

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

VERY SUBSTANTIAL ACQUISITION — FORMATION OF JOINT VENTURE AND GRANTING OF FACILITY; LETTER OF INTENT; AND RESUMPTION OF TRADING

FORMATION OF THE JV CO. AND GRANTING OF THE FACILITY

The Board wishes to announce that on 21 July 2010 (after trading hours), Riche, a wholly-owned subsidiary of the Company, entered into the JV Agreement with Campbell for the purpose of setting up of the JV Co.. The JV Co. will be held as to 90.1% by Riche and 9.9% by Campbell.

Pursuant to the JV Agreement, the financing requirements of the JV Co. shall be borne solely by Riche. As such, Riche has procured the Company to provide the Facility to the JV Co..

In order for the JV Co. to proceed with its business of conducting, development and investing into real estate and related projects in Vietnam, the Company entered into the Facility Agreement with the JV Co. on 21 July 2010 (after trading hours) to grant the Facility to the JV Co..

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the JV Co. and the granting of the Facility constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules (on the assumption of the whole Facility amount is drawdown) and is therefore subject to Shareholders' approval at the SGM by way of poll. As no Shareholder has any interest in the transactions contemplated under the JV Agreement and the Facility Agreement, no Shareholder is required to abstain from voting in respect of the proposed resolutions to approve the JV Agreement and the granting of the Facility at the SGM.

LETTER OF INTENT

On 21 July 2010 (after trading hours), the JV Co. entered into a non-binding letter of intent with Campbell, whereby Campbell has agreed to, subject to agreeable terms and conditions, to procure the sale of the Land from its owner to the JV Co.

As the formation of the JV Co. is subject to the fulfillment of a number of conditions precedent, it may or may not be completed. In addition, the proposed transaction contemplated under the letter of intent may or may not proceed. No formal binding documentation has been executed and discussions are currently at a preliminary stage. A further announcement in respect of the proposed transaction contemplated under the letter of intent will be made as and when appropriate. Accordingly, Shareholders and potential investors are therefore advised to exercise caution when trading in the Shares.

GENERAL

The Company will despatch a circular containing, among other things, (i) details of the JV Agreement and the terms and conditions of the Facility; and (ii) a notice of the SGM to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 July 2010 at the request of the Company 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 26 July 2010.

FORMATION OF THE JV CO. AND GRANTING OF THE FACILITY

The Board wishes to announce that on 21 July 2010 (after trading hours), Riche entered into the JV Agreement with Campbell for the purpose of setting up of the JV Co.. The JV Co. will be held as to 90.1% by Riche and 9.9% by Campbell.

Pursuant to the JV Agreement, the financing requirements of the JV Co. shall be borne solely by Riche. As such, Riche has procured the Company to provide the Facility to the JV Co..

In order for the JV Co. to proceed with its business of conducting, development and investing into real estate and related projects in Vietnam, the Company entered into the Facility Agreement with the JV Co. on 21 July 2010 (after trading hours) to grant the Facility to the JV Co..

The JV Agreement

Date: 21 July 2010 (after trading hours)

Parties: Riche, Campbell and the JV Co.

To the best of the Directors' knowledge, information and belief of the Company, and having made all reasonable enquires, Campbell and its ultimate beneficial owners are Independent Third Parties. The Company confirms that, save as those disclosed in this announcement, the Group has no other existing arrangement/agreement with Campbell.

Principal activities of the JV Co.

The JV Co. is established to engage in the business of conducting, development and investing into real estate and related projects in Vietnam.

Capital contribution to the JV Co.

Subject to the fulfillment of the conditions as set out under "Conditions Precedent" below in this section, the JV Co. shall allot and issue 9,009 shares and 990 shares to Riche and Campbell respectively at a price of US\$1.00 per share.

Finance of the JV Co.

