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CHINA STAR ENTERTAINMENT LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 326)



RICHE MULTI-MEDIA HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 764)

**VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL
OF THE ENTIRE ISSUED SHARE
CAPITAL OF CSL
AND
RESUMPTION OF TRADING**

**ANNOUNCEMENT
PRICE-SENSITIVE INFORMATION
AND
RESUMPTION OF TRADING**

THE S&P AGREEMENT

On 13 May 2008 (after trading hours), China Star BVI, a direct wholly-owned subsidiary of the Company, entered into the S&P Agreement with Glenstone, pursuant to which China Star BVI has conditionally agreed to dispose and Glenstone has conditionally agreed to acquire the Sale Share for a total consideration of HK\$330,567,000.

REASONS FOR THE DISPOSAL

Riche had been the distribution arm of the Group's films in the PRC. However, Riche's strategic function has diminished in recent years as the Group has recently reduced the number of films produced due to the downturn in the Hong Kong film industry. Currently, the Group distributes its films directly to the local PRC distributors. As such, Riche is merely an investment for long-term capital growth in the books of the Group and does not provide any synergy to the Group's core businesses. The Group invested in Brilliant Arts for the purpose of capital gain in the value of the shares of Brilliant Arts. Given Brilliant Arts' shares have underperformed, the investment in Brilliant Arts did not provide an adequate return to the Group. The Directors (excluding the independent non-executive Directors, Mr. Heung and Ms. Chen) believe that the Disposal provides the Group with an opportunity to restructure its investment portfolio and realise its investments in Riche and Brilliant Arts for immediate cash inflow for financing its business operations, future possible diversified investments and general working capital of the Group. However, as at the date of this announcement, the allocation of the proceeds has not yet been determined.

LISTING RULES IMPLICATIONS

As Glenstone is a substantial Shareholder and is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung who are both the executive Directors and substantial Shareholders, they are connected persons of the Company under Rule 14A.11 of the Listing Rules. As a result, the entering into the S&P Agreement constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules and is subject to the approval of the Independent Shareholders at a general meeting of the Company.

The Disposal under the S&P Agreement constitutes a very substantial disposal on the part of the Company under the Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. Accordingly, Glenstone, Ms. Chen and Mr. Heung and their respective associates who have material interest in the Disposal shall abstain from voting in respect of the Disposal in accordance with the Listing Rules.

An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in relation to the S&P Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee of the Company and the Independent Shareholders in relation to the terms of the S&P Agreement.

Given CSL held 58,360,612 Riche Shares or representing approximately 29.9% interest in Riche, the Disposal would change the substantial shareholder of Riche by the virtue of the interest in Riche. The Disposal does not constitute a notifiable transaction for Riche under Chapter 14 of the Listing Rules and this announcement on the part of Riche is made pursuant to Rule 13.09 of the Listing Rules.

Completion of the Disposal is subject to the satisfaction and/or waiver of the conditions precedent in the S&P Agreement. As the Disposal may or may not complete, shareholders and potential investors of the Company and Riche are advised to exercise caution when dealing in the Shares and the Riche Shares.

GENERAL

A circular containing, amongst other things, details of the Disposal, letters from the Independent Board Committee and the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the terms of the S&P Agreement, an accountants' report of the Group, a notice of the SGM and the relevant information required pursuant to the Listing Rules will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 14 May 2008 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 16 May 2008.

Trading in the Riche Shares on the Stock Exchange was suspended at the request of Riche with effect from 9:30 a.m. on 14 May 2008 pending the release of this announcement. Riche has applied for a resumption of trading in Riche Shares with effect from 9:30 a.m. on 16 May 2008.

THE S&P AGREEMENT

Date

13 May 2008 (after trading hours)

Parties

China Star, BVI, as vendor

Glenstone, as purchaser

Glenstone is an investment holding company and is a substantial Shareholder and is beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung who are both the executive Directors and substantial Shareholders. Mr. Heung and Ms. Chen are also the executive directors of Riche as at the date of this announcement.

