and property developer and with the reference to the valuation of the Property as valued by the independent professional valuer.

As at the date of this announcement, no binding agreement has been entered into in relation to the Potential Acquisition. The Group will comply with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in the event the Potential Acquisition materialises and the Company will make further announcement (if necessary) in relation to the Potential Acquisition as and when appropriate. Based on the Consideration, the Company expects that the Potential Acquisition will not constitute a notifiable transaction of the Company under the Listing Rules as all the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) calculated by the Group are expected to be less than 5%.

CHANGE IN USE OF PROCEEDS FROM THE RIGHTS ISSUE

The Company had raised net proceeds approximately HK\$448,850,000 from the Rights Issue. As disclosed in the prospectus of the Company dated 12 July 2018 in relation to the Rights Issue, the estimated net proceeds from the Rights Issue were approximately HK\$448,850,000, of which (i) approximately HK\$350,000,000 (“**Proceed A**”) would be applied to finance the business operation of the property development and investment; and (ii) approximately HK\$98,850,000 (“**Proceed B**”) would be applied to fund the film and television drama series related business operations. Proceed A was originally intended to be applied to finance the development costs of the combined site at Lot 6C, Lot 6D and Lot 6E at Zona de Aterros do Porto Exterior, the Macau Special Administrative Region of the People’s Republic of China (the “**Combined Site**”). However, in December 2018, the Group obtained the approval from a bank in respect of banking facilities amounting to HK\$1,600,000,000, which shall be used for the purpose of financing the construction costs and related expenses of the Combined Site. The Combined Site is now under final stage of internal renovation. As disclosed in the interim report of the Company for the six months ended 30 June 2020, the undrawn banking facilities amounted to approximately HK\$454,690,000. According to the latest forecast of the Company, the amount of undrawn banking facilities is sufficient to finance the remaining development cost of the Combined Site. The Group has not utilised Proceed A since the completion of the Rights Issue and up to the date of this announcement. As for Proceed B, it was disclosed in the annual report of the Company for the year ended 31 December 2019 that, Proceed B had been fully utilised for funding the film and television drama series related business operations.

Given the reasons as set out in the paragraph headed “Reasons for and benefits of the Potential Acquisition” of this announcement, the Board has resolved to allocate approximately HK\$162,400,000 out of the unutilised Proceed A of HK\$350,000,000 for the Potential Acquisition to settle the Consideration. The Board will continue to consider the existing funding needs of the Group and assess the plans for the use of the remaining unutilised balance of Proceed A to strive for better business performance of the Group, and will make further announcement(s) as and when appropriate.

REASONS FOR AND BENEFITS OF THE POTENTIAL ACQUISITION

The Group is principally engaged in investment, production, distribution and licensing of films and television drama series, provision of artist management services, properties development and investment and provision of catering services. The Group always looks for suitable investment opportunities to strengthen its existing segment in properties development and investment. The Property will be held as an investment property for long term capital growth purposes. In considering the Potential Acquisition, the Board has taken into account the value of and the potential appreciation in value of the Property. It is expected that the Property will also generate stable rental income for the Group.

The Board considers that the Potential Acquisition is in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board believes that it would be in the best interest of the Company and the Shareholders to reallocate part of the unutilised Proceed A for the Potential Acquisition.

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

Hong Kong, 21 December 2020

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; the independent non-executive directors of the Company are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.