
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Star Investment Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of China Star Investment Holdings Limited.



CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

- (i) PROPOSED ISSUE OF NEW SHARES;
(ii) REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SECURITIES;
AND
(iii) NOTICE OF SPECIAL GENERAL MEETING**

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



大華證券(香港)有限公司

GRAND CATHAY SECURITIES (HONG KONG) LIMITED

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 15 of this circular. A letter from the Independent Financial Adviser setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on page 16 to 22 of this circular.

A notice convening the special general meeting of China Star Investment Holdings Limited to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Thursday, 17 December 2009 at 4:30 p.m. is set out on pages 23 to 26 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

2 December 2009

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
The Subscription Agreement	5
Possible appointment of one Director nominated by the Subscriber	8
Reasons for the Proposed Issue	8
Use of proceeds	9
Effect on shareholding structure	9
Refreshment of general mandate to allot and issue securities	10
Fund raising activities of the Company in the past 12 months immediately preceding the date of the Announcement	11
The SGM	12
General	13
Recommendation	13
Responsibility statement	14
Letter from the Independent Board Committee	15
Letter from the Independent Financial Adviser	16
Notice of Special General Meeting	23

DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 30 June 2009
“Announcement”	the announcement dated 20 November 2009 issued by the Company in relation to the Proposed Issue
“associates”	has the meaning ascribed to it in the Listing Rules
“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
“Classical Statue”	Classical Statue Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder (as defined under the Listing Rules), which is wholly owned by Glenstone Investments Limited which in turn is owned as to 60% by Ms. Chen through Porterstone Limited and as to 40% by Mr. Heung
“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

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung, all of whom are independent non-executive Directors, to advise the Independent Shareholders on the refreshment of the general mandate to allot and issue securities
“Independent Financial Adviser”	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation registered under the SFO to carry on types 1, 6 and 9 regulated activities as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the general mandate to allot and issue securities
“Independent Shareholders”	Shareholders other than Mr. Heung and Ms. Chen and their respective associates (including Classical Statue)
“Last Trading Day”	20 November 2009, being the date of the Subscription Agreement
“Latest Practicable Date”	30 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Kwok Fan
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director
“New General Mandate”	the general mandate proposed to be granted to the Directors at the SGM to allot and issue securities not exceeding 20% of the issued share capital of the Company at the date of passing such resolution at the SGM
“Proposed Issue”	the proposed allotment and issue of 56,000,000 Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement

DEFINITIONS

“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 per Share 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
“SFO”	Securities and Futures Ordinance, (Cap. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company dated Thursday, 17 December, 2009 to be convened and held to consider, if thought fit, and approve (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the New General Mandate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:

Mr. Heung Wah Keung

Ms. Chen Ming Yin, Tiffany

Independent non-executive Directors:

Mr. Tang Chak Lam, Gilbert

Mr. Ho Wai Chi, Paul

Mr. Lien Wai Hung

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 3408, Shun Tak Centre

West Tower

168-200 Connaught Road Central

Hong Kong

2 December 2009

To the Shareholders

Dear Sir or Madam,

- (i) PROPOSED ISSUE OF NEW SHARES;
(ii) REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SECURITIES;
AND
(iii) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

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.

LETTER FROM THE BOARD

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 shall be subject to Shareholders' approval at the SGM.

The Board also proposes to refresh the general mandate for the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

As the refreshment of the general mandate to allot and issue securities is proposed to the Shareholders prior to the Company's next annual general meeting, the grant of the New General Mandate will be subject to Independent Shareholders' approval by way of poll at the SGM pursuant to Rule 13.36(4) of the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the refreshment of the general mandate to allot and issue securities. Grand Cathay Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof.

The purpose of this circular is (i) to provide you with further details of the Subscription Agreement and the transactions contemplated thereunder and the grant of the New General Mandate; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders and the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate; and (iii) to give you a notice of the SGM at which resolutions will be proposed to consider, and if thought fit, approve, inter alia, the Subscription Agreement and the transactions contemplated thereunder and the grant of the New General Mandate.

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.

LETTER FROM THE BOARD

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;
- (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; and
- (iv) a discount of approximately 33.33% to the closing price of approximately HK\$0.750 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Taking into account the reasons for the Subscription as mentioned in the sub-section headed "Reasons for the Proposed Issue" below, the Board considers that a discount of the Subscription Price to the prevailing market price of the Shares offered to the Subscriber is commercially justifiable.

The Directors (including the independent non-executive Directors) consider that the terms of the Proposed Issue, which was negotiated on an arm's length basis between the Company and the Subscriber, are on normal commercial terms and are fair and reasonable to the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Subscription Shares

As at the Latest Practicable Date, there were 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;

LETTER FROM THE BOARD

- (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 2010 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.

