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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

(Warrant Code: 1056)

### **ANNOUNCEMENT PURSUANT TO RULE 3.8 OF THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

#### **UPDATE OF NUMBER OF RELEVANT SECURITIES IN ISSUE**

This announcement is made pursuant to Rule 3.8 of the Takeovers Code.

Reference is made to the circular of China Star Entertainment Limited (the “**Company**”) dated 28 September 2012 (the “**Circular**”) in relation to, among others, (i) the proposed conditional cash offer by Get Nice Securities Limited on behalf of the Company to repurchase up to 887,901,665 issued ordinary shares of the Company at a price of HK\$0.35 per share; (ii) the application for whitewash waiver; (iii) the possible bonus issue and issue of bonus convertible bonds to fulfill the minimum public float requirement; and (iv) the proposed amendments to the Company’s bye-laws. Reference is also made to the announcement of the Company dated 5 November 2012 in relation to the update of number of relevant securities in issue of the Company. Capitalised terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

On 6 November 2012, the Company issued and allotted an aggregate of 1,075,659 Shares, representing approximately 0.06% of the issued share capital of the Company of 1,674,529,019 Shares as at the date of this announcement, to the holders of the

Warrants II for the exercise of the conversion rights attaching to the Warrants II. Save for the issue and allotment of 1,075,659 Shares disclosed immediately above, no other Share has been issued and allotted by the Company to the holders of the Share Options and the Warrants II during the period from 5 November 2012 and up to the date of this announcement.

As a result of the issue and allotment of 1,075,659 Shares disclosed immediately above, the total number of Shares in issue has increased from 1,673,453,360 Shares as at 5 November 2012 to 1,674,529,019 Shares as at the date of this announcement.

As at the date of this announcement, there are

- (i) 1,674,529,019 Shares in issue, of which 1,174,679,702 Shares are held by the Concert Group and the remaining 499,849,317 Shares are held by the Independent Shareholders;
- (ii) 2,976,198 Share Options, of which 270,262 Share Options are held by the Concert Group, 10,558 Share Options are held by a Director, 2,229,487 Share Options are held by employees of the Company and the remaining 465,891 Share Options are held by other participants of the share options scheme of the Company, entitling the holders thereof to subscribe for an aggregate of 2,976,198 new Shares;
- (iii) the Warrants II in an aggregate principal amount of HK\$55,904,479.30, of which HK\$53,999,975.00 are held by the Concert Group and the remaining HK\$1,904,504.30 are held by other holders of the Warrants II, entitling the holders thereof to subscribe for an aggregate of 270,069,948 new Shares; and
- (iv) the Issued CBs in an aggregate principal amount of HK\$350.00 million, carrying rights entitling Eternity Finance to convert their principal amount into 972,222,222 new Shares.

Save as disclosed in the Circular and immediately above, there is no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.

The table below shows the shareholding structure of the Company, (i) as at 5 November 2012; (ii) as at the date of this announcement; and (iii) assuming all of the Share Options and the Warrants II (except for those held by the Undertaking Parties) are exercised in full and all Shareholders (except for the Undertaking Parties) accept the Offer in full on the closing of the Offer:

	As at 5 November 2012		As at the date of this announcement		Assuming all of the Share Options and the Warrants II (except for those held by the Undertaking Parties) are exercised in full and all Shareholders (except for the Undertaking Parties) accept the Offer in full on the closing of the Offer	
	Shares	Approx.%	Shares	Approx.%	Shares	Approx.%
			(Note 1)		(Note 2)	
<b>The Concert Group</b>						
Heung Wah Keung Family						
Endowment Limited	898,686,000	53.70	898,686,000	53.67	898,686,000	76.50
Mr. Lei Hong Wai	7,980,000	0.48	7,980,000	0.48	7,980,000	0.68
Simple View Investment Limited	200,000,000	11.95	200,000,000	11.94	200,000,000	17.03
Victory Peace Holdings Limited	68,000,000	4.06	68,000,000	4.06	68,000,000	5.79
Dorest Company Limited	13,702	0.00	13,702	0.00	0	0.00
<b>Sub-total</b>	<b>1,174,679,702</b>	<b>70.19</b>	<b>1,174,679,702</b>	<b>70.15</b>	<b>1,174,666,000</b>	<b>100.00</b>
<b>Public Shareholders</b>	<b>498,773,658</b>	<b>29.81</b>	<b>499,849,317</b>	<b>29.85</b>	<b>0</b>	<b>0.00</b>
<b>Total</b>	<b>1,673,453,360</b>	<b>100.00</b>	<b>1,674,529,019</b>	<b>100.00</b>	<b>1,174,666,000</b>	<b>100.00</b>

Notes:

- As at the date of this announcement, the Company has issued and allotted an aggregate of 1,075,659 Shares, representing approximately 0.06% of the issued share capital of the Company of 1,674,529,019 Shares, to the holders of the Warrants II upon exercise of the subscription rights attaching to the Warrants II at an adjusted subscription price of HK\$0.207 per Share. Given that there is no change in the number of Shares held by HWKFE and the Concert Group, the shareholdings of HWKFE in the Company decreased from 53.70% of the issued share capital of the Company as at 5 November 2012 to 53.67% of the total issued share capital of the Company as at the date of this announcement. A confirmation from the Executive that the decrease of shareholding interests of HWKFE, its ultimate beneficial owners and party acting in concert with any of them in the Company as a result of any exercise of the Warrants I and the Warrants II during the Offer Period, does not constitute disqualifying transactions under paragraph 3(b) of Schedule VI of the Takeovers Code for the purpose of the Whitewash Waiver has been obtained by the Company.

2. For illustration purpose only. Pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, if the percentage of Shares held by the public falls below the prescribed minimum (being 25% of the total issued share capital of the Company), the Stock Exchange reserves the right to suspend trading of the Shares until appropriate steps have been taken to restore the minimum percentage of Shares in the hands of the public. Detailed information relating to the public float has been disclosed in the Company's announcement dated 25 October 2012.

The Concert Group and parties acting in concert with any of them had not dealt in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the date of this announcement.

## **WARNING**

**Shareholders should note that their voting decision on the resolutions proposed at the SGM shall not affect their investment decision as to whether to accept the Offer or not. Shareholders are advised to consider the detailed terms of the Offer and the Whitewash Waiver and read, among other things, the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Advisers contained in the Circular before deciding whether to accept the Offer or not. If the Shareholders are in any doubt as to any aspect of the Offer or the Whitewash Waiver or as to the action to take, they should seek independent professional advice.**

**Until the closing of the Offer, it is not possible for the Company to determine whether the Possible Bonus Issue is a sole feasible solution or a feasible solution to restore the minimum public float of the Company, and thus whether the Possible Bonus Issue will be made or (if made) what the ratio of the Possible Bonus Issue and when the record date for determining entitlements to the Possible Bonus Issue should be. Shareholders and holders of the Warrants II and potential investors are advised to exercise caution when dealing in the Shares.**

**Dealings in the Shares and the Warrants II will continue before the close of the Offer. Shareholders and holders of the Warrants II are advised to exercise caution when dealings in the Shares and the Warrants II and should consult their professional advisers if in doubt.**

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

Hong Kong, 6 November 2012

*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.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

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