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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 326)

**MAJOR TRANSACTION
IN RESPECT OF
THE ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN
PROTECTIVE CAPITAL GROUP LIMITED
AND
THE SHAREHOLDER'S LOAN DUE BY
EIGHT ELEMENTS ENTERTAINMENT LIMITED**

THE AGREEMENT

On 25 February 2014 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share and the Sale Loan for the Consideration of HK\$800.00 million which shall be settled by the Purchaser (A) as to HK\$300.00 million in cash as the Initial Deposit upon the signing of the Agreement; (B) as to HK\$300.00 million in cash on 24 April 2014 or upon Completion, whichever is earlier; and (C) the balance of HK\$200.00 million by procuring the Company to issue the Promissory Note to the Vendor on Completion.

IMPLICATIONS OF THE LISTING RULES

Since the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are greater than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company pursuant to Rule 14.06(3) of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to, among other things, the approval of the Shareholders.

As no Shareholder is required to abstain from voting on the relevant resolutions to approve the Acquisition if the Company were to convene a general meeting to approve the Agreement and the transactions contemplated thereunder, HWKFE, the controlling shareholder of the Company holding 4,661,162,574 Shares, representing approximately 50.70% of the issued share capital of the Company, has approved the Acquisition in writing pursuant to Rule 14.44 of the Listing Rules as at the date of this announcement, such written approval is acceptable under the Listing Rules in lieu of holding a general meeting for approving the Agreement and the transactions contemplated thereunder. Therefore, no general meeting will be held by the Company to approve the Acquisition.

The Circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders on or before 30 April 2014 as additional time is required for the preparation of the audited financial information of the Target Group for inclusion in the Circular. The Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions precedent being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

Reference is made to the announcements of the Company dated 21 January 2014 and 27 January 2014 relating to, among other things, the possible acquisition of equity or beneficial interests in a company which will be entitled to the entirety of the net profit deriving from VIP gaming promotion operations in Macau.

The Board is pleased to announce that the Purchaser entered into the Agreement with the Vendor on 25 February 2014 (after trading hours of the Stock Exchange), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share and the Sale Loan for the Consideration of HK\$800.00 million.

THE AGREEMENT

Date: 25 February 2014

Parties:

Purchaser: Classic Champion Holdings Limited, a direct wholly-owned subsidiary of the Company

Vendor: Mr. Kam Lap Sing Kelvin (金立成)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target as at the date of the Agreement, and the Sale Loan, representing all obligations, liabilities and debts owing or incurred by Eight Elements to the Vendor on or at any time prior to the Completion.

As at the date of the Agreement, the Sale Loan amounted to HK\$20.00 million.

Consideration

The Consideration for the sale and purchase of the Sale Share and the Sale Loan shall be an aggregate amount of HK\$800.00 million and shall be satisfied by the Purchaser in the following manner:

- (A) HK\$300.00 million shall be payable by the Purchaser to the Vendor (the “**Initial Deposit**”) in cash as refundable deposit upon signing of the Agreement. The Initial Deposit shall be applied as part of the Consideration upon Completion;
- (B) HK\$300.00 million shall be payable by the Purchaser to the Vendor in cash on 24 April 2014 or upon Completion, whichever is earlier. If Completion takes place on or before 24 April 2014, the above sum shall be payable by the Purchaser to the Vendor upon Completion; and if Completion does not take place on or before 24 April 2014, the above sum shall be payable by the Purchaser to the Vendor as further refundable deposit (the “**Further Deposit**, together with the Initial Deposit, the “**Deposits**”) on 24 April 2014, and the Further Deposit shall be applied as part of the Consideration upon Completion; and
- (C) the balance of HK\$200.00 million shall be payable by the Purchaser to the Vendor by procuring the Company to issue the Promissory Note to the Vendor on Completion.

If Completion does not take place, the Purchaser may forthwith terminate the Agreement by giving notice of termination in writing to the Vendor to such effect in which event the Vendor shall forthwith refund the Initial Deposit or the Deposits, as the case may be, (without interest) to the Purchaser and the Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

The cash portions of the Consideration will be settled by the net proceeds from the Placing and the internal resources of the Group.

The Consideration is calculated at 10.69 times of the net profit of Eight Elements for the year ended 31 December 2013 (based on its unaudited management accounts), which was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the current price earning ratios of the various Macau gaming stocks trading on the Stock Exchange.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Agreement is on normal commercial terms and is fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions precedent having been fulfilled:

- (A) the Purchaser having completed a due diligence investigation in respect of the Target Group including but not limited to the affairs, business, assets, results, legal and financing structure of the Target Group and the Purchaser being satisfied with the results of such due diligence investigation;
- (B) the Purchaser having received from the Vendor (i) a legal opinion on the Macau law (in such form and substance to the Purchaser's satisfaction) covering, among other matters, the legality, validity and enforceability of the VIE Contracts and the Relevant Contracts, the due incorporation and subsistence of the relevant members of the Target Group incorporated in Macau, whether there is any legal impediment in respect of the renewal of the Relevant Contracts upon their respective expiries, and licences held and operations conducted by the Target Group (including but not limited to the EE Junket Licence), and whether there is any legal impediment in respect of the obtaining of the DICJ's approval for the Profit Transfer Agreements and (ii) a tax opinion in such form and substance to the Purchaser's satisfaction from such professional adviser (whose qualification and experience are acceptable to the Purchaser) on Macau tax matters concerning members of the Target Group and the Business;
- (C) the Purchaser having received from the Vendor a legal opinion from legal advisers as to BVI law or the laws of relevant jurisdictions (in such form and substance to the Purchaser's satisfaction) covering, among other matters, the legality, validity and enforceability of the VIE Contracts, and such other aspects of BVI law or such other relevant laws as the Purchaser may consider appropriate or relevant to the transactions contemplated under the Agreement;
- (D) the Purchaser having received a report on anti-money laundering matters concerning the Target Group (in such form and substance to the Purchaser's satisfaction) from an independent expert (whose qualification and experience are acceptable to the Purchaser), which shall not reveal any material weaknesses or non-compliance on the part of the Target Group;

- (E) if necessary, the written shareholder's approval having been obtained from a Shareholder (or a closely allied group of Shareholders) who holds more than 50% in nominal value of all the issued Shares and being accepted in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules; and if not accepted, the passing of necessary resolutions by the Shareholders (other than those required to abstain from voting under the Listing Rules) at a special general meeting of the Company to be convened and held to approve the Agreement and the transactions contemplated thereby;
- (F) no event having occurred since the date of the Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group and such material adverse effect shall not have been caused;
- (G) the warranties given by the Vendor in the Agreement remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (H) all necessary consents, approvals, registration and filing procedures required to be obtained on the part of the Vendor and the Purchaser in respect of the Agreement and the transactions contemplated thereby having been obtained and effected (as the case may be);
- (I) the independent certified public accountants having completed the audit of and issued an unqualified opinion on the financial statements relating to Eight Elements for the fiscal years ended 31 December 2011, 2012 and 2013 in accordance with the requirements of the Listing Rules and the content and results of such audit being satisfactory to the Purchaser;
- (J) the independent certified public accountants having completed the audit of and issued an unqualified opinion on the financial statements relating to the Target for the period from 2 January 2014, being the date of incorporation of the Target, to 31 January 2014 in accordance with the requirements of the Listing Rules and the content and results of such audit being satisfactory to the Purchaser;
- (K) all necessary consents, approvals, registrations, filings and notifications procedures required to be obtained on the part of the Vendor and the Target Group in respect of the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA and the Promissory Transfer Agreement and the transactions contemplated thereby having been obtained and effected (as the case may be); and

Such interest shall be calculated on the actual number of the days elapsed on the basis of a 365-day year

Maturity: A fixed term of 12 months from the date of issue of the Promissory Note

Early repayment The Company may repay any part of the outstanding principal amount of the Promissory Note at any time from the date of issue to the date immediately prior to the maturity date.

Assignment: The Promissory Note may, with five (5) Business Days' prior notice in writing to the Company of the Vendor's intention to transfer or assign the Promissory Note, be freely transferable and assignable by the Vendor to any other person and any subsequent holder of the Promissory Note will (except as otherwise required by law) be treated as the absolute owner of the Promissory Note for all purposes

Undertakings given by the Vendor

For the purposes of assuring to the Purchaser the full benefit of the business and goodwill of the Target Group, the Vendor has undertaken by way of further consideration for the obligations of the Purchaser under the Agreement, as separate and independent agreements that upon Completion, he will not and shall procure his associates not to compete (whether directly or indirectly) with the business of the Target Group, provided the Vendor (and his associates) may conduct such business after the relevant business opportunity has first been offered to the Company and but rejected by an independent committee of the Board comprising the independent non-executive Directors, and the principal terms on which the Vendor (and, where applicable, his associates) invests, participates or engages in such business are not more favourable than those offered to the Company in relation to the business opportunity.

The Vendor further irrevocably and unconditionally undertakes that he will remain as the sole director and sole shareholder of Eight Elements for so long as the Purchaser (or the Company or any of its subsidiaries) maintains a shareholding of not less than 50% of the Target.

The Vendor also irrevocably and unconditionally undertakes that for so long as the Purchaser (or the Company or any of its subsidiaries) maintains a shareholding of not less than 50% of the Target, the Vendor will use his best endeavours and render all necessary assistance to procure the obtaining of the Macau regulatory approvals for the Profit Transfer Agreements to be entered into for each year ending 31 December after Completion, as soon as possible after the end of each year and in any event, before 28 February (or such other date as the parties may agreed in writing) of the year immediately thereafter. The Vendor further undertakes that the Vendor will enter into such the Profit Transfer Agreements with the Company forthwith after the approval of DICJ is obtained.

INFORMATION OF THE TARGET GROUP

The Target is incorporated in the BVI with limited liability and the entire issued share of which is beneficially owned by the Vendor as at the date of the Agreement. The Target is an investment holding company.

Eight Elements is a company incorporated in Macau with limited liability and carrying on gaming promoter operations (being activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage, entertainment) in exchange for a commission or other compensation paid by the gaming concessionaire in respect of the casino premises of Casino Lan Kwai Fong and related businesses (collectively, the “**Business**”) in Macau. As at the date of the Agreement, Eight Elements is beneficially owned by the Vendor.

Eight Elements holds a valid gaming promoter licence, namely EE Junket Licence, to operate gaming promotion business in casinos operated by SJM in Macau. Pursuant to the gaming promoter agreement dated 31 July 2009 and entered into between Eight Elements and SJM, Eight Elements was appointed by SJM as the gaming promoter for the VIP gaming floor in Casino Lan Kwai Fong, namely Eight Elements VIP Rooms, for a period of three years commencing from 31 July 2009. On 25 January 2013, Eight Elements and SJM entered into a supplemental and continuation agreement for renewing Eight Elements’ appointment as gaming promoter for another three years commencing from 31 July 2012. In addition, Classic Management has engaged Eight Elements as services provider for the provision of gaming promotion services in the VIP gaming floor and the mass market gaming floor in Casino Lan Kwai Fong since 1 August 2009 and 1 January 2010 respectively. As at the date of the Agreement, Eight Elements has entered into the following agreements:

1. the gaming promoter agreement dated 31 July 2009 and entered into between SJM on the one part and Eight Elements on the other part, pursuant to which Eight Elements was appointed as the gaming promoter for the VIP gaming floor in Casino Lan Kwai Fong, namely Eight Elements VIP Rooms, for a term of three years commencing from 31 July 2009 and expiring on 30 July 2012;
2. the supplemental and continuation agreement dated 25 January 2013 and entered into between SJM and Eight Elements (together with the gaming promoter agreement dated 31 July 2009, the “**Gaming Promoter Agreement**”), pursuant to which the term of Eight Elements’ appointment as the gaming promoter for the VIP gaming floor in Casino Lan Kwai Fong, namely Eight Elements VIP Rooms, under the gaming promoter agreement dated 31 July 2009 has been renewed for another three years commencing from 31 July 2012 and expiring on 30 July 2015;

3. the cooperation agreement (the “**VIP Room Cooperation Agreement**”) dated 1 January 2013 and entered into between Classic Management and Eight Elements in relation to the provision of gaming promotion services at the VIP gaming floor of Casino Lan Kwai Fong for the period commencing from 1 January 2013 and expiring with the same term provided in the Gaming Promoter Agreement; and
4. the cooperation agreement (the “**Mass Market Cooperation Agreement**”) dated 1 January 2013 and entered into between Classic Management and Eight Elements in relation to the provision of gaming promotion services in the mass market gaming floor of Casino Lan Kwai Fong for the period commencing from 1 January 2013 and expiring on 31 December 2015.

Subject to the execution of the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA and the Promissory Transfer Agreement, the Target will be entitled to the entirety of the economic benefits of Eight Elements, including but not limited to the net profit deriving from the Business through the VIE Contracts.

Pursuant to the Rule 4.1 of Macau Administrative Regulation No. 6/2002 governing the qualification and rules for engaging in the operation of games of fortune in a casino in Macau, for any company engaging in the gaming intermediary operation, only the natural person can be the owner of its capital. In order to provide the Target with effective control over and the right to enjoy the economic benefits in Eight Elements, and so to enable the Acquisition, the following VIE Contracts, subject to the DICJ’s approval, will be entered into among the Vendor, Eight Elements and the Target:

1. the profit transfer agreement (the “**2014 Profit Transfer Agreement**”) to be entered into among the Vendor, Eight Elements and the Target, pursuant to which the Vendor shall transfer all the profits of Eight Elements that can be distributed to its shareholder as profit under the Macau Law for the year ending 31 December 2014;
2. the profit transfer agreement (the “**2013 Profit Transfer Agreement**”, together with the 2014 Profit Transfer Agreement and all profit transfer agreements (the “**Profit Transfer Agreements**”)) to be entered into among the Vendor, Eight Elements and the Target, pursuant to which the Vendor shall transfer all the profits of Eight Elements that can be distributed to its shareholder as profit under the Macau Law for the year ended 31 December 2013;
3. the usufruct agreement (the “**Usufruct Agreement**”) to be entered into between the Vendor and the Target, pursuant to which usufruct right has been set up over the shareholdings of the Vendor in Eight Elements in favour of the Target. The duration for the Usufruct Agreement and consequently the usufruct right is 30 years starting from the date thereof and, subject to the approval of the Macau Government in accordance with the laws of Macau, shall be renewed automatically for the same term upon expiry;

4. the power of attorney (the “**POA**”) to be executed by the Vendor in favour of the Target, pursuant to which the Vendor shall grant to the Target the power to exercise all rights of the Vendor as a shareholder of Eight Elements, including but not limited to the rights to:
 - (a) participate, deliberate and vote in a shareholders’ meeting;
 - (b) sign petitions, contracts, public deeds or any private documents as necessary or appropriate to the implement and effect the transactions as contemplated by the POA;
 - (c) receive any dividends and distributions as a shareholder of Eight Elements;
 - (d) sign minutes, file documents with the relevant companies registry etc. for and on behalf of Eight Elements; and
 - (e) exercise, without limitation, all the rights and powers as shareholder of Eight Elements; and

5. the Promissory Transfer Agreement to be entered into by the Vendor in favour of the Target, pursuant to which subject to compliance of all applicable laws and regulations, the Vendor would promise to transfer 100% share of Eight Elements to a natural person (or a corporate when the laws change in such a manner that a corporate (including but not limited to the Target) who is permitted to be the shareholder of the gaming promoter company in Macau) assigned by the Target upon request of the Target at no costs. The Vendor shall further undertake in the Promissory Transfer Agreement that he will return to the Target (or its nominee) the consideration (if any) it receives in the event that the Target (or its nominee) acquires the share capital in Eight Elements when unwinding the VIE Contracts. Furthermore, if there would be any conflict of interests between the registered shareholder of Eight Elements and the Group, the Company can exercise its usufruct right under the Usufruct Agreement.

Save for the first right of refusal and consent of Eight Elements to purchase its share upon any proposed transfer of share of its shareholder as stipulated under the articles of association of Eight Elements, and the government approval requirement for any transfer of share in companies engaging in gaming promotion business where the transferee may be subject to the suitability verification process, the Macau legal advisers are not aware of any other legal impediments in respect of the transfer of share as contemplated under the Promissory Transfer Agreement. Based on the existing structure of the Target Group, the Macau legal advisers are of the view that the transfer of ownership of Eight Elements would not be subject to substantial costs.

As confirmed by the Macau legal advisers to the Company, the Profit Transfer Agreements and the Usufruct Agreement are required to be registered and approved (where necessary) with the relevant authorities in Macau, such as DICJ, Macau Commercial and Movable Assets Registry, whereas the relevant authorities, such as DICJ, shall be notified of the grant of the POA. As confirmed by the Vendor, the relevant application has been presented to DICJ for approval on 27 January 2014 and notification of the grant of the POA will be filed after the approval of the 2013 Profit Transfer Agreement and the Usufruct Agreement. Save for the aforementioned, there is no further approval, confirmation or registration required from any authorities in Macau in respect of the VIE Contracts. The Macau legal advisers have confirmed that the use of the Usufruct Agreement and the Profit Transfer Agreements does not constitute a breach to the laws of Macau which prohibit non-Macau companies to directly operate a gaming promotion business in Macau. The Macau legal advisers further confirmed that the VIE Contracts do not violate any laws and regulations in Macau and the VIE Contracts will not be deemed invalid or ineffective under those laws and regulations. The Vendor has also undertaken in the Agreement that he will use his best endeavours to procure the obtaining of the Macau regulatory approvals for the transactions to be consummated as contemplated by the Agreement, the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA, the Promissory Transfer Agreement and the Relevant Contracts (as appropriate) as soon as possible after the date of the Agreement and in any event, before the Long Stop Date.

Profit Transfer Agreements

It has been advised by the Macau legal advisers to the Company that the renewal of the Profit Transfer Agreements and all profit transfer agreement(s) to be entered into shall be subject to annual approval of the relevant authorities in Macau. The term of the EE Junket License is for one calendar year and can be renewed annually. The EE Junket License can be suspended if (i) the Macau Government determines that the gaming promoter fails to meet certain official suitability standards and does not renew the gaming promoter's licence; or (ii) the gaming promoter's sponsoring concessionaire or sub-concessionaire terminates business relations with such gaming promoter in accordance with the terms of such gaming promoter agreement. Subject to the conditions (i) and (ii) referred to above, the Macau legal advisers to the Company are of the view that there is no legal impediment for Eight Elements to renew both the Profit Transfer Agreements and the EE Junket License annually.

As also advised by the Macau legal advisers, under the current practice of DICJ, it will only approve a profit transfer agreement for the immediately previous year. As such, the parties to the Agreement acknowledge that the approval from DICJ for the 2014 Profit Transfer Agreement would only be granted in year 2015. The Macau legal advisers confirm that they are not aware of any legal impediment in respect of the obtaining of the DICJ's approval for the Profit Transfer Agreements in the future.

Usufruct Agreement

According to the article no. 1373 of Macau Civil Code, the usufruct right is regulated and defined therein and the usufruct right holder is empowered to the full usage and enjoyment of fruits of the respective object (i.e. shareholding of Eight Elements) within a period of time, as long as such usage and enjoyment do not change the physiognomic form as well as the substance of the object.

The Usufruct Agreement is subject to the approval of DICJ as above referred. Accordingly, the permission application was presented to DICJ for approval on 27 January 2014. The Usufruct Agreement and the terms are set out in the article no. 207 of Macau Commercial Code, the Target, being the usufructuary of usufruct rights of the shareholder of Eight Elements, has the right to enjoy the amounts that, in the act of liquidation of Eight Elements or in the redemption of shares, belongs to the Target, being the usufructuary of the shareholding of Eight Elements, which is the object of the usufruct. As such, the right of the Company to deal with the assets of Eight Elements at the time of the winding-up, liquidation or dissolution of Eight Elements would be protected by the Usufruct Agreement and the term 3(c) of the article no. 207 of Macau Commercial Code. In addition, in the event of death, bankruptcy, marriage or divorce of the registered shareholders of Eight Elements, the shareholdings of the registered shareholder shall also be subject to the usufruct right under the Usufruct Agreement.

As advised by the Macau legal advisers of the Company, the Target is protected from the combination of the VIE contracts, namely the POA, the fact that it is irrevocable and the fact that the Usufruct is a property right which gives the usufructuary the same powers as the shareholder of Eight Elements. The usufruct right is a property right instead of a contractual right. The Company is of the view that the usufruct right over the shareholdings in Eight Elements will allow the Target to exercise significant control over Eight Elements more effectively than ordinary contractual arrangements. Furthermore, if there would be any conflict of interests between the registered shareholder of Eight Elements and the Group, the Company can exercise its usufruct right under the Usufruct Agreement.

As advised by the Macau legal advisers of the Company, the gaming promotion business in Macau is a highly regulated business and the gaming promoter licence, the Profit Transfer Agreements and the Usufruct Agreement are all required for approval by DICJ. DICJ generally will not accept the Profit Transfer Agreements and the Usufruct Agreement to be subject to any other jurisdictions or other forms of dispute resolution other than the Macau courts. Moreover, usufruct under the Usufruct Agreement is a concept under the Macau laws. As such, it may not be appropriate for courts of other jurisdictions to intervene with the Macau regulatory regime and have jurisdictions over the Profit Transfer Agreements and the Usufruct Agreement.

In light of the above, subject to the approval and registration of DICJ of the Profit Transfer Agreements and the Usufruct Agreement and the filing of the notification of the grant of the POA after the approval of the DICJ of the 2013 Profit Transfer Agreement and the Usufruct Agreement, the Company is of the view that the use of the Profit Transfer Agreements, the Usufruct Agreement, the POA and the Promissory Transfer Agreement will sufficiently safeguard the economic benefits of the Target and its effective control over Eight Elements in its business operation. Having said that, the Group intended to unwind the VIE Contracts arrangement and directly hold the equity interests in Eight Elements when the relevant legal restrictions no longer exist.

Upon receipt of the DICJ's approval and execution of the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA and the Promissory Transfer Agreement, the financial results of Eight Elements will be consolidated into the Target through the agreements as set out above.

HLB Hodgson Impey Cheng Limited, the auditors of the Company, has confirmed that subject to the approval (where necessary) and entering into of the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA and the Promissory Transfer Agreement, the Target has the right to consolidate the financial results of Eight Elements as if it is a wholly owned subsidiary of the Target under Hong Kong Reporting Financial Standards.

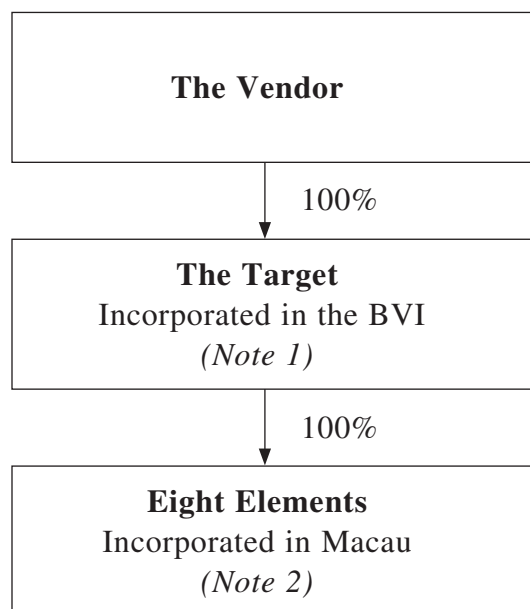
Set out below is the unaudited financial information of the Target which is prepared in accordance with Hong Kong Financial Reporting Standards:

	For the period from 2 January 2014 (date of incorporation) to 31 January 2014	<i>HK\$</i>
Turnover	0	
Profit before and after taxation	0	
		At 31 January 2014
		<i>HK\$</i>
Total assets	8	
Total liabilities	0	
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Net assets	8	
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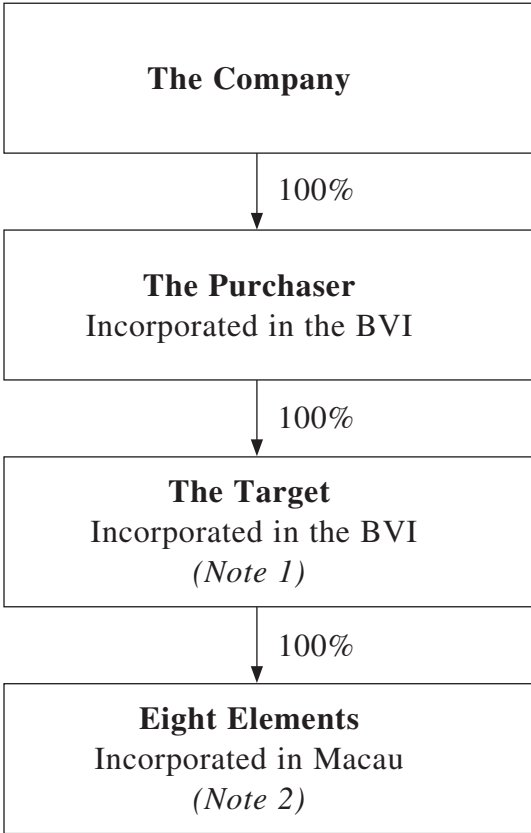
Set out below is the unaudited financial information of Eight Elements which is prepared in accordance with Hong Kong Financial Reporting Standards:

	For the years ended 31 December		
	2013	2012	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>in million</i>	<i>in million</i>	<i>in million</i>
Turnover	897.97	1,153.47	1,439.44
Net profit/(loss)	<u>68.46</u>	<u>(7.12)</u>	<u>105.18</u>
	At 31 December		
	2013	2012	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>in million</i>	<i>in million</i>	<i>in million</i>
Total assets	516.62	547.53	435.22
Total liabilities	<u>(441.75)</u>	<u>(541.12)</u>	<u>(421.70)</u>
Net assets	<u>74.87</u>	<u>6.41</u>	<u>13.52</u>

Organisation chart before the DICJ's approval and execution of the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA and the Promissory Transfer Agreement and immediately before the Completion



Organisation chart immediately after the Completion



Notes:

1. Upon the receipt of the DICJ’s approval and execution of the 2013 Profit Transfer Agreement, the Usufruct Agreement, the POA and the Promissory Transfer Agreement, the Target will be entitled to the entirety of the economic benefits of Eight Elements, including but not limited to the net profit deriving from the Business.
2. Eight Elements holds EE Junket Licence granted by DICJ.

Business dealings between Eight Elements and Classic Management

Classic Management has engaged Eight Elements as services provider for the provision of gaming promotion services in the VIP gaming floor and the mass market gaming floor in Casino Lan Kwai Fong since 1 August 2009 and 1 January 2010 respectively. Such gaming promotion services include promotion, customer development and introduction, transportation arrangement, keep tracking the rolling turnover of each customer and maintaining commission payment system. During the year ended 31 December 2013, Eight Elements received gaming promotion services fees of HK\$71.95 million and HK\$298.36 million from Classic Management pursuant to the VIP Room Cooperation Agreement and the Mass Market Cooperation Agreement respectively.

As at 31 January 2014, Eight Elements owed the Group an amount of approximately HK\$141.56 million, being the prepaid gaming promotion services fees for mass market gaming floor in Casino Lan Kwai Fong for the year ending 31 December 2014 after deducting expenses paid on behalf of Classic Management under the Mass Market Cooperation Agreement.

REASONS FOR THE ACQUISITION

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. Upon Completion, the Group will engage in the provision of gaming promotion services to SJM, through Eight Elements, in Casino Lan Kwai Fong.

Pursuant to the Service Agreement, Classic Management grants to SJM a license to occupy and uses spaces in Hotel Lan Kwai Fong to operate a casino, namely Casino Lan Kwai Fong, and SJM has agreed to enter into a gaming promoter agreement with only one gaming promoter, namely Eight Elements, to be designated by Classic Management, who will be responsible for the operation of the VIP gaming floor in Casino Lan Kwai Fong, for a term of three years with a right to renew thereafter. For the VIP gaming floor, SJM pays Classic Management a monthly compensation calculated at a fixed percentage of the gross gaming income or loss generated by the VIP gaming floor pursuant to the Service Agreement and Eight Elements a monthly commission equivalent to 44% of the gross gaming income or loss generated by the VIP gaming floor in Casino Lan Kwai Fong pursuant to the Gaming Promoter Agreement. In addition, Classic Management pays Eight Elements a monthly fee equivalent to 6% of the gross gaming income or loss generated by the VIP gaming floor in Casino Lan Kwai Fong relating to the gaming promotion services provided by Eight Elements pursuant to the VIP Room Cooperation Agreement. Such gaming promotion services include promotion, customer development and introduction, transportation arrangement, keep tracking the rolling turnover of each customer and maintaining commission payment system.

In view of the growth in Macau VIP gaming revenue in recent years, the Company intends to indirectly participate in the gaming promotion business of VIP gaming floor in Casino Lan Kwai Fong through the Acquisition. The Directors believe that the Acquisition allows the Group to have greater control over the management and marketing of the VIP gaming floor in Casino Lan Kwai Fong as well as to receive a higher percentage of gross gaming income generated by the VIP gaming floor.

Based on the above, the Directors consider that the terms and conditions of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are greater than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company pursuant to Rule 14.06(3) of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to, among other things, the approval of the Shareholders.

As no Shareholder is required to abstain from voting on the relevant resolutions to approve the Acquisition if the Company were to convene a general meeting to approve the Agreement and the transactions contemplated thereunder, HWKFE, the controlling shareholder of the Company holding 4,661,162,574 Shares, representing approximately 50.70% of the issued share capital of the Company, has approved the Acquisition in writing pursuant to Rule 14.44 of the Listing Rules as at the date of this announcement, such written approval is acceptable under the Listing Rules in lieu of holding a general meeting for approving the Agreement and the transactions contemplated thereunder. Therefore, no general meeting will be held by the Company to approve the Acquisition.

The Circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders on or before 30 April 2014 as additional time is required for the preparation of the audited financial information of the Target Group for inclusion in the Circular. The Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions precedent being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 25 February 2014 entered into between the Purchaser and the Vendor relating to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of the Directors from time to time

“Business”	has the meaning ascribed to it in the paragraph headed “Information on the Target Group” in this announcement
“Business Day”	a day (not being a Saturday, a Sunday or days on which a typhoon signal No. 8 or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“BVI”	the British Virgins Islands
“Casino Lan Kwai Fong”	a casino (including slot machine hall(s)) located in Hotel Lan Kwai Fong (Macau) which is situated at Rua Xiamen No. 59, R/C, Macau
“Circular”	the circular to be issued by the Company to the Shareholders on or before 30 April 2014 in accordance with the Listing Rules in respect of the Agreement and the transactions contemplated thereunder
“Classic Management”	Classic Management & Services Company Limited, a company established under the laws of Macau which is an indirect wholly owned company of the Company
“Company”	China Star Entertainment Limited, an exempted company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date falling on the second Business Day after the fulfillment of the conditions precedent set out in the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$800.00 million to be paid by the Purchaser to the Vendor pursuant to the Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“DICJ”	the Direcção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the public administration of Macau

“Director(s)”	director(s) of the Company from time to time
“EE Junket Licence”	the licence (No. E153) issued by DICJ authorizing Eight Elements to act as junket operator under Macau Administration 6/2002 (第6/2002號行政法規)
“Eight Elements”	Eight Elements Entertainment Limited, a company incorporated in Macau, which is wholly and beneficially owned by the Vendor
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HWKFE”	Heung Wah Keung Family Endowment Limited, an investment holding company incorporated in the BVI with limited liability and beneficially owned as to 50% by Mr. Heung and as to 50% by Ms. Chen
“Independent Third Party (ies)”	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 not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange
“Mr. Heung”	Mr. Heung Wah Keung, the Chairman of the Board, an executive Director and a controlling shareholder of the Company
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, the Vice Chairman of the Board, an executive Director and a controlling shareholder of the Company

“Placing”	the proposed placing which is subject to the Shareholders approval at the relevant special general meeting of the Company of up to 3,200,000,000 new Shares by an independent placing agent, on a best effort basis, pursuant to the terms and conditions of the placing agreement entered into by the Company and the independent placing agent on 27 January 2014. Details of Placing has been announced by the Company on 27 January 2014
“POA”	the power of attorney to be executed by the Vendor in favour of the Target, details of which have been in the section headed “Information of the Target Group” in this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Profit Transfer Agreements”	collectively, the 2013 Profit Transfer Agreement, the 2014 Profit Transfer Agreement and all profit transfer agreements to be entered into among the Vendor, Eight Elements and the Target, details of which have been in the section headed “Information of the Target Group” in this announcement
“Promissory Note”	the promissory note in sum of HK\$200.00 million to be issued by the Company in favour of the Vendor for the purpose of settling part of the Consideration
“Promissory Transfer Agreement”	the promissory transfer agreement to be entered into between the Vendor and the Purchaser in relation to the possible transfer of ownership over Eight Elements
“Purchaser”	Classic Champion Holdings Limited, a company incorporated in the BVI with limited liability, a direct wholly owned subsidiary of the Company, and the purchaser under the Agreement
“Relevant Contracts”	other business contracts for the purpose of the Business other than the VIE Contacts, including but not limited to the VIP Room Cooperation Agreement, Mass Market Cooperation Agreement and the Gaming Promoter Agreement

“Sale Loan”	all obligations, liabilities and debts owing or incurred by Eight Elements 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 as at the date of the Agreement, amounted to HK\$20.00 million
“Sale Share”	one share of US\$1.00, being the entire issued share capital of the Target as at the date of the Agreement which is legally and beneficially owned by the Vendor
“Service Agreement”	the services and site license agreement dated 12 August 2009 and entered into between SJM and Classic Management as supplemented by a supplemental agreement dated 12 September 2009 and entered into between SJM and Classic Management and a service exclusivity agreement dated 31 January 2012 and entered into between SJM, Classic Management and Hotel Lan Kwai Fong (Macau) Limited, an indirect wholly owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“SJM”	Sociedade De Jogos De Macau, S.A., one of the six concessionaires in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Protective Capital Group Limited, a company incorporated in the BVI with limited liability which is wholly owned by the Vendor and is the target under the Acquisition
“Target Group”	the Target and its subsidiaries, including Eight Elements
“Usufruct Agreement”	the usufruct agreement to be entered into between the Vendor and the Target, details of which have been set out in the section headed “Information of the Target Group” in this announcement
“Vendor”	Mr. Kam Lap Sing Kelvin, being the legal and beneficial owner of the Sale Share, representing the entire issued share capital of the Target and the Sale Loan, and the vendor under the Agreement and an Independent Third Party

“VIE Contracts”	collectively, the Profit Transfer Agreements, the Usufruct Agreement, the POA and the Promissory Transfer Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“MOP”	Macao Pataca, the lawful currency of Macau
“%”	per cent.

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

Hong Kong, 25 February 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.