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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF RIGHTS**

#### **THE AGREEMENT**

The Board is pleased to announce that on 20 February 2024 (after trading hours), Reform Base, Ms. Chen and Modern Vision entered into the Agreement pursuant to which Reform Base has agreed to transfer the Rights to Modern Vision at a consideration of HK\$500 million (subject to the Adjustment).

#### **IMPLICATION UNDER THE LISTING RULES**

As the highest applicable percentage ratio regarding the transaction contemplated by the Agreement exceeds 5% but is lower than 25%, the transaction contemplated by the Agreement constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Reform Base is wholly-owned by Ms. Chen, a Director and a Controlling Shareholder, the entering into of the Agreement and the transaction contemplated thereunder also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Agreement and the transaction contemplated thereunder is subject to, among other things, the approval of the Independent Shareholders at the SGM. Ms. Chen and her associates shall abstain from voting at the SGM in respect of the resolution to approve the Agreement and the transaction contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transaction contemplated thereunder.

## **GENERAL**

A circular containing, among other things, (i) further information in respect of the Agreement; and (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transaction contemplated thereunder, together with a notice convening the SGM and a form of proxy is expected to be despatched to the Shareholders on or before 15 March 2024.

The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **INTRODUCTION**

The Board is pleased to announce that on 20 February 2024 (after trading hours), Reform Base, Ms. Chen and Modern Vision entered into the Agreement pursuant to which Reform Base has agreed to transfer the Rights to Modern Vision at a consideration of HK\$500 million (subject to the Adjustment).

## **THE AGREEMENT**

Date: 20 February 2024

Parties:

- (i) Purchaser: Modern Vision (Asia) Limited,  
an indirect wholly-owned subsidiary of the Company
- (ii) Vendor: Reform Base Holdings Limited
- (iii) Guarantor of the Vendor: Ms. Chen Ming Yin, Tiffany

Reform Base is wholly-owned by Ms. Chen, who is an executive Director and a controlling shareholder of the Company. As such, Ms. Chen is a connected person of the Company under Chapter 14A of the Listing Rules. Ms. Chen has agreed to guarantee the obligations, commitments and undertakings of Reform Base pursuant to the Agreement.

Pursuant to the Agreement, Modern Vision has agreed to acquire the Rights from Reform Base.

The Rights comprises the following:

- (A) the right of Modern Vision to make recommendations to Reform Base on the management and operations of Over Profit upon which Reform Base shall adhere to such recommendations;

- (B) the right of Modern Vision to make recommendations of such persons as Modern Vision may elect to be directors of Over Profit and upon which Reform Base shall adhere to such appointment; and
- (C) the right for Modern Vision to receive dividends and other distribution of Over Profit payable or due to Reform Base.

The major asset of Reform Base is its 25% equity interest in Over Profit. Over Profit is accounted for as a subsidiary of Modern Vision, where the financial results of Over Profit and its subsidiaries are consolidated into those of Modern Vision.

Over Profit is an investment holding company owned as to 50% by Modern Vision, 25% by Reform Base and 25% by an Independent Third Party. Over Profit indirectly holds a 100% equity interest in Splendid. Splendid is the registered and beneficial owner of the Property. Modern Vision controls the board of directors of Over Profit and as such, its financials are consolidated into that of the Company as if it were a subsidiary.

### **Information On The Property And Chronology of Development Approval**

The Property is a lot of land granted by the land lease concession (the “**Land Grant**”) to Splendid under the Dispatch No. 69/2001 of Secretary for Transport and Public Works of Macau 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 and is registered with the Macau Land and Real Estate Registry under No. 23070.

According to the Land Grant, the Property is leased to Splendid for a term of 25 years commencing on 22 August 2001, i.e. until 21 August 2026, and subject to the completion of the development, shall be automatically renewable for successive periods of 10 years up until 19 December 2049 in accordance with the legislation in force in Macau. Under an initial proposal to the Land Grant, the Property was to be developed into a building under strata title, for residential, commerce and parking, with the gross floor areas (in square meters): (i) residential 25,832; (ii) commerce 215; and (iii) parking 3,930.

