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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **DISCLOSEABLE TRANSACTION INVOLVING ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND THE SALE LOAN DUE BY ACE SEASON HOLDINGS LIMITED**

#### **DISCLOSEABLE TRANSACTION**

On 20 November 2014 (after trading hours of the Stock Exchange), the Purchaser, being a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, and the Sale Loan, at a total consideration of HK\$90,000,000.

Completion has taken place simultaneously upon the signing of the Acquisition Agreement on 20 November 2014. Upon Completion, the Company, through its direct wholly-owned subsidiary, becomes interested in the entire issued share capital of the Target Company, and each member of the Target Group becomes a subsidiary of the Company and their financial results will be consolidated into the Company's consolidated financial statements.

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is only subject to the reporting and announcement requirements, but is exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

On 20 November 2014 (after trading hours of the Stock Exchange), the Purchaser, being a direct wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, and the Sale Loan, at a total consideration of HK\$90,000,000. Details of the Acquisition Agreement are as follows:

## **THE ACQUISITION AGREEMENT**

Date: 20 November 2014

Parties:

Purchaser: China Star Entertainment (BVI) Limited, a direct wholly-owned subsidiary of the Company

Vendor: Attentive Wealth Investments Limited

The Vendor is an investment holding company incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner and their respective associates is an Independent Third Party.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire:

- (a) the Sale Shares, representing the entire issued share capital of the Target Company; and
- (b) the Sale Loan which amounts to HK\$92,723,716 as at the date of the Acquisition Agreement.

Further information on the Target Group was set out in the section headed "Information on the Target Group" below.

### **Consideration**

The aggregate consideration for the sale and purchase of the Sale Shares and the Sale Loan shall be in the sum of HK\$90,000,000, which shall be satisfied by the Purchaser on the date of Completion in the following manner:

- (a) as to HK\$36,000,000 shall be set off against the amount of the Previous Consideration Payable under the Previous Sale and Purchase Agreement; and

- (b) as to the remaining balance of HK\$54,000,000 shall be payable by the Purchaser to the Vendor in cash by way of cheque(s) issued by a licensed bank in Hong Kong drawn in favour of the Vendor (or its nominee) or in such manner as may be agreed by the parties thereto.

The consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the reasons for the Acquisition as discussed in the section headed "Reasons for and benefits of the Acquisition" below; and (ii) the unaudited consolidated net assets value of the Target Group as at 30 September 2014 (as adjusted for the outstanding balance of the Sale Loan) of approximately HK\$90,072,000.

As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition, including the consideration are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The cash portion of the consideration has been funded by internal resources of the Group.

### **Conditions precedent and Completion**

The Acquisition Agreement is unconditional and Completion has taken place simultaneously upon the signing of the Acquisition Agreement on 20 November 2014.

Upon Completion, the Company, through its direct wholly-owned subsidiary, becomes interested in the entire issued share capital of the Target Company, and each member of the Target Group becomes a subsidiary of the Company and their financial results will 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 on 12 March 2013 with limited liability, the entire issued share capital of which is beneficially owned by the Vendor immediately prior to Completion. The Target Group is principally engaged in the sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services. One of the subsidiary of the Target Company, Nam Pei Hong Sum Yung Drugs Company Limited engages 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.

According to the unaudited consolidated financial statements of the Target Group for the financial year ended 31 December 2013 and the period from 1 January 2014 to 30 September 2014, which were prepared in accordance with the Hong Kong Financial Reporting Standards, the turnover of the Target Group for the financial year ended 31 December 2013 and for the period from 1 January 2014 to 30 September 2014 were approximately HK\$157,769,000 and HK\$116,491,000 respectively, the loss before tax

of the Target Group for the financial year ended 31 December 2013 and for the period from 1 January 2014 to 30 September 2014 were approximately HK\$3,421,000 and HK\$348,000 respectively and the loss after tax of the Target Group for the financial year ended 31 December 2013 and for the period from 1 January 2014 to 30 September 2014 were approximately HK\$3,218,000 and HK\$213,000 respectively.

As at 30 September 2014, the unaudited consolidated net liabilities of the Target Group was approximately HK\$2,652,000.

## **REASONS FOR AND BENEFITS OF 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 profit streams from the gaming promotion business, property and hotel investment, and property development.

Reference is made to the announcement of the Company dated 11 June 2014 in relation to, among other matters, the entering into of the Previous Sale and Purchase Agreement on 11 June 2014 and completion of the Previous Transaction contemplated thereunder. Immediately prior to completion of the Previous Transaction, the equity interest in the Target Company was owned as to 50% by China Star (BVI), as to 37.5% by Mighty Chief Limited and as to 12.5% by Rosy Mile Limited. Due to the difference in business perspectives among the Group, Mighty Chief Limited and Rosy Mile Limited, the operational efficiency and performance of the Target Group fell short of the expectation of the Group, and the Group thus decided to dispose of its 50% interest in the Target Group at the material time and focus on its other principal businesses.

