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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF BINGO CHANCE LIMITED

THE S&P AGREEMENT

On 8 June 2009, China Star BVI, a wholly-owned subsidiary of the Company, entered into the S&P Agreement with the Purchaser, pursuant to which China Star BVI has conditionally agreed to dispose and the Purchaser has conditionally agreed to acquire the Sale Share for a total consideration of HK\$22,960,000.

REASONS FOR THE DISPOSAL

Given the strong rally in the equities market in the past few months, the Directors consider that the Disposal provides the Company with an opportunity to realise its investment in Daido for immediate cash inflow for financing its existing business operations and general working capital of the Group.

LISTING RULES IMPLICATIONS

Given that the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Disposal under the S&P Agreement are less than 25% but greater than 5%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

THE S&P AGREEMENT

Date

8 June 2009

Parties

China Star BVI, as Vendor

Elite Plan Investments Limited, as Purchaser

The Purchaser is an investment holding company.

To the best of the Directors' knowledge, information and beliefs having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company (as defined under the Listing Rules).

Assets to be disposed

The Sale Share represents the entire issued share capital of Bingo Chance. Bingo Chance is an investment holding company which legally and beneficially owns 700,000,000 Daido Shares, representing approximately 16.79% of the issued share capital of Daido, a company incorporated in Bermuda with limited liability, the issued shares of Daido which are listed on the Main Board of the Stock Exchange.

The Company's interest in the Daido Shares were treated as available-for-sale financial assets under non-current assets, which was valued at approximately HK\$39.9 million as at 31 December 2007 as compared to approximately HK\$16.8 million as at 31 December 2008.

Consideration

The consideration for the Sale Share is HK\$22,960,000, which has been paid to the Company by the Purchaser in cash upon signing of the S&P Agreement, which shall be refunded to the Purchaser without interest upon the termination or non-completion of the S&P Agreement.

The consideration was determined after arm's length negotiations and with reference to the prevailing trading price of the shares of Daido. According to the trading price as quoted from the website of the Stock Exchange, the closing price of the shares of Daido on the date of the S&P Agreement was HK\$0.038 per share. The Directors are of the view that the terms of the Disposal is fair and reasonable and on normal commercial terms.

Conditions Precedent:

Completion of the S&P Agreement is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Purchaser as at Completion:

- (i) the shares of Daido remaining listed and traded on the Stock Exchange at all times from the date of the S&P Agreement to the Completion Date, save for any temporary suspension not exceeding ten consecutive trading days, or such longer period as the Purchaser may accept in writing;
- (ii) any licence, consent, approval, authorisation, permission, waiver, order or exemption of the Stock Exchange and the SFC and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, British Virgin Islands or elsewhere which are required or appropriate for the entering into and the implementation of the S&P Agreement having been given or made; all waiting periods required under the laws of Hong Kong, British Virgin Islands or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with; and
- (iii) the warranties, representations and undertakings in the S&P Agreement remaining true and accurate in all material respects.

The parties shall use all reasonable endeavours to procure satisfaction of the conditions by no later than 5:00 p.m. on the Business Day before the Completion Date. The Vendor and Daido shall provide all such information and documents and execute all such applications, documents and other things as may be requested by the Stock Exchange, the SFC or any other regulatory authority to ensure satisfaction of the appropriate conditions.

The Purchaser may in its absolute discretion at any time waive in writing any of the conditions (or any part thereof), and such waiver may be made subject to such terms and conditions as are determined by the Purchaser and agreed by the Vendor.

In the event that not all the conditions have been fulfilled or waived by the Purchaser by no later than 5:00 p.m. on the Business Day before the Completion Date (or by such later date(s) as the parties may agree in writing), the S&P Agreement shall lapse and be of no further effect and no party to the S&P Agreement shall have any claim against or liability or obligation to the other parties.

Completion shall take place on the Completion Date.

REASONS FOR THE DISPOSAL

The Group is principally engaged in film production, distribution of film and television drama series, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

Daido, whose shares are listed on the Main Board of the Stock Exchange, is an investment holding company and its subsidiaries are principally engaged in the provision of cold storage and related logistics services, manufacture and trading of ice and property investment and investment holding.

Given the strong rally in the equities market in the past few months, the Directors consider that the Disposal provides the Company with an opportunity to realise its investment in Daido for immediate cash inflow for financing its existing business operations and general working capital of the Group.

In view of the above factors, the Directors are of the view that the Disposal is in the interests of the Company and its Shareholders as a whole and that the terms of the S&P Agreement are fair and reasonable and on normal commercial terms.

FINANCIAL EFFECTS OF THE DISPOSAL

Following the completion of the Disposal, the Group will receive the consideration of HK\$22,960,000. According to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the cumulative loss on the Disposal will be HK\$29,602,000 which includes reversal of fair value loss of HK\$35,762,000 from the financial assets revaluation reserve of the Group as at 31 December 2008.

LISTING RULES IMPLICATIONS

Given that the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Disposal under the S&P Agreement are less than 25% but greater than 5%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Bingo Chance”	Bingo Chance Limited, a company incorporated in the British Virgin Islands with limited liability;
“Business Day”	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business;
“China Star BVI” or the “Vendor”	China Star Entertainment (BVI) Limited, a company incorporated in British Virgin Islands with limited liability and a 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;
“Completion”	the completion of the S&P Agreement;
“Completion Date”	being the date on or before 30 June 2009 or such other date as may be agreed in writing between the parties;
“Daido”	Daido Group Limited (stock code: 544), a company whose shares are listed on the Main Board of the Stock Exchange;
“Daido Share(s)”	700,000,000 ordinary share(s) of HK\$0.01 each in the issue share capital of Daido which legally and beneficially owned by Bingo Chance;
“Directors”	directors of the Company;
“Disposal”	the disposal by the Vendor of the Sale Share to the Purchaser pursuant to the S&P Agreement;
“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;

“Purchaser”	Elite Plan Investments Limited;
“Sale Share”	1 ordinary share of US\$1.00 par value in the issued share capital of Bingo Chance, being the entire issued share capital of Bingo Chance;
“S&P Agreement”	the conditional sale and purchase agreement dated 8 June 2009 entered into between the Vendor and the Purchaser relating to the Disposal;
“SFC”	the Securities and Future Commission of Hong Kong;
“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;
“US\$”	United State dollars; and
“%”	per cent.

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

Hong Kong, 8 June 2009

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.