POSSIBLE 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

LETTER FROM THE BOARD

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. As at the Latest Practicable Date, no such investment has been identified by the Group. 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 the 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 Latest Practicable Date		Upon completion of the Proposed Issue	
	No. of Shares	Approximately	No. of Shares	Approximately
The Subscriber	—	— %	56,000,000	29.77%
Classical Statue	32,928,286	24.92%	32,928,286	17.50%
Public Shareholders	<u>99,199,763</u>	<u>75.08%</u>	<u>99,199,763</u>	<u>52.73%</u>
Total	<u><u>132,128,049</u></u>	<u><u>100.00%</u></u>	<u><u>188,128,049</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 75.08% as at the Latest Practicable Date to approximately 52.73% upon completion of the Proposed Issue.

Taking into account the benefits of the Proposed Issue as discussed in the sub-section headed “Reasons for the Proposed Issued” above and the fact that the capital base of the Company will be strengthened as well as the shareholders’ value in the Company by way of the Proposed Issue, the Board considers such dilution of shareholding to the existing Shareholders to be fair and reasonable.

Shareholders and potential investors should note that the Proposed Issue is subject to the 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.

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SECURITIES

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors to allot, issue and deal with up to 22,025,609 Shares, representing 20% of the issued share capital of the Company at the date of the AGM (the “Existing General Mandate”). The Existing General Mandate had been utilised by the top-up placing of 22,000,000 new Shares (the “Placing”), representing 99.88% of the Existing General Mandate, as disclosed in the announcement of the Company dated 28 August 2009.

Immediately following completion of the Placing, only 25,609 new Shares, representing 0.12% of the Existing General Mandate, could be further allotted and issued under the Existing General Mandate. The Directors will therefore seek the approval of the Independent Shareholders by a resolution at the SGM for refreshment of the general mandate to the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant resolution at the SGM.

Based on 132,128,049 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased or issued prior to the date of the SGM, subject to the passing of the relevant ordinary resolution to approve the refreshment of general mandate at the SGM, the Directors will be authorised to allot and issue up to a limit of 26,425,609 Shares under the New General Mandate.

LETTER FROM THE BOARD

The refreshment of the general mandate to allot and issue securities is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment will be subject to the Independent Shareholders' approval by way of poll at the SGM, and Mr. Heung and Ms. Chen and their respective associates (including Classical Statue) are required to abstain from voting in favour thereon.

The Directors consider that, taking into consideration of the advice from the Independent Financial Adviser, it is in the interests of the Company and the Shareholders as a whole if the New General Mandate is granted at the SGM.

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

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

LETTER FROM THE BOARD

Date of announcement	Events	Amount raised	Intended usage	Actual usage
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.

THE SGM

A notice convening the SGM to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Thursday, 17 December 2009 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the entering into of the Subscription Agreement and the transactions contemplated thereunder and the grant of the New General Mandate are set out on pages 23 to 26 of this circular.

To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the Subscription Agreement as at the Latest Practicable Date. Accordingly, no Shareholder is required to abstain from voting at the SGM in respect of the resolution relating to the Proposed Issue.

LETTER FROM THE BOARD

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, the directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the refreshment of the general mandate to allot and issue securities. Accordingly, Mr. Heung and Ms. Chen and their respective associates (including Classical Statue) are required to abstain from voting in respect of the resolution relating to the grant of the New General Mandate.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch registrars in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Proposed Issue and the grant of the New General Mandate are in the interests of the Company and the Shareholders as a whole and the Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers the grant of New General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
For and on behalf of
China Star Investment Holdings Limited
Heung Wah Keung
Chairman



CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2 December 2009

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SECURITIES

We refer to the circular dated 2 December 2009 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used therein unless the context requires otherwise.

We have been appointed to the Independent Board Committee to advise you in connection with the grant of New General Mandate, details of which are set out in the letter from the Board in the Circular. Grand Cathay Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of New General Mandate. Details of the advice from the Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 16 to 22 of the Circular.

Having considered the principal factors and reasons considered by and the advice of the Independent Financial Adviser, we consider that the grant of New General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the grant of New General Mandate.

Yours faithfully,
Independent Board Committee

Mr. Tang Chak Lam, Gilbert

Mr. Ho Wai Chi, Paul

Mr. Lien Wai Hung

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser prepared for incorporation in this circular.



