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**CHINA STAR FILM GROUP LIMITED**  
**中國星電影集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*  
**(Stock Code: 8172)**

**CAPITAL REORGANISATION**

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The Board proposes to:

- (i) reduce the entire amount standing to the credit of the share premium account of the Company;
- (ii) transfer the entire amount standing to the credit of the share premium account of the Company to the contributed surplus account of the Company; and
- (iii) apply the amount of HK\$212,283,009.22 from the contributed surplus account of the Company to offset against the accumulated losses of the Company as permitted by the laws of Bermuda and the bye-laws of the Company.

The Capital Reorganisation is conditional upon fulfillment of certain conditions as more particularly described in the paragraph headed “Conditions of the Capital Reorganisation” below.

The Capital Reorganisation will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

**GENERAL**

A circular containing, amongst other things, further information on the Capital Reorganisation and a notice to convene the AGM will be despatched to the Shareholders as soon as practicable.

## **CAPITAL REORGANISATION**

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- (ii) transfer the entire amount standing to the credit of the share premium account of the Company to the contributed surplus account of the Company; and
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According to the audited financial statements of the Company for the year ended 31 December 2009, the balance of the share premium account was HK\$195,483,915.77. Crediting the share premium account with the amount of HK\$57,379,770.00 arose from the placing of 200,000,000 new Shares completed in two tranches on 25 January 2010 and 5 February 2010 comprised of 100,000,000 new Shares in each tranche, the aggregate balance of the share premium account as of the date of this announcement is HK\$252,863,685.77.

The balance of the contributed surplus account and the accumulated losses as of the date of this announcement is HK\$27,975,007.83 and HK\$212,283,009.22 respectively.

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

The Capital Reorganisation is conditional upon:

- (a) the passing of the necessary special resolution by the Shareholders at the general meeting of the Company to approve the Capital Reorganisation; and
- (b) compliance with the relevant procedures and requirements under the GEM Listing Rules and Bermuda laws to effect the Capital Reorganisation.

The Capital Reorganisation will be completed upon fulfilling all the conditions of the Capital Reorganisation.

## **Reasons for the Capital Reorganisation**

The Capital Reorganisation will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Directors (including the independent non-executive Directors) are of the view that the Capital Reorganisation will not have a material financial effect on the financial position of the Group. Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

## **GENERAL**

The AGM will be held to consider and, if thought fit, approve, among other matters, the resolution in respect of the Capital Reorganisation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the resolutions in relation to the Capital Reorganisation to be proposed at the AGM.

A circular containing, amongst other things, further information on the Capital Reorganisation and a notice to convene the AGM will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

In this announcement, the following words and expressions shall, unless the context otherwise requires, have the same meanings when used herein:

“AGM”	the annual general meeting of the Company to be held to consider and, if thought fit, approve, among other matters, the Capital Reorganisation
“Board”	the board of directors of the Company
“Capital Reorganisation”	(i) the proposed reduction of the entire amount standing to the credit of the share premium account of the Company; (ii) the proposed transfer of the entire amount standing to the credit of the share premium account of the Company to the contributed surplus account of the Company; and (iii) the proposed application of the amount of HK\$212,283,009.22 from the contributed surplus account of the Company to offset against the accumulated losses of the Company
“Company”	China Star Film Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares are listed on the GEM

“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM listing Rules”	the Rules Governing the Listing of Securities on GEM
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

By Order of the Board  
**China Star Film Group Limited**  
**Lai Hok Lim**  
*Chairman*

Hong Kong, 1 April 2010

*As at the date of this announcement, the executive Directors are Mr. Lai Hok Lim and Mr. Wong Chi Chiu; and the independent non-executive Directors are Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Ms. Chio Chong Meng.*

*This announcement, for which the Directors collectively and individually accept full responsibilities, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of its publication and on the Company’s website at [www.golife.com.hk](http://www.golife.com.hk).*