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



**KH INVESTMENT HOLDINGS LIMITED**  
**嘉匯投資控股有限公司\***  
*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*  
**(Stock code: 8172)**

**DISCLOSEABLE TRANSACTION**

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## **FORMATION OF THE JOINT VENTURE COMPANY**

On 8 December 2010 (after trading hours of the Stock Exchange), China Star (BVI), KH Investment and the JV Company entered into the JV Agreement relating to the formation of the JV Company, which is engaged in production and distribution of films. The JV Company shall be owned as to 50% by China Star (BVI) and as to 50% by KH Investment.

As at the date of the JV Agreement, one share of HK\$1,000,000 has been issued and is fully paid up by KH Investment. Subject to the fulfilment of the conditions as set out under “Conditions precedent” below in this announcement, the JV Company shall allot and issue 30 shares and 29 shares to China Star (BVI) and KH Investment respectively at a price of HK\$1,000,000 per share. The profit sharing of the JV Company shall be determined in accordance with the proportion of the respective shareholdings of China Star (BVI) and KH Investment in the JV Company.

As the relevant percentage ratios for the capital contribution committed by China Star (BVI) under the JV Agreement exceeds 5% but is less than 25%, the entering into the JV Agreement constitutes a discloseable transaction of China Star and is subject to the announcement requirement under Rule 14.34 of the Listing Rules.

As the relevant percentage ratios for the capital contribution committed by KH Investment under the JV Agreement exceeds 5% but is less than 25%, the entering into the JV Agreement constitutes a discloseable transaction of KH Investment and is subject to the announcement requirement under Rule 19.34 of the GEM Listing Rules.

On 8 December 2010 (after trading hours of the Stock Exchange), China Star (BVI), KH Investment and the JV Company entered into the JV Agreement relating to the formation of the JV Company, which is engaged in production and distribution of films. The JV Company shall be owned as to 50% by China Star (BVI) and as to 50% by KH Investment.

## **PRINCIPAL TERMS OF THE JV AGREEMENT**

### **Date of the JV Agreement**

8 December 2010

### **Parties**

China Star (BVI), KH Investment and the JV Company

Save for Mr. Heung Wah Keung was a common director of KH Investment and China Star during the period from 6 August 2009 to 21 January 2010, to the best knowledge and belief of the board of directors of China Star, and having made all reasonable enquiries, KH Investment and its ultimate beneficial owner are third party independent of, and not connected with China Star and its connected persons within the meaning of the Listing Rules.

Save for Mr. Heung Wah Keung was a common director of China Star and KH Investment during the period from 6 August 2009 to 21 January 2010, to the best knowledge and belief of the board of directors of KH Investment, and having made all reasonable enquiries, China Star and its ultimate beneficial owner are third party independent of, and not connected with KH Investment and its connected persons within the meaning of the GEM Listing Rules.

### **Business of the JV Company**

The JV Company is engaged in production and distribution of films.

### **Capital contribution of the JV Company**

Subject to the fulfillment of the conditions as set out under “Conditions precedent” below in this section, the JV Company shall allot and issue 30 shares and 29 shares to China Star (BVI) and KH Investment respectively at a price of HK\$1,000,000 per share.

As at the date of the JV Agreement, one share of HK\$1,000,000 has been issued and is fully paid up by KH Investment.

The total capital contribution of HK\$60,000,000 to the JV Company was determined with reference to the estimated working capital requirement for production and distribution of films by the JV Company. Apart from the capital commitment for subscribing the shares of the JV Company, each of China Star (BVI) and KH Investment does not have other capital commitment to the JV Company pursuant to the JV Agreement.

According to the board of directors of China Star, the capital contribution on part of China Star (BVI) will be funded from internal resources of the China Star Group.

According to the board of directors of KH Investment, the capital contribution on part of KH Investment will be funded from internal resources of the KH Investment Group, external borrowings and/or equity financing.

### **Conditions precedent**

The JV Agreement is conditional upon:

- (i) the passing by the directors of each of China Star (BVI) and KH Investment of a resolution approving the JV Agreement;
- (ii) all necessary approvals and consents to the execution of the JV Agreement and the performance of the transactions hereby contemplated being obtained; and
- (iii) if necessary, approval by the shareholders of each of China Star and KH Investment in general meeting approving the transactions contemplated under the JV Agreement or incidental thereto having been obtained.

