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## **CHINA STAR INVESTMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### **MAJOR TRANSACTION AND RESUMPTION OF TRADING**

#### **THE LOAN AGREEMENT**

On 11 March 2009 (after trading hours), the Company entered into the Loan Agreement with CSE, pursuant to which the Company has conditionally agreed to make available the Loan Facility of up to HK\$200 million to CSE.

Given the relevant percentage ratios under Rule 14.07 of the Listing Rules for the grant of Loan Facility are more than 25%, the grant of Loan Facility constitutes a major transaction of the Company under the Listing Rules.

A circular containing, among others, further information on the Loan Agreement and a notice convening the special general meeting of the Company, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of 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 12 March 2009 pending the release of this announcement. The Company has applied for a resumption of trading in its Shares with effect from 9:30 am on 13 March 2009.

## **THE LOAN AGREEMENT**

### **Date**

11 March 2009 (after trading hours)

### **Parties**

Lender: the Company

Borrower: CSE, a company incorporated in Bermuda with the issued CSE Shares listed on the Stock Exchange

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, save as (i) Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are the common directors of the Company and CSE and Mr. Ho Wai Chi, Paul is the common independent non-executive director of the Company and CSE; (ii) Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are the common shareholders of the Company and CSE who are beneficially interested in 58,360,612 Shares, representing approximately 7.95% of the entire issued share capital of the Company, and 1,143,722,019 CSE Shares, representing approximately 23.88% of the entire issued share capital of CSE; and (iii) Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are also interested in 1,054,678 and 1,054,678 share options of CSE respectively, each of CSE and its associates is Independent Third Party.

### **Amount**

Subject to the terms and conditions of the Loan Agreement, the Company has agreed to grant the Loan Facility to CSE. The Loan Facility is of up to HK\$200 million and will be financed by the internal resources of the Group.

CSE may request Advances be made by the Company by giving a notice of drawing at any time during the Availability Period. The drawdown of each Advance is also subject to conditions, among others, that the Company has sufficient fund available to make the Advance.

### **Interest**

The Advance carries an interest to be accrued at the Prime Rate on the actual number of days elapsed and on the basis of a 365-day year. A default interest rate of three (3) % per annum above the Prime Rate is payable on any overdue amount whether principal or interest. The Directors consider that the interest rate of the Advance is fair and reasonable on the following grounds:

- (1) given the coupon rate for three (3)-year US Treasuries is currently at 1.375% and the Prime Rate is currently at 5.00%, there is a risk premium of 3.625% for the Loan Facility;

- (2) the sufficient net consolidated tangible assets of CSE as explained in the section headed “Reason for and benefits of the entering into of the Loan Agreement” below; and
- (3) the strong cash inflow of CSE as explained in the section headed “Reason for and benefits of the entering into of the Loan Agreement” below.

Interest on the Advance shall be payable on the last day of each interest period, which is of six (6) months commencing from the date of drawdown of each Advance.

### **Availability Period**

The Loan Facility is available for a term commencing from (i) the date of the Loan Agreement or (ii) the date on which the Loan Agreement becoming unconditional (whichever is the later) and ending on the Maturity Date.

### **Conditions Precedent**

The drawdown of the Loan Facility is subject to the following conditions:

- (1) if required, the Shareholders (or where appropriate, the Independent Shareholders) passing at a special general meeting of the Company the resolutions approving the Loan Agreement and the transactions contemplated thereunder;
- (2) if required, the shareholders of CSE (or where appropriate, the shareholders of CSE other than the parties involved in the Loan Agreement or their respective associates) passing at a special general meeting of CSE the resolutions approving the Loan Agreement and the transactions contemplated thereunder;
- (3) all necessary approval, consents, authorisations and licences in relation to the transactions contemplated under the Loan Agreement having been obtained;
- (4) all representations and warranties made by CSE in the Loan Agreement or in connection herewith shall be true and correct with the same effect as though made on and as of the date of drawdown with reference to the facts and circumstances then subsisting;
- (5) no event of default shall have occurred or potential event of default shall have occurred (or would be likely to occur as a result of the Loan Facility being made); and
- (6) the Company shall have received and found satisfactory such additional information and documents relating to CSE of the Loan Agreement as the Company may reasonably require.

## Repayment

CSE shall repay each Advance in full prior to the Maturity Date. However, notwithstanding the aforementioned, the Company shall have the overriding right at any time by written notice to CSE to demand (apart from the other representations, warranties, covenants and undertakings given by CSE under the Loan Agreement) immediate repayment of the whole or part of each Advance drawn and all interest accrued thereon under the Loan Agreement whereupon the same shall be repaid by CSE within twenty (20) business days from the date of such notice.

## REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LOAN AGREEMENT

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

CSE is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, the provision of post-production services, investing in operations which receive the profit streams from the gaming promotion business and property and hotel investment.

The Directors consider that the terms of the Loan Agreement (including but not limited to the interest rate and the repayment terms) are entered into arm's length negotiations and are in the interest of the Company and the Shareholders as a whole.

