China Sinostar Group Company Limited
中國華星集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 485)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

Reference is made to the financial results announcement dated 30 June 2017 and the annual report (the "**Annual Report**") of China Sinostar Group Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**") for the year ended 31 March 2017 ("**Year 2017**"). The purpose of this announcement is to provide further information regarding the hydroelectric power business of the Group for Year 2017.

As disclosed in the announcement of the Company dated 23 August 2016 (the "**Announcement**"), Hong Kong Shi Hua Fu Jia Holdings Limited (香港實華富佳控股有限公司), an indirectly wholly-owned subsidiary of the Company, entered into an agreement to acquire 100% equity interest of Benxi Manchu Autonomous County Fujia Hydropower Company Limited* (本溪滿族自治縣付家水力發電有限公司) (the "**Benxi Manchu**") at a cash consideration of RMB36 million (equivalent to approximately HK$42 million). The acquisition of Benxi Manchu was completed on 19 September 2016. The acquisition method of accounting was used for the acquisition of Benxi Manchu in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". The excess of the consideration of approximately HK$42 million over the fair value of the net identifiable assets of approximately HK$17 million was recorded as goodwill of approximately HK$25 million to the hydroelectric power business of the Group at the date of completion of the acquisition of Benxi Manchu.

Regarding the acquisition of Benxi Manchu, the Company has, among other things, reviewed historical financial statements of Benxi Manchu and conducted financial due diligence, carried out site visits, engaged an independent legal adviser to conduct legal due diligence and engaged an independent valuer to conduct valuation.

In the preparation of the financial statements of the Group for Year 2017, goodwill was tested for impairment by estimating the recoverable amount of Benxi Manchu based on value in use, where the estimated future cash flows are discounted to its present value in assessing value in use as at 31

March 2017. Based on the impairment test result, the value in use of Benxi Manchu was lower than its carrying amount as at 31 March 2017. As a result, the Company recognized goodwill impairment provision of approximately HK$25 million for Year 2017.

As disclosed in the Announcement, the unaudited net asset value of Benxi Manchu was approximately RMB42 million as at 31 December 2015, while it was disclosed in the Annual Report that property, plant and equipment of Benxi Manchu amounted to approximately HK$17 million as at its date of acquisition.

Construction costs of approximately HK$16 million for the construction and overhauls of hydroelectric power station and dam have been incurred and recorded as prepayments in the management accounts of Benxi Manchu. Due to the lack of formal value-added tax invoices and original contracts, the auditor of the Company considered that appropriate audit evidence was not sufficient. In addition, receivables of approximately HK$9 million from an independent third party have been recorded in the management accounts of Benxi Manchu. As such receivables had been overdue for years, the auditor of the Company doubted their collectability. The difference in net asset value of Benxi Manchu was due to the adjustments made for the aforesaid prepayments of approximately HK$16 million and receivables of approximately HK$9 million in arriving at the fair value of the net identifiable assets as at the date of acquisition in the preparation of the consolidated financial statements of the Company for Year 2017.

The hydroelectric power station and dam of Benxi Manchu have been in operation. For the financial year ended 31 March 2017 and 2018, the audited revenue of Benxi Manchu was approximately HK$1 million and HK$3 million, respectively, and the audited net loss of Benxi Manchu was approximately HK$3 million and the audited net profit of Benxi Manchu was approximately HK$4 million, respectively.

By order of the Board
China Sinostar Group Company Limited
Wang Jing
Chairman

Hong Kong, 8 August 2018

*   *For identification purpose.*

As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny and Mr. Song Wenke as independent non-executive Directors.