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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

(Warrant Code: 1056)

ANNOUNCEMENT ON INCREASE OF SHAREHOLDING IN THE COMPANY BY THE CONTROLLING SHAREHOLDER

Reference is made to the announcement of China Star Entertainment Limited (the “**Company**”) dated 20 November 2012 (the “**Announcement**”) in relation to the bonus issue of shares and issue of bonus convertible bonds to fulfill the minimum public float requirement. Capitalised terms used herein have the same meanings as those defined in the Announcement unless otherwise specified.

On 23 November 2012, the Company issued and allotted an aggregate of 212,807,732 new Shares, representing approximately 12.98% of the issued share capital of the Company as enlarged by the issue of 212,807,732 new Shares, pursuant to the exercise of the subscription rights attached to the Warrants in an aggregate principal amount of HK\$44,051,200.53 at an adjusted subscription price of HK\$0.207 per Share. Of the 212,807,732 new Shares, 211,114,613 new Shares were issued and allotted to HWKFE, the controlling shareholder of the Company, 1,445,652 new Shares were issued and allotted to Mr. Lei, and 247,467 new Shares were issued and allotted to public Shareholders.

As a result of the issue and allotment of the 212,807,732 new Shares, the total issued share capital of the Company increased from 1,427,224,575 Shares to 1,640,032,307 Shares.

As at the date of this announcement, the Company has the following derivatives, options, warrants and conversion rights or similar rights which are convertible or exchangeable into Shares:

- (i) 2,976,198 Share Options entitling the holders thereof to subscribe for an aggregate of 2,976,198 new Shares;
- (ii) the Warrants in an aggregate principal amount of HK\$11,687,900.26 entitling the holders thereof to subscribe for an aggregate of 56,463,286 new Shares at an adjusted subscription price of HK\$0.207 per Share (subject to further adjustment, if required); and
- (iii) 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 at an adjusted conversion price of HK\$0.36 per Share (subject to further adjustment, if required).

The shareholding structure of the Company before and after the issue and allotment of 212,807,732 new Shares are as follow:

| | Before the issue and allotment of 212,807,732 new Shares | | After the issue and allotment of 212,807,732 new Shares | |
|---|--|-----------------|---|-----------------|
| | <i>Shares</i> | <i>Approx.%</i> | <i>Shares</i> | <i>Approx.%</i> |
| Heung Wah Keung Family Endowment Limited | 898,686,000 | 62.97 | 1,109,800,613 | 67.67 |
| Mr. Lei Hong Wai | 7,980,000 | 0.56 | 9,425,652 | 0.58 |
| Simple View Investment Limited | 200,000,000 | 14.01 | 200,000,000 | 12.19 |
| Victory Peace Holdings Limited | 68,000,000 | 4.77 | 68,000,000 | 4.15 |
| Dorest Company Limited | 13,702 | 0.00 | 13,702 | 0.00 |
| Sub-total | 1,174,679,702 | 82.31 | 1,387,239,967 | 84.59 |
| Public Shareholders | 252,544,873 | 17.69 | 252,792,340 | 15.41 |
| Total | 1,427,224,575 | 100.00 | 1,640,032,307 | 100.00 |

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

Hong Kong, 23 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.