The development of the Property should have been completed within a term of 60 months commencing on 22 August 2001, i.e. until 21 August 2006 (the “**Development Period**”). Due to the pending of the finalization by the Macau Government of the master plan for the development of the Nam Van District, of which the Property comprises a portion, the Land and Urban Construction Bureau of Macau (“**DSSCU**”) had not granted a permit for the development of the Property.

In September 2006, Splendid received the proposed draft contract of amendment to the Land Grant with the gross floor areas (in square meters): (i) residential 59,160; (ii) commerce 1,700; (iii) private parking 12,966; (iv) public parking 9,821; (v) free area with equipment 428; and (vi) free area without equipment 2,308. In June 2009, Splendid received a letter from DSSCU that informing it that the proposed draft contract of amendment to the Land Grant was rejected. On 15 September 2016, according to the Urban Conditions Plan (the “UCP”) issued by DSSCU, Splendid was informed that the maximum allowed height of the building to be built on the Property is 34.5 meters above sea level with a maximum utilization rate of 5.58 (parking not included). As a result, a new development plan was submitted to the DSSCU for approval in December 2017. Furthermore, an application was made in August 2019 for an extension to the Development Period. Following further negotiations with the DSSCU, a further revised development plan was submitted to the DSSCU in September 2019. Between May and July 2023, a new UCP was issued by DSSCU with a maximum allowed height of the building to be built on the Property at 46.7 meters above sea level and the approval for the Development Period was extended to 21 August 2026.

In around July 2023, a new revised development plan was submitted to the DSSCU for approval. The development plan submitted to the DSSCU for approval indicated that the Property will be developed into a thirteen storey building and one basement and will have a gross floor area of (a) residential – 25,832 square meters, (b) commercial – 215 square meters and (c) parking – 3,930 square meters. It will provide 345 residential units, a commercial unit, and 147 carparks and 29 motorcycle parking spaces at the underground level. On 5 October 2023, the development plan was conditionally approved by DSSCU and the construction permit for the foundations and retaining works of the Property was issued on 5 December 2023 with construction commencing on 14 December 2023.

### **Call Option**

Pursuant to the Agreement, Reform Base has granted Modern Vision the option to require Reform Base, anytime after Completion, to sell all its shareholding interest in Over Profit to Modern Vision for HK\$1.00. If Modern Vision exercises its right with respect to the Call Option, it will comply with all applicable laws and regulations, including those in Macau, if necessary, with respect to the acquisition of such shares. As a result of this grant of the Call Option by Reform Base to Morden Vision, the Reform Base Call Option will be terminated on Completion,

## Consideration

The Consideration, being HK\$500 million (subject to the Adjustment (as detailed below)), was determined between Reform Base and Modern Vision on a “willing buyer – willing seller” basis having regards to (i) the UCP issued by DSSCU; (ii) the Prelim Figures of (a) residential of 26,047 square meters and (b) parking of 5,200 square meters, which are compiled in accordance with the parameters of the UCP; (iii) Modern Vision’s 50% indirect interest in the Property; and (iv) the property valuation of HK\$2,000 million at 28 February 2017 conducted by Roma Appraisals Limited, an independent valuer appointed by the Company based on the Prelim Figures. The valuation of the Property was based on market approach by making reference to comparable sales transactions as available in the relevant market. The Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Agreement) consider that the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Consideration shall be satisfied by setting-off such amount from the amount outstanding under the Loan.

