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SINOSTAR

中國華星

China Sinostar Group Company Limited

中國華星集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 485)

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF 100% EQUITY INTEREST IN BENXI TONGSHENG
PROPERTY DEVELOPMENT LIMITED
AND
MAJOR TRANSACTION IN RELATION TO
DISPOSAL OF 100% EQUITY INTEREST IN AND SALE LOAN OWED
BY TONG SHENG YUAN HOLDINGS LIMITED**

THE PURCHASE AGREEMENT AND THE DISPOSAL AGREEMENT

The Board is pleased to announce that on 25 September 2017 (after trading hours), (a) Dongfang Industrial entered into the Purchase Agreement with the Vendors, pursuant to which Dongfang Industrial has agreed to purchase and the Vendors have agreed to sell 100% equity interest in Benxi Tongsheng at a consideration of RMB20.05 million (equivalent to approximately HK\$23.49 million); and (b) Seasonal Bliss entered into the Disposal Agreement with the Purchaser and the Guarantor, pursuant to which Seasonal Bliss has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan owed by Tong Sheng Yuan to Seasonal Bliss and certain members of the Group in total amount of HK\$38.7 million as at the date of the Disposal Agreement for a consideration of RMB125 million (equivalent to approximately HK\$146.46 million).

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but below 25%, the Acquisition constitutes a discloseable transaction for the Company subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 25% but less than 75%, the entering into of the Disposal Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholder has material interest in the Disposal Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Disposal Agreement and the transactions contemplated thereunder. The Company has obtained an approval in writing from Achieve Prosper, which holds 2,171,827,290 Shares, representing approximately 54.61% of the total issued shares of the Company as at the date of this announcement, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) information regarding the Disposal Agreement and the transactions contemplated thereunder; and (ii) financial information of the Group, is expected to be despatched to the Shareholders on or before 18 October 2017.

Shareholders and potential investors of the Company should be aware that completion of the Disposal Agreement is subject to fulfillment of the conditions precedent of the Disposal Agreement, and consequently the Disposal may or may not proceed. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 25 September 2017 (after trading hours), (a) Dongfang Industrial entered into the Purchase Agreement with the Vendors, pursuant to which Dongfang Industrial has agreed to purchase and the Vendors have agreed to sell 100% equity interest in Benxi Tongsheng at a consideration of RMB20.05 million (equivalent to approximately HK\$23.49 million); and (b) Seasonal Bliss entered into the Disposal Agreement with the Purchaser and the Guarantor, pursuant to which Seasonal Bliss has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan owed by Tong Sheng Yuan to Seasonal Bliss and certain members of the Group in total amount of HK\$38.7 million as at the date of the Disposal Agreement for a consideration of RMB125 million (equivalent to approximately HK\$146.46 million).

THE PURCHASE AGREEMENT

Date: 25 September 2017

Parties: Dongfang Industrial as purchaser
Shi Na and Hu Dan as vendors

The Acquisition

Dongfang Industrial has agreed to purchase and the Vendors have agreed to sell 100% equity interest in Benxi Tongsheng.

Acquisition consideration

RMB20.05 million (equivalent to approximately HK\$23.49 million) shall be payable by Dongfang Industrial to the Vendors in cash on the date of signing of the Purchase Agreement.

The Group intends to finance the consideration by internal resources.

The consideration is determined after arm's length negotiations between the Group and the Vendors with reference to the registered and paid up capital of Benxi Tongsheng of RMB20.05 million as at the date of the Purchase Agreement.

Acquisition completion

The Vendors shall cause or procure the transfer of 100% equity interest in Benxi Tongsheng to Dongfang Industrial and complete all the necessary registration within five (5) business days following the signing of the Purchase Agreement.

