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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 PROPERTIES

SALE AND PURCHASE AGREEMENTS

On 5 April 2013, the Purchaser A as purchaser and the Vendor A (in the capacity of a confirmor) as vendor, entered into the SPA 1 pursuant to which, the Purchaser A has conditionally agreed to acquire and the Vendor A has conditionally agreed to sell the Sale Share and the Sale Loan of the Target Company. The major asset and liability of the Target Company are the Property A and the Sale Loan. The Sale Loan amounted to approximately HK\$10,730,000 according to the Vendor A's information as at the date of the SPA 1.

The consideration for the Property A is approximately HK\$68,330,000, of which HK\$16,130,000 shall be paid to the Vendor A for the consideration of the Target Company and the balance of HK\$52,200,000 for the Property A shall be paid by the Target Company which will be financed by the Purchaser A on or before noon on 30 September 2013.

On 5 April 2013, the Purchaser B as purchaser and the Vendor B (in the capacity of a confirmor) as vendor entered into the SPA 2 pursuant to which, the Purchaser B has conditionally agreed to acquire and the Vendor B has conditionally agreed to sell the Property B at the consideration of HK\$8,000,000.

The Property A and the Property B are situated at Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong.

Upon completions of the SPA 1 and the SPA 2, 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 and the Company will legally own the Property A and the Property B.

IMPLICATIONS UNDER THE LISTING RULES

Taking into consideration of (i) the acquisition of the Property B under the SPA 2 is conditional upon completion of the acquisition of the Target Company and the Property A under the SPA 1; and (ii) the Target Company and the Property B are beneficially owned by the same individual and its associates (as defined in the Listing Rules), the acquisition of the Property B under the SPA 2 shall be aggregated with the acquisition of the Target Company and the Property A under the SPA 1 under Rule 14.22 of the Listing Rules.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the acquisitions of the Target Company, the Property A and Property B when aggregated together exceeds 5% but less than 25%, the Acquisitions constitute 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.

SALE AND PURCHASE AGREEMENTS

I. The sale and purchase agreement of the Target Company (the “SPA 1”)

Date

5 April 2013

Parties

Vendor A: Vendor A (in the capacity of a confirmor), an individual

Purchaser A: Smart Value Developments Limited, a wholly owned subsidiary of the Company

Agent: Kencon Property Consultants

To the best of the Directors' knowledge, information and belief having all reasonable enquiry, the Vendor A and the Agent are third parties independent of the Company and its connected persons (as defined under the Listing Rules). Prior to entering into the SPA 1 and the SPA 2, the Group has no business transactions with the Vendor A.

The asset to be acquired

The Purchaser A has conditionally agreed to acquire and the Vendor A 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 A on or at any time prior to the completion of the SPA 1 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 A upon completion pursuant to the SPA 1.

The major asset and liability of the Target Company are the Property A and the Sale Loan. Further information on the Target Company and the Property A have been disclosed under the section headed “Information on the Target Company and the Properties” below.

As at the date of the SPA 1, the Sale Loan amounted to approximately HK\$10,730,000 according to the Vendor A’s information.

Consideration

The consideration for the Property A is approximately HK\$68,330,000, of which HK\$16,130,000 shall be paid to the Vendor A for the consideration of the Target Company and the balance of HK\$52,200,000 for the Property A shall be paid by the Target Company which will be financed by the Purchaser A on or before noon on 30 September 2013.

The sum of the consideration of HK\$68,330,000 shall be satisfied in cash in the following manner:

- (a) an initial deposit of HK\$10,730,000 (the “**SPA 1 Deposit**”) shall be paid by the Purchaser A to the Vendor A upon the signing of the SPA 1;
- (b) the balance of HK\$5,400,000 shall be paid by the Purchaser A to the Vendor A on or before noon on 27 September 2013, being the completion date of the SPA 1; and
- (c) the remaining balance of HK\$52,200,000 for the Property A shall be paid by the Target Company which will be financed by the Purchaser A on or before noon on 30 September 2013.

The consideration of the Target Company and the Property A was agreed on normal commercial terms between the Purchaser A and the Vendor A after arm’s length negotiations with reference to prevailing market price and/or offer price of properties which are similar to the Property A in nearby location. The Directors consider that the consideration of the Target Company and the Property A is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The consideration of the Target Company and the Property A of HK\$68,330,000 will be financed by internal resources of the Group.

Conditions precedent

Completion is conditional upon:

- (i) the warranties given by the Vendor A under the SPA 1 remaining true and accurate in all material respects;
- (ii) the legal advisers of the Purchaser A having obtained the deed of the Property A in accordance with Conveyancing and Property Ordinance, Cap. 219 Schedule 2 (Part A) on fourteen (14) days before the completion of the SPA 1 provided by the Vendor A;
- (iii) the Vendor A having obtained the ownership rights and the legal title of the Property A; and
- (iv) the Purchaser A having satisfied at its sole and absolute discretion in all material respects with its due diligence investigation in respect of the legal title of the Property A.

