Yes!Star

Yestar International Holdings Company Limited

巨星國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN SHENZHEN DE RUN LI JIA COMPANY LTD.* AND CONTINUING CONNECTED TRANSACTION

DISCLOSEABLE TRANSACTION

On 27 October 2016 (after trading hours of the Stock Exchange), the Purchaser, the Vendor, the Warrantor and the Target Company entered into the Share Transfer Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Capitals (representing 70% of the entire equity interest) in the Target Company at a consideration of RMB428,400,000. The Consideration is to be satisfied by cash by way of internal cash resources and/or available banking facilities.

Upon Completion, the Target Company, which shall be principally engaged in the sale and distribution of medical equipment in vitro diagnostic industry and distribution of Roche Diagnostics Products in Shenzhen, Guangdong province under the dealership agreement and the authorisation letters with Roche, will become an indirect non-wholly-owned subsidiary of the Company and the financial results thereof will be consolidated into the consolidated financial statements of the Group. Completion is subject to the fulfillment or waiver (as the case may be) of certain conditions precedent as set out in the paragraph headed "Conditions Precedent" below.

As the applicable aggregate percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

On 27 October 2016 (after trading hours of the Stock Exchange), the Target Company and Shenzhen Baotian entered into the Dealership Agreement to govern the on-going transactions between the Target Company and Shenzhen Baotian.

The Dealership Agreement will be effective from the Dealership Agreement Effective Date (i.e. the date on which the Target Company becomes the primary distributor of Roche Diagnostics Products).

Pursuant to the Share Transfer Agreement, the Vendor and Shenzhen Baotian shall use their best endeavours to procure their customers to enter into new sale and purchase agreement with the Target Company for the distribution of Roche Diagnostics Products directly within 210 days from the execution of the Share Transfer Agreement to transact the distribution of Roche Diagnostics Products by the Target Company.

Pursuant to the Dealership Agreement, during the period for customers which have not yet entered into new sale and purchase agreement with the Target Company, Shenzhen Baotian will back to back procure products from the Target Company (at the same price as Shenzhen Baotian will sell such products to its customers) and sell such products to Shenzhen Baotian's customers until a new sale and purchase agreement having been entered into between the Target Company and customers of Shenzhen Baotian.

In addition, pursuant to the Dealership Agreement, the Target Company shall purchase from Shenzhen Baotian all stocks in possession of Roche Diagnostics Products purchased when Shenzhen Baotian was still a distributor of Roche Diagnostics Products at the purchase price within two months from the Dealership Agreement Effective Date.

Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company. The Vendor beneficially owns 100% equity interests in Shenzhen Baotian. Shenzhen Baotian is an associate of the Vendor. The Warrantor, being the spouse of the Vendor and a substantial shareholder of the Target Company holding 30% of equity interest of the Target Company upon Completion, will become a connected person of the Company at the subsidiary level. Therefore the transaction contemplated under the Dealership Agreement with Shenzhen Baotian will constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules upon Completion.

Since the Dealership Agreement has been entered into between an prospective indirect non-wholly-owned subsidiary of the Company (namely the Target Company) and an associate of a prospective connected person of the Company (namely Ms. Chen) at the subsidiary level on normal commercial terms or better, the Company is only required to comply with the reporting, announcement and annual review requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Dealership Agreement have been subject to arm's length negotiation between the Target Company and Shenzhen Baotian, and have been entered into by the Target Company in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Target Company than those available to or from Independent Third Parties and are of the view that the transactions contemplated under the Dealership Agreement and the proposed annual caps for an amount of RMB30 million and RMB80 million for the period ending 31 December 2016 and for the year ending 31 December 2017, respectively are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Vendor, the Warrantor and their respective associates is an Independent Third Party. Accordingly, no Director has a material interest and is required to abstain from voting on the board resolution approving the transactions contemplated under the Share Transfer Agreement and Dealership Agreement.

As the Acquisition is subject to the conditions precedent set out in the Share Transfer Agreement being satisfied or waived (as the case may be), and the Acquisition may or may not proceed to Completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

On 27 October 2016 (after trading hours of the Stock Exchange), the Purchaser, the Vendor, the Warrantor and the Target Company entered into the Share Transfer Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Capitals (representing 70% of the entire equity interests) in the Target Company at a consideration of RMB428,400,000. The Consideration is to be satisfied by cash by way of internal cash resources and/or available banking facilities.

THE SHARE TRANSFER AGREEMENT

Date:

27 October 2016

Parties to the Acquisition Agreement:

(i) Mr. Chen Baocun (陳寶存) as the Vendor;

(ii) Ms. Chen Shaoyu (陳少玉), being the spouse of the Vendor, as the Warrantor;

(iii) The Purchaser, a wholly-owned subsidiary of the Company, as the Purchaser; and

(iv) The Target Company which is owned by the Vendor and the Warrantor as to 70% and 30%, respectively before the Completion.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Vendor, the Warrantor and their respective associates is an Independent Third Party. Accordingly, no Director has a material interest and is required to abstain from voting on the board resolution approving the transactions contemplated under the Share Transfer Agreement and Dealership Agreement.

Interests to be acquired of under the Acquisition

Pursuant to the Share Transfer Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Capitals, representing 70% of the entire equity interests of the Target Company. Immediately after Completion, the entire equity interests of the Target Company will be owned as to 70% by the Purchaser and 30% by the Warrantor. The Target Company will become an indirectly non-wholly owned subsidiary of the Company upon Completion.

Pursuant to the Share Transfer Agreement, the Vendor, the Warrantor and Shenzhen Baotian shall use their best endeavours to procure customers of Shenzhen Baotian to enter into agreement(s) with the Target Company for the distribution of Roche Diagnostics Products directly within 210 days from the execution of the Share Transfer Agreement to transact the distribution of Roche Diagnostics Products by the Target Company.