The Consideration shall be subject to Adjustment. The Adjustment is made by reference to the gross construction floor area of the Property approved by the DSSCU (the “**Approved Figures**”) and calculated as follows:

$$\text{Adjustment} = \frac{\text{Consideration}}{\text{Prelim Figures}} \times (\text{Prelim Figures} - \text{Approved Figures})$$

where:

Prelim Figures = the gross construction floor area of the Property of (a) residential 26,047 square meters and (b) parking 5,200 square meters, compiled in accordance with the parameters of the UCP on 15 September 2016 of the Property

Approved Figures = the gross construction floor areas of the Property of (a) residential 25,832 square metres; (b) commerce 215 square metres; and (c) parking 3,930 square metres approved by DSSCU

Based on the above calculation, the amount of the Adjustment is approximately HK\$20,322,000. Payment of the Adjustment by Ms. Chen to Modern Vision shall be made between 6 and 12 months from the date of Completion. Accordingly, the Consideration actually payable for the Rights is HK\$479,678,000.

## **Conditions**

Completion is conditional upon the following conditions being fulfilled and/or waived by Modern Vision of the following:

- (a) Modern Vision obtaining to its satisfaction a legal opinion from Macanese lawyers on, inter alia,
  - (i) confirming the legality of the transaction contemplated herein and does not breach any laws or regulations of Macau;
  - (ii) confirming that Splendid has good title to the Property; and
  - (iii) opining that the Land Grant is valid;
- (b) approval of the Independent Shareholders in connection with the transaction contemplated by the Agreement having been obtained;
- (c) warranties given by Reform Base in the Agreement remaining true and accurate in all material respects; and
- (d) compliance by the Company with all requirements of the Listing Rules in connection with the transaction contemplated therein.

As at the date of this announcement condition (a) has been satisfied. Conditions (b) and (d) cannot be waived.

If the conditions of the Agreement are not fulfilled or waived in whole or in part by Modern Vision in writing, in its absolute discretion by no later than 5:00 p.m. on the Longstop Date or such other date as may be agreed in writing between Reform Base, Modern Vision and Ms. Chen, then the Agreement shall cease and be determined and all liabilities of the parties thereto will cease and no party will have any claim against the others (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the Agreement).

Completion shall take place on the fifth Business Day after the fulfillment and/or waiver of the last of the conditions precedent in the Agreement or such later date as Reform Base, Modern Vision and Ms. Chen may agree in writing.

## **Completion**

Reform Base shall:

- (i) deliver to Modern Vision a duly executed share charge over the shares of Over Profit by Reform Base;
- (ii) cause such persons as Modern Vision may elect as board members of Reform Base;
- (iii) deliver to Modern Vision a power of attorney appointing Modern Vision as its attorney to, inter alia, deal with Reform Base's rights as a shareholder of Over Profit including the following powers:
  - (1) convening and attending shareholders' meetings of Over Profit, and exercising shareholder's voting rights with regard to all matters discussed and resolved during the shareholders' meetings;
  - (2) executing shareholders' meeting records, resolutions and other legal documents of Over Profit;
  - (3) directing the directors nominated by Reform Base on the board of Over Profit to act according to the intentions of Modern Vision;
  - (4) exercising all other shareholders' rights under the constitutional documents of Over Profit; and
  - (5) dealing with the equity interests of Reform Base in Over Profit as it thinks fit.
- (iv) deliver to Modern Vision a duly executed Deed of Termination signed by Ms. Chen; and
- (v) deliver to Modern Vision a duly executed Deed of Assignment.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE RIGHTS**

The Company is an investment holding company and the Group is principally engaged in investment, production and distribution of films and television drama series, provision of artist management services, property development and investment, and development, promotion and operation in multi-channel network e-commerce platform.

The Property is located at the Nam Van Lake, which is one of the two man-made lakes in the Macau Peninsula. In addition to the Macau Tower standing at the Nam Van Lake, Macau International Fireworks Display Contest is held in the Nam Van Lake in September and October every year. With its superb location and spectacular view overlooking the Macau Peninsula and the Cotai Island, the Company intends to develop the Property into high-end residential apartments for sale, details stated in the section “Information on the Property And Chronology of Development Approval”.