Assets to be disposed

The Sale Share, being the entire issued share capital of CSL.

Consideration

The consideration for the Sale Share is HK\$330,567,000, which shall be paid to the Company by Glenstone in cash on Completion.

The consideration was determined after arm's length negotiations and with reference to the net asset values of Riche and Brilliant Arts held by CSL and the fair market value of the Convertible Bond as at 31 December 2007. As at the date of this announcement, CSL held (i) 58,360,612 Riche Shares; (ii) 109,090,908 ordinary shares of HK\$0.10 each in Brilliant Arts; and (iii) the Convertible Bond. According to the trading price as quoted from the website of the Stock Exchange, the closing price of the shares of Riche and Brilliant Arts on the date of the S&P Agreement were HK\$1.17 per share and HK\$0.095 per share respectively.

Conditions Precedent:

Completion of the S&P Agreement is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by Glenstone as at Completion:

- (i) the shares of Riche and Brilliant Arts remaining listed and traded on the Stock Exchange at all times from the date of the S&P Agreement to the date of Completion, save for any temporary suspension not exceeding ten consecutive trading days, or such longer period as Glenstone may accept in writing, and no indication being received on or before the date of Completion from the SFC and/or the Stock Exchange to the effect that the listing of the shares of Riche and Brilliant Arts on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached in the S&P Agreement) as a result of the Disposal or in connection with the terms of the S&P Agreement save for such temporary suspension that may be ordered or imposed by any competent authority or such ground or reason due to any action or omission by Glenstone;
- (ii) all consents of the Independent Shareholders, the Stock Exchange and the SFC and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, British Virgin Islands or elsewhere which are required or appropriate for the entering into and the implementation of the S&P Agreement having been given or made; all waiting periods required under the laws of Hong Kong, British Virgin Islands or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with;
- (iii) the warranties given by China Star BVI and Glenstone as set out in the S&P Agreement remaining true and accurate in all material respects;
- (iv) the Stock Exchange not having notified Glenstone that Riche or Brilliant Arts shall be treated as a new applicant for listing or that listing of the Riche's or Brilliant Arts' securities on the Stock Exchange shall or may be cancelled at, or as a result of, completion or execution of the S&P Agreement; and
- (v) no indication from the SFC that Glenstone will be required to make a general offer in respect of all the issued shares of Riche or Brilliant Arts as a result of the Disposal.

The parties shall use all reasonable endeavours to procure satisfaction of the above conditions by no later than 5:00 p.m. on the Business Day before the Completion. China Star BVI shall, and shall procure the CSL to, provide all such information and documents and execute all such applications, documents and other things as may be requested by the Stock Exchange, the SFC or any other regulatory authority to ensure satisfaction of the appropriate conditions.

Glenstone may in its absolute discretion at any time waive in writing any of the above conditions (or any part thereof) other than those clauses set out in the S&P Agreement, and such waiver may be made subject to such terms and conditions as are determined by Glenstone and agreed by China Star BVI.

In the event that not all the above conditions have been fulfilled or waived by Glenstone by no later than 5:00pm on the Business Day before the Completion (or by such later date(s) as the parties may agree in writing), the S&P Agreement shall lapse and be of no further effect and no party to the S&P Agreement shall have any claim against or liability or obligation (save as the antecedent breaches pursuant to the S&P Agreement) to the other parties.

Information on CSL

CSL is an investment holding company whose major assets are:

- (i) the 58,360,612 Riche Shares, representing approximately 29.90% of the existing issued share capital of Riche;
- (ii) 109,090,908 ordinary shares of HK\$0.10 each in Brilliant Arts, representing approximately 8.68% of the existing issued share capital of Brilliant Arts; and
- (iii) the Convertible Bond.

The unaudited financial results of CSL, prepared in accordance with Hong Kong Financial Reporting Standards, for the two financial year ended 31 December 2007 and 31 December 2006 showed that the turnover were approximately HK\$9,621,000 and approximately HK\$399,000 respectively, the net profit/(loss) before taxation were approximately HK\$12,119,000 and approximately HK\$(22,162,000) respectively and the net profit/(loss) after taxation were approximately HK\$12,119,000 and approximately HK\$(22,162,000) respectively.