As at the date of this announcement, Ms. Chen Cuiyun (陳翠雲), cousin of the Warrantor, and Mr. Chen Wujin (陳武進), brother of the Vendor, are the registered shareholders of Shenzhen Baotian as to 70% and 30% respectively. Pursuant to the Share Trust Agreement dated 26 October 2016, the Vendor voluntarily entrusted his capital contribution to Shenzhen Baotian in the amount of RMB2,500,000 (the "Entrusted Shareholding"), representing 100% of its registered capital, and the respective shareholders' rights to Ms. Chen Cuiyun (陳翠雲) and Mr. Chen Wujin (陳武進) as his nominees. In particular, Ms. Chen Cuiyun (陳翠雲) is entrusted with RMB1,750,000 of the contributed capital of Shenzhen Baotian and holds 70% of its shareholding, while Mr. Chen Wujin (陳武進) is entrusted with RMB750,000 of the contributed capital of Shenzhen Baotian and holds 30% of its shareholding. Ms. Chen Cuiyun (陳翠雲) and Mr. Chen Wujin (陳武進) voluntarily hold and exercise the respective shareholder's rights in trust for the benefit of the Vendor. The Share Trust Agreement is effective from the date thereof to the date of the due transfer of the Entrusted Shareholding to the Vendor or his nominee(s). Shenzhen Baotian is 100% beneficially owned by the Vendor as at the date of this announcement.

Consideration

The Consideration is RMB428,400,000, which will be paid in cash by the Purchaser to the Vendor. The payment amount shall include all relevant taxes to be withheld or paid to the PRC authorities. The Vendor shall file and pay individual income tax to the competent tax authorities in accordance with the relevant laws and regulations, and deliver a copy of their tax receipts to the Purchaser after tax payment as the basis for the Purchaser to pay the after-tax Consideration.

The Consideration of RMB428,400,000, subject to relevant taxes, shall be paid by the Purchaser to the Vendor in the following manner:

(i) as to RMB257,040,000, being the first payment (60%) of the Consideration, within 30 days after the Effective Date;

(ii) as to RMB85,680,000, being the second payment (20%) of the Consideration, upon satisfaction of all the following conditions: (1) within 90 days after the Effective Date; (2) the Vendor has filed the application for the changes in the industrial and commercial records for the transfer of the Sale Capitals with the competent registration authority and received a written confirmation therefor within 5 business days after receiving the first payment of the Consideration paid by the Purchaser; (3) all the registration procedures of the changes stipulated in the Share Transfer Agreement have been completed; and (4) the Purchaser has received a copy of the receipt of the individual income tax for the first payment of the Consideration after the payment thereof; and

(iii) as to RMB85,680,000, being the third payment (20%) of the Consideration, upon satisfaction of all the following conditions: (1) within 180 days after the Effective Date; (2) the Purchaser has received a copy of the receipt of the individual income tax for the second payment of the Consideration after the payment thereof; (3) Shenzhen Baotian has terminated all the rights and obligations under other business agreements (including but not limited to the agreements set out in the Share Transfer Agreement), and the Target Company has entered into valid new business agreements based on the existing contents with the respective counterparties; and (4) Shenzhen Baotian has finished the termination of business provided by the Share Transfer Agreement and commenced the deregistration procedures in accordance with the Share Transfer Agreement, details are disclosed in paragraph (v) of the below section headed "Non-compete arrangements".

The Vendor shall provide a copy of the receipt of the individual income tax for the third payment of the Consideration to the Purchaser within 7 business days after receiving the third payment from the Purchaser.

Subject to (1) the first payment of the Consideration, (2) the satisfaction or waiver of all conditions precedent as specified in the Share Transfer Agreement; and (3) the issuance of a written confirmation by the Purchaser to the Vendor, the Purchaser, the Vendor and the Target Company shall jointly use their best efforts to complete the registration procedures of the changes in the industrial and commercial records for the transfer of the Sale Capitals within 30 days after the Effective Date. If the registration procedures of the changes in the industrial and commercial records for the transfer of the Sale Capitals have not been completed due to any reasons caused by the Vendor within 60 days after the Effective Date (or such other date as agreed in writing by the Purchaser and the Vendor), the Purchaser shall have the right to terminate the Share Transfer Agreement, and the Vendor shall return the Consideration paid by the Purchaser and the interest accrued therefrom at the rate stipulated by the People's Bank of China for loans to the Purchaser in full in accordance with the Share Transfer Agreement.

Conditions Precedent

Completion is subject to the following conditions precedent being fulfilled or waived (as the case may be):

(i) all information disclosed in the due diligence process to the Purchaser by the Vendor, the Warrantor, the Target Company and Shenzhen Baotian remaining true and accurate in all material respects, and that there being no misleading statements nor material omission;

(ii) the termination of all rights and obligations under the dealership agreement and the authorisation letters with Roche by Shenzhen Baotian as specified in the Share Transfer Agreement, the execution of a new dealership agreement and the authorisation letters between Roche and the Target Company under existing terms and conditions with Shenzhen Baotian resulting that the Target Company formally becoming an authorised primary dealer of Roche;

(iii) the registered capital of the Target Company having been increased to RMB36.00 million, and the newly contributed capital having been duly and fully paid by the Vendor and the Warrantor as to 70% and 30%, respectively;

(iv) the execution of the Dealership Agreement with Shenzhen Baotian and the Target Company to authorise Shenzhen Baotian to continue carrying out its obligations for the remaining term of the Long-term Supply Agreements (as defined below);

(v) the commencement of the Business Termination (as defined below) by Shenzhen Baotian in accordance with the Share Transfer Agreement;

