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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 326)

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcement dated 8 July 2010 made by the Company regarding the Rights Issue. The Board would like to clarify certain information contained herein.

Reference is made to the announcement dated 8 July 2010 made by China Star Entertainment Limited (the “**Company**”) regarding the Rights Issue (the “**Announcement**”). Terms defined in the Announcement shall have the same meanings when used herein unless otherwise stated.

The Board would like to clarify that the Underwriter was interested in 7 Shares and 154 Warrants as at the date of the Announcement. As such, the Board has updated the shareholdings of the Underwriter and other public Shareholders in the Company, and the following shareholding structure should replace the structure under the section headed “Changes in the shareholding structure of the Company arising from the Rights issue (b) Assuming all the Options and Warrants are exercised on or before the Record Date” on page 17 of the Announcement:

**(b) Assuming all the Options and Warrants are exercised on or before the Record Date**

	As at the date of this announcement		Assuming all the Options and Warrants are exercised in full on or before the Record Date and before completion of the Rights Issue		Assuming all the Options and Warrants are exercised in full on or before the Record Date and completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Assuming all the Options and Warrants are exercised in full on or before the Record Date and completion of the Rights Issue (assuming none of the Right Shares are subscribed by the Qualifying Shareholders other than Porterstone) (Note 5)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
China Star Investment Holdings Limited	680,000,000	23.535	816,000,000	21.190	1,224,000,000	21.190	816,000,000	14.127
Porterstone (Notes 1 and 2)	141,270,000	4.889	169,524,000	4.402	254,286,000	4.402	254,286,000	4.402
Dorest Company Limited (Note 2)	137,025	0.005	164,430	0.004	246,645	0.004	164,430	0.003
Mr. Heung Wah Keung (Note 2)	-	-	8,864	0.000	13,296	0.000	8,864	0.000
Ms. Chen Ming Yin, Tiffany (Note 2)	-	-	8,864	0.000	13,296	0.000	8,864	0.000
Sub-total	141,407,025	4.894	169,706,158	4.406	254,559,237	4.406	254,468,158	4.405
Ms. Li Yuk Sheung (Note 3)	-	-	28,978,702	0.753	43,468,053	0.753	28,978,702	0.502
Skylight Property Ltd. (Note 4)	237,970,000	8.236	237,970,000	6.180	356,955,000	6.180	237,970,000	4.120
Yo Chen Limited (Note 4)	27,039,700	0.936	27,039,700	0.702	40,559,550	0.702	27,039,700	0.468
Sub-total	265,009,700	9.172	265,009,700	6.882	397,514,550	6.882	265,009,700	4.588
Public								
Holders of the Options (other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung)	-	-	354,680,181	9.211	532,020,271	9.211	354,680,181	6.140
Underwriter	7	0.000	161	0.000	241	0.000	1,840,648,287	31.866
Other public Shareholder	1,802,869,636	62.399	2,216,445,350	57.558	3,324,668,026	57.558	2,216,445,350	38.372
Total	2,889,286,368	100.00	3,850,820,252	100.00	5,776,230,378	100.00	5,776,230,378	100.00

*Notes:*

1. Pursuant to the Underwriting Agreement, Porterstone has given an irrevocable undertaking in favour of the Company and the Underwriter (a) to accept or procure the acceptance for the Rights Shares, being not less than 70,635,000 Rights Shares and not more than 84,762,000 Rights Shares (if the Warrants held by Porterstone being exercised in full on or before the Record Date); and (b) to lodge the provisional allotment letter(s) in respect of the Rights Shares accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.
2. Dorest Company Limited is owned as to 60% by Porterstone and as to 40% by Mr. Heung Wah Keung, an executive Director. The Shares held by Dorest Company Limited are under a charging order.
3. Ms. Li Yuk Sheung is an executive Director.
4. Skylight Property Ltd. and Yo Chen Limited are beneficially owned as to 50% by Mr. Kwok Lung and as to 50% by Mr. Li Chi Lam.
5. This scenario is for illustrative purpose only and will not occur. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Untaken Shares,
  - (a) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (having the meaning of the Takeovers Code) with it in the Company to exceed 10% of the voting rights of the Company upon the completion of the Rights Issue; and
  - (b) the Underwriter shall use all reasonable endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be Independent Third Party; and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert (having the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue.

To the best of the Directors' knowledge, information and belief, save for the fact that the Underwriter is interested in 7 Shares and 154 Warrants, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

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

Hong Kong, 9 July 2010

*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.*