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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

MAJOR AND CONNECTED TRANSACTION

EXTENSION OF FINAL REPAYMENT DATE OF THE LOAN

References are made to the Company's announcement dated 5 December 2016, the Circular and the 2022 Announcement.

As disclosed in the Circular, Best Combo (a wholly-owned subsidiary of the Company) 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, subject to the Loan Amount Adjustment, with the Final Repayment Date falling on the expiry of 60 months from the Drawdown Date, being 5 April 2022. Further, 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 the date falling on the expiry of 60 months from the Drawdown Date, being 5 April 2022. The transactions contemplated under the Loan Agreement were approved by the Independent Shareholders at the special general meeting of the Company held on 31 March 2017.

On 28 January 2022 and 11 February 2022 (after trading hours), Best Combo and Ms. Chen entered into the Second Deed of Variation and the Side Letter, respectively, pursuant to which Best Combo and Ms. Chen have agreed to (i) conditional upon the Company having obtained approval from the Independent Shareholders, extend the Final Repayment Date to the date falling on the expiry of 69 months from the Drawdown Date, i.e., 5 January 2023; and (ii) extend the Exercisable Period to any time within the date falling on the expiry of 69 months from the Drawdown Date, i.e., 5 January 2023. As the extension of the Exercisable Period is unconditional, the Exercisable Period has been extended accordingly.

As the Transaction constitutes a major change to the terms of the Loan Agreement, re-compliance with the Listing Rules is necessary. Based on the applicable percentage ratios, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As Ms. Chen is an executive Director and substantial shareholder of the Company, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Transaction is subject to announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

The Company will convene the SGM to seek approval from its Independent Shareholders for the Transaction. Ms. Chen and her associates shall abstain from voting on the ordinary resolution(s) to approve the Transaction at the SGM.

A circular, containing, amongst other things, details of the Transaction, the recommendation of the Independent Board Committee, the advice of the independent financial adviser, together with a notice of the SGM and a form of proxy, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 14 April 2022, 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 for inclusion in the circular.

SECOND DEED OF VARIATION AND SIDE LETTER

References are made to the Company's announcement dated 5 December 2016, the Circular and the 2022 Announcement.

As disclosed in the Circular, Best Combo (a wholly-owned subsidiary of the Company) 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, subject to the Loan Amount Adjustment, with the Final Repayment Date falling on the expiry of 60 months from the Drawdown Date, being 5 April 2022. Further, 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 the date falling on the expiry of 60 months from the Drawdown Date, being 5 April 2022. The transactions contemplated under the Loan Agreement were approved by the Independent Shareholders at the special general meeting of the Company held on 31 March 2017.

The Board announces that on 28 January 2022 and 11 February 2022 (after trading hours), Best Combo and Ms. Chen entered into the Second Deed of Variation and the Side Letter, respectively, pursuant to which Best Combo (as lender) and Ms. Chen (as borrower) have agreed to (i) conditional upon the Company having obtained approval from the Independent Shareholders, extend the Final Repayment Date to the date falling on the expiry of 69 months from the Drawdown Date, i.e., 5 January 2023; and (ii) extend the Exercisable Period to any time within the date falling on the expiry of 69 months from the Drawdown Date, i.e., 5 January 2023. As the extension of the Exercisable Period is unconditional, the Exercisable Period has been extended accordingly. The terms of the Second Deed of Variation and the Side Letter were arrived at between the parties after arm's length negotiation.

Save as disclosed in the 2022 Announcement and this announcement, all other terms and conditions of the Loan Agreement remain unchanged.

Material terms of the Loan Agreement (as further supplemented by the Second Deed of Variation and the Side Letter) are set out below:

Date	:	29 November 2016 (as supplemented by a deed of variation dated 5 December 2016, the Second Deed of Variation dated 28 January 2022 and a side letter dated 11 February 2022)
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
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:

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

Note: For calculation purpose only, the Prelim Figures used in the above formula will be the aggregate of the gross floor areas 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 areas for residential and parking purpose.

On the basis that the Loan has already been drawn down, 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 69 months from the Drawdown Date.
- 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 Drawdown Date 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 of the Call Option	:	Any time within the date falling on the expiry of 69 months from the Drawdown Date.
Settlement of the Call Option Price	:	On completion of the purchase of the Call Option Shares, on the basis that the Loan has been drawn down, Best Combo shall net-off the Call Option Price payable to Ms. Chen from the outstanding principal amount of the Loan.
Condition precedent for the Transaction	:	The Extension of the Final Repayment Date is conditional upon the Company having obtained approval from the Independent Shareholders.