The Vendor A undertakes to use its best endeavour to procure that conditions (i) to (iii) (in so far as the warranties given by the Vendor A are concerned) are satisfied on or before 12:00 noon on 27 September 2013.

If the Vendor A fail to complete the sell of the Sale Share and/or take up the Sale Loan in accordance with the terms of the SPA 1, the Purchaser A shall be entitled to terminate the SPA 1 and the Vendor A shall forthwith return the SPA 1 Deposit paid by the Purchaser A as liquidated damages immediately and the Vendor A shall liable to the Purchaser A for antecedent breaches.

If the Purchaser A fail to complete the purchase of the Sale Share and/or take up the Sale Loan in accordance with the terms of the SPA 1, the Vendor A shall be entitled to terminate the SPA 1 and forfeit the SPA 1 Deposit as liquidated damages and the Purchaser A shall liable to the Vendor A for antecedent breaches.

If conditions (iii) and (iv) under the SPA 1 has not been fulfilled on or before 12:00 noon on 27 September 2013, the SPA 1 shall automatically be terminated and shall cease to have any further force and effect and the Vendor A shall forthwith return the SPA 1 Deposit paid by the Purchaser A immediately and no party thereto shall have any liability thereunder (without prejudice to the rights of the parties in respect of any antecedent breaches).

Completion

Completion of the SPA 1 will take place on or before 27 September 2013.

Other terms

The Property A is sold on an “as is” basis.

According to the SPA 1, the Vendor A has given warranties to the Purchaser A that (i) the Vendor A will provide the management accounts and the audited accounts of the Target Company to the legal advisers of the Purchaser A thirty (30) days before the completion date of the SPA 1 and within ten (10) days after the completion date of the SPA 1 respectively; and (ii) the Vendor A, being the beneficial owner of the Target Company, will keep indemnified the Purchaser A against any loss or liability suffered by the Purchaser A, including any payment made or required to be made by the Purchaser A and any costs and expenses incurred as a result of or in connection with any claim or liabilities falling on the Target Company on or before the date of the SPA 1 whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company, to the extent that provision in respect thereof has not been made in the SPA 1. As disclosed under the SPA 1, save for the Sale Loan, the Target Company has no other liabilities or capital commitment or actual or contingent liability as at the date of the SPA 1.

The acquisition of the Property A under the SPA 1 is conditional upon the completion of the sale and purchase as contemplated under a formal sale and purchase agreement entered into between the Target Company (as a purchaser) and an independent third party (as a vendor) dated 28 March 2013, pursuant to which the Target Company (as a purchaser) agreed to acquire from the independent third party the Property A at a consideration of HK\$58,000,000, of which HK\$5,800,000 had been paid to an independent third parties as deposit as at the date of the formal sale and purchase agreement. The completion of the said sale and purchase shall take place on or before 30 September 2013 and the balance of the consideration of HK\$52,200,000 shall be paid by the Target Company upon completion of the said sale and purchase agreement.

II. The provisional sale and purchase agreement of the Property B (the “SPA 2”)

Date

5 April 2013

Parties

Vendor B: Vendor B (in the capacity of a confirmor)

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

Agent: Kencon Property Consultants

To the best of the Directors' knowledge, information and belief having all reasonable enquiry, the Vendor B and the Agent are third parties independent of the Company and its connected persons (as defined under the Listing Rules). Prior to entering into the SPA 1 and SPA 2, the Group has no business transactions with the Vendor B and the Agent.

The asset to be acquired

The Purchaser B has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Property B at a consideration of HK\$8,000,000 pursuant to the SPA 2.

Consideration

The consideration of the Property B is HK\$8,000,000, which shall be satisfied in cash in the following manner:

- (a) an initial deposit of HK\$800,000 (the “**SPA 2 Deposit**”), of which HK\$300,000 shall be paid by the Purchaser B to the Vendor B upon the signing of the SPA 2 and the balance of SPA 2 Deposit of HK\$500,000 shall be paid by the Purchaser B to the Vendor B on or before 10 April 2013, being the date of entering into the formal sale and purchase agreement; and
- (b) the remaining balance of HK\$7,200,000 shall be paid by the Purchaser B to the Vendor B upon completion of the SPA 2.

The consideration was agreed on normal commercial terms between the Purchaser B and the Vendor B after arm’s length negotiations with reference to the prevailing market price and/or offer price of properties which are similar to the Property B in nearby location. The Directors consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The consideration of the Property B of HK\$8,000,000 will be financed by internal resources of the Group.

Conditions precedent

Completion is conditional upon the completion of the acquisition of the Target Company and the Property A under the SPA 1.

Completion

Completion of the SPA 2 will take place on or before 30 September 2013.

Other terms

The Property B is sold on an “as is” basis.