(vi) the consent of Roche having been obtained as to the matters relating to the changes in shareholders and management of the Target Company;

(vii) there being no change in the principal businesses of the Target Company;

(viii) there being no material adverse change in the composition and positions of the assets of the Target Company upon Completion, no event that may have material adverse impact on the trading and financial positions, prospects, assets or obligations of the Target Company and Shenzhen Baotian, no circumstances that may lead to the termination of the operation of the Target Company and Shenzhen Baotian, and no charge, pledge, sequestration, seizure or other encumbrance or third-party interest or claim over the equity interests of the Target Company;

(ix) the general meeting of the Target Company having approved that the board of directors of the Target Company shall be comprised of three directors, of which two shall be appointed by the Purchaser and one shall be appointed by the Vendor, and that the chairman shall be appointed by the Purchaser; the general meeting of the Target Company having approved that the Target Company shall not have any board of supervisor but one supervisor appointed by the Purchaser; and the board of directors of the Target Company having approved that the general manager of the Target Company shall be appointed by the Vendor while the financial officer shall be appointed by the Purchaser;

(x) if there are any limitations or prohibitions in any third-party agreements entered into by the Target Company and Shenzhen Baotian against the transfer of, among other things, the equity interest in the Target Company or the businesses termination of Shenzhen Baotian during the performance of the Share Transfer Agreement, the approvals and consents from such relevant third parties (which include but are not limited to the creditors, the lending banks, any relevant financial institutions, the suppliers (including but not limited to Roche) and the customers) in respect of the Acquisition having been legally obtained by the Target Company, Shenzhen Baotian and the Vendor;

(xi) all debts (including but not limited to borrowings from banks, employees, shareholders or third parties) owed by the Target Company as at the Effective Date having been repaid in full;

(xii) the constitution of the Target Company as set out in the Share Transfer Agreement having been signed by the Purchaser and the Warrantor;

(xiii) the representations and warranties under the Share Transfer Agreement having been performed and complied with in all material aspects by the parties thereto;

(xiv) there being no material breach of the terms and conditions of the Share Transfer Agreement by the Vendor before the execution date of the Share Transfer Agreement;

(xv) a resolution approving the transfer of the Sale Capitals having been passed at the general meeting of the Target Company;

(xvi) a written non-competition undertaking having been signed by the Vendor in accordance with the Share Transfer Agreement;

(xvii) the approval having been obtained by the board of directors of the Company in respect of the Share Transfer Agreement and the transactions contemplated thereunder; and

(xviii) all necessary approvals and consents required under applicable laws and regulations (including the Listing Rules) having been obtained by the Company in respect of the Share Transfer Agreement and the transactions contemplated thereunder including but not limited to the approval from the Shareholders, if applicable.

None of the conditions precedent above are waivable, except for conditions (i), (x) and (xiii) which may be waived at any time before Completion by the Purchaser by notice in writing to the Vendor.

Fulfillment of each of the conditions precedent shall be subject to the Purchaser's review and approval or shall be waived (as the case may be) by the Purchaser by way of written confirmation. The Effective Date shall be the date on which a written confirmation has been issued by the Purchaser confirming that all conditions precedent have been fulfilled or otherwise waived. If the conditions precedent are not fulfilled or waived in writing by the Purchaser in full within 120 days after the execution of the Share Transfer Agreement or on such later date as mutually agreed by parties in writing (the "**Long Stop Date**"), the parties shall mutually discuss whether to extend the Long Stop Date or to amend or terminate the Share Transfer Agreement.

Completion

The Completion Date shall be the date of fulfillment on which the following have been duly completed:

(i) the change of business registration particulars of the Target Company for the transfer of the Sale Capitals;

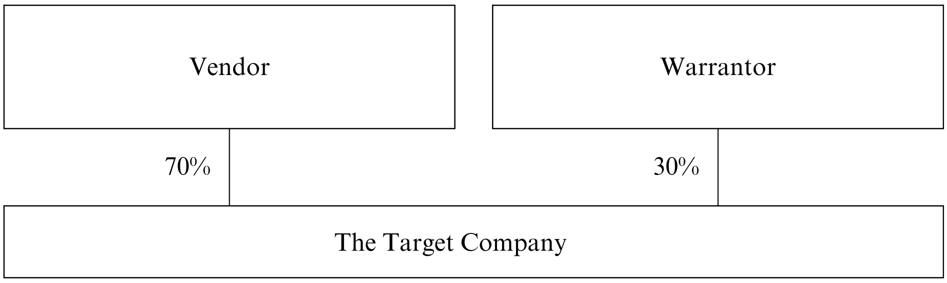
(ii) the amendment of the register of shareholders of the Target Company; and

(iii) having filed the changes of corporate structure of the Target Company (mainly the changes of directors, supervisor and senior management) with the authority for industry and commerce.

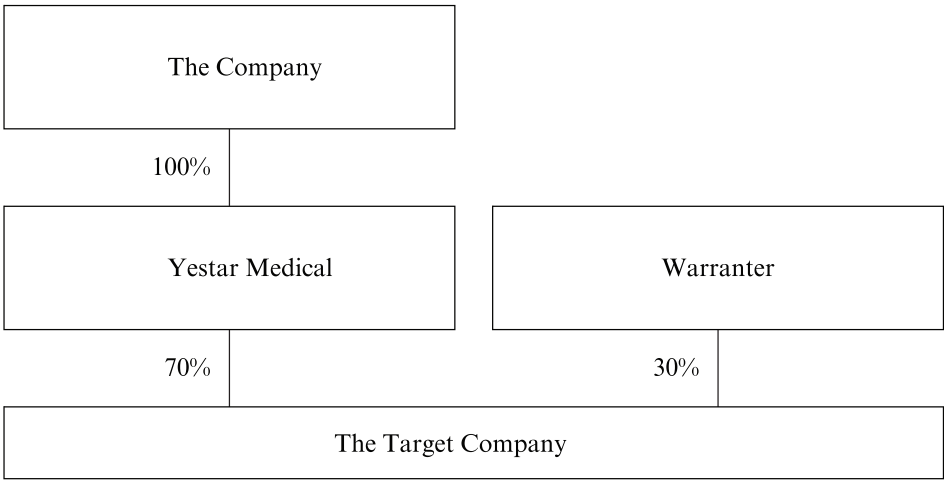
Shareholding of the Target Company before and immediately upon Completion