INFORMATION OF THE PARTIES TO THE PURCHASE AGREEMENT

Dongfang Industrial is a property holding company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

Each of the Vendors is a PRC citizen. Save for the transactions disclosed in this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

INFORMATION OF BENXI TONGSHENG

Benxi Tongsheng is a company incorporated in the PRC with registered and paid up capital of RMB20.05 million and is owned as to 99.75% by Shi Na and 0.25% by Hu Dan. Benxi Tongsheng is principally engaged in property development. As at the date of the Purchase Agreement, the sole asset of Benxi Tongsheng is the Land Use Right. The purchase price of the Land Use Right is RMB72 million, of which RMB12.5 million has been paid and the balance of RMB59.5 shall be paid by 30 May 2018 by Dongfang Industrial.

Based on the unaudited financial statement of Benxi Tongsheng for the two years ended 31 December 2015 and 2016 and eight months ended 31 August 2017 as prepared in accordance with accounting principles generally accepted in the PRC, (a) the revenue of Benxi Tongsheng was nil and nil, respectively, for the year ended 31 December 2015 and 2016; (b) the loss (both before and after tax)

of Benxi Tongsheng was RMB0.01 million and RMB0.01 million, respectively, for the year ended 31 December 2015 and 2016, (c) the net asset value of Benxi Tongsheng as at 31 December 2015 and 2016 was nil and nil, respectively and (d) the net asset value of Benxi Tongsheng as at 31 August 2017 was approximately RMB12.48 million.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The principal activity of the Company is investment holding. The Group is principally engaged in the design and sale of a wide range of electronic products, sales and installation of elevators, operation and management of hydroelectric power stations, properties investment and securities trading.

As disclosed in the annual report of the Company for the year ended 31 March 2017, the Group will prudently explore new business opportunities so as to strengthen and broaden the revenue stream of the Group and generate a better result and prospect for the Group. The Company, through the Acquisition, indirectly acquires the Land Use Right. The Company considers that the supply of land in Xiguan Village, Huanren County, Benxi, Liaoning Province is limited and is optimistic on the selling prospect. It is expected that the Acquisition will improve the business structure of the Group and enhance return to the Company and the Shareholders.

Having considered the above, the Directors consider that the terms and conditions of the Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but below 25%, the Acquisition constitutes a discloseable transaction for the Company subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

Date: 25 September 2017

Parties: Seasonal Bliss as vendor

Starry Beauty Limited as purchaser

Shi Na as guarantor

The Purchaser is a company established in Samoa with limited liability and is principally engaged in the investment holding. Save for the transactions disclosed in this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser, the Guarantor and/or its ultimate beneficial owner(s) is an Independent Third Party.

The Disposal

Seasonal Bliss has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan.

Disposal Consideration

The Disposal Consideration is RMB125 million (equivalent to approximately HK\$146.46 million) and shall be paid in cash by the Purchaser to Seasonal Bliss as follows:

- (a) as to RMB80 million (equivalent to approximately HK\$93.74 million) shall be paid on the date of the Disposal Agreement as deposit, the entirety of which would become part of the Disposal Consideration upon the fulfillment of all the conditions precedent; and
- (b) as to the balance of RMB45 million (equivalent to approximately HK\$52.72 million) shall be paid on or before 30 October 2018.

The Disposal Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement taking into consideration of various factors, including (i) the reasons for the Disposal as disclosed in the paragraph headed "Reasons for and benefit of the Disposal" in this announcement; (ii) the current financial position of Tong Sheng Yuan; and (iii) the amount of the Sale Loan.

Conditions precedent

Disposal Completion is subject to the fulfillment (or waiver, as the case may be) of the following conditions precedent:

- (a) a deposit of RMB80 million being duly transferred into a designated bank account of Seasonal Bliss;
- (b) all necessary consents, approvals and permits required to be obtained on the part of Seasonal Bliss and the Purchaser (including any consents, approvals and permits from third party entities) in respect of the execution and performance of the Disposal Agreement and the transactions contemplated thereunder having been obtained and are or will be in full force and effect as of the date of the Disposal Agreement and the Disposal Completion;
- (c) the warranties and representations made by Seasonal Bliss in the Disposal Agreement are true and accurate in all material respects and in substance as of the date of the Disposal Agreement and as of the Disposal Completion;
- (d) Seasonal Bliss having performed and fulfilled all of its obligations under the Disposal Agreement on or before the Disposal Completion; and

- (e) the approval in writing from Achieve Prosper, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to the Listing Rules, approving the Disposal Agreement and the transactions contemplated thereunder, having been obtained.

If any of the conditions precedent of the Disposal Agreement has not been fulfilled on or before the date falling five (5) days from the date of the Disposal Agreement or such later date as Seasonal Bliss and the Purchaser may agree in writing, the Disposal Agreement shall be terminated and neither party shall have any claim against each other save for any antecedent breaches of the Disposal Agreement provided that Seasonal Bliss shall refund all the consideration and/or deposit (as the case may be) paid by the Purchaser (without interest) to the Purchaser.

If the transfer of the Sale Share and the Sale Loan does not take place on the date falling ten (10) days from the date of the Disposal Agreement (or such other date as may be agreed in writing between Seasonal Bliss and the Purchaser), the Disposal Agreement shall be terminated and neither party shall have any claim against each other save for any antecedent breaches of the Disposal Agreement provided that Seasonal Bliss shall refund all the consideration and/or deposit (as the case may be) paid by the Purchaser (without interest) to the Purchaser and all changes brought by the entering into of the Disposal Agreement shall be unwound.

Disposal Completion

Seasonal Bliss shall cause or procure the transfer of the Sale Share and the Sale Loan to the Purchaser and complete all the necessary registration within five (5) business days following the signing of the Disposal Agreement.

Guarantee

The Guarantor undertakes to Seasonal Bliss that, upon fulfillment of all the conditions precedent, she shall deliver to Seasonal Bliss a deed of guarantee, pursuant to which she shall irrevocably and unconditionally guarantee the due and punctual payment the Disposal Consideration.

INFORMATION OF THE PARTIES TO THE DISPOSAL AGREEMENT

Seasonal Bliss is an investment holding company incorporated in Samoa with limited liability and a direct wholly-owned subsidiary of the Company.

The Purchaser is an investment holding company incorporated in Samoa with limited liability.

The Guarantor is a PRC citizen and the sole owner of the Purchaser.

Save for the transactions disclosed in this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser, the Guarantor and/or its ultimate beneficial owner(s) is an Independent Third Party.

INFORMATION OF TONG SHENG YUAN

Tong Sheng Yuan is an investment holding company incorporated in Samoa and an indirect wholly-owned subsidiary of the Company. Tong Sheng Yuan owns 100% of the issued share capital of Tong Sheng Yuan Limited, an investment holding company incorporated in Hong Kong with limited liability. Tong Sheng Yuan Limited in turn owns 100% equity interest in Benxi Tong Sheng Yuan Shiya Company Limited* (本溪同盛遠實業有限公司), a wholly foreign owned enterprise established in the PRC with registered capital of RMB20 million and principally engaged in properties investment and sales and installation of elevators.

The unaudited financial information of Tong Sheng Yuan prepared under Hong Kong Financial Reporting Standards is set out below:

	For the year ended 31 March	
	2017 (HK\$)	2016 (HK\$)
Turnover	170 million	Nil
Profit/(Loss) before taxation	19.5 million	1.8 million
Profit/(Loss) after taxation	8 million	1.8 million

Based on the unaudited financial statements of Tong Sheng Yuan, the net assets value of Tong Sheng Yuan as at 31 March 2017 was approximately HK\$150 million.

FINANCIAL EFFECT OF THE DISPOSAL

The Group is expected to record an unaudited gain on disposal of approximately RMB1.67 million (equivalent to approximately HK\$1.96 million) with reference to (i) the unaudited net assets value of Tong Sheng Yuan as at 31 August 2017 of approximately HK\$183.7 million; (ii) the Sale Loan in the amount of HK\$38.7 million; (iii) the Disposal Consideration of RMB125 million (equivalent to approximately HK\$146.46 million); and (iv) all relevant expenses of approximately HK\$0.5 million.

REASONS FOR AND BENEFIT OF THE DISPOSAL

Taking into account (i) the considerable Disposal Consideration; (ii) the unaudited net assets value of the Tong Sheng Yuan and its subsidiaries as at 31 March 2017 of approximately HK\$150 million; (iii) the continuous decrease in fair value of the properties held by Tong Sheng Yuan and its subsidiaries, it is expected that the Disposal will decrease the liabilities of the Group, improve the financial position of the Group and provide the general working capital for the Group for further developments and funding for potential investments when opportunities arise.

Having considered the above, the Directors are of the view that the terms and conditions of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

After deducting expenses relating to the Disposal, it is intended that the net proceeds from the Disposal will be applied as the general working capital of the Group and to finance the investment opportunities as may be identified from time to time.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 25% but less than 75%, the entering into of the Disposal Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. As no Shareholder has material interest in the Disposal Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Disposal Agreement and the transactions contemplated thereunder. The Company has obtained an approval in writing from Achieve Prosper, which holds 2,171,827,290 Shares, representing approximately 54.61% of the total issued shares of the Company as at the date of this announcement, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) information regarding the Disposal Agreement and the transactions contemplated thereunder; and (ii) financial information of the Group, is expected to be despatched to the Shareholders on or before 18 October 2017.

Shareholders and potential investors of the Company should be aware that completion of the Disposal Agreement is subject to fulfillment of the conditions precedent of the Disposal Agreement, and consequently the Disposal may or may not proceed. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Achieve Prosper”	Achieve Prosper Capital Limited, a controlling Shareholder of the Company
“Acquisition”	the acquisition of 100% equity interest in Benxi Tongsheng pursuant to the Purchase Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules

“Benxi Tongsheng”	Benxi Tongsheng Property Development Limited* (本溪同盛房地產開發有限公司), which is more particularly described in the paragraph headed “Information of Benxi Tongsheng” in this announcement
“Board”	the board of Directors from time to time
“Company”	China Sinostar Group Company 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 (stock code: 485)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company (including the independent non-executive directors) from time to time
“Disposal”	the disposal of the Sale Share and the Sale Loan pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 25 September 2017 entered into between Seasonal Bliss, the Purchaser and the Guarantor in relation to the Disposal
“Disposal Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Disposal Consideration”	the consideration of RMB125 million (equivalent to approximately HK\$146.46 million) for the Disposal
“Dongfang Industrial”	Benxi Dongfang Industrial Limited* (本溪東方實業有限公司), which is more particularly described in the paragraph headed “Information of the parties to the Purchase Agreement” in this announcement
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Shi Na, who is more particularly described in the paragraph headed “Information of the parties to the Disposal Agreement” in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a third party independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Land Use Right”	the land use right of a parcel of land located at Xiguan Village, Huanren County, Benxi, Liaoning Province with a floor area of 46,242.6 sq.m. and construction area of 80,462 sq.m. and for commercial and residential use
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchase Agreement”	the sale and purchase agreement dated 25 September 2017 entered into between Dongfang Industrial and the Vendors in relation to the Acquisition
“Purchaser”	Starry Beauty Limited, which is more particularly described in the paragraph headed “Information of the parties to the Disposal Agreement” in this announcement
“Sale Loan”	HK\$38.7 million, being the entire amount owed by Tong Sheng Yuan to Seasonal Bliss and certain members of the Group as at the date of the Disposal Agreement
“Sale Share”	1 share of Tong Sheng Yuan, being 100% of its total issued shares
“Seasonal Bliss”	Seasonal Bliss Limited, which is more particularly described in the paragraph headed “Information of the parties to the Disposal Agreement” in this announcement
“Shareholder(s)”	holder(s) of the issued Shares from time to time
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Sheng Yuan”	Tong Sheng Yuan Holdings Limited*(同盛遠控股有限公司), which is more particularly described in the paragraph headed “Information of Tong Sheng Yuan” in this announcement

“Vendors”	collectively, Shi Na and Hu Dan, being the vendors to the Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square meter
“%”	per cent.

By order of the Board
China Sinostar Group Company Limited
Wang Jing
Chairman

Hong Kong, 26 September 2017

* *The English translation of the Chinese names or words in this announcement, where indicated, are included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.1717. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke as independent non-executive Directors.

This announcement, for which the Director of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, 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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.