Reference is made to the announcements (the "**Placing Announcements**") of the Company dated 6 November 2008 and 29 December 2008 in relation to the Placing Agreement and the Top-Up Placing Agreement and the circular (the "**VSD Circular**") of the Company dated 23 January 2009. As disclosed in the Placing Announcements, the net proceeds from the placing of new Shares under the Placing Agreement and the Top-Up Placing Agreement were intended to be used for reducing the Group's bank borrowings (the "**Bank Loan**") of HK\$318 million

The Bank Loan was obtained by 北京莎瑪房地產開發有限公司, a wholly-owned subsidiary of Shinhan-Golden Faith International Development Limited and World East Investments Limited. As disclosed in the VSD Circular, on 26 November 2008, the Group entered into the conditional sale and purchase agreement for disposing (the "**Disposal**") the entire issued share capital of Shinhan-Golden Faith International Development Limited and World East Investments Limited, both of them are wholly-owned subsidiaries of the Company, and the two sale loans to Mega Shell Services Limited at a consideration of HK\$211.47 million. Since the Shareholders have approved the Disposal at the special general meeting of the Company held on 12 February 2009 and any repayment of the Bank Loan will cause an adjustment to the consideration, the Group has not made any repayment regarding the Bank Loan as at the date of this announcement.

As such, the net proceeds generated from the placing of new Shares under the Placing Agreement and the Top-Up Placing Agreement become the Group's surplus cash and the Directors are of the view that the Loan Agreement provides an opportunity to yield a high rate of return on the Group's surplus cash than bank deposits. Though no security shall be provided by CSE under the Loan Agreement, the credit risk in granting the Loan Facility to CSE is considered acceptable as CSE is a company with the issued CSE Shares listed on the Stock Exchange with considerable amount of assets and of high reputation in Hong Kong. The adjusted net consolidated tangible assets of CSE as at 30 June 2008 amounted to HK\$387.41 million (adjusted for the net proceeds of HK\$39.60 million received from the open offer of CSE completed on 26 February 2009). The adjusted net consolidated tangible assets of CSE as at 30 June 2008 well exceeds the Loan Facility of HK\$200 million by HK\$187.41 million.

In addition, based on the interim report of CSE for the six months ended 30 June 2008, the gaming and entertainment operation of CSE generated a cash profit of HK\$78.76 million for the period from 18 March 2008 to 30 June 2008 (or a monthly cash profit of HK\$22.55 million). The vendor of the gaming and entertainment operation has guaranteed to CSE that the cash profit to be received by CSE shall not be less than HK\$384 million for the period from 17 August 2007 to 16 August 2009 (or monthly cash profit of HK\$16 million). Assuming the gaming and entertainment operation of CSE achieves a monthly cash profit at the guaranteed level of HK\$16 million, the Loan Facility would be fully repaid in 12.5 months.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the grant of the Loan Facility is on normal commercial terms and it is fair and reasonable and in the interest of Shareholders as a whole.

## **GENERAL**

Given that the relevant percentage ratios under Rule 14.07 of the Listing Rules for the grant of the Loan Facility are more than 25%, the grant of the Loan Facility constitutes a major transaction of the Company under the Listing Rules.

A circular containing, among others, further information on the Loan Agreement and a notice convening the special general meeting of the Company, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

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## TERMS USED IN THIS ANNOUNCEMENT

“Advance”	each of the principal amount advanced to CSE on the occasion of each drawdown under the Loan Facility;
“Availability Period”	a term commencing from (i) the date of the Loan Agreement or (ii) the date on which the Loan Agreement becoming unconditional (whichever is the later) and ending on the Maturity Date;
“Board”	the board of Directors;
“Company”	China Star Investment Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange;
“CSE”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued CSE Shares of which are listed on the Stock Exchange;
“CSE Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of CSE;
“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;
“Independent Shareholders”	the Shareholders other than the parties involved in the Loan Agreement and its associates;
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the conditional loan agreement dated 11 March 2009 entered into between the Company as lender and CSE as borrower in respect of the Loan Facility;

“Loan Facility”	an unsecured loan facility of up to HK\$200 million to be granted by the Company to CSE pursuant to the terms of the Loan Agreement;
“Maturity Date”	a date falling the thirty-six (36) months after the date of the first drawdown of the Advance;
“Placing Agreement”	the placing agreement dated 4 November 2008 (as supplemented by a supplemental agreement dated 6 November 2008) entered into by the Company and Kingston Securities Limited, pursuant to which the Company agreed to place a maximum of 500,000,000 new Shares by a maximum of five tranches (in which each tranche shall not be less than 100,000,000 new Shares) to independent investors;
“Prime Rate”	the rate of interest per annum as announced or applied by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as the Company may from time to time select in its absolute discretion) from time to time as its prime interest rate in Hong Kong for lending Hong Kong dollars to its prime customers;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Top-Up Placing Agreement”	the top-up placing and subscription agreement entered into among the Company, Kingston Securities Limited and Classical Statue Limited in relation to the placing of 39,000,000 existing Shares and the top-up subscription of 39,000,000 new Shares;
“US Treasuries”	the government debts issued by the Department of the Treasury of the United States of America through the Bureau of the Public Debt;
“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, 12 March 2009

*As at the date of this announcement, the Board comprises of 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.*