GRAND CATHAY SECURITIES (HONG KONG) LIMITED
香港中環花園道3號中國工商銀行大廈7樓705至706室
Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: 852-2521-2982 Fax: 852-2521-0085 www.gpsc.com.tw

2 December 2009

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SECURITIES

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of general mandate to allot and issue securities, particulars of which are set out in the letter from the Board (the “Letter from the Board”) of this circular dated 2 December 2009 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Letter from the Board, the Board proposes, inter alia, to refresh the general mandate for the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders at the SGM by way of poll with the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates abstain from voting in favour.

Since there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and their respective associates, who are Mr. Heung and Ms. Chen and their respective associates (including Classical Statue), are required to abstain from voting in favour thereon.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Tang Chak Lam, Gilbert, Mr. Lien Wai Hung and Mr. Ho Wai Chi, Paul, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. We, Grand Cathay Securities (Hong Kong) Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Director provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on that the Company has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion regarding the grant of the New General Mandate, we have considered the following principal factors and reasons:

1. Background

The Directors were authorised to allot and issue up to 22,025,609 Shares under the Existing General Mandate which was granted by the Shareholders at the AGM.

The Existing General Mandate had been utilised by the top-up placing of 22,000,000 new Shares, representing approximately 99.88% of the Existing General Mandate, as disclosed in the announcement of the Company dated 28 August 2009.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Immediately following completion of the Placing, only 25,609 new Shares, representing approximately 0.12% of the Existing General Mandate and approximately 0.02% of issued Shares as at the Latest Practicable Date, could be further allotted and issued under the Existing General Mandate.

In this regard, the Board therefore proposes an ordinary resolution to the Independent Shareholders in accordance with Rule 13.36(4) of the Listing Rules for the granting of the New General Mandate at the SGM, by which if passed, will allow the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of the SGM. Based on the total number of 132,128,049 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased from the Latest Practicable Date to the date of the SGM (both dates inclusive), it is anticipated that the Directors will be granted the power to allot and issue up to a limit of 26,425,609 Shares, representing 20% of the issued share capital of the Company as at the date of SGM, under the New General Mandate if it is approved by the Independent Shareholders at the SGM.

2. Fund raising activities of the Company in the past twelve months and current resources

Please refer to the paragraph headed “Fund raising activities of the Company in the past 12 months immediately preceding the date of the Announcement” in the Letter from the Board for the detailed information regarding the fund raising activities of the Company in the past 12 months immediately preceding the date of the Announcement.

According to the Letter from the Board, we noted that aggregate net proceeds from the aforesaid fund raising exercises is approximately HK\$93.91 million which was used as general working capital of the Group. If the Proposed Issue is completed, a further net proceeds of approximately HK\$27.7 million would be raised.

We would like to draw your attention on the 2009 interim results of the Group which has released on 28 September 2009. The unaudited cash and cash equivalents of the Group was approximately HK\$42.2 million as at 30 June 2009. The unaudited total indebtedness of the Group amounted to approximately HK\$198.9 million as at 30 June 2009, of which the non-current portion of the convertible notes payable were high as HK\$107.4 million which represented the Group’s gearing ratio is approximately 0.24 (total debt/total equity).

3. The reasons for the refreshment

Financial requirement for the possible diversified investments

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.

We have been advised by the Directors that it is the Group's policy to proactively identify suitable investment opportunities to develop and diversify the Group's business so as to broaden the revenue base of the Group but the investment size has not yet been determined. Although the Directors consider that the existing cash and facilities resources of the Group are sufficient for its daily operations, there is no certainty or guarantee that the current financial resource of the Group (assuming the Proposed Issue is successfully completed) will be adequated for any appropriate investments that may be identified and materialise in the future. Additional funding may still be needed for financing the possible future diversified investments may suitable investment opportunities arises.

We have been advised by the Directors that the next annual general meeting will not be held until around the end of June 2010, which is about six months away from the Latest Practicable Date. Given the Existing General Mandate has been almost fully utilised, may any investment opportunities arise that would require allot and issue of new securities as consideration, a specific mandate may have to be sought and the Directors are uncertain as to whether such approval from the Independent Shareholders could be obtained in a timely manner so as to grasp the investment opportunities.

On such basis, we consider that the refreshment of the general mandate to allot and issue securities before the next annual general meeting is for a prudent sake.

