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CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

PROPOSED CAPITAL REORGANISATION

AND

PROPOSED CHANGE IN BOARD LOT SIZE

PROPOSED CAPITAL REORGANISATION AND PROPOSED CHANGE IN BOARD LOT SIZE

The Directors propose to reorganise the capital of the Company in the following manner:

- (a) Share Consolidation: that every ten issued Existing Shares of HK\$0.01 each be consolidated into one Consolidated Share of HK\$0.10.
- (b) Capital Reduction: that (i) the total number of the Consolidated Shares in the issued share capital of the Company following the Share Consolidation be rounded down to a whole number by cancelling the fractional share arising from the Share Consolidation; (ii) the nominal value of each of the issued Consolidated Shares of HK\$0.10 be reduced to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each issued Consolidated Share; and (iii) the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company.

The Directors also propose to change the board lot size for trading in the Shares from 5,000 Existing Shares to 2,000 New Shares upon the Capital Reorganisation becoming effective.

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” below, and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, amongst other things, further information on the Capital Reorganisation and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

PROPOSED CAPITAL REORGANISATION AND PROPOSED CHANGE IN BOARD LOT SIZE

The Directors propose to reorganise the capital of the Company in the following manner:

(a) Share Consolidation

That every ten issued Existing Shares of HK\$0.01 each be consolidated into one Consolidated Share of HK\$0.10.

(b) Capital Reduction

That (i) the total number of the Consolidated Shares in the issued share capital of the Company following the Share Consolidation be rounded down to a whole number by cancelling the fractional share arising from the Share Consolidation; (ii) the nominal value of each of the issued Consolidated Shares of HK\$0.10 be reduced to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each issued Consolidated Share; and (iii) the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company.

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Existing Shares, of which 434,186,997 Existing Shares have been in issue and are fully paid or credited as fully paid. Immediately after the Capital Reorganisation becoming effective, the authorised share capital of the Company will remain unchanged. The unissued share capital of the Company before and after the Capital Reorganisation will remain as Shares of HK\$0.01 each.

As at the date of this announcement, save for the Share Options entitling the holders thereof to subscribe for 36,544,130 Existing Shares and the Convertible Bonds entitling the holder thereof to convert 90,000,000 Existing Shares at a conversion price of HK\$1.60 per Existing Share, the Company has no other outstanding warrants, options or convertible securities.

On 17 February 2009, the Company announced the progress of the Placing. Pursuant to the terms of the second tranche of the Placing, the Company will issue 300,000,000 new Existing Shares upon completion of the second tranche of the Placing. On the same date, the Company also announced the Open Offer. Pursuant to the Open Offer, the Company will issue not less than 217,093,498 new Existing Shares and not more than 367,093,498 new Existing Shares upon completion of the Open Offer. It is expected that completion of the second tranche of the Placing and the Open Offer will take place before the Capital Reorganisation becoming effective.

The following table sets out the effect of the Capital Reorganisation on the issued share capital of the Company before and immediately after the Capital Reorganisation as well as the amount of credit arising from the Capital Reduction (i) assuming no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective; (ii) assuming only the second tranche of the Placing is completed and no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective; (iii) assuming only the Open Offer is completed and no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective; and (iv) assuming the second tranche of the Placing and the Open Offer are completed and no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective:

	Before the Capital Reorganisation	Immediately after the Capital Reorganisation	Amount of credit arising from the Capital Reduction
Assuming no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective	HK\$4,341,869.97 divided into 434,186,997 Existing Shares	HK\$434,186.99 divided into 43,418,699 New Shares	HK\$3,907,682.98
Assuming only the second tranche of the Placing is completed and no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective	HK\$7,341,869.97 divided into 734,186,997 Existing Shares	HK\$734,186.99 divided into 73,418,699 New Shares	HK\$6,607,682.98
Assuming only the Open Offer is completed and no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective	HK\$6,512,804.95 divided into 651,280,495 Existing Shares	HK\$651,280.49 divided into 65,128,049 New Shares	HK\$5,861,524.46
Assuming the second tranche of the Placing and the Open Offer are completed and no further new Existing Shares are issued prior to the Capital Reorganisation becoming effective	HK\$11,012,804.95 divided into 1,101,280,495 Existing Shares	HK\$1,101,280.49 divided into 110,128,049 New Shares	HK\$9,911,524.46

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing of the necessary special resolution by the Shareholders at the SGM to approve the Capital Reorganisation involving the Share Consolidation and the Capital Reduction;
- (b) compliance with the relevant procedures and requirements under the Listing Rules and Bermuda law to effect the Capital Reorganisation; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued forwith upon the Capital Reorganisation becoming effective and any New Shares which may fall to be issued upon exercise of the Share Options and may be issued upon conversion of the Convertible Bonds.

The Capital Reorganisation will become effective on the business day immediately following fulfilment of the above conditions.

Change in board lot size

The Existing Shares are currently traded in board lots of 5,000 Existing Shares and the market value per board lot of the Existing Shares is HK\$470 (based on the closing price of HK\$0.094 per Existing Share as quoted on the Stock Exchange on the date of this announcement). The New Shares will be traded in board lots of 2,000 and the estimated market value per board lot of the New Shares will be HK\$1,880 (based on the adjusted closing price of HK\$0.94 per New Share assuming the Capital Reorganisation becoming effective).

Reasons for the Capital Reorganisation and impact on the Company and the Shareholders

Taking into account the Capital Reorganisation will increase the trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the New Shares, the Directors are of the view that the Capital Reorganisation is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The New Shares will rank passu in all respects with the Existing Shares in issue prior to the Capital Reorganisation becoming effective and each other and there will be no change in the respective rights of the Shareholders. Any fractional entitlements to the New Shares will be aggregated, sold and retained for the benefit of the Company.

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

Application for listing of the New Shares

Application will be made by the Company to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares to be issued forthwith upon the Capital Reorganisation becoming effective and any New Shares which may fall to be issued upon exercise of the Share Options and may be issued upon conversion of the Convertible Bonds.

All necessary arrangements will be made for the New Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

Free exchange of new share certificates for the New Share and trading arrangements

Subject always to the passing of the resolution approving the Capital Reorganisation, Shareholders may, during business hours for a period as stated in the expected timetable hereunder submit their share certificates for Existing Shares (in red colour) held by them to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in exchange for new share certificates for New Shares at the expense of the Company. Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued for the New Shares or each share certificate for Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for New Shares at any time but are not acceptable for trading, settlement and registration purpose upon completion of the Capital Reorganisation. Details of the colour of the new share certificates will be published in the circular to be despatched to the Shareholders.

The expected timetable for implementation of the Capital Reorganisation and the associated trading arrangement are set out below:

2009

Despatch of the circular and proxy form of the SGM	Thursday, 12 March
Latest time for lodging the form of proxy	4:30 p.m. on Monday, 20 April
SGM	4:30 p.m. on Wednesday, 22 April
Effective date of the Capital Reorganisation	Thursday, 23 April
Dealing in New Shares commences	9:30 a.m. on Thursday, 23 April
Original counter for trading in Existing Shares in board lot size of 5,000 Existing Shares temporarily closes	9:30 a.m. on Thursday, 23 April

Temporary counter for trading in New Shares
in board lot size of 500 New Shares in the
form of existing share certificates opens 9:30 a.m. on Thursday, 23 April

First day for free exchange of share
certificates of Existing Shares for
new share certificates for New Shares Thursday, 23 April

Original counter for trading in New Shares in board
lot size of 2,000 New Shares in the form of
new share certificates for New Shares re-opens 9:30 a.m. on Friday, 8 May

Parallel trading in New Shares in the form
of new share certificates and existing
share certificates commences 9:30 a.m. on Friday, 8 May

