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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 SUBSTANTIAL SHAREHOLDER

References are made to the announcements of China Star Entertainment Limited (the “**Company**”) in relation to the bonus issue of shares and issue of bonus convertible bonds to fulfill the minimum public float requirement dated 20 November 2012 (the “**Announcement**”) and the increase of shareholding in the Company by the controlling shareholder dated 23 November 2012. Capitalised terms used herein have the same meanings as those defined in the Announcement unless otherwise specified.

On 4 December 2012, the Company issued and allotted an aggregate of 40,761,688 new Shares, representing approximately 2.43% of the issued share capital of the Company as enlarged by the issue of 40,761,688 new Shares, pursuant to the exercise of the subscription rights attached to the Warrants in an aggregate principal amount of HK\$8,437,669.42 at an adjusted subscription price of HK\$0.207 per Share. Of the 40,761,688 new Shares, 35,990,338 new Shares were issued and allotted to Simple View, the substantial shareholder of the Company, and 4,771,350 new Shares were issued and allotted to public Shareholders.

As a result of the issue and allotment of the 40,761,688 new Shares, the total issued share capital of the Company increased from 1,640,032,307 Shares to 1,680,793,995 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\$3,250,230.84 entitling the holders thereof to subscribe for an aggregate of 15,701,598 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 40,761,688 new Shares are as follow:

	Before the issue and allotment of 40,761,688 new Shares		After the issue and allotment of 40,761,688 new Shares	
	<i>Shares</i>	<i>Approx.%</i>	<i>Shares</i>	<i>Approx.%</i>
Heung Wah Keung Family				
Endowment Limited	1,109,800,613	67.67	1,109,800,613	66.03
Mr. Lei Hong Wai	9,425,652	0.58	9,425,652	0.56
Simple View Investment Limited	200,000,000	12.19	235,990,338	14.04
Victory Peace Holdings Limited	68,000,000	4.15	68,000,000	4.05
Dorest Company Limited	13,702	0.00	13,702	0.00
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Sub-total	1,387,239,967	84.59	1,423,230,305	84.68
Public Shareholders	252,792,340	15.41	257,563,690	15.32
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Total	1,640,032,307	100.00	1,680,793,995	100.00
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By Order of the Board
China Star Entertainment Limited
Heung Wah Keung
Chairman

Hong Kong, 4 December 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.