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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 shares in the Company; (ii) application for whitewash waiver; (iii) possible issue of bonus shares and issue of bonus convertible bonds to fulfill the minimum public float requirement; and (iv) proposed amendments to the by-laws. Reference is also made to the announcement of the Company dated 19 September 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 19 October 2012, the Company issued and allotted an aggregate of 403,259 Shares, representing approximately 0.02% of the issued share capital of the Company of 2,049,585,565 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 403,259 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 the Latest Practicable Date (as defined in the Circular) and up to the date of this announcement.

As a result of the issue and allotment of 403,259 Shares, the total number of Shares in issue has increased from 2,049,182,306 Shares as at the Latest Practicable Date to 2,049,585,565 Shares as at the date of this announcement.

As at the date of this announcement, there are

- (i) 2,049,585,565 Shares in issue, of which 1,174,679,702 Shares are held by the Concert Group and the remaining 874,905,863 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\$56,127,140.71, of which HK\$53,999,975.00 are held by the Concert Group and the remaining HK\$2,127,165.71 are held by other holders of the Warrants II, entitling the holders thereof to subscribe for an aggregate of 271,145,607 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 shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) as at the date of this announcement is set out below:

	As at the Latest Practicable Date		As at the date of this announcement	
	Shares	Approx.%	Shares	Approx.%
The Concert Group				
Heung Wah Keung Family Endowment Limited	898,686,000	43.86	898,686,000	43.85
Mr. Lei Hong Wai	7,980,000	0.39	7,980,000	0.39
Simple View Investment Limited	200,000,000	9.76	200,000,000	9.76
Victory Peace Holdings Limited	68,000,000	3.32	68,000,000	3.31
Dorest Company Limited	13,702	0.00	13,702	0.00
Sub-total	1,174,679,702	57.33	1,174,679,702	57.31
Public Shareholders (<i>Note</i>)	874,502,604	42.67	874,905,863	42.69
Total	2,049,182,306	100.00	2,049,585,565	100.00

Note: After the Latest Practicable Date and up to the date of this announcement, the Company has issued and allotted an aggregate of 403,259 Shares, representing approximately 0.02% of the issued share capital of the Company of 2,049,585,565 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 (subject to further adjustment, if required).

Save as disclosed in the Circular, 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 period from 2 November 2011 (being the date falling six months before the date on which the Board approved the proposal relating to the Offer) and up to the date of this announcement.

WARNING

As the Offer is subject to fulfillment of conditions, it may or may not become unconditional and the Offer may or may not proceed. Shareholders, holders of the Warrants II and potential investors are advised to exercise caution when dealing in the Shares and the Warrants II.

Dealings in the Shares and the Warrants II will continue notwithstanding the Offer may or may not become unconditional in all respects and the Offer may or may not proceed. During such period, persons dealing in the Shares and the Warrants II will bear the risk that the Offer may lapse. Shareholders and holders of the Warrants II should consult their professional advisers if in doubt.

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

Hong Kong, 19 October 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; 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.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day of its publication and will be published and remains on the website of the Company at www.chinastar.com.hk and www.irasia.com/listco/hk/chinastar.