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## **CHINA STAR INVESTMENT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### **VERY SUBSTANTIAL DISPOSAL IN CONNECTION WITH THE PROPOSED PLACING OF 320,000,000 SHARES IN THE ISSUED SHARE CAPITAL OF CHINA STAR ENTERTAINMENT LIMITED AND RESUMPTION OF TRADING**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

#### **THE PLACING**

On 12 October 2009, the Placing Agent and Simple View entered into the Placing Agreement pursuant to which, Simple View has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 320,000,000 CSE Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company or CSE and their respective connected persons at a price of HK\$0.20 per CSE Placing Share. The Placing Agent undertakes that none of the Placees is the Shareholders from the date of this announcement to the date immediately prior to the completion of the Placing.

The CSE Placing Price of HK\$0.20 represents (i) a discount of approximately 1.48% to the closing price of HK\$0.203 per CSE Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 5.26% over the average closing price of HK\$0.190 per CSE Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 4.71% over the closing price of HK\$0.191 per CSE Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The 320,000,000 CSE Placing Shares represent approximately 17.33% of the issued share capital of CSE as of the date of this announcement.

The Placing is conditional upon, among other things, (i) all necessary approvals or consents from the Shareholders or independent Shareholders (as the case may be) and the Stock Exchange in connection with the Placing having been obtained; (ii) the warranties given by Simple View remaining true and accurate in all material respects; and (iii) 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.

The net proceeds from the Placing will be approximately HK\$63.04 million and is intended to be used for general working capital of the Group.

The Placing constitutes a very substantial disposal of the Company under the Listing Rules and is subject to Shareholders' approval at the SGM. The Placing Agent and its associates will abstain from voting at the SGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, no Shareholders, other than the Placing Agent and its associates, are required to abstain from voting at the SGM.

A circular containing, among other things, further details of the Placing, the Placing Agreement and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

#### **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the issued Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 12 October 2009 pending the release of this announcement. The Company has applied for a resumption of trading in the issued Shares with effect from 9:30 am on 14 October 2009.

Reference is made to a joint announcement dated 27 July 2009 issued by the Company and CSE and the circular of the Company dated 28 August 2009. Pursuant to the CB Subscription Agreement, the Company has conditionally agreed to subscribe or procure subscription for the Convertible Bond in the principal amount of HK\$200 million which conferring the rights to convert 1,000,000,000 CSE Shares at a conversion price of HK\$0.20 each. The CB Subscription Agreement was completed on 21 September 2009.

Upon partial conversion of the Convertible Bond, Simple View holds 550,000,000 CSE Shares, representing approximately 29.79% of the existing issued share capital of CSE as at the date of this announcement. The outstanding principal amount of the Convertible Bond amounts to HK\$90 million as at the date of this announcement.

On 12 October 2009, the Placing Agent and Simple View entered into the Placing Agreement, pursuant to which, Simple View has conditionally agreed to place, through the Placing Agent, 320,000,000 CSE Placing Shares, on a fully underwritten basis, to not fewer than six Placees at a price of HK\$0.20 per CSE Placing Share. The Placing Agent undertakes that none of the Placees is the Shareholders from the date of this announcement to the date immediately prior to the completion of the Placing.

## **THE PLACING**

The principal terms of the Placing Agreement are summarised below:

Date: 12 October 2009

Parties involved: The Placing Agent and Simple View

### **Placing Agent**

As at the date of this announcement, the Placing Agent holds 8,159,510 Shares, representing approximately 6.18% of the issued share capital of the Company of 132,128,049 Shares. Save for the holding of 8,159,510 Shares, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

### **Placees**

The Placing Agent has conditionally agreed to place the CSE Placing Shares on a fully underwritten basis, to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company or CSE and their respective connected persons. None of the Placees will become a substantial shareholder (as defined in the Listing Rules) of CSE upon completion of the Placing.

### **Placing Price**

The Placing Price of HK\$0.20 represents (i) a discount of approximately 1.48% to the closing price of HK\$0.203 per CSE Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 5.26% over the average closing price of HK\$0.190 per CSE Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 4.71% over the closing price of HK\$0.191 per CSE Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the CSE Shares and was negotiated on an arm's length basis between Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **CSE Placing Shares**

The 320,000,000 CSE Placing Shares represent approximately 17.33% of the issued share capital of CSE as at the date of this announcement.

The fair market value of the CSE Placing Shares is HK\$64.96 million based on the closing price of HK\$0.203 per CSE Share as quoted on the Stock Exchange on the Last Trading Day.

## **Condition of the Placing**

Completion of the Placing is conditional upon the following conditions being fulfilled or waived by the Placing Agent as at the Placing Completion Date:

- (i) all necessary approvals or consents from the Shareholders or independent Shareholders (as the case may be) and the Stock Exchange in connection with the Placing having been obtained;
- (ii) the warranties given by Simple View remaining true and accurate in all material respects; and
- (iii) 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.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Placing Agent) on or before 31 January 2010 or such other date as the Company and the Placing Agent shall agree, the Placing Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Placing Agreement save for any antecedent breaches of the terms as set out in the Placing Agreement.

## **Termination of the Placing**

The Placing may be terminated by the Placing Agent prior to 10:00 a.m. on Placing Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by the following force majeure events:

- (i) 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 CSE Group; or
- (ii) 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 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 CSE Group as a whole or adversely prejudices the success of the placing of the CSE Placing Shares to the Placee(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (iii) 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 Placing Shares to the Placee(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.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

As the Hong Kong stock market remains volatile, the Directors consider that the Placing presents an opportunity to the Group to realise part of its investment in CSE in cash. Accordingly, the Board considers that the entering into of the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

The net proceeds from the Placing will be approximately HK\$63.04 million and is intended to be used for general working capital of the Group.

## **FINANCIAL EFFECTS OF THE PLACING**

For illustration purpose:

- (i) assuming Simple View had exercised its rights attached to the Convertible Bond to convert 550,000,000 CSE Shares at the conversion price of HK\$0.20 per CSE Shares on 30 June 2009 representing approximately 29.79% of the enlarged issued share capital of CSE, the Group would have recognised an excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost of HK\$516.96 million, of which HK\$300.78 million is attributable to the 320,000,000 CSE Placing Shares, based on the net assets of CSE as at 30 June 2009 of HK\$2,104.86 million adjusted for the conversion of the Convertible Bond of HK\$110.00 million; and
- (ii) assuming Simple View had placed the 320,000,000 CSE Placing Shares to the Placees at the Placing Price on 30 June 2009, the Group would have recognised a loss on the Placing of HK\$301.74 million.

Although the Placing would result a loss of HK\$301.74 million to the Group, if the an excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost attributable to the 320,000,000 CSE Placing Shares of HK\$300.78 million is taken into account, the loss on the Placing would be HK\$0.96 million.

Following the completion of the Placing, CSE will remain as an associate of the Group for accounting purpose as Simple View remains as a substantial shareholders (as defined under the Listing Rules) of CSE and Ms. Chen and Mr. Heung are the common directors of the Company and CSE.

## EFFECTS ON SHAREHOLDING STRUCTURE OF CSE

To the best knowledge and information of the Directors, the shareholding structure of CSE (i) as at the date of this announcement; (ii) upon completion of the Placing; and (iii) upon completion of the Placing and full conversion of the Convertible Bond of the outstanding principal amount of HK\$90 million at a conversion price of HK\$0.20 per CSE Share by Simple View are set out below:

Name of the shareholders of CSE	As at the date of this announcement		Upon completion of the Placing		Upon completion of the Placing and full conversion of the Convertible Bond of HK\$90 million at a conversion price of HK\$0.20 per CSE Share by Simple View	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>CSE Shares</i>	<i>%</i>	<i>CSE Shares</i>	<i>%</i>	<i>CSE Shares</i>	<i>%</i>
Dorest ( <i>Note 1</i> )	137,025	0.01	137,025	0.01	137,025	0.01
Simple View	550,000,000	29.79	230,000,000	12.46	680,000,000	29.61
<b>Sub-total</b>	<b>550,137,025</b>	<b>29.80</b>	<b>230,137,025</b>	<b>12.47</b>	<b>680,137,025</b>	<b>29.62</b>
<b>Public</b>						
Placees ( <i>Note 2</i> )	—	—	320,000,000	17.33	320,000,000	13.93
Others public shareholders of CSE	1,296,359,343	70.20	1,296,359,343	70.20	1,296,359,343	56.45
<b>Total</b>	<b>1,846,496,368</b>	<b>100.00</b>	<b>1,846,496,368</b>	<b>100.00</b>	<b>2,296,496,368</b>	<b>100.00</b>

Notes:

- These CSE Shares held by Dorest are under a charging order.
- Some of the Placees may be existing shareholders of CSE. Any of the existing holdings of the Placees are included under "Other public shareholders of CSE".

## **GENERAL**

The Group is principally engaged in distribution of films, sub-licensing of film rights, sales of financial assets and provision of management services to concierge departments of gaming promoters.

The CSE Group is principally engaged in film production, distribution of films and television drama series, investing in operations which receive the profits streams from the gaming promotion business and property and hotel investment.

According to the annual report of CSE for the year ended 31 December 2008, the audited consolidated profit before and after taxation of CSE for the year ended 31 December 2008 were approximately HK\$63.15 million and approximately HK\$65.59 million, respectively, while the audited consolidated loss before and after taxation of CSE for the year ended 31 December 2007 were approximately HK\$101.86 million and HK\$103.81 million, respectively. As shown in its interim report of CSE for the six months ended 30 June 2009, the unaudited consolidated net assets of CSE amounted to approximately HK\$1,994.86 million as at 30 June 2009.

As at the date of this announcement, (i) Mr. Heung and Ms. Chen are the common executive directors of the Company and CSE and Mr. Ho Wai Chi, Paul is a the common independent non-executive director of the Company and CSE; (ii) Dorest is beneficially interested in 137,025 CSE Shares, representing approximately 0.01% of the issued share capital of CSE; (iii) Mr. Heung and Ms. Chen are also interested in 26,367 and 26,367 share options of CSE respectively; and (iv) Mr. Ho Wai Chi, Paul is not interested in any CSE Shares.

The Placing constitutes a very substantial disposal of the Company under the Listing Rules and is subject to Shareholders' approval at the SGM. The Placing Agent and its associates will abstain from voting at the SGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, no Shareholders, other than the Placing Agent and its associates, are required to abstain from voting at the SGM.

A circular containing, among other things, further details of the Placing, the Placing Agreement and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the issued Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 12 October 2009 pending the release of this announcement. The Company has applied for a resumption of trading in the issued Shares with effect from 9:30 am on 14 October 2009.

## TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“associates”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“CB Subscription Agreement”	the conditional subscription agreement dated 23 July 2009 entered into between CSE and the Company in respect of the subscription of the Convertible Bond. Details of which were disclosed in the circular of the Company dated 28 August 2009
“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
“Completion”	completion of the Placing in accordance with the Placing Agreement
“connected person(s)”	has the same meaning as defined under the Listing Rules
“Convertible Bond”	the convertible bond of HK\$200 million issued by CSE to Simple View pursuant to the CB Subscription Agreement
“CSE”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued CSE Shares are listed on the Main Board of the Stock Exchange
“CSE Group”	CSE and its subsidiaries
“CSE Shares”	the ordinary shares of HK\$0.01 each in the share capital of CSE
“CSE Placing Shares”	320,000,000 existing issued CSE Shares beneficially owned by Simple View and to be placed by the Placing Agent pursuant to the Placing Agreement
“Director(s)”	the director(s) of the Company
“Dorest”	Dorest Company Limited, a company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen through Porterstone Limited and as to 40% by Mr. Heung



“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	9 October 2009, being the last day of trading of the CSE Shares on the Stock Exchange prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director and an executive director of CSE
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director and an executive director of CSE
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the offer by way of a private placing of 320,000,000 CSE Placing Shares to selected Placees procured by the Placing Agent pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional agreement entered into between Simple View and the Placing Agent dated 12 October 2009 in respect of the placing of 320,000,000 CSE Shares to not fewer than six Placees at the Placing Price on a fully underwritten basis
“Placing Completion Date”	on or before the fourth Business Day following the completion of the Placing Agreement, or such other date as the Company and the Placing Agent shall agree
“Placing Price”	HK\$0.20 per CSE Placing Share

“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Placing
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Simple View”	Simple View Investment Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“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 Star Investment Holdings Limited**  
**Heung Wah Keung**  
*Chairman*

Hong Kong, 13 October 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, Gilert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung.*