As at the date of this announcement, no Loan Amount Adjustment has been made.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND DEED OF VARIATION AND THE SIDE LETTER

As at the date of this announcement, the original Final Repayment Date and the original Exercisable Period are due to expire. As the Company is still in discussions with the DSSOPT regarding the future development of the Property and no approval has obtained under the Land Grant up to the date of this announcement, the Board required more time to discuss the future development of the Property with DSSOPT and considers that it is in the interest of the Company to retain the right to exercise the Call Option to acquire an additional 25% interest in the Property through the acquisition of the Call Option Shares, and as such, Best Combo and Ms. Chen have agreed to extend the Exercisable Period and correspondingly the Final Repayment Date. In addition, the Company is currently holding a 50% indirect interest in the Property and if the Company can exercise the Call Option, the Company will hold 75% indirect interest in the Property and will have controlling interest in the Property over its development which is considered beneficial to and in the interest of the Company. Further, the Company considers that the Final Repayment Date is only extended for a period of nine months and the possibility of default of Ms. Chen under the Loan Agreement is low, and that the Extension of the Final Repayment Date will also generate more interest income to Best Combo. The additional interest income to be generated from the Transaction is expected to be approximately HK\$18.8 million. The Company therefore believes that it as a good opportunity to obtain further return in terms of interest income for the Group by extending the term of the Loan while retaining the right to exercise the Call Option.

In light of the above, the Directors (excluding members of the Independent Board Committee who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company) consider that the terms of the Transaction are fair, reasonable and beneficial to the Company and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company and Best Combo are investment holding companies and the Group is principally engaged in investment, production, distribution and licensing of films and television drama series, provision of other film related services including artist management services, and investment and development of properties.

Ms. Chen is a merchant, as well as an executive Director and a substantial shareholder of the Company.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Loan Agreement were approved by the Independent Shareholders at the special general meeting of the Company held on 31 March 2017. As the Transaction constitutes a major change to the terms of the Loan Agreement, re-compliance with the Listing Rules is necessary. Based on the applicable percentage ratios, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As Ms. Chen is an executive Director and substantial shareholder of the Company, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Transaction is subject to announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

The Company will convene the SGM to seek approval from its Independent Shareholders for the Transaction. Ms. Chen and her associates shall abstain from voting on the ordinary resolution(s) to approve the Transaction at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Transaction. 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.

GENERAL

A circular, containing, amongst other things, details of the Transaction, the recommendation of the Independent Board Committee, the advice of the independent financial adviser, together with a notice of the SGM and a form of proxy, will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 14 April 2022, 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 for inclusion in the circular.

DEFINITIONS

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

“2022 Announcement”	the Company’s announcement dated 28 January 2022 in relation to the Second Deed of Variation
“Approved Figures”	the gross construction floor areas of the Property approved by DSSOPT
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Best Combo”	Best Combo Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Call Option”	the 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
“Circular”	the Company’s circular dated 10 March 2017 in relation to, among others, the Loan Agreement
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of Stock Exchange (Stock Code: 326)

“Development Plan”	has the meaning ascribed thereto in the Circular
“Director(s)”	the director(s) of the Company
“Drawdown Date”	the date of drawdown of the Loan by Ms. Chen, being 6 April 2016
“DSSOPT”	the Land, Public Works and Transport Bureau of Macau
“Exercisable Period”	the exercisable period of the Call Option
“Extension of the Final Repayment Date” or “Transaction”	the extension of the Final Repayment Date pursuant to the Second Deed of Variation and the Side Letter
“Final Repayment Date”	the final repayment date of the Loan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert, all of whom are independent non-executive Directors, established for the purpose of making recommendations to the Independent Shareholders in respect of the Transaction
“Independent Shareholders”	Shareholders other than Ms. Chen and her associates
“Land Grant”	has the meaning ascribed thereto in the Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a term loan in the principal amount of HK\$500 million, subject to the Loan Amount Adjustment, granted by Best Combo to Ms. Chen under the Loan Agreement

“Loan Agreement”	the loan agreement dated 29 November 2016 entered into between Best Combo (as lender) and Ms. Chen (as borrower), as supplemented by a deed of variation dated 5 December 2016 between the same parties regarding the granting of the Loan in the principal amount of HK\$500 million, subject to the Loan Amount Adjustment
“Loan Amount Adjustment”	has the meaning ascribed thereto in the paragraph headed “Second Deed of Variation and Side Letter” in this announcement
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Co”	Splendid Construction and Investment Company Limited and in Portuguese “Splendid-Construção E Investimento Imobiliário, Limitada”, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of Over Profit International Limited, which is a company incorporated in the British Virgin Islands with limited liability and a non wholly-owned subsidiary of the Company
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and a substantial shareholder of the Company
“percentage ratios”	has the meaning ascribed thereto under the Listing Rules
“Prelim Figures”	the gross construction floor area of the Property in the 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
“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 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

“Reform Base”	Reform Base Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Chen
“Second Deed of Variation”	the second deed of variation dated 28 January 2022 entered into between Best Combo and Ms. Chen in relation to the Loan Agreement
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Transaction
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Side Letter”	the side letter dated 11 February 2022 entered into between Best Combo and Ms. Chen in relation to the Loan Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules

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

Hong Kong, 11 February 2022

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