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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF SALE SHARE AND SALE LOAN

THE SALE AND PURCHASE AGREEMENT

On 1 February 2013 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan at the Purchase Price of HK\$93,700,000.

The Purchase Price for the Sale Share and the Sale Loan is HK\$93,700,000, which shall be satisfied in cash in the following manner:

- (a) a refundable deposit of HK\$56,220,000 shall be paid by the Purchaser to the Vendor or its nominee upon the signing of the Sale and Purchase Agreement; and
- (b) the remaining balance of HK\$37,480,000 shall be paid by the Purchaser to the Vendor or its nominee upon Completion.

Completion is subject to fulfilment or waiver of the conditions precedent as set out in the section headed "Conditions precedent" below.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable ratios for the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

1 February 2013 (after trading hours of the Stock Exchange)

Parties

Vendor: Wing Shan Int'l Limited, an investment holdings company

Purchaser: Star Hope Investments Limited, a wholly owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell:

- (a) the Sale Share, being the entire issued share capital in the Target Company; and
- (b) the Sale Loan, being all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which will be assigned to the Purchaser upon Completion.

The major assets of the Target Company are the Property, bank deposits of HK\$9.22 million as at 31 January 2013 and Renminbi bonds of RMB5.40 million (equivalent to approximately HK\$6.75 million) as at 31 January 2013. Further information on the Target Company and the Property have been disclosed under the section headed "Information on the Target Company and the Property" below.

As at the date of the Sale and Purchase Agreement, the Sale Loan amounted to HK\$29,603,055.

The Purchase Price

The Purchase Price for the Sale Share and the Sale Loan is HK\$93,700,000, which shall be satisfied in cash in the following manner:

- (a) a refundable deposit of HK\$56,220,000 (the “**Deposit**”) shall be paid by the Purchaser to the Vendor or its nominee upon the signing of the Sale and Purchase Agreement; and
- (b) the remaining balance of HK\$37,480,000 shall be paid by the Purchaser to the Vendor or its nominee upon Completion.

The Purchase Price was agreed between the Purchaser and the Vendor after arm’s length negotiations with reference to the net assets value of the Target Company adjusted for the outstanding balance of the Sale Loan as at the date of the Sale and Purchase Agreement and the offer prices of properties which are similar to the Property in nearby location. The Directors consider that the Purchase Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Purchase Price of HK\$93,700,000 will be financed by the net proceeds of approximately HK\$55,300,000 from the placing of 400,000,000 new Shares under general mandate as completed on 30 January 2013 and the remaining balance will be financed by internal resources of the Group.

Conditions precedent

Completion is conditional upon:

- (a) the Purchaser having satisfied at its sole and absolute discretion in all material respects with its due diligence investigation in respect of the Target Company, including but not limited to an inspection and investigation as to the legal status, financial, operation, contractual, taxation and management of the Target Company and the title of the Property;
- (b) the announcement of the Company in relation to the Sale and Purchase Agreement and the transactions contemplated therein in compliance with Chapter 14 of the Listing Rules having been published;
- (c) the warranties given by the Vendor remaining true and accurate in all material respects;
- (d) all licenses, permissions, authorisations, certificates, regulatory approvals and consents in relation to the Sale and Purchase Agreement and the transactions contemplated therein under any applicable laws, statutes, regulations and ordinances having been obtained by the Company and the parties thereto;

- (e) if required, the approval/consent of ICBC for the transactions contemplated under the Sale and Purchase Agreement having been obtained; and
- (f) no material and adverse affect the financial position, business or property, results of operations, business prospects or assets occurred on the Target Company and the Property prior to Completion.

The Purchaser may in its absolute discretion at any time waive the above conditions precedent (or any part thereof) other than those set out in condition (b) above by notice in writing to the Vendor.

If any of the conditions precedent have not been fulfilled (or, as the case may be, waived by the Purchaser) on or before 5:00 p.m. on 31 March 2013 (or such other date as the Vendor and the Purchaser may agree in writing), the Sale and Purchase Agreement shall cease and determine (save and except certain clause under the Sale and Purchase Agreement which shall continue to have full force and effect) and the Vendor shall forthwith return the Deposit paid by the Purchaser immediately and no party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches thereof.

Completion

Completion shall take place on the third business days when all of the conditions precedent has been fulfilled (or waived, where applicable) or such other date as the parties may agree in writing.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong on 12 June 2007 with limited liability. The Target Company is an investment holding company and is the legal and beneficial owner of the Property. The Target Company is principally engaged in property investment and rental business.

Based on the audited reports and financial statements of the Target Company for the year ended 31 March 2012, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net liabilities of the Target Company as at 31 March 2011 and 31 March 2012 were approximately HK\$0.86 million and HK\$0.75 million respectively. The loss and total comprehensive loss of the Target Company for the year ended 31 March 2011 was HK\$57,405. The profit and total comprehensive income of the Target Company for the year ended 31 March 2012 was HK\$116,564.

Based on the unaudited management accounts of the Target Company for the ten months period ended 31 January 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net assets value of the Target Company as at 31 January 2013 was HK\$50,836. The net income before taxation of the Target Company for the ten months period ended 31 January 2013 was HK\$839,886.

The Property is a retail shop situated at Nos. 1 and 3, Mercer Street, Hong Kong. The Property is vacant.

The Property is currently charged to ICBC for securing a bank loan granted to the Target Company. As at 31 January 2013, the outstanding balance of the secured bank loan amounted to approximately HK\$2.31 million.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, sales of Chinese health products, investing in operations which receive the profit stream from gaming promotion business, property and hotel investment, and property development.

After the acquisition of Nam Pei Hong Sum Yung Drugs Company Limited (“**Nam Pei Hong**”), which carries on trading and retail of “Sum Yung” and dried seafood products business, in 2011, the Board has been seeking suitable retail shops to expand the business of Nam Pei Hong and strengthen the retail network of Nam Pei Hong. With the Acquisition, the Board intends to develop the Property into the flagship store of retail chain of Nam Pei Hong in Hong Kong.

Based on the above, the Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable ratios for the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor in accordance with terms and conditions of the Sale and Purchase Agreement
“Board”	the board of the Directors
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange

“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with terms and conditions of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICBC”	Industrial and Commercial Bank of China (Asia) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	COCKLOFT FLOOR and the GROUND FLOOR of Nos. 1 and 3 Mercer Street, Hong Kong
“Purchase Price”	HK\$93,700,000, being the consideration for the Sale Share and the Sale Loan payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
“Purchaser”	Star Hope Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 1 February 2013 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which will be assigned to the Purchaser upon Completion and amounted to HK\$29,603,055 as at the date of the Sale and Purchase Agreement

“Sale Share”	1 share of HK\$1.00 in the issued share capital of the Target Company which is beneficially owned by the Vendor, representing the entire issued share capital of the Target Company
“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 issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Well Full Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Wing Shan Int’l Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned by an individual who is a third party independent of and not connected to the Company and its connected person (as defined under the Listing Rules)
“RMB”	Renminbi, the lawful currency of the People’s Republic China
“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

Hong Kong, 1 February 2013

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