The shareholding structure of the Target Company before and after the Completion is set out below:

Before Completion



After Completion



Distributable profits

The parties unanimously agrees that accumulated undistributed profit of the Target Company for the year ending 31 December 2016 shall belong to the Purchaser upon the Completion, and that the Vendor, the Warrantor and the Target Company shall not distribute such undistributed profit in any manner before the Completion. Subject to the Completion, the new profit of the Target Company after 31 December 2016 shall belong to the Purchaser and the Warrantor according to their respective shareholdings in the Target Company after the Completion.

Profit guarantee

Pursuant to the Share Transfer Agreement, the Vendor and the Warrantor irrevocably and unconditionally guarantee that each of the 2017 Net Profit, 2018 Net Profit and 2019 Net Profit which is confirmed by independent auditors accredited by the parties shall not be less than RMB51,000,000, RMB68,000,000 and RMB92,000,000 (each the "**Annual Guarantee Profit**") respectively.

In the event that any of the 2017 Net Profit, 2018 Net Profit and 2019 Net Profit is less than the Annual Guarantee Profit, the Vendor and the Warrantor shall severally and jointly pay compensation to the Purchaser calculated by the following formula:

(Annual Guarantee Profit – Actual Net Profit) x 2

The accumulated maximum compensation shall be the Consideration received by the Vendor for the Acquisition. If the total accumulated net profit after tax of the Target Company during the three years covered by the profit guarantee amounts to or exceeds the aggregate Annual Guarantee Profit for the period covered by the profit guarantee (which means that the total accumulated net profit after tax from the year 2017 to the year 2019 is not less than RMB211,000,000), the Purchaser will return any compensation paid for any shortfall in any year to the Vendor and the Warrantor within 30 days after the issue of the audited report for the year 2019.

The compensation shall be payable in cash by the Vendor and the Warrantor to the designated account of the Purchaser within 30 days after the issue of the relevant audited report for the corresponding financial year. The Purchaser is entitled to require any of the Vendor and the Warrantor to pay the compensation in part or in full.

The Annual Guarantee Profit for each of 2017, 2018 and 2019 shall be accounted for and audited in accordance with the IFRS.

Post-Completion right

The parties to the Share Transfer Agreement mutually agreed that should the 2017 Net Profit, 2018 Net Profit and 2019 Net Profit be able to reach the respective Annual Guarantee Profits, the Purchaser, subject to the compliance with relevant rules and regulations (including the Listing Rules), is obligated to acquire the remaining 30% equity interest of the Target Company (the "**Remaining Interests**") at a consideration calculated according to a 12-time price to 2019 Net Profit (up to a maximum consideration of RMB332,000,000). The price of such transaction shall not include the accumulated undistributed profit of the Target Company as at 31 December 2019. In particular, the new profit of the Target Company after 31 December 2016 shall belong to the Purchaser and the Warrantor according to their respective shareholdings in the Target Company after the Completion and such profit shall be distributed before the transfer of the Remaining Interests.

If the Target Company successfully fulfilled the profit guarantee stipulated by the Share Transfer Agreement, the acquisition of the Remaining Interests shall also be conducted as soon as practicable after the confirmation of the 2019 Net Profit by independent auditors accredited by the parties and a separate agreement will be entered into for such acquisition.

If the Target Company did not fulfill the profit guarantee stipulated by the Share Transfer Agreement, the Purchaser shall negotiate with the Warrantor on the consideration and terms for the acquisition of the Remaining Interests after the expiry of compensation period covered by the profit guarantee.

Non-compete arrangements

i. In order to avoid any possible future competition, upon signing of the Share Transfer Agreement and until 5 years after the expiry of period covered by the profit guarantee, the Vendor and the Warrantor undertake that they and each of their respective associates shall not be involved in any business which may directly or indirectly result in a loss to the Target Company or be involved in any business which directly competes with the Target Company or acting as directors, supervisors, consultants or any forms of engagement with any entities engaging in same business of the Target Company save for the approval from the Purchaser in writing, the Vendor shall remain in office up to 31 December 2022 should the Purchaser requested.

ii. The Vendor and the Warrantor also further irrevocably and unconditionally undertake that should business opportunities which may compete with the business of the Purchaser, Target Company and Shenzhen Baotian arise, the Vendor, the Warrantor and each of their associates shall notify the Purchaser at once in writing. Even if the Purchaser decides not to proceed with the business opportunities, the Vendor and the Warrantor and their associates shall not proceed with the business opportunities declined by the Purchaser.

iii. The Warrantor further undertakes and agrees that during the period ending 31 December 2019 and within one year after 31 December 2019, it shall not dispose of and cause any encumbrances to be created over the Remaining Interests of the Target Company to or in favour of any third parties without obtaining prior written consent from the Purchaser. Should the Warrantor intend to dispose of the Remaining Interests to any third parties after 31 December 2020, it should first serve a written notice (the "**Written Notice**") to the Purchaser setting out information about the proposed purchaser(s) of the Remaining Interests (the "**Transferees**"), as well as all terms and conditions of the transfer of the Remaining Interests to the Transferees. The Purchaser shall, within 14 business days after receipt of the Written Notice, have the right to serve a written reply to the Warrantor (the "**Written Reply**") and acquire the Remaining Interests on the same terms and conditions offered to the Transferees (unless any of such terms and conditions do not comply with all applicable laws and regulations (including but not limited to the Listing Rules) and in such event, the Purchaser and the Warrantor shall further negotiate) (the "**Acquisition of the Remaining Interests**"). Subject to all applicable laws and regulations (including but not limited to the Listing Rules) having been complied with, the share transfer agreement in relation to the acquisition of the Remaining Interests shall be executed within 30 business days after the Written Reply has been served (or on such other date that the Purchaser and the Warrantor shall agree upon). If the Purchaser has not issued the Written Reply to the Warrantor within 20 business days after the Written Notice has been served by the Warrantor, the Purchaser shall be deemed to have waived the right of first refusal, and the Warrantor shall have the right to freely transfer the Remaining Interests.

iv. The Vendor and the Warrantor undertake not to persuade any of the employees of the Target Company and Shenzhen Baotian to terminate their employment with the Target Company and Shenzhen Baotian or employ employees of the Target Company and Shenzhen Baotian via companies directly or indirectly invested by the Vendor and the Warrantor.

v. The parties unanimously agree that upon the Target Company formally becoming an authorised primary dealer of Roche, Shenzhen Baotian shall not enter into any new business with any hospitals, distributors or any other clients, or enter into any new transaction with their existing clients, and shall terminate all businesses with their existing clients within the time period specified by the Purchaser (except for the execution of existing agreements for the settlement of account receivables and account payables) (the "**Business Termination**") and procure existing clients to enter into new agreements with the Target Company on the same terms and conditions as their previous agreements with Shenzhen Baotian. Shenzhen Baotian shall complete the Business Termination, repay their accounts due to the Target Company and commence their liquidation and deregistration within 210 days after the execution of the Share Transfer Agreement (or by such later date as agreed in writing by the parties to the Share Transfer Agreement. The deregistration of Shenzhen Baotian shall be completed within 1 year after the execution of the Share Transfer Agreement or on any other dates as mutually agreed by parties in writing.

vi. A complete list of the existing ultimate clients is stipulated in the Share Transfer Agreement.

vii. To procure the fulfillment of all the undertakings made by the Vendor and the Warrantor under the Share Transfer Agreement and the deregistration of Shenzhen Baotian, the parties unanimously agree that all new agreements entered into by Shenzhen Baotian during the period between the execution of the Share Transfer Agreement and the deregistration of Shenzhen Baotian shall be controlled by the Purchaser in the manners set out as follows:

1. the Purchaser shall appoint the financial officer of the Target Company (who shall also be appointed by the Purchaser) as the administrator for Shenzhen Baotian (the "**Shenzhen Baotian Administrator**"). The Shenzhen Baotian Administrator shall hold office from the date of fulfillment of the conditions precedent to the date of the deregistration of Shenzhen Baotian;

2. during the whole term of the Shenzhen Baotian Administrator, the corporate chop of Shenzhen Baotian shall be kept by the Shenzhen Baotian Administrator;

3. starting from the date on which the Shenzhen Baotian Administrator takes office, the execution of any agreements and the supply of any goods by Shenzhen Baotian shall be subject to the consent of the Shenzhen Baotian Administrator; and

4. starting from the date on which the Shenzhen Baotian Administrator takes office, it shall constitute a material breach of the Share Transfer Agreement by the Vendor, the Warrantor and Shenzhen Baotian if the corporate chop of Shenzhen Baotian is not in the Shenzhen Baotian Administrator's possession or if Shenzhen Baotian executes any agreements or supplies any goods without the consent of the Shenzhen Baotian Administrator, and the Purchaser shall have the right to terminate the Share Transfer Agreement pursuant thereto.

viii. In case there is any supply agreements (the "**Long-term Supply Agreements**" (as specified in the Share Transfer Agreement)) between Shenzhen Baotian and their clients with a term extending over the time stipulated for its Business Termination, Shenzhen Baotian shall terminate all such Long-term Supply Agreements within the period stipulated in the Share

Transfer Agreement, and shall procure the relevant customers to enter into new Long-term Supply Agreements with the Target Company based on the terms and conditions of the existing Long-term Supply Agreements.

ix. In respect of the Long-term Supply Agreements, if Shenzhen Baotian cannot procure the counterparty to enter into new agreements with the Target Company based on the terms and conditions of existing Long-term Supply Agreements, to terminate such agreement within the time specified for Business Termination which cannot be novated as stipulated in Share Transfer Agreement, the parties unanimously agree that as a part of the Business Termination, the Vendor and the Warrantor shall ensure that the actual supplier and payee of all transactions under such Long-term Supply Agreements have changed to the Target Company by any means within the time stipulated in the Share Transfer Agreement.

x. As a part of the Business Termination, the agreements stipulated above shall be duly executed within the time period specified for Business Termination.

xi. The particulars and a complete list of the Long-term Supply Agreements stipulated in the Share Transfer Agreement shall be set out in another list to be executed and confirmed separately within 30 days of the execution of the Share Transfer Agreement by the parties thereto.

xii. The parties unanimously agree that except for the performance of the Long-term Supply Agreements which have not been terminated as stipulated in the Share Transfer Agreement in the capacity of a distributor of the Target Company, Shenzhen Baotian shall not enter into any other business with any hospitals, distributors or any other clients during the period between the date of the Target Company formally becoming an authorised primary dealer of Roche and the deregistration of Shenzhen Baotian.

xiii. The parties unanimously agree that the completion of the deregistration of Shenzhen Baotian shall occur on the date of the completion of all business registration and taxation deregistration procedures.

xiv. In case the Vendor and the Warrantor cannot complete the Business Termination of Shenzhen Baotian within the time stipulated in Share Transfer Agreement, the Purchaser has the right to defer the payment of the remaining 20% of the Consideration until the completion of the Business Termination.

xv. In case the Vendor and the Warrantor cannot complete the deregistration of the Shenzhen Baotian within the time stipulated in Share Transfer Agreement, the Target Company shall defer the payment of any due andtion.

novation of all existing agreements of Shenzhen Baotian with its customers (including all Long-term Supply Agreements) to the Target Company and the Annual Profit Guarantee of the Vendor for the three years ending 31 December 2019.