As the right to develop the Property was obtained pursuant to the construction permit granted on 5 December 2023, the Company considers it is the right time to enter into the Acquisition and take a controlling and proactive approach to the development of the Property. The Acquisition would allow Modern Vision to have de facto full board control and receive all the financial benefits of Reform Base in Over Profit without taking on the liabilities and obligations of Reform Base as a shareholder of Over Profit.

The Acquisition can facilitate the development of the Property in terms of financing and resources allocation of the Company. The Company intends to obtain bank financing for the development and construction costs of the Property. It is essential for the Company to have de facto controlling interest in the Property and thus can implement the decision in an efficient manner. Besides, the Acquisition will enable the Company to fully utilize its existing property development capabilities and speed up the development and construction of the Property.

The Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Acquisition) believe that the Acquisition will diversify the Group’s portfolio of properties and strengthen the Group’s property development footprint in Macau which will have a positive impact on the Group’s long-term profitability.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio regarding the transaction contemplated by the Agreement exceeds 5% but is lower than 25%, the transaction contemplated by the Agreement constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.



“Amount Due”	amounts due from Reform Base to Ms. Chen from time to time in connection with the financing of Reform Base’s acquisition of the Property which as at the date of this announcement, is approximately HK\$250,000,000;
“associate”	has the meaning ascribed to it 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;
“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;
“Call Option”	the option granted by Reform Base to Modern Vision, pursuant to which Modern Vision has the right to require Reform Base to sell the Call Option Shares to it (or its nominee);
“Call Option Price”	HK\$1.00;
“Call Option Shares”	all the shares in Over Profit directly or indirectly held/controlled/owned by Reform Base;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Stock Exchange;
“Completion”	completion of the transaction contemplated under the Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	HK\$500,000,000 (subject to the Adjustment);
“Deed of Assignment”	a deed of assignment in respect of the assignment by Reform Base to Modern Vision of the Amount Due;

“Deed of Termination”	a deed of termination of the Reform Base Call Option to be entered into between Ms. Chen and Best Combo;
“Directors”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee comprising Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tai Kwok Leung, Alexander, all of which are independent non-executive Directors to advise the Independent Shareholders on the Agreement and the transaction contemplated thereunder;
“Independent Shareholders”	Shareholders other than Ms. Chen and her associates;
“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the HK\$500 million loan granted by Best Combo to Ms. Chen pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement dated 29 November 2016 as supplemented or varied from time to time entered into between Best Combo and Ms. Chen in relation to the Loan and announced by the Company on 5 December 2016;
“Longstop Date”	30 September 2024;
“Macau”	Macau Special Administrative Region of the People’s Republic of China;

“Modern Vision”	Modern Vision (Asia) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Best Combo and the Company;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and a Controlling Shareholder;
“Over Profit”	Over Profit International Limited, a company incorporated in the British Virgin Islands with limited liability and which is owned as to 50% by Modern Vision, 25% by Reform Base and 25% by an Independent Third Party;
“PRC”	The People’s Republic of China which, for this purposes of this announcement, excludes Hong Kong, Macau and Taiwan (unless otherwise indicated);
“Prelim Figures”	means the gross construction floor area of the Property of (a) residential 26,047 square meters and (b) parking 5,200 square meters, compiled in accordance with the parameters of the UCP on 15 September 2016 of the Property;
“Property”	the Property is 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 SAR 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;
“Reform Base Call Option”	the call option granted by Ms. Chen to Best Combo to acquire all the issued shares in Reform Base as further detailed in the 2017 Circular;
“Rights”	the rights in relation to the shareholding of Reform Base in Over Profit, details of which are set out in this announcement;

“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Agreement and the transaction contemplated thereunder;
“Splendid”	Splendid Construction and Investment Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of Over Profit, formerly incorporated under the name Companhia de Construção e Investimento Predial Legstrong Limitada;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“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*

Hong Kong, 20 February 2024

*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. Tai Kwok Leung, Alexander.*