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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

POSITIVE PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform the Shareholders and potential investors that the Group is expected to record a substantial profit for the six months ended 30 June 2018 as compared to a loss of HK\$127,142,000 for the last corresponding period.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Star Entertainment Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that the Group is expected to record a substantial profit for the six months ended 30 June 2018 as compared to a loss of HK\$127,142,000 for the last corresponding period. Based on a preliminary review on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2018 and information currently available to the Board, the expected profit is mainly attributable to the gain on disposal on the entire equity interest in Charming Era Investment Limited, Exceptional Gain Profits Limited and Most Famous Enterprises Limited and their respective subsidiaries of approximately HK\$1,465 million which represented the hotel and gaming service operations of the

Group. Such profit is partially offset by (i) the substantial increase in the recognition of unrealised loss of approximately HK\$362 million (2017: HK\$57,186,000) arising on change in fair value of financial assets at fair value through profit or loss which mainly represented the decrease in fair value of the Group's equity securities listed in Hong Kong of approximately HK\$337 million and fair value of call options of the Group of approximately HK\$25 million as at 30 June 2018 respectively; and (ii) loss on early redemption on promissory note issued by the Company of approximately HK\$25 million (2017: HK\$52,334,000).

As the Group is still in the process of finalising its interim results for the six months ended 30 June 2018, which is expected to be published on 30 August 2018, the information contained in this announcement is only based on the preliminary assessment according to the unaudited consolidated management accounts of the Group and are subject to the final review by the Company's independent external auditors.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 21 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; the independent non-executive directors of the Company are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.