The Directors consider that the Consideration payable to the Vendor is fair and reasonable. The Group will finance the Acquisition by its internal cash resources and/or available banking facilities.

INFORMATION OF THE GROUP AND REASONS FOR AND BENEFITS OF THE ACQUISITION

1. The Group is one of the leading providers of colour photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. The Group processes colour photographic paper, various image printing films and medical imaging films into ready-to-use form by cutting and slitting master rolls into customised sizes and packaging the products under precisely controlled processing conditions.

2. It has been the Group's strategy to further develop the medical consumable business and diversify its product range through the Acquisition. The Group is optimistic about the development of the medical industry in the PRC and considers the medical consumable business to be a core element of the medical industry chain. The Directors consider that with its well-established extensive sales network in Shenzhen, Guangdong province under the dealership agreement and the authorisation letters with Roche, the Group would be able to leverage its existing sales network to further enhance the Group's profitability by introducing a wider range of consumable products to the hospitals.

3. On the other hand, the existing well-established distribution network of the Target Company and Shenzhen Baotian which the Group could also leverage to enhance direct sales to hospital of its medical film products.

The Company's focus is not only on the current profit level of the Target Company but also its growth prospect and distribution networks. The Board is of the view that the Acquisition represents a valuable business opportunity for the Group to further expand and consolidate its status in the health industry in the PRC and will, in the long run, broaden the Group's revenue base by expanding and diversifying the product base of the Group. The Board considers that the Acquisition will enable the Group to broaden its market share in the PRC medical equipment and consumable product market as well as the Group's product portfolio.

In light of the above, the Directors consider that the terms of the Share Transfer Agreement are fair and reasonable and the Acquisition is in the interest of the Company and Shareholders as a whole.

INFORMATION OF THE PURCHASER

The Purchaser is a wholly-owned subsidiary of the Company, established in the PRC with limited liability on 24 December 2009. The Purchaser principally engages in the manufacturing and sale of medical X-ray films (including medical dry films, dental films, mammary gland films, medical thermal imaging film, etc.), X-ray film's developer and fixer and medical imaging printers.

INFORMATION OF THE VENDOR AND THE WARRANTOR

The Vendor and the Warrantor are private investors in the medical equipment industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor, the Warrantor and their respective associates is an Independent Third Party. The Vendor is the spouse of the Warrantor.

As at the date of this announcement, the Vendor and the Warrantor own as to 70% and 30% respectively equity interests in the Target Company. The Vendor is the legal representative of the Target Company.

As at the date of this announcement, Ms. Chen Cuiyun (陳翠雲), cousin of the Warrantor, and Mr. Chen Wujin (陳武進), brother of the Vendor, are the registered shareholders of Shenzhen Baotian as to 70% and 30%, respectively. Pursuant to the Share Trust Agreement dated 26 October 2016, the Vendor voluntarily entrusted his 70% and 30% shareholdings in Shenzhen Baotian to Ms. Chen Cuiyun (陳翠雲) and Mr. Chen Wujin (陳武進), respectively, as his nominees. Shenzhen Baotian is 100% beneficially owned by the Vendor as at the date of this announcement.

INFORMATION OF THE TARGET COMPANY AND SHENZHEN BAOTIAN

The Target Company is a company established in the PRC with limited liability on 18 October 2013. It scope of business includes domestic trading (excluding state-operated, controlled or franchised goods), technological development of biologic and electronic products, and production and operation of medical devices (Class 2 and Class 3). As at the date of this announcement, the Target Company holds a valid Permit for Medical Device Operation Enterprises.

Shenzhen Baotian is a company established in the PRC with limited liability on 8 February 2002. It scope of business includes technological development of biologic and electronic products (excluding pharmaceuticals and restricted items), domestic trading (excluding state-operated, controlled or franchised goods), and sale of Class 3 clinical testing and analyzing devices. Shenzhen Baotian currently holds the distribution right of some Roche Diagnostics Products in Shenzhen, Guangdong province under the dealership agreement and the authorisation letters with Roche.

Shenzhen Baotian has entered into a dealership agreement with Roche, pursuant to which Roche appointed Shenzhen Baotian as a distributor of the medical equipment of Roche in Shenzhen, Guangdong province under the dealership agreement and the authorisation letters with Roche, during the term thereof, and Shenzhen Baotian had also entered into agreements, including Long-term Supply Agreements ranging from 1 to 5 years, with the relevant counterparties to distribute and transact Roche Diagnostics Products.

FINANCIAL INFORMATION

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2015, prepared in accordance with IFRS:

	Financial year ended 31 December	
	2014	2015
	RMB	*RMB*
Net assets	310,000	40,000
Unaudited loss before taxation	(570,000)	(350,000)
Unaudited loss after taxation	(570,000)	(350,000)

Upon Completion, the Target Company will become an indirect non-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.

CONTINUING CONNECTED TRANSACTION

On 27 October 2016 (after trading hours of the Stock Exchange), the Target Company and Shenzhen Baotian entered into the Dealership Agreement to govern the on-going transactions between the Target Company and Shenzhen Baotian.

The Dealership Agreement will be effective from the Dealership Agreement Effective Date (i.e. the date on which the Target Company becomes the primary distributor of Roche Diagnostics Products).

Pursuant to the Share Transfer Agreement, the Vendor and Shenzhen Baotian shall use their best endeavours to procure their customers to enter into new sale and purchase agreement with the Target Company for the distribution of Roche Diagnostics Products directly within 210 days from the execution of the Share Transfer Agreement to transact the distribution of Roche Diagnostics Products by the Target Company.

Pursuant to the Dealership Agreement, during the period for customers which have not yet entered into new sale and purchase agreement(s) with the Target Company, Shenzhen Baotian will back to back procure products from the Target Company (at the same price as Shenzhen Baotian will sell such products to its customers) and sell such products to Shenzhen Baotian's customers until a new sale and purchase agreement having been entered into between the Target Company and customers of Shenzhen Baotian.

Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company. The Vendor beneficially owns 100% equity interests in Shenzhen Baotian. Shenzhen Baotian is an associate of the Vendor. The Warrantor, being the spouse of the Vendor and a substantial shareholder of the Target Company holding 30% of equity interest of the Target Company upon Completion, will become a connected person of the Company at the subsidiary level. Therefore the transaction contemplated under the Dealership Agreement with Shenzhen Baotian will constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules upon Completion.

THE DEALERSHIP AGREEMENT

Date:	27 October 2016
Parties:	The Target Company; and Shenzhen Baotian
Effective date:	Dealership Agreement Effective Date
Term of the agreement:	From the Dealership Agreement Effective Date up to 31 December 2017, being the date when Shenzhen Baotian has fulfilled all its obligations under Dealership Agreement. Despite the fact that Shenzhen Baotian will use its best endeavors to procure all of its customers to enter into new sale and purchase agreements with the Target Company within 210 days from the execution of the Share Transfer Agreement, the Directors, in order to cater for any unexpected delay, have built in additional time to the terms of the Dealership Agreement.
Subject matter:	It has been agreed under the Dealership Agreement that: (a) the Target Company has agreed to supply to Shenzhen Baotian Roche Diagnostics Products, and that Shenzhen Baotian shall on-sale these products to its customers; (b) Shenzhen Baotian shall observe the geographical restrictions when distributing such products; (c) with effect from the Dealership Agreement Effective Date, Shenzhen Baotian shall not source or acquire any Roche Diagnostics Products from suppliers other than the Target Company; (d) with effect from the Dealership Agreement Effective Date, Shenzhen Baotian shall not enter into any new business with any hospitals, distributors or any other clients or engage directly or indirectly any new transactions save as to fulfill the terms of the agreement(s) executed before the Dealership Agreement which continue to remain valid and have not been prohibited under the Share Transfer Agreement; (e) the Target Company shall purchase from Shenzhen Baotian all stocks in possession of Roche Diagnostics Products purchased directly from Roche when Shenzhen Baotian was still a distributor of Roche Diagnostics Products at their purchase price within two months from the Dealership Agreement Effective Date; and (f) Roche Diagnostics Products shall only be sold in Shenzhen, Guangdong province under the dealership agreement and the authorisation letters with Roche, by Shenzhen Baotian.

Pricing basis:	The selling price of Roche Diagnostics Products of the Target Company to Shenzhen Baotian shall be identical to the selling price of Shenzhen Baotian to its customers. Shenzhen Baotian shall not make any profit out of the transactions contemplated under the Dealership Agreement and if any profit is realised, such profit (before taxes) shall be accounted for as profit of the Target Company. The selling price of Shenzhen Baotian to its customers shall be determined at arm's length negotiation on normal commercial terms and according to the prevailing market price. The actual settlement price and the method of payment shall be determined according to the settlement terms and payment method as stipulated in the agreements entered into between Shenzhen Baotian and its customers.
Annual Caps:	Proposed annual caps for the sale of Roche Diagnostics Products are as follows:

	Annual cap
From Dealership Agreement Effective Date up to 31 December 2016	RMB30 million
For the year ending 31 December 2017	RMB80 million

The above proposed annual caps for each period are arrived at by the estimated sales volume multiplied by the projected price of the relevant Roche Diagnostics Products.

Basis of the annual caps:

The annual caps under the Dealership Agreement were determined based on the followings:

1. The historical transaction amount of Roche Diagnostics Products supplied to Shenzhen Baotian;
2. The historical transaction amount of Roche Diagnostics Products sold to customers of Shenzhen Baotian;
3. The projected selling price of Roche Diagnostics Products during the two financial years ending 31 December 2017;
4. The estimated demand for Roche Diagnostics Products by customers of Shenzhen Baotian for the two years ending 31 December 2017;
5. The estimated period to procure the customers of Shenzhen Baotian to enter into new sale and purchase agreements with the Target Company directly; and
6. A buffer of time to accommodate changes in market conditions.

Note:

Shareholders should note that the monetary value of the annual caps should not be constructed as an assurance or forecast by the Company of the future revenues of the Group under the Dealership Agreement.

Historical transaction between Shenzhen Baotian and its customers: The following represents the historical transaction amount between Shenzhen Baotian and its customers for the two years ended 31 December 2015 for Roche Diagnostics Products:

	Total historical sales
Year ended 31 December 2014	RMB41.6 million
Year ended 31 December 2015	RMB75.6 million

Extension of term: The Target Company and Shenzhen Baotian shall be entitled to extend the Dealership Agreement on or before 31 December 2017 and take such action as may be appropriate to comply with the Listing Rules.