As at 31 December 2007, the unaudited net liabilities of CSL amounted to approximately HK\$46,608,000.

REASONS FOR THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, and the provision of post-production services, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

Riche had been the distribution arm of the Group's films in the PRC. However, Riche's strategic function has diminished in recent years as the Group has recently reduced the number of films produced due to the downturn in the Hong Kong film industry. Currently, the Group distributes its films directly to the local PRC distributors. As such, Riche is merely an investment for long-term capital growth in the books of the Group and does not provide any synergy to the Group's core businesses. The Group invested in Brilliant Arts for the purpose of capital gain in the value of the shares of Brilliant Arts. Given Brilliant Arts' shares have under-performed, the investment in Brilliant Arts did not provide an adequate return to the Group. The Directors (excluding the independent non-executive Directors, Mr. Heung and Ms. Chen) believe that the Disposal provides the Group with an opportunity to restructure its investment portfolio and realise its investments in Riche and Brilliant Arts for immediate cash inflow for financing its business operations, future possible diversified investments and general working capital of the Group. However, as at the date of this announcement, the allocation of the proceeds has not yet been determined.

Mr. Heung and Ms. Chen have no other interest in Riche and Brilliant Arts other than the interest hold through China Star. Upon Completion, there will not result in change in control in each of Riche and Brilliant Arts.

The Directors (excluding the independent non-executive Directors whose views will be formed in the circular taking into account the advice of the independent financial adviser, Mr. Heung and Ms. Chen) consider that the Disposal is in the interests of the Company and its Shareholders as a whole and that the terms of the S&P Agreement are fair and reasonable and on normal commercial terms.

SHAREHOLDING STRUCTURE OF RICHE

	As at the date of the announcement		Upon Completion	
	<i>No. of Riche Shares</i>	<i>%</i>	<i>No. of Riche Shares</i>	<i>%</i>
CSL (<i>Note</i>)	58,360,612	29.90	58,360,612	29.90
Public shareholders	136,826,385	70.10	136,826,385	70.10
Total	<u>195,186,997</u>	<u>100.00</u>	<u>195,186,997</u>	<u>100.00</u>

Note: Prior to the Completion, CSL is a company wholly-owned by the Company, which in turns holds the Riche Shares and the shares of Brilliant Arts. Upon Completion, CSL will be wholly-owned by Glenstone.

FINANCIAL EFFECTS OF THE DISPOSAL

Following the completion of the Disposal, the Group will receive the consideration of HK\$330,567,000. The cost of the Disposal including the carrying values of Riche and Brilliant Arts and the Convertible Bond as at 31 December 2007 (the date of the latest published audited financial statements of the Company amounted to approximately HK\$340,072,000 and approximately HK\$35,076,000 and approximately HK\$889,000 respectively. Assuming the Disposal had been completed on 31 December 2007, the Group would recognise a loss on disposal of approximately HK\$45,470,000. Shareholders are reminded that the above figures may differ from the actual results to be recorded by the Group upon Completion.

According to the Company's accounting policies, Riche and Brilliant Arts are treated as associated companies of the Company as at 31 December 2007. The Group's interests in Riche and Brilliant Arts are accounted for in the consolidated balance sheet by reference to the Group's share of net assets under equity method of accounting less impairment losses, if any. The results of Riche and Brilliant Arts are equity accounted for in the Company's consolidated income statement as at 31 December 2007. Subsequent to 31 December 2007, the interest in Brilliant Arts was diluted from 25.74% to 8.68% following the issue of shares of Brilliant Arts upon issue of consideration shares, placing of shares, conversion of convertible notes and exercise of share options. Brilliant Arts was then ceased to be an associated Company of the Company and become available-for-sale financial assets of the Group. Subsequent to the Disposal, Riche will cease to be an associated Company of the Company and the Group will have no interest in Riche and Brilliant Arts.

