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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

**(Warrant Code: 972/1056)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF SALE SHARES**

#### **THE SALE AND PURCHASE AGREEMENT**

On 19 October 2011 (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 Shares at the Purchase Price of HK\$50,000,000.

The Purchase Price for the Sale Shares is HK\$50,000,000, which shall be satisfied in cash in the following manner:

- (a) the Deposit of HK\$20,000,000 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\$30,000,000 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, each member of the Target Group (other than Most Trade Enterprises Limited and the Zhongshan Shop) will become a wholly-owned subsidiary of the Company and each of Most Trade Enterprises Limited and the Zhongshan Shop will become a 70% owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

As the applicable ratios for the Acquisition exceed 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**

19 October 2011 (after trading hours of the Stock Exchange)

### **Parties**

Vendor: Well Gain (Asia) Limited, an investment holding company and beneficially owned by Mr. Wong Siu Kang

Purchaser: China Star Entertainment (BVI) Limited

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

### **The Acquisition**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Purchase Price of HK\$50,000,000.

The Sale Shares represent the entire issued share capital of the Target Company. As at the date of the Sale and Purchase Agreement, the Target Company had six subsidiaries. Further information on the Target Company and its subsidiaries has been disclosed under the section headed "Information on the Target Group" below.

### **The Purchase Price**

The Purchase Price for the Sale Shares is HK\$50,000,000, which shall be satisfied in cash in the following manner:

- (a) a refundable deposit of HK\$20,000,000 (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\$30,000,000 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 Group as at 31 March 2011 and the long established and highly recognised brand name of "Nam Pei Hong" in Hong Kong and Southern Mainland China. The Directors consider that the Purchase Price is fair and reasonable.

The Purchase Price is funded by the 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 Group, including but not limited to an inspection and investigation as to the legal status, financial, operation, contractual, taxation and management of the Target Group;
- (b) the warranties given by the Vendor remaining true and accurate in all material respects; and
- (c) all necessary statutory governmental and regulatory obligations having been complied with and all necessary regulatory authority in Hong Kong or in the PRC, governmental and third party consents and approvals (including those person entitled to any pre-emption rights) and waivers for the purposes of the transactions contemplated under the Sale and Purchase Agreement having been obtained without any conditions (or subject to other conditions reasonably acceptable to the parties).

The Purchaser may in its absolute discretion at any time waive the above conditions precedent by notice in writing to the Vendor.

If any of the conditions precedent has not been fulfilled (or waived by the Purchaser) on or before 4:00 p.m. on the Longstop Date, the Sale and Purchase Agreement shall automatically be terminated and shall cease to have any further force and effect and the Vendor shall forthwith return the Deposit paid by the Purchaser within five business days and no party hereto shall have any liability under then (without prejudice to the rights of the parties in respect of any antecedent breaches).

### **Completion**

Completion shall take place on the third business days when all of the conditions precedent have been fulfilled (or waived, where applicable).

## INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands on 27 August 2007 with limited liability. The Target Company is an investment holding company which holds the entire issued share capital of each of Poo Yuk Loong Limited, N P H Sino-Meditech Limited, Nam Pei Hong Sum Yung Drugs Company Limited, Poo Yuk Loong Food (Shenzhen) Company Limited and 70% of the issued share capital/registered capital of each of Most Trade Enterprises Limited and 中山市古鎮南臻參茸海味店 (Zhong Shan Shi Gu Zhen Nan Zhen Sum Yung and Dry-seafood Shop<sup>#</sup>) (the “**Zhongshan Shop**”). The Target Group is principally engaged in the trading and retail sale of Chinese medicine, traditional “Sum Yung” products, dried seafood and health products in Hong Kong, Shenzhen City and Zhongshan City, the PRC.

Based on the unaudited consolidated accounts of the Target Group (excluding Most Trade Enterprises Limited and the Zhongshan Shop) for the year ended 31 March 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards, the consolidated net assets value of the Target Group (excluding Most Trade Enterprises Limited and the Zhongshan Shop) as at 31 March 2010 and 31 March 2011 were HK\$31.95 million and HK\$36.40 million respectively. The consolidated profit before and after taxation of the Target Group (excluding Most Trade Enterprises Limited and the Zhongshan Shop) for the year ended 31 March 2010 were both HK\$1.38 million. The consolidated profit before and after taxation of the Target Group (excluding Most Trade Enterprises Limited and the Zhongshan Shop) for the year ended 31 March 2011 were both HK\$4.45 million.

Based on the unaudited management accounts of the Zhongshan Shop for the period from 12 August 2011 (date of incorporation) to 30 September 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net liabilities value of the Zhongshan Shop as at 30 September 2011 was HK\$0.13 million. Loss before and after taxation of the Zhongshan Shop for the period from 12 August 2011 (date of incorporation) to 30 September 2011 were both HK\$0.13 million.

Based on the unaudited management accounts of Most Trade Enterprises Limited for the period from 23 June 2011 (date of incorporation) to 30 September 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net assets value of Most Trade Enterprises Limited as at 30 September 2011 was HK\$16,519. Loss before and after taxation of Most Trade Enterprises Limited for the period from 23 June 2011 (date of incorporation) to 30 September 2011 were both HK\$3,481.

Upon Completion, each member of the Target Group (other than Most Trade Enterprises Limited and the Zhongshan Shop) will become a wholly-owned subsidiary of the Company and each of Most Trade Enterprises Limited and the Zhongshan Shop will become a 70% owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

<sup>#</sup> *An informal translation of Chinese name*

## **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, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

In view of the increasing awareness in health and the aging of population of Hong Kong, demand for health care products, especially Chinese medicine, “Sum Yung” and dried seafood in Hong Kong has grown steadily in recent years. In addition, Mainland Chinese tourists are the fuel of Hong Kong’s retail market. Hong Kong retail sales have increased significantly since July 2003 as Chinese tourists snap up the luxury goods and health care products, for instances, Chinese medicine, “Sum Yung” and dried seafood, that are heavily taxed or the counterfeits are wide spreading on the PRC.

With a view to solidity the Group’s profitability, the Directors have actively explored new investment opportunities from time to time in order to diversify the revenue sources of the Group. As Nam Pei Hong Sum Yung Drugs Company Limited, one of the subsidiaries of the Target Company, has engaged in the business of trading and retail of “Sum Yung” and dried seafood products since 1977 and the brand name of “Nam Pei Hong” is highly recognised in Hong Kong and Southern Mainland China, the Directors consider that the Acquisition represents an opportunity to the Group to diversify its business into the retail business of “Sum Yung” and dried seafood products in Hong Kong and broaden its revenue base, which will have a positive impact on the Group’s profitability given the positive outlook of such business.

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

## **LISTING RULES IMPLICATIONS**

As the applicable ratios for the Acquisition exceed 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 Shares 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 Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares 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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	30 November 2011 or such other date as the Vendor and the Purchaser may agree in writing
“PRC”	the People’s Republic of China
“Purchase Price”	HK\$50,000,000, being the consideration for the Sale Shares payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
“Purchaser”	China Star Entertainment (BVI) 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 19 October 2011 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“Sale Shares”	50,000 shares of US\$1.00 each in the share capital of the Target Company which are 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 issued share capital of the Company

“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	NPH Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries, collectively Poo Yuk Loong Limited, N P H Sino-Meditech Limited, Nam Pei Hong Sum Yung Drugs Company Limited, Poo Yuk Loong Food (Shenzhen) Company Limited, Most Trade Enterprises Limited and 中山市古鎮南臻參茸海味店 (Zhong Shan Shi Gu Zhen Nan Zhen Sum Yung and Dry-seafood Shop <sup>#</sup> )
“Vendor”	Well Gain (Asia) Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Wong Siu Kang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States Dollars, the lawful currency of United States of America
“%”	per cent.

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

<sup>#</sup> *An informal translation of Chinese name*

Hong Kong, 19 October 2011

*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.*