If the conditions above shall not have been fulfilled by 30 June 2011, the JV Agreement shall, subject to the liability of any party under the JV Agreement to the others in respect of any breaches of the terms under the JV Agreement, including the obligations therein, be null and void and of no effect.

### **Board composition of the JV Company**

Pursuant to the JV Agreement, the maximum number of directors of the JV Company is four. Each of China Star (BVI) and KH Investment shall have rights to appoint two directors to the board of directors of the JV Company.

### **Profit sharing of the JV Company**

The profit sharing of the JV Company shall be determined in accordance with the proportion of the respective shareholdings of China Star (BVI) and KH Investment in the JV Company.

## **FINANCIAL INFORMATION OF THE JV COMPANY**

As at the date of this announcement, the total assets of the JV Company is HK\$1,000,000 and the JV Company has no liabilities. There is no profit or loss recorded in the unaudited management accounts of the JV Company for the period commencing on 8 October 2010 (being its date of incorporation) to the date of this announcement. The JV Company has not yet commenced any business operations.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

The directors of China Star believe that the formation of the JV Company enables to reduce the working capital tied up in the China Star Group's film production and distribution business and to spread out the business risks involved. Accordingly, the directors of China Star consider that the terms of the JV Agreement and the formation of the JV Company are fair and reasonable and in the interests of China Star and its shareholders as a whole.

Given the China Star Group has engaged in film production and distribution business since 1996, the China Star Group has a team of experienced production staff for film production and an extensive network for film distribution. The directors of KH Investment believe that the formation of the JV Company allows the KH Investment Group to capitalise on the China Star Group's resources for developing its film business and improving its profitability. As such, the directors of KH Investment consider that the terms of the JV Agreement and the formation of the JV Company are fair and reasonable and in the interests of KH Investment and its shareholders as a whole.

## **GENERAL**

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

KH Investment is an investment holding company and its subsidiaries are principally engaged in film production and distribution, the provision of artists management services, the provision of infrared thermal imaging and thermography solutions and consultancy services and investment in jointly controlled entity which is principally engaged in distribution of high-end apparel and accessories.

## **LISTING RULES/GEM LISTING RULES IMPLICATIONS**

As the relevant percentage ratios for the capital contribution committed by China Star (BVI) under the JV Agreement exceeds 5% but is less than 25%, the entering into the JV Agreement constitutes a discloseable transaction of China Star and is subject to the announcement requirement under Rule 14.34 of the Listing Rules.

As the relevant percentage ratios for the capital contribution committed by KH Investment under the JV Agreement exceeds 5% but is less than 25%, the entering into the JV Agreement constitutes a discloseable transaction of KH Investment and is subject to the announcement requirement under Rule 19.34 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, the following words and expressions shall, unless the context otherwise requires, have the same meanings when used herein:

“China Star”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“China Star (BVI)”	China Star Entertainment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Star
“China Star Group”	China Star and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“JV Agreement”	the joint venture agreement dated 8 December 2010 entered into between China Star (BVI), KH Investment and the JV Company
“JV Company”	China Star Film Group Limited (formerly known as Zhou Zhou Company Limited), a company incorporated in the British Virgin Islands with limited liability and to be owned as to 50% by China Star (BVI) and as to 50% by KH Investment
“KH Investment”	KH Investment Holdings Limited, a company incorporated the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the GEM
“KH Investment Group”	KH Investment and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

By Order of the Board  
**KH Investment Holdings Limited**  
**Lai Hok Lim**  
*Chairman*

Hong Kong, 8 December 2010

*As at the date of this announcement, the executive directors of China Star are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung and the independent non-executive directors of China Star are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Leung Hok Man.*

*As at the date of this announcement, the executive director of KH Investment is Mr. Lai Hok Lim and the independent non-executive directors of KH Investment are Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng.*

*This announcement, for which the board of directors of KH Investment collectively and individually accept full responsibilities, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to KH Investment. The board of directors of KH Investment, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of its publication and on KH Investment’s website at [www.golife.com.hk](http://www.golife.com.hk).*

\* *For identification purpose only.*