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**SIN  STAR**

**中國華星**

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

*(Incorporated in Bermuda with limited liability)*

(Stock code: 485)

## **PROPOSED CAPITAL REORGANISATION**

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The Board proposes to implement the Capital Reorganisation which comprises the following:

- (i) the consolidation of every twenty (20) issued and unissued Shares of HK\$0.01 each in the authorised share capital of the Company into one (1) Consolidated Share of HK\$0.20;
- (ii) the reduction of the issued share capital of the Company (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (b) through a cancellation of the paid up capital of the Company to the extent of HK\$0.19 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01;
- (iii) the subdivision of every unissued Consolidated Share of HK\$0.20 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into twenty (20) Adjusted Shares of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-laws including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective.

## **GENERAL**

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, further detail of the proposed Capital Reorganisation and the notice convening the SGM is expected to be despatched to the Shareholders on or before 21 August 2020.

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- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-laws including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective.

The authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 Existing Shares of HK\$0.01 each as at the date of this announcement. As at the date of this announcement, there are 4,256,797,561 Existing Shares in issue which are fully paid or credited as fully paid.

On the assumption that there is no change in the issued share capital prior to the Capital Reorganisation becoming effective, the Company will have 212,839,878 Adjusted Shares in issue and a credit of approximately HK\$40,440,000 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company. The amount standing to the credit of the contributed surplus account of the Company upon the Capital Reorganisation becoming effective may be applied

to set off against part of the balance of the accumulated losses of the Company, which amounted to approximately HK\$709,768,000 as at 31 March 2020, to the extent permitted by the laws of Bermuda and the Bye-laws.

Following the Capital Reorganisation becoming effective, the authorised share capital would be HK\$500,000,000 divided into 50,000,000,000 Adjusted Shares of HK\$0.01 each.

### **Effects of the Capital Reorganisation**

As at the date of this announcement, there are 4,256,797,561 Existing Shares in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the SGM, upon the Capital Reorganisation becoming effective, there will be 212,839,878 Adjusted Shares in issue which are fully paid or credited as fully paid.

Upon the Capital Reorganisation becoming effective, the Adjusted Shares shall rank pari passu in all respects with each other.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders.

### **Conditions of the Capital Reorganisation**

The implementation of the Capital Reorganisation is conditional upon:

- (a) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective; and
- (c) compliance with the Companies Act to effect the Capital Reduction, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due.

The Capital Reorganisation is expected to become effective on 17 September 2020 subject to the fulfilment of the above conditions.

## **Listing Application**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares or any debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the Adjusted Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

## **Adjustments in relation to other securities of the Company**

As at the date of this announcement, the Company has no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares, Consolidated Shares or Adjusted Shares, as the case may be.

## **REASONS FOR THE CAPITAL REORGANISATION**

### **Share Consolidation**

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited on 28 November 2008, which was last updated on 30 August 2019 (“**Guidelines**”), the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the recent market volatility and that the Shares had been traded below HK\$0.10 and the Shares were trading at under HK\$2,000 per board lot in the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation in order to comply with the trading requirements of the Listing Rules. The Share

Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares.

At the same time, the Group has been actively reviewing from different levels and ways to enrich the development strategy of corporate sustainability and optimisation to create values. Since it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange which, in the view of the Board, will help to enhance the corporate image of the Company and optimise the Shareholder base, as the Share Consolidation will make investing in the Consolidated Shares more attractive to a broader range of institutional and professional investors.

In view of the recent market volatility and that the Shares had been traded below HK\$0.10, the Company is unable to conduct any fund raising activities. Accordingly, the Company proposes to effect the Share Consolidation which would provide greater flexibility to the Company to carry out fund raising exercises and react promptly as and when opportunities arise. In view of the Company's financial position and performance for the year ended 31 March 2020, the upcoming challenges and uncertainties towards the overall economy, and the potential business and investment opportunities, the Company is actively exploring equity fund raising opportunities in order to improve its financial position. However, as at the date of this announcement, the Company has not entered into any agreement in respect of any fund raising activities. In the event that the Company identifies any suitable fund raising opportunities and enters into any binding agreements in respect thereof, further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

### **Capital Reduction**

The Company is prohibited from issuing new Shares at below its par value. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction, the par value of the Consolidated Shares will be HK\$0.20 per Consolidated Share. The Capital Reduction will keep the par value of the Adjusted Shares at a lower level of HK\$0.01 per Adjusted Share, which allows greater flexibility in the pricing for any issue of new Shares in the future. Furthermore, the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-laws including but not limited to offsetting against the balance of the accumulated losses of the Company.

Based on the reasons above, the Board considers that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company confirms that subject to the Capital Reorganisation becoming effective, as at the date of this announcement, the Company has no intention to carry out any corporate actions or fund raising that may affect the trading in the Shares, including share consolidation, share subdivision and change in board lot size, in the next 12 months which would have a contradictory effect to the Capital Reorganisation. However, the Board does not rule out the possibility that the Company will conduct

debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

## **BOARD LOT SIZE**

Upon the Capital Reorganisation becoming effective, the board lot size of the Adjusted Shares for trading on the Stock Exchange will remain unchanged at 20,000 Adjusted Shares per board lot, which is the same board lot size for trading of the Existing Shares on the Stock Exchange.