The acquisition of the Property B under the SPA 2 is conditional upon the completion of the sale and purchase as contemplated under a formal sale and purchase agreement entered into between the Vendor B (as a purchaser) and an independent third party (as a vendor) dated 28 March 2013, pursuant to which the Vendor B agreed to acquire from the independent third party the Property B at a consideration of HK\$8,000,000. The completion of the said sale and purchase shall take place on or before 30 September 2013.

COMMISSION

In consideration of the services rendered by the Agent, the Agent shall be entitled to receive commission from the Vendor A, the Vendor B, the Purchase A and the Purchaser B. Such commission shall be paid on completion.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTIES

The Target Company is a company incorporated in Hong Kong on 12 March 2012 with limited liability. The Target Company is principally engaged in property investment.

The information of the net profits (both before and after taxation and extraordinary items) attributable to the Target Company for the past two financial years was not made available to the Company as at the date of this announcement.

The Property A is a shop situated at Ground Floor and its Cockloft Floor, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong. The Property A will vacant upon completion of the SPA 1. The Property A was acquired by the Target Company in March 2013 pursuant to a provisional sale and purchase agreement dated 11 March 2013 and a formal sale and purchase agreement dated 28 March 2013 entered into between the Target Company and an independent third party of it. The completion of said sale and purchase agreement is expected to be on or before 30 September 2013.

The Property B is a shop situated at 1st Floor, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong. The Property will vacant upon completion of the SPA 2. The Property B was acquired by the Vendor B in March 2013 pursuant to a provisional sale and purchase agreement dated 11 March 2013 and a formal sale and purchase agreement dated 28 March 2013 entered into between the Vendor B and an independent third party of it. The completion of said sale and purchase agreement is expected to be on or before 30 September 2013.

Upon completions of the SPA 1 and the SPA 2, 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 and the Company will legally own the Property A and the Property B.

REASONS FOR THE ACQUISITIONS

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.

In February 2013, the Company has completed the acquisition of a retail shop (the “**Shop**”) which is situated at Cockloft Floor and Ground Floor, Nos. 1 and 3, Mercer Street, Hong Kong for the expansion of its trading and retail of “Sum Yung” and dried seafood products business in the Company’s wholly owned subsidiary, Nam Pei Hong Sum Yung Drugs Company Limited (“**Nam Pei Hong**”). In view of the Properties are located nearby the Shop, the Board considers that the Acquisitions would enable the Group to expand the gross floor area of the retail shops for Nam Pei Hong at Sheung Wan district in Hong Kong.

Based on the above, the Directors consider that the terms and conditions of the Acquisitions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Taking into consideration of (i) the acquisition of the Property B under the SPA 2 is conditional upon completion of the acquisition of the Target Company and the Property A under the SPA 1; and (ii) the Target Company and the Property B are beneficially owned by the same individual and its associates (as defined in the Listing Rules), the acquisition of the Property B under the SPA 2 shall be aggregated with the acquisition of the Target Company and the Property A under the SPA 1 under Rule 14.22 of the Listing Rules. Accordingly, the aggregated consideration of the Target Company, the Property A and the Property B will be HK\$76,330,000.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the acquisitions of the Target Company, the Property A and Property B when aggregated together exceeds 5% but less than 25%, the Acquisitions constitute 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:

“Acquisitions”	the proposed acquisitions of the Target Company and the Property A under the SPA 1 and the Property B under the SPA 2
“Agent”	Kencon Property Consultants, a property consultants company
“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

“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	the Property A and the Property B
“Property A”	GROUND FLOOR and its COCKLOFT, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong
“Property B”	1st Floor, Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong
“Purchaser A”	Smart Value Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Purchaser B”	Well Star Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“SPA 1”	the conditional sale and purchase agreement dated 5 April 2013 (as supplemented by the Supplemental Agreement) entered into between the Vendor A and the Purchaser A in relation to the sale and purchase of the Sale Share, the Sale Loan and the Property A
“SPA 2”	the provisional sale and purchase agreement dated 5 April 2013 (as supplemented by the Supplemental Agreement) entered into between the Vendor B and the Purchaser B in relation to the sale and purchase of the Property B
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor A on or at any time prior to the completion of the SPA 1 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 A upon completion pursuant to the SPA 1 and amounted to approximately HK\$10,730,000 according to Vendor A’s information as at the date of the SPA 1

“Sale Share”	the entire issued share capital of the Target Company which is beneficially owned by the Vendor A as at the date of the SPA 1
“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
“Supplemental Agreement”	the supplemental agreement dated 5 April 2013 entered into between the Purchaser A, the Purchaser B, the Vendor A and the Vendor B in relation to the terms of the Acquisitions
“Target Company”	Big Century Limited, a company incorporated in Hong Kong with limited liability and beneficially owned by the Vendor A
“Vendor A”	an individual (in the capacity of a confirmor) who is a third party independent of and not connected to the Company and its connected person (as defined under the Listing Rules)
“Vendor B”	a company (in the capacity of a confirmor), which is incorporated in Hong Kong with limited liability and beneficially owned by a family member of the Vendor A
“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, 5 April 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.