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CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

**(i) PLACING OF NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL;
(ii) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(iii) RESUMPTION OF TRADING**

Placing Agent



KINGSTON SECURITIES LIMITED

PLACING OF NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL

The Company and the Placing Agent entered into the Placing Agreement after trading hours on 4 November 2008, whereby the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis a maximum of 500,000,000 Placing Shares by a maximum of 5 tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) to independent investors at the Placing Price.

The 500,000,000 Placing Shares represent (i) approximately 256.16% of the existing issued share capital of the Company of 195,186,997 Shares; (ii) approximately 71.92% of the Company's issued share capital of 695,186,997 Shares as enlarged by completion of the Placing; and (iii) approximately 63.68% of the Company's issued share capital of 785,186,997 Shares as enlarged by completion of the Placing and the full conversion of the Convertible Notes. The Placing Shares will be issued under a specific mandate which is subject to Shareholders' approval at the SGM.

The net proceeds from the Placing are intended to be used for reducing the Group's bank borrowings of approximately HK\$337.5 million.

The Placing is conditional upon, among other things, (i) the Proposed Increase in Authorised Share Capital becoming effective; (ii) the passing of a resolution by the Shareholders to approve the allotment, issue and dealing with the Placing Shares at the SGM; (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the relevant tranche of the Placing; and (iv) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is HK\$6,000,000, divided into 600,000,000 Shares, of which 195,186,997 Shares are in issue as at the date of this announcement. The Board proposes to increase the authorised share capital of the Company from HK\$6,000,000, divided into 600,000,000 Shares to HK\$20,000,000, divided into 2,000,000,000 Shares by the creation of 1,400,000,000 new Shares.

The Proposed Increase in Authorised Share Capital shall be subject to Shareholders' approval at the SGM.

GENERAL

A circular containing, among other things, further details of (i) the Placing; (ii) the Proposed Increase in Authorised Share Capital; and (iii) a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 5 November 2008 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 November 2008.

The Company and the Placing Agent entered into the Placing Agreement after trading hours on 4 November 2008. Set out below are the details of the Placing Agreement.

THE PLACING AGREEMENT

Date

4 November 2008 and supplemented by a supplemental agreement dated 6 November 2008

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place a maximum of 500,000,000 Placing Shares by a maximum of 5 tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) on a best effort basis. The Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agent agreed to place a maximum of 500,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will be independent of and not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). None of the Placee will become a substantial/controller Shareholder (as defined in the Listing Rules).

Placing Shares

The 500,000,000 Placing Shares represent (i) approximately 256.16% of the existing issued share capital of the Company of 195,186,997 Shares; (ii) approximately 71.92% of the Company's issued share capital of 695,186,997 Shares as enlarged by completion of the Placing; and (iii) approximately 63.68% of the Company's issued share capital of 785,186,997 Shares as enlarged by completion of the Placing and the full conversion of the Convertible Notes.

The Placing Shares will be issued under a specific mandate which is subject to Shareholders' approval at the SGM.

Ranking of the Placing Shares

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price for each tranche of the Placing shall be determined on arm's length basis, by reference to the prevailing market conditions, the prevailing market price of the Shares and investors' demand for the Placing Shares at the relevant time. In any event, the Placing Price for each tranche of the Placing

must not be lower than 85% or more of the average closing price of the Shares quoted on the Stock Exchange in the last 30 consecutive trading days up to and including the date of on which the Placing Price is fixed for such tranche and shall be no less than HK\$0.05 per Placing Share (the “Floor Price”).

If a tranche of the Placing is to proceed, application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares under the relevant tranche of the Placing.

Conditions Precedent

Completion of the Placing is conditional upon:

- (i) the Proposed Increase in Authorised Share Capital becoming effective;
- (ii) the passing of a resolution by the Shareholders to approve the allotment, issue and dealing with the Placing Shares at the SGM;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the relevant tranche of the Placing; and
- (iv) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 10:00 a.m. on the date of completion of the Placing Agreement, there occurs:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a

whole or adversely prejudices the success of the placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

Completion of the Placing

Completion of each tranche of the Placing, in any event, will take place within four Business Days after the fulfillment of the conditions precedent as set out in the Placing Agreement or such later date to be agreed between the Company and the Placing Agent (not later than the Long Stop Date).