## **OTHER ARRANGEMENTS**

### **Fractional Entitlement to Adjusted Shares**

Fractional Adjusted Shares will be disregarded and will not be issued to the Shareholders but all such fractional Adjusted Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares of the Company regardless of the number of share certificates held by such holder.

### **Arrangement on Odd lot Trading**

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares, the Company will appoint a securities firm as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Adjusted Shares to make up a full board lot, or to dispose of their holding of odd lots of the Adjusted Shares. Details of the odd lot arrangement will be set out in the circular to be despatched to the Shareholders.

Holders of odd lots of the Adjusted Shares should note that the matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

### **Exchange of Certificates for Adjusted Shares**

Subject to the Capital Reorganisation becoming effective, which is currently expected to be Thursday, 17 September 2020, Shareholders may on or after Thursday, 17 September 2020 and until Wednesday, 28 October 2020 (both days inclusive), submit their existing share certificates in red colour for the Existing Shares to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange for share certificates in brown colour for the Adjusted Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the share registrar for each share certificate issued for the Adjusted Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher.

After 4:10 p.m. on Friday, 23 October 2020, trading will only be in Adjusted Shares which share certificates will be issued in brown colour. Existing share certificates in red colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

## **EXPECTED TIMETABLE**

The expected timetable for the Capital Reorganisation is set out below. The expected timetable is subject to the results of the SGM and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to Hong Kong local times and dates.

**2020**

Despatch date of circular with notice of the SGM . . . . . on or before Friday,  
21 August

Latest time for lodging transfers of shares in order  
to qualify for attendance and voting at the SGM . . . . . 4:30 p.m. on Monday,  
7 September

Closure of register of members of the Company for  
determining the identity of the Shareholders entitled to  
attend and vote at the SGM (both dates inclusive) . . . . . Tuesday, 8 September to  
Monday, 14 September

Latest time for lodging forms of proxy for the SGM . . . . . 11:00 a.m. on Saturday,  
12 September

Record date for attendance and voting at the SGM . . . . . Monday, 14 September

Date and time of the SGM . . . . . 11:00 a.m. on Monday,  
14 September

Publication of the announcement of the results of the SGM . . . . . Monday, 14 September

**The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reorganisation as set out in this announcement.**

Effective date of the Capital Reorganisation . . . . . Thursday, 17 September

First day for free exchange of existing share certificates  
for new share certificates for Adjusted Shares . . . . . Thursday, 17 September

Commencement of dealings in the Adjusted Shares . . . . . 9:00 a.m. on Thursday, 17 September

Original counter for trading in the Existing Shares  
in board lots of 20,000 Existing Shares  
(in the form of existing share certificates) temporarily closes . . . . . 9:00 a.m. on Thursday,  
17 September

Temporary counter for trading in the Adjusted Shares in board  
lots of 1,000 Adjusted Shares (in the form of existing  
share certificates) opens . . . . . 9:00 a.m. on Thursday,  
17 September

Original counter for trading in the Adjusted Shares in board  
lots of 20,000 Adjusted Shares (in the form of new share  
certificates for the Adjusted Shares) re-opens . . . . . 9:00 a.m. on Monday,  
5 October

Parallel trading in the Adjusted Shares (in the form of  
new share certificates for the Adjusted Shares  
and existing share certificates) commences . . . . . 9:00 a.m. on Monday,  
5 October

Designated broker starts to stand in the market to provide  
matching services for odd lots of the Adjusted Shares . . . . . 9:00 a.m. on Monday,  
5 October

Temporary counter for trading in the Adjusted Shares in board  
lots of 1,000 Adjusted Shares (in the form of  
existing share certificates) closes . . . . . 4:10 p.m. on Friday,  
23 October

Parallel trading in the Adjusted Shares (in the form of  
new share certificates for the Adjusted Shares  
and existing share certificates) ends . . . . . 4:10 p.m. on Friday,  
23 October

Designated broker ceases to stand in the market to provide  
matching services for odd lots of the Adjusted Shares . . . . . 4:10 p.m. on Friday,  
23 October



Last day for free exchange of existing share certificates

for new share certificates for the Adjusted Shares . . . . . 4:30 p.m. on Wednesday,  
28 October

## **GENERAL**

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, further detail of the proposed Capital Reorganisation and the notice convening the SGM is expected to be despatched to the Shareholders on or before 21 August 2020.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Adjusted Shares(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Board”	the board of Directors
“Bye-laws”	the bye-laws for the time being adopted by the Company and as amended from time to time
“Capital Reduction”	the proposed reduction in the issued share capital of the Company and the proposed subdivision of each authorised but unissued Consolidated Share of HK\$0.20 into 20 Adjusted Shares of HK\$0.01 each as detailed in the section headed “Proposed Capital Reorganisation” of this announcement
“Capital Reorganisation”	the Share Consolidation and the Capital Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	China Sinostar Group Company Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 485)
“Consolidated Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company immediately after the Share Consolidation becoming effective

“Director(s)”	director(s) of the Company
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the existing capital of the Company before the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be held to consider the resolution to be proposed to approve the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every twenty (20) Existing Shares in the share capital of the Company into one (1) Consolidated Share in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Share(s)”	the Existing Share(s), the Consolidated Share(s) or the Adjusted Share(s), as the context may require
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**China Sinostar Group Company Limited**  
**Wang Xing Qiao**  
*Executive Director and Chief Executive Officer*

Hong Kong, 17 August 2020

*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. Su Bo, Mr. Zeng Guanwei and Mr. Tang Shengzhi as independent non-executive Directors.*