Pursuant to the JV Agreement, the initial capital and cash requirements of the JV Co. shall be satisfied by utilisation of the proceeds from subscription for its shares. Additional financing of the JV Co. after utilisation of its own resources shall be satisfied by way of a shareholder's loan from Riche up to HK\$700 million only with interest accruing thereon at the rate not exceeding the Prime Rate plus 1.5%. Campbell shall not be required to provide financing and/or security for the JV Co.'s financial requirements.

If third party financing is required, Riche shall use all reasonable endeavours to arrange borrowings in the form of loans or overdraft facilities from banks or other financial institutions for the JV Co. as required by the board of directors of the JV Co. from time to time. Riche shall, if requested by a lender as a condition of granting any such facility, offer to guarantee the facility on terms agreed between the lender and Riche.

Profit sharing of the JV Co.

The profit sharing of the JV Co. shall be determined in accordance with the proportion of the respective shareholdings of Riche and Campbell in the JV Co..

Conditions Precedent

The formation of the JV Co. shall be conditional upon the fulfillment of the following conditions:

- (i) the passing by the directors of each of Riche and Campbell of a resolution approving the JV Agreement;
- (ii) all necessary approvals and consents to the execution of the JV Agreement and the performance of the transactions contemplated under the JV Agreement being obtained; and
- (iii) approval by the Shareholders in the SGM approving the transactions contemplated under the JV Agreement or incidental thereto having been obtained (if necessary).

If the conditions above shall not have been fulfilled by 31 December 2010, the JV Agreement shall, subject to the liability of any party under the JV Agreement to the others in respect of any breaches of the terms under the JV Agreement, including the obligations therein, be null and void and of no effect.

Financial information of the JV Co.

As at the date of this announcement, the total assets of the JV Co. is US\$1.00 (equivalent to approximately HK\$7.80) and the JV Co. has no liabilities. There is no profit or loss recorded in the unaudited management accounts of the JV Co. for the period commencing on 12 July 2010 (being its date of incorporation) to the date of this announcement. The JV Co. has not yet commenced any business operations.

Composition of the board of directors of the JV Co.

Pursuant to the JV Agreement, the board of directors of the JV Co. shall consist initially of one director nominated by Riche. The maximum number of directors shall be four directors. Riche shall, regardless of the number of shares in the JV Co. held by it, have the right to appoint and remove up to four directors.

Information on Campbell

Campbell was incorporated under the law of Vietnam in February 2006. According to the information provided by Campbell, the principal business activities of Campbell consists of the following design and construction services for civil & industrial works such as architectural, civil & structural, mechanical & electrical, fire protection system, interior, power & industrial plant, power distribution & sub-station, water & waste treatment plants & distribution, road & highway, construction supervision services for civil & industrial works, and project and property management services.

Since its incorporation, Campbell has provided a complete range of consultancy services, for instance, master project planners, architectural, structural, mechanical & electrical and interior design etc, to its clients. Campbell has been involved in various master planning and construction projects in Vietnam, such as Petro Vietnam Power Land — a residential, office and commercial complex, Wonderful Theme Park — a hotel, office, residential and commercial complex, Vinaconex Theme City — a hotel, office, residential and commercial complex, and Ecological Tourist & Residential Area — a hotel, residential, commercial and golf course complex.

Appointment of Chief Strategist of the JV Co.

Following the formation of the JV Co., the JV Co. shall appoint Mr. Stephen Lam, who is the chairman of Campbell, as the Chief Strategist for developing its business in Vietnam. Mr. Lam is a Vietnam Ministry of Construction registered engineer with more than 15 years working experiences in Malaysia, Cambodia, Vietnam and South East Asia.

The Facility Agreement

Date: 21 July 2010 (after trading hours)

Parties: the Company (as lender) and the JV Co. (as borrower)

The Amount

Subject to the terms and conditions of the Facility Agreement, the Company has conditionally agreed to provide the Facility to the JV Co. The Facility is of up to HK\$700 million. The amount of the Facility was determined by reference to the ballpark figure of fund to be invested into the Target Project.