The Company and the Placing Agent agreed that the Placing is completed in tranches by a maximum of 5 tranches provided that the aggregate number of the Placing Shares for each tranche of the Placing shall not be less than 100,000,000 (save for the last tranche of the Placing where the number of the Placing Shares to be allotted and issued may be less than 100,000,000) and in integral multiples of 10,000,000 and that the listing approval as referred to conditions (iii) above in respect of the relevant tranche of the Placing Shares has been obtained and that the completion of the Placing shall apply to each of such partial completion.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

In view of the financial tsunami, banks tighten lending policy and global economy slows down. Although the Company has no immediate funding need on the proceeds from the Placing as at the date of this announcement and the Placing is on a best effort basis, the Directors consider that notwithstanding that the Placing will result in significant dilution of the existing shareholding interest of the Shareholders, the Placing presents an opportunity to raise additional capital for the Company to strengthen the capital base of the Company and its liquidity status in order to cope with volatility occurs in the crisis. As such, the Directors consider that the Placing Agreement is fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

Having considered (i) the Placing Shares will be issued after obtaining the Shareholders' approval under a specific mandate at the SGM; (ii) the volatility conditions of Hong Kong stock market; and (iii) the par value of Share of HK\$0.01 each, the Board is of the view that the arrangement, including the Floor Price, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Placing are intended to be used for reducing the Group's bank borrowings of approximately HK\$337.5 million.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) upon completion of the Placing; and (iii) upon completion of the Placing and the full conversion of the Convertible Notes are set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing		Upon completion of the Placing and the full conversion of the Convertible Notes	
	Shares	%	Shares	%	Shares	%
Classical Statue Limited (Note 1)	58,360,612	29.90	58,360,612	8.40	58,360,612	7.43
Well Will Investment Limited (Note 2)	—	—	—	—	90,000,000	11.46
Northbay Investments Holdings Limited (Note 3)	12,941,217	6.63	12,941,217	1.86	12,941,217	1.65
Public Shareholders:						
Others	123,885,168	63.47	123,885,168	17.82	123,885,168	15.78
Placees	—	—	500,000,000	71.92	500,000,000	63.68
Total	<u>195,186,997</u>	<u>100.00</u>	<u>695,186,997</u>	<u>100.00</u>	<u>785,186,997</u>	<u>100.00</u>

Notes:

- 58,360,612 Shares are held by Classical Statue Limited. Classical Statue Limited is wholly owned by Glenstone Investments Limited. Glenstone Investments Limited is owned as to 60% by Porterstone Limited and as to 40% by Mr. Heung. Porterstone Limited is wholly owned by Ms. Chen.
- Well Will Investment Limited is wholly owned by Mr. Ng Cheuk Fai. Well Will Investment Limited is restricted to be interested in less than 20% of the issued share capital of the Company.
- 12,941,217 Shares are beneficially owned by Northbay Investments Holdings Limited. 35.5% and 64.5% of the entire shareholding of Northbay Investments Holdings Limited are respectively owned by Asia Vest Partners VII Limited and Asia Vest Partners X Limited, both of them are indirectly wholly owned by Mr. Andrew Nan Sherrill through Asia Vest Partners Limited.

“Company”	China Star Investment Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Convertible Notes”	the two convertible notes in an aggregate principal amount of HK\$144,000,000 with an initial conversion price of HK\$1.60 per Share issued by the Company to Well Will Investment Limited on 29 August 2008 in relation to the acquisition of a 100% equity interest in Rich Daily Group Limited as announced by the Company on 28 February 2008;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	three months after the date of the SGM approving the Placing Agreement;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director;
“Placees”	any institutional, corporate or independent individual investor(s) procured by the Placing Agent to subscribe for any principal amount of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement;
“Placing”	placing for a maximum of 500,000,000 new Shares by a maximum of 5 tranches (in which each tranche shall not be less than 100,000,000 Placing Shares, save for the last tranche) pursuant to the terms of the Placing Agreement;
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on types 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 4 November 2008 and as supplemented by a supplemental agreement dated 6 November 2008 in relation to the Placing;
“Placing Price”	the issue price for each Placing Share which shall be determined by the Company in accordance to the terms as disclosed under the sub-section headed “Placing Price” in this announcement;

“Placing Shares”	500,000,000 new Shares to be placed pursuant to the Placing Agreement;
“Proposed Increase in Authorised Share Capital”	the proposed increase the authorised share capital of the Company from HK\$6,000,000, divided into 600,000,000 Shares to HK\$20,000,000, divided into 2,000,000,000 Shares by the creation of 1,400,000,000 new Shares;
“SGM”	the special general meeting of the Company to be convened to consider, if thought fit, and approve the Placing Agreement and the Proposed Increase in Authorised Share Capital;
“Share(s)”	ordinary share(s) of HK\$0.01 each in issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 6 November 2008

As at the date of this announcement, the Board comprises two executive Directors namely, Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany; and three independent non-executive Directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung.