



OCEAN SHORES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION AQISITION OF ENTIRE INTEREST IN PLEXWOOD

Reference is made to the announcement of the Company dated 8th November, 2001 in respect of a possible acquisition of a company the main business of which is the distribution of video compact disc in the PRC. On 22nd November, 2001, OSBVI, a wholly-owned subsidiary of the Company, conditionally agreed to acquire from the Vendor the entire issued share capital of Plexwood for a consideration of HK\$79.2 million which will be satisfied on Completion by the allotment and issue of 79,200,000 Consideration Shares, credited as fully paid, at the Issue Price by the Company to the Vendor.

Plexwood is a company incorporated in the British Virgin Islands and is the 100% holding company of Smart Choice. The only material asset of Plexwood and Smart Choice is the Licence Agreement entered into by Smart Choice with the China Distributor. Pursuant to the Licence Agreement, Smart Choice has agreed to supply to the China Distributor a minimum of 70 and a maximum of 100 movie titles, television programmes and other video features annually for a term of ten years and has agreed to grant a licence of the movie titles, television programmes and other video features to the China Distributor for the purpose of production and non-exclusive distribution of video products in the PRC.

Each of the Vendor and the Warrantor is an independent third party to the Company not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates. Completion of the Acquisition is conditional on the grant by the Stock Exchange of listing of and permission to deal in the Consideration Shares.

The Consideration Shares will represent about 20% of the existing issued share capital of the Company and about 16.7% of the enlarged issued share capital of the Company after the issue of the Consideration Shares.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and further details are set out below. A circular containing the details of the Acquisition will be despatched to the Shareholders as soon as practicable.

Trading of the Shares on the Stock Exchange was suspended at 10:00 a.m. on 23rd November, 2001. Application will be made to the Stock Exchange to resume trading of the Shares with effective from 10:00 a.m. on 26th November, 2001.

AQUISITION

Agreement Date

22nd November, 2001

Parties involved

- (1) the Vendor;
- (2) the Warrantor, who has given warranties in relation to Plexwood, is the ultimate beneficial owner of the Vendor. Each of the Vendor and the Warrantor is an independent third party not connected with any director, chief executive or substantial shareholder of the Company of any of its subsidiaries or any of their respective associates;
- (3) OSBVI, the purchaser, a wholly-owned subsidiary of the Company; and
- (4) the Company.

Acquisition

OSBVI will acquire the entire issued share capital in Plexwood upon Completion.

Consideration

The Consideration of HK\$79.2 million was reached upon arm's length negotiations by reference to the aggregate minimum number of 70 movie titles, television programmes and other video features to be supplied to the China Distributor annually during the 10-year term of the Licence Agreement and the expected revenue to be generated under the Licence Agreement (please see below for details of the Licence Agreement). The Consideration will be satisfied on Completion by the allotment and issue of the Consideration Shares, credited as fully paid, a price of HK\$1.00 each to the Vendor.

The Issue Price was determined after arm's length negotiations between the parties and represents a discount of about 42.9% over the closing price of HK\$1.75 per Share on the Stock Exchange on 22nd November 2001, being the date of the Agreement, and a premium of about 2.0% over the average closing price of HK\$0.98 per Share on the Stock Exchange for the last twenty trading days up to and including 22nd November, 2001, the date of the Agreement.

Consideration Shares

The Consideration Shares represent about 20% of the existing issued share capital of the Company and about 16.7% of the enlarged issued share capital of the Company after the issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the general mandate to issue Shares granted to the Directors at the special general meeting of the Company held on 5th November 2001. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will upon issue and allotment rank pari passu in all respects with the then existing issued Shares at that time.

The Vendor and the Warrantor have undertaken to the Company and OSBVI that the Vendor will following Completion hold the Consideration Shares as a long-term investment.

The Directors, including the independent non-executive Directors, consider the Consideration, the Issue Price and the method of satisfaction of the Consideration by the issue of the Consideration Shares to be fair and reasonable and are in the best interests of the Shareholders.

Condition

Completion is conditional on the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Consideration Shares within six months from the date of the Agreement.

If the condition is not fulfilled on or before the expiration of six months from the execution of the Agreement or such later date as the parties may agree, the Agreement will lapse and be of no further effect and no party to the Agreement will have any claim against or liability to any other party, save in respect of any antecedent breaches of the terms of the Agreement.

Completion

Completion will take place on the second business day after the condition is fulfilled or such other date as the parties may agree. Following the Completion, the Vendor has no right to appoint any new directors to the board of the Company.

After the Completion, there will be no changes in the Company's management, the composition of the board of Directors and business of the Group.

SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company before and after the Completion of the Acquisition:

	Shareholding before Acquisition		Shareholding after Acquisition	
	Number of Shares	%	Number of Shares	%
China Star	183,600,000	46.36	183,600,000	38.63
Vendor	0	0.00	79,200,000	16.67
Public	212,400,000	53.64	212,400,000	44.70
	<u>396,000,000</u>	<u>100.00</u>	<u>475,200,000</u>	<u>100.00</u>

INFORMATION RELATING TO PLEXWOOD AND SMART CHOICE

Plexwood is a company incorporated in the British Virgin Islands with limited liability on 4th July, 2001 and its sole asset is its 100% shareholding interest in its wholly-owned subsidiary Smart Choice. Smart Choice is a company incorporated in Hong Kong with limited liability on 29th August 2001 and its sole asset is its rights and benefits arising from the Licence Agreement. Since their respective dates of incorporation, both Plexwood and Smart Choice have not conducted any business activity or owned any asset save for the negotiations leading up to Smart Choice's execution, and for its execution of the Licence Agreement. The Warrantor, the Vendor, Plexwood and Smart Choice are all independent third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

Licence Agreement

The Licence Agreement was entered into by Smart Choice and the China Distributor on 22nd November, 2001. Pursuant to the Licence Agreement, Smart Choice has agreed to supply to the China Distributor a minimum of 70 and a maximum of 100 movie titles, television programmes and other video features annually for a term of ten years commencing from 1st December, 2001 and has agreed to grant a licence of the movie titles, television programmes and other video features to the China Distributor for the purpose of production and non-exclusive distribution of video products in the PRC. Following the Completion, the movie titles, television programmes and other video features will be either supplied by the Group or to be sourced in Hong Kong, Taiwan and overseas.

The China Distributor is a video distributor in the PRC and has obtained the necessary approvals from the relevant authorities in the PRC for the production and distribution of video products in about 300 sales outlets. The Directors have received confirmations that Smart Choice does not require any of the above approvals for its performance of the Licence Agreement.

REASONS FOR THE ACQUISITION

The Company and its subsidiaries are principally engaged in Hong Kong and other overseas regions in (a) the distribution of video programmes in video cassette, laser vision disc, video compact disc and digital versatile disc formats for home entertainment; (b) sub-licensing of video programmes rights; (c) provision of duplication, editing and sub-titling services for motion pictures and (d) film exhibition. The Directors consider that the Acquisition is compatible with the existing business of the Group and is beneficial to the Group. The Directors believe that the acquisition of the interest in Plexwood will enable the Group to participate in the potentially vast PRC video market through the implementation of the Licence Agreement, which would enhance the Group's financial and operational performance. The Directors also believe that the Group's co-operation and relationship with the China Distributor could generate other future opportunities for the Group in the PRC home entertainment market.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing the details of the Acquisition will be despatched to Shareholders as soon as practicable. The Directors do not currently envisage that, following the Acquisition, the Company will have any foreseeable on-going connected transactions with the Vendor.

RESUMPTION OF TRADING

Trading of the Shares on the Stock Exchange was suspended at 10:00 a.m. on 23rd November, 2001. Application will be made to the Stock Exchange to resume trading of the Shares with effective from 10:00 a.m. on 26th November, 2001.

DEFINITIONS

"Acquisition"	the acquisition of Plexwood by OSBVI pursuant to the Agreement
"Agreement"	a conditional agreement entered into between OSBVI, the Vendor, the Warrantor and the Company on 22nd November, 2001 in respect of the Acquisition
"associates"	has the meaning given to that term under the Listing Rules
"China Distributor"	廣東創盛音像製品有限公司, a domestic enterprise established in Guangzhou, PRC
"China Star"	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange, the controlling shareholder of the Company
"Company"	Ocean Shores Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Consideration"	HK\$79.2 million, being the consideration for the Acquisition
"Consideration Shares"	79,200,000 Shares to be allotted and issued to the Vendor by the Company to satisfy the Consideration
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Issue Price"	HK\$1.00 per Share, being the issue price of each Consideration Share
"Licence Agreement"	the agreement dated 22nd November, 2001 entered into between Smart Choice and the China Distributor for a term of 10 years pursuant to which, among other things, Smart Choice will supply movie titles, television programmes and other video features to the China Distributor for production and distribution of video products in the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"OSBVI"	Ocean Shores (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"Plexwood"	Plexwood Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Top Vision Management Limited
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
"Shareholders"	holders of Shares
"Shares"	shares of HK\$0.10 each in the capital of the Company
"Smart Choice"	Smart Choice Investments Limited, a company incorporated in Hong Kong with limited liability, which is the wholly-owned subsidiary of Plexwood and is a party to the Licence Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Top Vision Management Limited, a company incorporated in the British Virgin Islands with limited liability
"Warrantor"	Chan Kam Sum who owns 100% beneficial interest in the Vendor
"HK\$" / "%"	Hong Kong dollars / per cent.

By order of the Board
Lei Hong Wai
Executive Director

Hong Kong, 23rd November, 2001