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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN AND THE SALE LOAN DUE BY ACE SEASON HOLDINGS LIMITED

The Board announces that on 29 March 2017, the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement in relation to the disposal of the Sale Shares and the Sale Loan to the Purchaser for an aggregate Purchase Price of HK\$85,000,000. The Disposal is subject to the satisfaction of the conditions as set out in the paragraph headed “Conditions” below.

As the relevant percentage ratios exceed 5% but all below 25%, the Sale and Purchase Agreement and the transactions contemplated thereunder shall constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

On 29 March 2017 (after trading hours), the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement in relation to the disposal of the Sale Shares and the Sale Loan to the Purchaser for an aggregate Purchase Price of HK\$85,000,000. The principal terms of the Sale and Purchase Agreement are summarized below.

THE SALE AND PURCHASE AGREEMENT

Date: 29 March 2017 (after trading hours)

Parties: (1) The Vendor

(2) The Purchaser

The Purchaser is a company incorporated in the Cayman Islands with limited liability and to the best of the Directors' knowledge, the Purchaser is a Hong Kong listed company and the Purchaser and its subsidiaries are principally engaged in development, engineering, manufacturing and sale of toys, consumer electronic products and commercial kitchen products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Vendor is a wholly owned subsidiary of the Company.

Asset to be disposed:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the Sale Shares representing the entire issued share capital of the Target Company; and (ii) the Sale Loan. As at the date of this announcement, the Sale Loan amounts to approximately HK\$92,724,000.

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company is the holding company of NPH Holdings Limited and other subsidiaries, which principally engaged in sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services under the brand name of "Nam Pei Hong".

Upon completion of the Disposal, the Group will cease to have any interests in the Target Group and their financial results will no longer be consolidated into the Company's consolidated financial statements.

Purchase Price:

Subject to the terms and conditions of the Sale and Purchase Agreement, the aggregate Purchase Price payable to the Vendor by the Purchaser shall be HK\$85,000,000 in cash and shall be payable by the Purchaser to the Vendor (or its nominee) in the following manner (or in such other manner as the parties thereto may agree in writing):

- (i) as to HK\$75,000,000, being the deposit (the "**Deposit**") and the part payment towards the Purchase Price for the sale and purchase of the Sale Shares and the Sale Loan, shall be payable by the Purchaser to the Vendor (or its nominee) upon signing of the Sale and Purchase Agreement; and
- (ii) as to the remaining balance of the Purchase Price of HK\$10,000,000, which shall be payable by the Purchaser to the Vendor (or its nominee) upon Completion.

The Purchase Price was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to (i) "Reasons for the Transaction and use of proceeds" as disclosed below; and (ii) the unaudited consolidated net tangible liabilities of the Target Group as at 31 December 2016 of approximately HK\$14,958,000, the Sale Loan as at the date of this announcement of approximately HK\$92,724,000 and intangible value of the trademark of "Nam Pei Hong" as agreed between the Vendor and the Purchaser.

Conditions

Completion is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Purchaser:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review (the "**Due Diligence Review**") to be conducted on the assets, liabilities, operations and affairs of the Target Group as it may reasonably consider appropriate provided that such Due Diligence Review shall not adversely affect the daily business operations of the Target Group;
- (b) the publication of an announcement of the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;
- (c) if necessary, the passing by the shareholders of the Purchaser who are entitled to vote and not required to be abstained from voting under the Listing Rules at a general meeting of the Purchaser to be convened and held of the necessary ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereby;
- (d) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects;
- (e) 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 Purchaser and the Vendor and the parties hereto; and
- (f) no material adverse change (or effects) occurred on the Target Group prior to Completion.

If any of the conditions have not been satisfied (or, as the case may be, waived by the Purchaser) on or before of 30 September 2017 or such other date as the parties may agree in writing (the “**Longstop Date**”), the Sale and Purchase Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof and the Vendor shall at the written request of the Purchaser refund the Deposit in full without interest to the Purchaser and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

Completion

Completion is expected to take place on the third Business Day after the fulfilment (or waiver) of the conditions (or such later date as the parties to the Sale and Purchase Agreement may agree) mentioned above.

Upon Completion, the Target Company will cease to be a wholly owned subsidiary of the Company and the Company will cease to have any interests in the Target Group and their financial results will no longer be consolidated into the Company’s consolidated financial statements.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Group is principally engaged in sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services under the brand name of “Nam Pei Hong” which is highly recognized in Hong Kong and Southern Mainland China.

Set below is the unaudited consolidated financial information of the Target Group:

	For the year ended 31 December 2015 HK\$ (Unaudited)	For the year ended 31 December 2016 HK\$ (Unaudited)
Revenue	160,852,000	149,747,000
Loss before tax	1,263,000	1,120,000
Loss after taxation	1,263,000	1,120,000
Net liabilities	7,843,000	8,915,000

Based on the unaudited consolidated management accounts of the Target Group, it is estimated that upon Completion, the Group will record a gain of approximately HK\$1,603,000. Such gain on Disposal is estimated based on the Purchase Price of HK\$85,000,000 less the carrying values of the net liabilities of the Target Group of approximately HK\$9,327,000 as at 31 December 2016 and the Sale Loan of approximately HK\$92,724,000 as at date of the Sale and Purchase Agreement. The actual gain on the Disposal to be recorded by the Group is subject to audit and the exact date of Completion.

REASONS FOR THE TRANSACTION AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in investment, production, distribution of film and television drama series, provision of artist management services, sales of health products, property and hotel investment, food and beverage operations and property development.

The Company considers that the Disposal represents an opportunity for the Group to realize its investments in the Target Group. It is noted that the Target Group has recorded losses for the last two financial years and the Company considers that it is in the interests of the Group to focus its resources in the other principal businesses such as property development. The Disposal will also strengthen the cash flow of the Group.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement are reasonable and fair and in the interests of the Shareholders as a whole.

After deducting expenses of approximately HK\$200,000 relating to the Disposal, there will be net proceeds of approximately HK\$84,800,000 from the Disposal and the Company intends to utilize the net proceeds as general working capital of the Group.

It is expected that the Disposal will not have any significant impact on the revenue and profits of the Group. While it is contemplated that both the total assets and total liabilities of the Group will decrease as a result of the Disposal, it is expected that the Disposal will not have a material adverse impact on the net asset position of the Group.

IMPLICATION UNDER THE LISTING RULES

As the relevant percentage ratios exceed 5% but all below 25%, the Sale and Purchase Agreement and the transactions contemplated thereunder shall constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holidays or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	China Healthwise Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Purchase Price”	the consideration payable by the Purchaser for the purchase of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 29 March 2017 and entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares and the Sale Loan
“Sale Shares”	the entire issued share capital of the Target Company which are owned by the Vendor
“Sale Loan”	all interests, benefits and rights of and in the interest-free shareholder’s loan owed by the Target Company to the Vendor on Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ace Season Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries

“Vendor”	China Star Entertainment (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“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, 29 March 2017

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.