LISTING RULES IMPLICATIONS

As Glenstone is a substantial Shareholder and is beneficially owned as to 60% by Ms. Chen and 40% by Mr. Heung who are both the executive Directors and substantial Shareholders, they are connected persons of the Company under Rule 14A.11 of the Listing Rules. As a result, the entering into the S&P Agreement constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules and is subject to the approval of the Independent Shareholders at a general meeting of the Company.

The Disposal under the S&P Agreement constitutes a very substantial disposal on the part of the Company under the Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. Accordingly, Glenstone, Ms. Chen and Mr. Heung and their respective associates who have material interest in the Disposal shall abstain from voting in respect of the Disposal in accordance with the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the S&P Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the S&P Agreement.

Given CSL held 58,360,612 Riche Shares or representing approximately 29.9% interest in Riche, the Disposal would change the substantial shareholder of Riche by the virtue of the interest in Riche. The Disposal does not constitute a notifiable transaction for Riche under Chapter 14 of the Listing Rules and this announcement on the part of Riche is made pursuant to Rule 13.09 of the Listing Rules.

Completion of the Disposal is subject to the satisfaction and/or waiver of the conditions precedent in the S&P Agreement. As the Disposal may or may not complete, shareholders and potential investors of the Company and Riche are advised to exercise caution when dealing in the Shares and Riche Shares.

GENERAL

A circular containing, amongst other things, details of the Disposal, letters from independent board committee and the independent financial adviser to advise the independent board committee and Independent Shareholders on the terms of the S&P Agreement, an accountants' report of the Group, a notice of the SGM and the relevant information required pursuant to the Listing Rules will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 14 May 2008 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 16 May 2008.

Trading in the shares of Riche on the Stock Exchange was suspended at the request of Riche with effect from 9:30 a.m. on 14 May 2008 pending the release of this announcement. Riche has applied for a resumption of trading in the Riche Shares with effect from 9:30 a.m. on 16 May 2008.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	board of Directors;
“Brilliant Arts”	Brilliant Arts Multi-Media Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM;
“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;

“China Star BVI”	China Star Entertainment (BVI) Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company;
“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 the Stock Exchange;
“Completion”	completion of the S&P Agreement, being the date on or before 31 October 2008 or such other date as may be agreed in writing between the parties;
“Convertible Bond”	the outstanding convertible bond issued by Brilliant Arts on 14 June 2007 with a principal face value of HK\$1,000,000 created pursuant to an instrument a deed poll dated 25 May 2007;
“CSL”	Classical Statue Limited, a company incorporated in British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“Directors”	directors of the Company;
“Disposal”	the disposal by China Star BVI of the Sale Share to Glenstone pursuant to the S&P Agreement;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“Glenstone”	Glenstone Investments Limited, a company incorporated in British Virgin Islands with limited liability, is a substantial Shareholder and beneficially owned as to 60% by Ms. Chen though Porterstone Limited and as to 40% by Mr. Heung;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	comprising all independent non-executive Directors

“Independent Shareholder(s)”	Shareholder(s) other than Mr. Heung, Ms. Chen and the parties involved in the Disposal and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director and a substantial Shareholder;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and a substantial Shareholder;
“Riche”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange;
“Riche Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Riche;
“Sale Share”	1 ordinary share, being the entire issued share capital of CSL;
“S&P Agreement”	the conditional sale and purchase agreement dated 13 May 2008 (after trading hours) entered into between China Star BVI and Glenstone relating to the Disposal;
“SFC”	the Securities and Future Commission of Hong Kong;
“SGM”	a special general meeting of the Company to be convened and hold for the Shareholders to approve and to consider and, if thought fit, approve the Disposal;
“Share(s)”	ordinary share(s) of HK\$0.05 each in issued share capital of the Company as at the date of this announcement;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong;
and

“%” per cent.

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

By Order of the Board
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman

Hong Kong , 15 May 2008

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. Leung Hok Man.

As at the date of this announcement, the executive directors of Riche are Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany and three independent non-executive directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung.