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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

**(Warrant Code: 1056)**

### **POSITIVE PROFIT ALERT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform the Shareholders and the potential investors that it is expected that the Group will record a profit for the six months ended 30 June 2012 as compared to a loss for the last corresponding period.

**Shareholders, holders of the warrant of the Company and potential investors are advised to exercise caution when dealing in the shares and warrants of the Company.**

This announcement is made by China Star Entertainment Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Based on a preliminary review on the management accounts of the Company and its subsidiaries (the “**Group**”), the board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and the potential investors that it is expected that the Group will record a profit for the six months ended 30 June 2012 as compared to a loss for the last corresponding period (the “**Profit Alert**”). Based on the information currently available, the expected profit is mainly due to the substantial decrease in impairment loss to be recognized in respect of the intangible assets represented the rights in sharing of profit streams from gaming promotion operations at one of the VIP room in a Macau casino. The Group had recognized an impairment loss of approximately HK\$73,830,000 from the gaming promotion operations for the six months ended 30 June 2011 due to decrease in profit

streams received from the gaming promotion operations since the business suffered keen competition in Macau. During this period, the market environment is comparatively stable and the impairment loss to be recognized is expected to be substantially decreased.

As the Group is still in the process of finalising its interim results for the six months ended 30 June 2012, which is expected to be published in late August 2012, the information contained in this announcement is only based on the preliminary assessment according to the management accounts of the Group and are subject to review by the Company's independent external auditors.

Pursuant to Rule 3.5 of the Hong Kong Codes on Takeovers and Mergers (the "**Takeovers Code**"), the Company issued an announcement on 4 June 2012 regarding the conditional cash offer (the "**Offer**") by Get Nice Securities Limited on behalf of the Company to repurchase its own shares at a price of HK\$0.35 per share and the application for the whitewash waiver (the "**Whitewash Waiver**") to the Executive by Heung Wah Keung Family Endowment Limited ("**HWKFE**") for all issued shares and other securities of the Company not already owned or agreed to be acquired by HWKFE and parties acting in concert with it as a result of the Offer, the Profit Alert is regarded as a profit forecast under Rule 10 of the Takeovers Code and is therefore needed to be 'reported on' by both the Company's financial advisers and its accountants or auditors in accordance with Rule 10 of the Takeovers Code. In particular, (i) the Company's financial advisers would have to satisfy themselves that the profit forecasts were prepared with due care and consideration by the directors of the Company, and (ii) the Company's accountants or auditors would have to satisfy themselves that the profit forecasts, so far as accounting policies and calculations are concerned, were properly prepared on the basis of the assumptions made.

Given the time constraints faced by the Company when issuing this announcement, the Profit Alert does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on by any financial advisers and/or accountants or auditors of the Company. Shareholders, holders of the warrant of the Company and potential investors should exercise caution in placing reliance on such forecasts in assessing the merits and demerits of the Offer and the Whitewash Waiver.

Nonetheless, the Company will include its interim results for the six months ended 30 June 2012 in the circular to be despatched to the Shareholders in connection with the Offer and the Whitewash Waiver. The tentative date of despatch is 23 August 2012 (if not further delayed in accordance with the Takeovers Code).

**Shareholders, holders of the warrant of the Company and potential investors should exercise caution when dealing in the shares and warrants of the Company.**

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

Hong Kong, 10 August 2012

*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.*

*The directors of the Company 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](http://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](http://www.chinastar.com.hk) and [www.irasia.com/listco/hk/chinastar](http://www.irasia.com/listco/hk/chinastar).*