Financial flexibility

Notwithstanding that the Group has no immediate capital requirement for its current operation nor has any concrete plan for any diversified investment at present, the Directors are of the view that the New General Mandate will provide the Directors with higher degree of flexibility to capture the favourable market sentiment to raise funds by issuing new securities so as to strengthen the capital and shareholder base of the Company. The Directors are therefore of the view that the granting of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

We concur with the Directors' view in this respect. The granting of the New General Mandate would avails the Company of a high degree of flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising, such as placing of new Shares, or as consideration for the potential future investments or acquisition which

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Directors may think fit and appropriate. The granting of New General Mandate will also offer the Directors a high degree of financial flexibility to invest in the potential diversified investments in a timely manner. As such, we agree with the Directors that the granting of the New General Mandate will be in the interests of the Company and the Shareholders as a whole.

Other financing alternatives

Apart from equity financing, the Directors confirm that they will also consider other financing alternatives such as debt financing, bank borrowings and internal cash resources to meet the Company's financing requirements for future business development and potential diversified investments but depend on the financial position, capital structure, the cost of funding of the Group and the then market conditions. However, the Directors consider that the debt financing or bank borrowings may be subject to a lengthy negotiation process, which may not facilitate the Directors for a prompt investment decision as compared to equity financing through the New General Mandate. The Directors indicate that they will evaluate the available financing methods with due care in considering to fund any future investment opportunities so as to protect the interests of the Company and the Shareholders as a whole.

We consider that the New General Mandate can facilitate the Director with an additional financing option and it is reasonable for the Company to have the flexibility in deciding the best financing methods for any future investments or business developments.

On the above basis, we are of the opinion that the granting of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Potential dilution to shareholding of the Company

The table below set out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Proposed Issue; and (iii) for illustrative purpose, the potential dilution effect upon full utilisation of the New General Mandate, assuming that no Shares are issued and/or repurchased by the Company from the Latest Practicable Date to the date of the SGM (both dates inclusive) and complete of the Proposed Issue.

	As at the		Upon completion		Upon completion of	
	Latest Practicable Date		of the Proposed Issue		the Proposed Issue and	
	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
The Subscriber	—	—	56,000,000	29.77	56,000,000	26.10
Classical Statue						
Limited (<i>Note</i>)	32,928,286	24.92	32,928,286	17.50	32,928,286	15.35
Public						
Shareholders	99,199,763	75.08	99,199,763	52.73	99,199,763	46.24
New Shares						
to be issued						
under the						
New General						
Mandate	—	—	—	—	26,425,609	12.32
Total	<u>132,128,049</u>	<u>100.00</u>	<u>188,128,049</u>	<u>100.00</u>	<u>214,553,658</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.

The above table illustrates that the shareholding of the existing public Shareholders will decrease from approximately 75.08% to approximately 52.73% upon completion of the Proposed Issue and further drop to approximately 46.24% upon full utilisation of the New General Mandate (assuming no further Shares are issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM (both dates inclusive)).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that the shareholding of all the Shareholders will be diluted to the same extent upon any utilisation of the New General Mandate, we consider that the potential dilution to the shareholding of the existing public Shareholders is acceptable.

Shareholders should note that upon the approval of the New General Mandate at the SGM, the Existing General Mandate will be revoked and the New General Mandate will be and continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act (1981) of Bermuda (as amended) or any applicable laws of Bermuda to be held; and (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under that resolution. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the granting of the New General Mandate at the SGM.

Yours faithfully,

For and on behalf of

Grand Cathay Securities (Hong Kong) Limited

Kim Chan

Director

Kevin Chan

Director

NOTICE OF SPECIAL GENERAL MEETING



CHINA STAR INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE IS HEREBY GIVEN that the special general meeting of China Star Investment Holdings Limited (the “**Company**”) will be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Thursday, 17 December 2009 at 4:30 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the agreement dated 20 November 2009 and entered into between the Company as issuer and Thought Diamond International Limited (the “**Subscriber**”) as subscriber (the “**Subscription Agreement**”) in relation to the issue of 56,000,000 new shares of HK\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) at a price of HK\$0.50 per Subscription Share, a copy of which is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Listing Committee**”) granting the listing of, and permission to deal in, the 56,000,000 Subscription Shares, the allotment and issue of the 56,000,000 Subscription Shares to the Subscriber pursuant to the Subscription Agreement be and is hereby approved; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) any director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with securities of the Company as approved by the shareholders of the Company at the annual general meeting of the Company held on 30 June 2009 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers during or after the end of the Relevant Period, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) an issue of Shares upon the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares, the issue of which warrants and other securities has previously been approved by shareholders of the Company; or

NOTICE OF SPECIAL GENERAL MEETING

- (iii) an issue of Shares upon the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
 - (iv) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company, shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (e) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act (1981) of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.

“Rights Issue” means an offer of Shares or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or any class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By Order of the Board
China Star Investment Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 2 December 2009

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:

Unit 3408, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.