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CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

PROPOSED ISSUE OF NEW SHARES

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On 20 November 2009 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber whereby the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 56,000,000 Subscription Shares at the Subscription Price of HK\$0.50 per Subscription Share.

The Subscription Price of HK\$0.50 represents (i) a discount of approximately 13.79% to the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 20.89% to the average closing price of approximately HK\$0.632 per Share as quoted on the Stock Exchange for the past five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 14.09% to the average closing price of approximately HK\$0.582 per Share as quoted on the Stock Exchange for the past ten trading days up to and including the Last Trading Day.

The 56,000,000 Subscription Shares represent (i) approximately 42.38% of the existing issued share capital of the Company and (ii) approximately 29.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The gross proceeds and the net proceeds from the Proposed Issue will be approximately HK\$28.0 million and approximately HK\$27.7 million, respectively. The net proceeds from the Proposed Issue is intended to be used for possible diversified investments of the Group.

The Proposed Issue is conditional upon the fulfillment of the conditions as set out in the section headed "Conditions Precedent" below. The Proposed Issue is subject to the Shareholders' approval at the SGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, pass the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, details of (i) the Subscription Agreement and the transactions contemplated thereunder and (ii) and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that the Proposed Issue is subject to conditions under the Subscription Agreement to be fulfilled. As the Proposed Issue may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

Date: 20 November 2009 (after trading hours)

Parties: The Company and the Subscriber

Subscriber

The Subscriber is a company wholly-owned by Mr. Cheung. Mr. Cheung is an executive director and a substantial shareholder of Eternite International Company Limited (Stock Code: 8351), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Cheung has over ten years of extensive experience in Hong Kong properties market and international trading. Upon completion of the Proposed Issue, the Subscriber will become a strategic investor of the Company and a substantial Shareholder (as defined under the Listing Rules).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Subscription Price

The Subscription Price of HK\$0.50 represents:

- (i) a discount of approximately 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 20.89% to the average closing price of approximately HK\$0.632 per Share as quoted on the Stock Exchange for the past five trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 14.09% to the average closing price of approximately HK\$0.582 per Share as quoted on the Stock Exchange for the past ten trading days up to and including the Last Trading Day.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors (including the independent non-executive Directors) consider that the terms of the Proposed Issue are on normal commercial terms and are fair and reasonable.

Subscription Shares

As at the date of this announcement, there are 132,128,049 Shares in issue. Pursuant to the Subscription Agreement, 56,000,000 Subscription Shares will be allotted and issued by the Company to the Subscriber. The 56,000,000 Subscription Shares represent (i) approximately 42.38% of the existing issued share capital of the Company and (ii) approximately 29.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The allotment and issue of the Subscription Shares is subject to the Shareholders' approval at the SGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon:

- (i) the Shareholders passing at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (iii) trading in the Shares on the Stock Exchange not being suspended for a period of more than seven consecutive trading days in the period of 21 days immediately preceding completion of the Subscription Agreement, but excluding any suspension for the purposes of clearing any announcement and circular in relation to the Proposed Issue by the regulatory authorities;

- (iv) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to completion of the Subscription Agreement;
- (v) there being no indication being received from the Stock Exchange or the Securities and Futures Commission of Hong Kong that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after completion of the Subscription Agreement, whether in connection with any of the transactions contemplated under the Subscription Agreement or otherwise;
- (vi) completion of the due diligence review to be conducted and that the results of such due diligence review have not revealed or disclosed any matter, fact or circumstance which constitutes or is likely to constitute any material breach of any of the warranties or other provisions of the Subscription Agreement by the Company;
- (vii) the representations, warranties and undertakings made by the Company and by the Subscriber under the Subscription Agreement remaining true, accurate in all material respects;
- (viii) all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Proposed Issue and the transactions contemplated under the Subscription Agreement having been obtained by the Company; and
- (ix) (if required) the Bermuda Monetary Authority approving the allotment and issue of the Subscription Shares.

Completion of the Proposed Issue

Completion of the Proposed Issue will take place within third Business Day after the fulfillment of the conditions as set out in the Subscription Agreement on or before 27 February 2009 or such other later date as the Company and the Subscriber may from time to time agree in writing.

Ranking of the Subscription Shares

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

APPOINTMENT OF ONE DIRECTOR NOMINATED BY THE SUBSCRIBER

The Board has agreed with the Subscriber that, upon completion of the Subscription Agreement, the Subscriber may nominate one Director to the Board subject to the Board's approval. Further announcement will be made by the Company when the appointment of the Director nominated by the Subscriber takes place.

REASONS FOR THE PROPOSED ISSUE

While the Board continuously puts efforts on developing existing businesses of the Group, the Board actively seeks possible investment opportunities to diversify the Group's business and broaden its revenue base. The Board considers that an introducing of a substantial Shareholder (as defined under the Listing Rules) by way of the Proposed Issue into the Company will not only represent a good opportunity for the Company to explore into new investment opportunity in different industries other than the Group's existing business, but also strengthen the financial position of the Group and enhance the Group's flexibility to make further investments as and when opportunities arise. In addition, the Board also considers that the appointment of a Director nominated by the Subscriber, if so approved by the Board, will bring a positive impact and new thinking to the Board and management of the Group.

Based on the above reasons, the Board is of the view the Proposed Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Based on the estimated expenses of approximately HK\$300,000 for the Proposed Issue, the gross proceeds and net proceeds from the Proposed Issue will be approximately HK\$28.0 million and approximately HK\$27.7 million, respectively. The net price per Subscription Share is approximately HK\$0.495.

The net proceeds from the Proposed Issue of approximately HK\$27.7 million is intended to be used for possible diversified investments of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effects on the shareholding structure of the Company upon completion of the Proposed Issue is set out as below:

| | As at the date of this announcement | | Upon completion of the Proposed Issue | |
|--|--|----------------|--|----------------|
| | No. of Shares | Approximately | No. of Shares | Approximately |
| The Subscriber | — | — % | 56,000,000 | 29.77% |
| Classical Statue Limited (<i>Note</i>) | 32,928,286 | 24.92% | 32,928,286 | 17.50% |
| Public Shareholders | 99,199,763 | 75.08% | 99,199,763 | 52.73% |
| Total | <u>132,128,049</u> | <u>100.00%</u> | <u>188,128,049</u> | <u>100.00%</u> |

Note: Classical Statue Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Glenstone Investments Limited which in turn is owned as to 60% by Porterstone Limited and as to 40% by Mr. Heung Wah Keung, an executive Director. Porterstone Limited is beneficially owned by Ms. Chen Ming Yin, Tiffany, an executive Director.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

Set out below is the fund raising activities conducted by the Company in the past 12 months prior to the date of this announcement.

| Date of announcement | Events | Amount raised | Intended usage | Actual usage |
|--------------------------------------|---|---------------------------------|--|--|
| 6 November 2008 and 3 February 2009 | First tranche placing of 20,000,000 new Shares (as adjusted by the capital reorganisation of the Company effective on 23 April 2009 (the “Capital Reorganisation”)) | Approximately HK\$19.87 million | Reducing the Group’s bank borrowings | See note below. |
| 6 November 2008 and 17 February 2009 | Second tranche placing of 30,000,000 new Shares (as adjusted by the Capital Reorganisation) | Approximately HK\$26.85 million | Reducing the Group’s bank borrowings | See note below. |
| 29 December 2008 | Top-up placing of 3,900,000 new Shares (as adjusted by the Capital Reorganisation) | Approximately HK\$3.82 million | Reducing the Group’s bank borrowings | See note below. |
| 17 February 2009 | Offer of 36,709,349 new Shares (as adjusted by the Capital Reorganisation) by way of the open offer | Approximately HK\$34.34 million | Financing possible diversified investments of the Group and general working capital of the Group | The proceeds have been used as general working capital of the Group. |
| 28 August 2009 | Top-up placing of 22,000,000 new Shares | Approximately HK\$9.03 million | General working capital of the Group | The proceeds have been used as general working capital of the Group. |

Note: The proceeds have been used as general working capital of the Group as the Group disposed of its entire interests in the issued share capital of Shinhan-Golden Faith International Development Limited and World East Investments Limited (which included the outstanding bank borrowings) in April 2009 pursuant to a conditional sale and purchase agreement dated 26 November 2008. Please refer to the Company's circular dated 23 January 2009 for details.

SGM

The SGM will be convened and held for the purpose of considering and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

GENERAL

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

A circular containing, among other things, details of (i) the Subscription Agreement and the transactions contemplated thereunder and (ii) a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that the Proposed Issue is subject to conditions under the Subscription Agreement to be fulfilled. As the Proposed Issue may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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.

| | |
|----------------|--|
| “Board” | the board of Directors |
| “Business Day” | a day (other than a Saturday, a Sunday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business |
| “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 |

| | |
|--------------------------|---|
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “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 |
| “Last Trading Day” | 20 November 2009, being the date of the Subscription Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Cheung” | Mr. Cheung Kwok Fan |
| “Proposed Issue” | the proposed allotment and issue of the 56,000,000 Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement |
| “Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the issued Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” | Thought Diamond International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Cheung |
| “Subscription Agreement” | a conditional agreement entered into between the Company and the Subscriber dated 20 November 2009 relating to the allotment and issue of 56,000,000 new Shares at a price of HK\$0.50 by the Company to the Subscriber |
| “Subscription Price” | HK\$0.50 per Subscription Share |
| “Subscription Share(s)” | 56,000,000 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement |

| | |
|--------|---|
| “SGM” | the special general meeting of the Company to be convened to consider, if thought fit, and approve the Subscription Agreement and the transaction contemplated thereunder |
| “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, 20 November 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.