Designated broker starts to stand in the market
to purchase and sell odd lots of New Shares Friday, 8 May

Parallel trading in New Shares in the form
of new share certificates and existing
share certificates ends 4:10 p.m. on Friday, 29 May

Temporary counter for trading in New Shares
in board lot size of 500 New Shares in the
form of existing share certificates closes 4:10 p.m. on Friday, 29 May

Designated broker ceases to stand in the market
to purchase and sell odd lots of New Shares 4:10 p.m. on Friday, 29 May

Last day for free exchange of share
certificates of Existing Shares for
new share certificates for New Shares Friday, 5 June

Arrangement for matching service for odd lots

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares, the Company has agreed to procure a designated broker to arrange for the matching of the sales and purchases of odd lots of the New Shares. Details of the odd lot arrangements will be provided in the circular to be despatched to the Shareholders.

Adjustments in relation to the Share Options

As at the date of this announcement, there are outstanding Share Options entitling the holders thereof to subscribe for 36,544,130 Existing Shares. The Capital Reorganisation will cause adjustments to the exercise prices and/or the number of the Share Options. The Company will instruct its auditors or an independent financial adviser to review and certify the basis of such adjustments to the Share Options

in compliance with Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with the rules of the share option scheme of the Company. The Company will inform the holders of the Share Options of the adjustments accordingly.

Adjustments in relation to the conversion prices of the Convertible Bonds

Under the terms and conditions of the Convertible Bonds, adjustments to the conversion prices of the Convertible Bonds are required after the Capital Reorganisation. The Company will inform the holder of the Convertible Bonds of the adjustments accordingly.

WARNING

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” above, and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in sales of financial assets, property investment and the provision of management services to the concierge departments of gaming promoters.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, amongst other things, the Capital Reorganisation and a notice to convene the SGM 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:

“Board”	the board of Directors
“Capital Reduction”	the proposed (i) cancellation of the fractional share arising from the Share Consolidation; (ii) capital reduction of the issued Consolidated Shares of HK\$0.10 each to HK\$0.01 each by cancelling the paid-up capital thereof to the extent of HK\$0.09 on each issued Consolidated Share; and (iii) crediting the amount of credit arising from the Capital Reduction to the contributed surplus account of the Company
“Capital Reorganisation”	the proposed capital reorganisation of the Company involving the Share Consolidation and the Capital Reduction

“Company”	China Star Investment Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.10 each in the issued share capital of the Company immediately after the Share Consolidation becoming effective
“Convertible Bonds”	the outstanding unsecured convertible bonds in an aggregate principal amount of HK\$144,000,000 issued by the Company on 29 August 2008 conferring rights to convert the same into a total of 90,000,000 Existing Shares at a conversion price of HK\$1.60 per Existing Share (subject to adjustments)
“Directors”	the directors of the Company
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Open Offer”	the proposed open offer of not less than 217,093,498 new Existing Shares and not more than 367,093,498 new Existing Shares announced by the Company on 17 February 2009, which is yet to be completed as at the date of this announcement
“Placing”	the placing for a maximum of 500,000,000 Placing Shares by a maximum of 5 tranches pursuant to the terms of the placing agreement dated 4 November 2008 entered into between the Company and Kingston Securities Limited, of which the first tranche of 200,000,000 Placing Shares has been completed as at the date of this announcement
“Placing Agreement”	the placing agreement dated 4 November 2008 entered into between the Company and Kingston Securities Limited, details of which are set out in the Company’s circular dated 21 November 2008
“Placing Shares”	an aggregate of 500,000,000 new Existing Shares to be placed pursuant to the Placing Agreement
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every ten issued Existing Shares into one Consolidated Share

“Share Options”	the share options granted under the share option scheme adopted by the Company
“Share(s)”	Existing Share(s), Consolidated Share(s), and/or New Share(s), as the case may be
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Investment Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 20 February 2009

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.