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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION – DISPOSAL OF EQUIPMENTS

THE MEMORANDUM OF AGREEMENT

On 3 December 2008, CSP, an indirect wholly-owned subsidiary of the Company, entered into the Memorandum of Agreement with the Purchaser, pursuant to which CSP has agreed to dispose and the Purchaser has agreed to acquire the Equipment for a total consideration of HK\$11,200,000.

LISTING RULES IMPLICATIONS

Given that the relevant percentage ratios under Rule 14.06(2) of the Listing Rules for the Disposal under the Memorandum of Agreement are less than 25% but greater than 5%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

GENERAL

A circular containing, amongst other things, details of the Disposal and the relevant information required pursuant to the Listing Rules will be despatched to the Shareholders as soon as practicable.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended with effect from 9:30 a.m. on 27 November 2008 and will remain suspended pending the release of an announcement in relation to a very substantial acquisition of the Company.

THE MEMORANDUM OF AGREEMENT

Date

3 December 2008

Parties

CSP, as vendor

The Purchaser

The principal activities of the Purchaser are development of film studios and ancillary facilities. To the best of the Directors' knowledge, information and beliefs having made all reasonable enquiries, the Purchaser is a third party independent of the Company and connected persons of the Company.

Assets to be disposed

A numbers of film production system/unit consist of film editing system, graphic/pictures control system, subtitle system, video and audio control units, etc. which are used for post production process to the final cut of films.

Prior to the Disposal, the Equipments were hold by CSP as fixed assets with an aggregate carrying value of approximately HK\$1,211,000 as at 31 December 2007. The Equipments were acquired by CSP at a total cost of approximately HK\$35,220,000.

Consideration

The consideration for the Equipments is HK\$11,200,000 has been/shall be paid to CSP by the Purchaser in the following manner:

- (i) HK\$5,600,000 has been paid in cash on the date of the Memorandum of Agreement as deposit; and
- (ii) the balance shall be paid in cash upon delivery and installation of the Equipments.

The consideration was determined after arm's length negotiations between the Company and the Purchaser after taking into the account of carrying value of the Equipments of HK\$1,211,000 as at 31 December 2007. The Directors are of the view that the terms of the Disposal is fair and reasonable and on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

Based on the financial records of CSP, the net losses (both before and after taxation and extraordinary items) attributable to the Equipments derived from the post-production services for the year ended 31 December 2006 and 31 December 2007 were approximately HK\$2,327,000 and HK\$214,000 respectively.

REASONS FOR THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, and the provision of post-production services, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

Upon completion of the Disposal, the Group will discontinue the operations in provision of post-production services.

The Directors consider that the disposal of the Equipments is a good opportunity to realise the gain and to apply the net proceeds for the working capital of the Group. It is not expected to be any material impact (except one-off estimated net gain) on the Company's results of operation upon completion of the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

Following the completion of the Disposal, the Group will receive the consideration of HK\$11,200,000. The estimated gain on disposal that is expected to accrue to the consolidated income statement of the Company in 2008 on the disposal of the Equipments is approximately HK\$9,989,000. The estimated gain on disposal was calculated by reference to HK\$1,211,000 carrying value of the Equipments in the financial records of CSP as at 31 December 2007.

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TERMS USED IN THIS ANNOUNCEMENT

“Board”	board of Directors;
“CSP”	China Star Production Services Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	directors of the Company;
“Disposal”	the disposal of the Equipments by CSP to the Purchaser pursuant to the Memorandum of Agreement;
“Equipments”	a numbers of system/unit to be used for post production process to the final cut of films;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum of Agreement”	the agreement dated 3 December 2008 entered into between CSP and the Purchaser relating to the Disposal;
“Purchaser”	Hong Kong Movie City Company Limited, a company incorporated in Hong Kong with limited liability;
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company as at the date of this announcement;

“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

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

Hong Kong, 4 December 2008

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. Leung Hok Man.