The Group was recently informed by Attentive Wealth that it may not be able to pay the Previous Consideration Payable and it is willing to dispose of its entire equity interests in the Target Company to the Group for the same consideration as its acquisition of the same from China Star (BVI), Mighty Chief Limited and Rosy Mile Limited respectively on 11 June 2014. Given that (a) upon Completion of the Acquisition, the Group would have full control on the management and operation of the Target Group's business; (b) by having full control of the Target Group, the Group can then have greater flexibility to introduce new expansion plans for the Target Group's business which is believed to be beneficial for the future growth and development of the Target Group in the long-run; and (c) in view of the increasing awareness in health and the aging population in Hong Kong as well as the continuous growth in the number of visitors from the PRC, the prospects of the sales of Chinese health products business is positive, it is expected that, the performance of the Target Group can be improved with better operational efficiency and effective cost control measures. This can be sustained by the stable sales income of the Target Group of approximately HK\$116 million for the first nine months in 2014 and approximately HK\$158 million for the year 2013. As such, the Directors consider that the Acquisition will enable the Group to re-enter into the sales of Chinese health products business, so as to diversify the business portfolio of the Group and to broaden the Group's source of income, and to enhance potential positive contribution to the Group.

The Directors consider that the Acquisition and the transactions contemplated under the Acquisition Agreement have been made on normal commercial terms and that such terms are fair and reasonable and that the Acquisition contemplated under the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is only subject to the reporting and announcement requirements, but is exempt from Shareholders’ approval requirements under Chapter 14 of 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 and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
- “Acquisition Agreement” the sale and purchase agreement dated 20 November 2014 entered into between the Vendor and the Purchaser in relation to the Acquisition
- “associates(s)” has the meaning ascribed thereto under the Listing Rules
- “Board” the board of Directors
- “Company” China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 326)
- “Completion” completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
- “connected person(s)” has the meaning ascribed thereto under the Listing Rules
- “Director(s)” the director(s) of the Company

“Geumsamwon (Korea)”	Geumsamwon (Korea) Company Limited, a company incorporated in Hong Kong with limited liability and is directly and wholly owned by the NPH
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), 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
“Listing Rules”	the Rules Governing the listing of securities on the Stock Exchange
“Most Trade”	Most Trade Enterprises Limited, a company incorporated in Hong Kong with limited liability and is owned as to 70% by NPH Sum Yung (Hong Kong) and as to 30% by an Independent Third Party
“NPH”	NPH Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and is directly and wholly-owned by the Target Company
“Nam Pei Hong Holdings Limited”	Nam Pei Hong Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability and is directly and wholly owned by NPH
“NPH Investments Limited”	Nam Pei Hong Investments Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly owned by NPH
“NPH Sino-Meditech Limited”	NPH Sino-Meditech Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly owned by NPH
“NPH Sum Yung (Hong Kong)”	Nam Pei Hong Sum Yung Drugs Company Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by NPH

“NPH Sum Yung (Macau)”	Nam Pei Hong Sum Yung Drugs Company Limited, an investment holding company incorporated in Macau and is owned as to 90% by PYL Limited and as to 10% by NPH Sino-Meditech Limited
“Previous Consideration Payable”	a sum of HK\$36,000,000 which shall be payable by Attentive Wealth to China Star (BVI) as part of the consideration pursuant to the Previous Sale and Purchase Agreement
“Previous Sale and Purchase Agreement”	sale and purchase agreement dated 11 June 2014 and entered into between China Star (BVI), as vendor, and Attentive Wealth, as purchaser, in relation to the Previous Transaction
“Previous Transaction”	the sale and purchase from China Star (BVI) to Attentive Wealth of 500 shares of the Target Company and the debts in the amount of HK\$46,361,858 owed by the Target Company to China Star (BVI) for an aggregate consideration of HK\$45,000,000 pursuant to the Previous Sale and Purchase Agreement
“Purchaser” or “China Star (BVI)”	China Star Entertainment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PYL Food”	Poo Yuk Loong Food (Shenzhen) Company Limited, a company established in the PRC with limited liability and is wholly owned by NPH Sino-Meditech Limited
“PYL Limited”	Poo Yuk Loong Limited, an investment holding company incorporated in Hong Kong with limited liability and is wholly owned by NPH
“Sale Loan”	100% of 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\$92,723,716 as at the date of the Acquisition Agreement

“Sale Shares”	1,000 shares of US\$1.00 each in the issued share capital of the Target Company, which is beneficially owned by the Vendor immediately prior to the Completion, representing the entire issued share capital of the Target Company
“Shares”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“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, including NPH, Nam Pei Hong Holdings Limited, NPH Investments Limited, PYL Limited, NPH Sum Yung (Macau), NPH Sino-Meditech Limited, PYL Food, NPH Sum Yung (Hong Kong), Geumsamwon (Korea) and Most Trade
“Vendor” or “Attentive Wealth”	Attentive Wealth Investments Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of the America
“%”	per cent.

By Order of the Board  
China Star Entertainment Limited  
**Heung Wah Keung**      **Mung Kin Keung**  
*Co-Chairman*              *Co-Chairman*

Hong Kong, 20 November 2014

*As at the date of this announcement, the executive Directors are Mr. Heung Wah Keung, Mr. Mung Kin Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.*