Interest

An interest rate at the Prime Rate plus 1.5% per annum on each Advance under the Facility is payable quarterly. A default interest rate of 10.0% per annum is payable on any overdue amount whether principal or interest.

The annual interest rate and the default interest rate are determined based on arm's length negotiation between the Company, Riche and Campbell with reference to market rate.

Repayment

The JV Co. shall repay each Advance in full on or before the date falling 36 months after the date of the first drawdown of the Facility, save for the Company shall have the right to request for immediate repayment of all and any Advance following an annual review.

Conditions precedent

The drawdown of the Facility is subject to, amongst others, the fulfillment of the following conditions:

- (i) the granting of the Facility having been approved by the Shareholders at the SGM;
- (ii) confirmation from the JV Co. on each date of making the Advance that the JV Co. is a subsidiary of the Company; and
- (iii) the results of a due diligence investigation on the projects for which the Facility will be used having been satisfactory to the Company in its absolute discretion.

Security

None

Annual review

The Company shall conduct an annual review of the Facility (including amounts of Advance made) and determine whether to continue to grant further Advances, request for repayment of Advances made etc.

Reasons for and benefits of the formation of the JV Co. and the granting of the Facility

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

Vietnam's economy has boomed as a result of Vietnam gaining membership in the World Trade Organisation (WTO) in 2007. The Vietnam property market received an explosion of interest and activity during 2007 due to the newly introduced laws liberalising the guidelines for investment from foreign developers. However, in April 2008, after a stock market crash and a tightening of bank credit, the number of transactions in the Vietnam property market reduced by 30% to 40% compared to 2007. Currently, the economy of Vietnam is on a gradual recovery.

To pace up the recovery, the Government of Vietnam has enacted a number of stimulus policies to attract capital from foreign investors, such as foreigners are permitted to invest in the Vietnam property market subject to certain conditions. Furthermore, the Government of Vietnam also improve its existing public infrastructure, such as building up the Thu Thiem Bridge and the East-West highway in Ho Chi Minh City to improve the accessibility of more of its cities.

Notwithstanding that the property market in Vietnam has not been fully recovered as compared to year 2007, the Board considers that the entering into the JV Agreement represents an good opportunity to the Group investing in projects with market potential. Given the Directors' positive outlook of the Vietnam property market, the Directors believe that the Group would capitalise on the connections and expertise of Campbell to develop the JV Co.'s real estate business in Vietnam. The Directors also believe that the formation of the JV Co. would enable the Group to diversify its revenue source and improve the Group's profitability in the long run. Based on the above, the Directors consider that terms of the JV Agreement and the formation of the JV Co. are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon the completion of JV Agreement, JV Co. will become a 90.1% owned subsidiary of the Company.

The director of the JV Co. has confirmed that the proceeds of the Facility shall be used by the JV Co. exclusively for the business of conducting, development and investing into real estate and related projects in Vietnam.

The Directors consider that the use of the Facility by the JV Co. is properly safeguarded as:

- (i) all directors of the JV Co. are nominated by the Company;
- (ii) the Company has over 50% voting right of the JV Co.;
- (iii) prior to making any Advance to the JV Co., the Company shall satisfy in its absolute discretion with the results of a due diligence investigation on the projects for which the Facility will be used; and
- (iv) an annual review of the Facility shall be conducted by the Company and the Company has absolute right to determine whether to continue to grant further Advances, request for repayment of Advances made etc.

In order for the JV Co. to proceed with its business in Vietnam, the Directors consider that the granting of the Facility and the terms of the Facility Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Facility will be funded by the Group's internal resources, external financing and/or equity financing.

LETTER OF INTENT

On 21 July 2010 (after trading hours), the JV Co. entered into a non-binding letter of intent with Campbell, whereby Campbell has agreed to, subject to agreeable terms and conditions, to procure the sale of the Land from its owner to the JV Co..

