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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

MAJOR AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING

THE LOAN AGREEMENT

On 23 October 2007 (after trading hours), KHL, a non wholly-owned subsidiary of the Company, entered into the Loan Agreement with Most Famous, pursuant to which KHL has conditionally agreed to make available a loan facility of up to HK\$196 million to Most Famous.

As Most Famous is a substantial shareholder of KHL and a connected person of the Company under Rule 14A.11 of the Listing Rules. As such, the grant of the Loan Facility by KHL to Most Famous constitutes a connected transaction of the Company under Rule 14A.13(2)(a) (i) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules.

Given that the relevant percentage ratios under Rule 14.07 of the Listing Rules for the grant of the Loan Facility are more than 25%, the grant of the Loan Facility constitutes a major transaction of the Company under the Listing Rules.

An independent board committee of the Company will be formed to advise the Independent Shareholders in relation to the Loan Agreement. Grand Cathay Securities (Hong Kong) Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in relation to the terms of the Loan Agreement.

A circular containing, among others, (a) further information on the Loan Agreement; (b) the advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders in relation to the Loan Agreement; (c) the recommendation from the independent board committee of the Company to the Independent Shareholders in relation to the Loan Agreement; and (d) a notice of SGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 24th October, 2007 pending the release of this announcement. The Company has applied for a resumption of trading in its Shares with effect from 9:30 am on 29th October, 2007.

THE LOAN AGREEMENT

Date

23 October 2007 (after trading hours)

Parties

Lender: KHL, a non wholly-owned subsidiary of the Company

Borrower: Most Famous , a company wholly equally owned by Mr. Li Chi Keung and Ms. Wong Hoi Ping. Neither has any position or role in the Company.

Amount

Subject to the terms and conditions of the Loan Agreement, KHL has agreed to grant the Loan Facility to Most Famous. The Loan Facility is of up to HK\$196 million and will be financed by a HK\$650 million banking facility granted to KHL by Seng Heng Bank Limited in mid July 2007 part of which was used for the Company's financial requirements in acquiring a 51% interest in Best Mind International Inc. The banking facility granted to KHL was secured by guarantees given by the shareholders of KHL in proportion to their percentage holdings and a charge over the Kingsway Hotel and its staff quarters.

Interest

The Loan Facility is interest free. A default interest rate of 9% per annum is payable on any overdue amount whether principal or interest.

Term

The Loan Facility is for a term not exceeding 3 years commencing in the drawdown date.

Conditions Precedent

The drawdown of the Loan Facility is subject to, amongst others, the condition that the Loan Facility having been approved by the Independent Shareholders at the SGM.

Security

None. The credit risk in granting the Loan Facility to Most Famous is considered acceptable as the ultimate beneficial owners of Most Famous are reputable persons of high status in Macau and Hong Kong and Most Famous is also one of the guarantors in the banking facility granted to KHL by Seng Heng Bank Limited.

Repayment

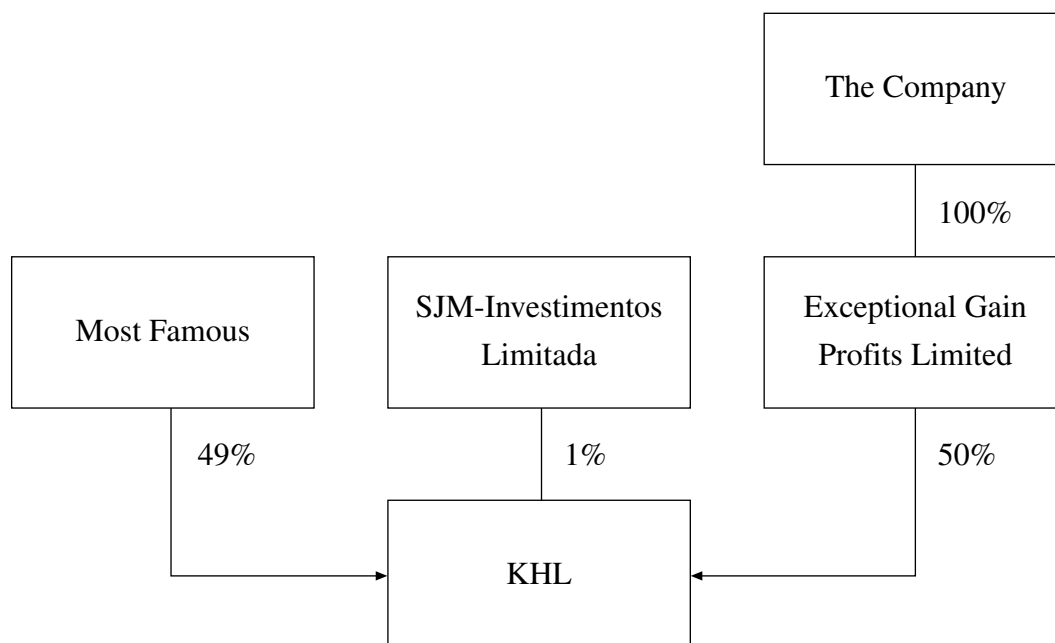
Most Famous shall repay the Loan Facility advance in full on or before the maturity date.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LOAN AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, the provision of post-production services and property and hotel investment.

On 17 August 2007, KHL made an interest-free loan of HK\$200 million to Exceptional Gain Profits Limited, a wholly-owned subsidiary of the Company. In light of that interest-free loan, Most Famous has requested that in all fairness to all shareholders of KHL, a pro rated interest-free loan should also be made to the shareholders of KHL on the same terms. The Directors believe that this request is reasonable and KHL has therefore entered into the Loan Agreement. The Directors are of the view that the Loan Facility is not on normal commercial terms as it is interest-free, not in the ordinary course of the Company's business but it is fair and reasonable and in the interest of Shareholders as a whole. The view of the independent non-executive Directors on the Loan Facility will be included in the circular to be despatched to Shareholders in connection with the Loan Facility as required under the Listing Rules.

SHAREHOLDING RELATIONSHIP BETWEEN THE COMPANY, KHL, MOST FAMOUS AND EXCEPTIONAL GAIN PROFITS LIMITED



GENERAL

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A circular containing, among others, (a) further information on the Loan Agreement; (b) the advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders in relation to the Loan Agreement; (c) the recommendation from the independent board committee of the Company to the Independent Shareholders in relation to the Loan Agreement; and (d) a notice of SGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

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TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors;
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	Shareholders other than the parties involved in the Loan Agreement and its associates;
“KHL”	Kingsway Hotel Limited, a company incorporated in Macau whose principal asset is the Kingsway Hotel;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the conditional loan agreement dated 23 October 2007 entered into between KHL as lender and Most Famous as borrower in respect of the Loan Facility;
“Loan Facility”	a loan facility of up to HK\$196 million to be granted by KHL to Most Famous pursuant to the terms of the Loan Agreement;
“Most Famous” or “Borrower”	Most Famous Enterprises Limited, a company incorporated in the British Virgin Islands and wholly equally owned by Mr. Li Chi Keung and Ms. Wong Hoi Ping;

“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Loan Agreement;
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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

Hong Kong, 26th October 2007

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.