Termination: Without prejudice to the right of any party to terminate the Dealership Agreement pursuant to the terms therein, the Dealership Agreement shall automatically terminate if:

(a) the Purchaser considers that it is not feasible to comply with the Listing Rules at the relevant time; or

(b) compliance with the Listing Rules would require changes to the Dealership Agreement which are not acceptable to any of the parties; or

(c) all the long-term supply contracts entered into by Shenzhen Baotian with its customers in relation to Roche Diagnostics Products have been fully completed and terminated.

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Dealership Agreement have been subject to arm's length negotiation between the Target Company and Shenzhen Baotian, and have been entered into by the Target Company in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Target Company than those available to or from Independent Third Parties and are of the view that the transactions contemplated under the Dealership Agreement and the proposed annual caps for an amount of RMB30 million and RMB80 million for the period ending 31 December 2016 and for the year ending 31 December 2017, respectively are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable aggregate percentage ratio (as defined under the Listing Rules) in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Since the Dealership Agreement has been entered into between an prospective indirect non-wholly-owned subsidiary of the Company (namely the Target Company) and an associate of a prospective connected person of the Company (namely the Warrantor) at the subsidiary level on normal commercial terms or better, the Company is only required to comply with the reporting, announcement and annual review requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

WARNING

As the Acquisition is subject to the conditions precedent set out in the Share Transfer Agreement being satisfied or waived (as the case may be), and the Acquisition may or may not proceed to Completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"2017 Net Profit" or "2017 Net Loss"	the audited net profit or loss of the Target Company for the financial year ending 31 December 2017, expressed in RMB
"2018 Net Profit" or "2018 Net Loss"	the audited net profit or loss of the Target Company for the financial year ending 31 December 2018, expressed in RMB
"2019 Net Profit" or "2019 Net Loss"	the audited net profit or loss of the Target Company for the financial year ending 31 December 2019, expressed in RMB
"Acquisition"	the acquisition by the Purchaser from the Vendor for an aggregate of 70% of the entire equity interest in the Target Company
"Actual Net Profit"	any of the 2017 Net Profit, 2018 Net Profit and 2019 Net Profit
"associate(s)"	has the meanings given to it under the Listing Rules
"Company"	Yestar International Holdings Company Limited (巨星國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition, being the completion of (i) the change in business registration of the Target Company; (ii) the amendment of the register of shareholders of the Target Company; and (iii) having filed the changes of corporate structure of the Target Company with the authority for industry and commerce

"Completion Date"	the date on which Completion takes place
"Connected Person(s)"	has the meaning given to it in the Listing Rules
"Consideration"	aggregate consideration of RMB428,400,000 (including taxes) for the Acquisition which shall be paid by the Purchaser to the Vendor pursuant to the Share Transfer Agreement
"Dealership Agreement"	the agreement dated 27 October 2016 entered into between the Target Company and Shenzhen Baotian
"Dealership Agreement Effective Date"	the date on which the Target Company becomes a primary distributor of Roche Diagnostics Products
"Director(s)"	director(s) of the Company
"Effective Date"	the date on which all conditions precedent of the Share Transfer Agreement have been fulfilled or waived (as the case maybe) according to a written confirmation issued by the Purchaser
"Group"	collectively, the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	third party(ies) independent of the Company and is(are) not connected person(s) (as defined under the Listing Rules) of the Company
"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, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Roche"	Roche Diagnostics (Shanghai) Ltd.* (羅氏診斷產品(上海)有限公司), a company established in the PRC with limited liability
"Roche Diagnostics Products"	the diagnostics products of Roche
"Sale Capitals"	70% of the entire equity interests of the Target Company
"Share(s)"	ordinary share(s) of HK$0.025 each in the issued share capital of the Company

"Share Transfer Agreement"	the agreement dated 27 October 2016 entered into among the Purchaser, the Vendor, the Warrantor and Target Company in relation to the acquisition of the Sale Capitals for an aggregate consideration of RMB428,400,000
"Share Trust Agreement"	the agreement dated 26 October 2016 entered into among Mr. Chen, Ms. Chen Cuiyun and Mr. Chen Wujin to entrust 100% shareholding of Mr. Chen as to 70% and 30% to Ms. Chen Cuiyun and Mr. Chen Wujin respectively
"Shareholder(s)"	holder(s) of the issued Share(s)
"Shenzhen Baotian"	Shenzhen Baotian Technology Company Ltd.* (深圳市寶天科技有限公司), a company established in the PRC with limited liability on 8 February 2002 and is 100% beneficially owned by the Vendor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Shenzhen De Run Li Jia Company Ltd.* (深圳市德潤利嘉有限公司), a company established in the PRC with limited liability on 18 October 2013 whose registered capital is owned as to 70% and 30% by Mr. Chen and Ms. Chen respectively as at the date of this announcement
"Vendor"	Mr. Chen Baocun (陳寶存), beneficially interested in 70% of the Target Company and is an Independent Third Party as at the date of this announcement, and the spouse of the Warrantor
"Warrantor"	Ms. Chen Shaoyu (陳少玉), beneficially interested in 30% of the Target Company and is an Independent Third Party as at the date of this announcement, and the spouse of the Vendor
"Yestar Medical" or "Purchaser"	廣西巨星醫療設備有限公司 (Guangxi Yestar Medical Equipment Co., Ltd*), a company established in the PRC with limited liability on 24 December 2009 and an indirect wholly-owned subsidiary of the Company
"%"	per cent.

* *For identification purpose only*

By Order of the Board
Yestar International Holdings Company Limited
巨星國際控股有限公司
Hartono James
Chairman, CEO and Executive Director

Hong Kong, 27 October 2016

As at the date of this announcement, the executive Directors are Mr. Hartono James, Ms. Wang Ying, Mr. Chan To Keung, Ms. Wang Hong and Mr. Chan Chung Man; and the independent non-executive Directors are Dr. Hu Yiming, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.