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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION IN RESPECT OF PROVISION OF FINANCIAL ASSISTANCE

PROVISION OF FINANCIAL ASSISTANCE

The Board announces that, on 17 April 2014 (after trading hours), the Loan Agreement was entered into between Classic Champion as lender and the Junket Company 2 as borrower. Pursuant to the Loan Agreement, Classic Champion has conditionally agreed to grant the Junket Company 2 the Loan of HK\$200.00 million for a term of 24 months from the date of drawdown.

The principal terms and conditions of the Loan Agreement are set out in the paragraph headed “The Loan Agreement” in this announcement.

Listing Rules Implications

As three of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Loan are more than 5% but less than 25%, the grant of the Loan constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is only subject to the announcement requirement of the Listing Rules.

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The Loan Agreement

The principal terms and conditions of the Loan Agreement are summarised as follows:

- Date : 17 April 2014
- Lender : Classic Champion
- Borrower : the Junket Company 2
- Principal amount of the Loan : HK\$200.00 million
- Interest rate : 10% per annum, payable semi-annually in arrears
- Guarantee : A personal guarantee (the “**Personal Guarantee**”) has been given by Mr. B upon the signing of the Loan Agreement in favour of Classic Champion as a security for all the obligations and liabilities of the Junket Company 2 under the Loan Agreement.
- Availability period : 30 days (or such other number of days as Classic Champion and the Junket Company 2 may agree in writing) commencing from the date on which the Loan Agreement becoming unconditional.
- Repayment date : The date falling 24 months from the date of drawdown.
- Repayment : The Junket Company 2 shall repay the Loan in full in one lump sum together with all outstanding interest accrued thereon on the repayment date.
- Prepayment : The Junket Company 2 may at any time during the term of the Loan prepay the Loan in full together with the accrued interest by giving not less than 10 business days’ prior written notice to Classic Champion before the repayment date.
- Additional undertakings : In addition to those customary covenants and undertakings, the Junket Company 2 undertakes and agrees with Classic Champion that during the period between the date of the Loan Agreement and the date falling six months from the date on which the Loan together with the accrued interest thereon are fully repaid/prepaid:

- (a) it shall not (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than Classic Champion with respect to any profit transfer and/or variable interest entity arrangement of it; and
- (b) it shall not (i) permit any transfer of its issued shares nor any allotment or issue of any further shares nor any grant of any right to acquire the same; or (ii) issue or agree to issue, grant or agree to grant any new shares, debentures or bonds or any options to subscribe for new shares, debentures or bonds by it (collectively, the “**Undertakings**”).

Conditions precedent : The obligation of Classic Champion to make the Loan to the Junket Company 2 is conditional upon:

- (a) the publication of an announcement of the Company in relation to the Loan Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;
- (b) Classic Champion having received the Personal Guarantee duly and properly executed by Mr. B in favour of Classic Champion as a security for all the obligations and liabilities of the Junket Company 2 under the Loan Agreement;
- (c) all representations and warranties made by the Junket Company 2 in the Loan Agreement or in connection therewith being true and correct with the same effect as though made on and as of the date of drawdown with reference to the facts and circumstances then subsisting;
- (d) no event of default having occurred and no potential event of default having occurred (or being likely to occur as a result of the Loan being made); and

- (e) Classic Champion having received and found satisfactory such additional information and documents relating to the Junket Company 2 of the Loan Agreement as Classic Champion may reasonably require.

Long stop date : 16 May 2014 (or such later date as the Junket Company 2 and Classic Champion may agree in writing).

Undertakings given by Mr. B in the Personal Guarantee

Undertakings have also been given by Mr. B in the Personal Guarantee (i) to procure the performance of the Undertakings by the Junket Company 2, and (ii) not to sell, transfer or otherwise dispose of or create any third party rights on any of his interests (whether equity, proprietary or otherwise) in the Junket Company 2 or any part thereof or create any encumbrance over his equity interests in the Junket Company 2 or any part thereof.

Funding of the Loan

Approximately HK\$124.47 million of the Loan will be financed by the net proceeds from the open offer of the Company as completed on 22 January 2014 and the remaining balance of approximately HK\$75.53 million will be financed by the internal resources of the Group.

Information on the Junket Company 2 and Mr. B

The Junket Company 2 is a company incorporated in Macau with limited liability which is engaged in gaming promoter operations in exchange for a commission or other compensation paid by the gaming concessionaire and/or sub-concessionaire in respect of the casino premises in Macau. Mr. B is the sole director and the sole beneficial owner of the Junket Company 2.

The Junket Company 2 has commenced gaming promotion business in Macau since 2005 and holds a valid gaming promoter licence to operate gaming promotion business in the VIP gaming room at a casino in Macau. Currently, the number of VIP gaming tables promoted by the Junket Company 2 at the casino is 13. The rolling chip turnover generated by the Junket Company 2 for the year ended 31 December 2013 amounted to approximately HK\$137.92 billion.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Junket Company 2 and Mr. B is an Independent Third Party.

Information on the Group

The Company is an investment holding company and the Group is principally engaged in film production, distribution of film and television drama series, sales of Chinese health products, investing in operations which receive profit streams from the gaming promotion business, property and hotel investment, and property development.

Reasons for and benefits of the Loan Agreement

In view of the growth in Macau VIP rooms gaming revenue in recent years, the Board is optimistic about the future prospects of the VIP rooms gaming promotion services business in Macau. In order to participate in the VIP rooms gaming promotion services business, the Group entered into a conditional sale and purchase agreement with an Independent Third Party on 25 February 2014 in relation to, among other things, the acquisition (the “**Acquisition**”) of the entire equity interest in Protective Capital Group Limited. Upon completion of the Acquisition, the Group will engage in the provision of gaming promotion services business. In addition, Classic Champion as lender entered into a loan agreement with a gaming promoter as borrower on 4 April 2014 for not only earning a stable interest income, but also carrying out a thorough evaluation of the business performance of that gaming promoter before making any acquisition decision. The Board considers that the grant of the Loan to the Junket Company 2 under the Loan Agreement will:

- a. generate a stable interest income to the Group during the term of the Loan;
- b. enable the Group to carry out a thorough evaluation of the business performance of the Junket Company 2 for a long period of time, before making any decision in acquiring the Junket Company 2 (if commercially viable); and
- c. provide the Group with a long period of time to negotiate the terms and conditions of acquisition with Mr. B exclusively, if a decision in acquiring the Junket Company 2 is made.

Based on the above, the Board considers that the terms of the Loan Agreement are fair and reasonable and the grant of the Loan to the Junket Company 2 under the Loan Agreement is in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As three of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Loan are more than 5% but less than 25%, the grant of the Loan constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is only subject to the announcement requirement of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Star Entertainment Limited, an exempted company incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“Classic Champion”	Classic Champion Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who/which is/are independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Junket Company 2”	a company incorporated in Macau with limited liability, which is legally and beneficially entirely owned by Mr. B and engaged in gaming promotion business in Macau
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the unsecured loan in the principal sum of HK\$200.00 million
“Loan Agreement”	the conditional loan agreement dated 17 April 2014 and entered into between Classic Champion as lender and the Junket Company 2 as borrower relating to the grant of the Loan

“Macau”	Macau Special Administrative Region of the People’s Republic of China
“Mr. B”	an individual being the sole director and the sole beneficial owner of the Junket Company 2
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“%”	per cent.

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

Hong Kong, 17 April 2014

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 and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.