As at the date of this announcement, no terms and conditions regarding the acquisition of the Land have yet been proposed. Further announcements will be made as and when appropriate. The proposed acquisition of the Land, if proceeds, is expected to be a very substantial acquisition for the Company pursuant to the Listing Rules. The Company will comply with the notification, publication and shareholders' approval requirements under the Listing Rules for the acquisition of the Land and/or other future transaction by the JV Co. as and when appropriate.

Information on the Target Project

The Target Project is to acquire the Land and develop the Land into a high-end multi-story apartments and commercial building for sales. It is estimated that the acquisition cost of the Land is approximately US\$29.00 million (equivalent to approximately HK\$226.20 million) and the development cost is approximately of US\$149.80 million (equivalent to approximately HK\$1,168.44 million). The total area of the Land is approximately 16,500 square meters. Upon completion, the multi-story building consists of (i) five storeys of commercial levels; (ii) 37 storeys of apartment levels; and (iii) two storeys of basement levels for car parking and building services facilities.

As the formation of the JV Co. is subject to the fulfillment of a number of conditions precedent, it may or may not be completed. In addition, the proposed transaction contemplated under the letter of intent may or may not proceed. No formal binding documentation has been executed and discussions are currently at a preliminary stage. A further announcement in respect of the proposed transaction contemplated under the letter of intent will be made as and when appropriate. Accordingly, Shareholders and potential investors are therefore advised to exercise caution when trading in the Shares.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the JV Co. and the granting of the Facility constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules (on the assumption of the whole Facility amount is drawdown) and is therefore subject to Shareholders' approval at the SGM by way of poll. As no Shareholder has any interest in the transactions contemplated under the JV Agreement and the Facility Agreement, no Shareholder is required to abstain from voting in respect of the proposed resolutions to approve the JV Agreement and the granting of the Facility at SGM.

GENERAL

The Company will despatch a circular containing, among other things, (i) details of the JV Agreement and the terms and conditions of the Facility; and (ii) a notice of the SGM to the Shareholders in due course.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 July 2010 at the request of the Company 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 26 July 2010.

DEFINITIONS

“Advance”	each lending of a portion of the Facility under the Facility Agreement or, as the case may be, the principal amount advanced to the JV Co. on each such occasion;
“Board”	the board of Directors;
“Campbell”	Campbell Shillinglaw & Partners (Vietnam) Limited, a company incorporated in Vietnam with limited liability;
“Company”	China Star Investment Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Facility”	the revolving facility of up to HK\$700 million to be granted by the Company to JV Co.;
“Facility Agreement”	the agreement dated 21 July 2010 entered into between the Company and JV Co. in relation to the Facility;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
“JV Co.”	Victory Peace Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and to be owned as to 90.1% by Riche and 9.9% by Campbell. As at the date of the JV Agreement, one share of US\$1.00 has been issued and is fully paid up by Riche;
“JV Agreement”	the joint venture agreement dated 21 July 2010 entered into between Riche, Campbell and the JV Co.;
“Land”	a piece of land situated at An Lac A Ward, Binh Tan District, Ho Chi Minh City, Vietnam;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Prime Rate”	the rate of interest per annum as announced or applied by The Hongkong and Shanghai Banking Corporation Limited from time to time as its prime interest rate in Hong Kong for lending Hong Kong dollars to its prime customers;
“Riche”	Riche (BVI) Limited, a wholly-owned subsidiary of the Company;
“SGM”	the special general meeting to be convened for Shareholders to approve the formation of the JV Co. and the granting of the Facility;
“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 Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Project”	the acquisition of the Land from its owner and the development of the Land into a high-end multi-storey apartments and commercial building for sales;

“Vietnam”	the Socialist Republic of Vietnam;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

By Order of the Board of
China Star Investment Holdings Limited
Lei Hong Wai
Chairman

Hong Kong, 23 July 2010

As at the date of this announcement, the Board comprises two executive Directors namely, Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy; and three independent non-executive Directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Hung Hing Man and Mr. Wan Shing Chi.