THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Seven Star Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

中国七星

CHINA SEVEN STAR HOLDINGS LIMITED

中國七星控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

(1) STRATEGIC SUBSCRIPTION OF NEW SHARES; (2) APPLICATION FOR WHITEWASH WAIVER; (3) SPECIFIC MANDATE FOR THE ISSUE OF NEW SHARES; (4) PROPOSED CHANGE OF COMPANY NAME AND (5) NOTICE OF EGM

Financial adviser to the Company

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

建泉環球金融服務有限公司
V Baron Global Financial Services Limited

A letter from the Board is set out on pages 6 to 41 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 42 to 43 of this circular. A letter from V Baron containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 68 of this circular.

A notice convening the EGM to be held at the Boardroom, Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57–73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 18 November 2015 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should you so wish.

26 October 2015

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition I"	the acquisition by China Seven Star Real Estate Operation Management Limited (a wholly-owned subsidiary of the Company) of the 100% equity interest of YGD Securities (HK) Limited
"Acquisition II"	the acquisition by China Seven Star Asset Management Limited (a wholly-owned subsidiary of the Company) of 100% equity interest of Yuan Asset Management Limited
"Acquisitions"	collectively Acquisition I and Acquisition II
"Announcement"	the announcement dated 27 August 2015 of the Company regarding, amongst others, the Share Subscription and the Whitewash Waiver
"Board"	board of the Directors
"China Minsheng Investment"	China Minsheng Investment Corporation Limited* (中國民生投資股份有限公司), a joint stock limited company incorporated in the PRC with limited liability which wholly owns CMI and CMI Hong Kong
"Closing"	closing of the Subscription Agreement which will take place on the Closing Date
"Closing Date"	10:00 am (Hong Kong time) (or such other time as may be agreed by the Company, CMI and Other Investors) on the third business day after the closing conditions of the Share Subscription have all been satisfied (or, where applicable, waived by CMI (for itself or on behalf of all of the Other Investors)) and subject to the purchase of all of the issued shares of the Targets under the YGD Agreement and the Yuan Agreement having been completed or completing of the same time
"CMI"	CMI Financial Holding Corporation, a company incorporated in the British Virgin Islands with limited liability and the Permitted CMI Assignee
"CMI Capital"	CMI Capital Company Limited* (中民投資本管理有限公司), a company incorporated in PRC with limited liability and is a wholly-owned subsidiary of China Minsheng Investment

"CMI Hong Kong"	CMI Financial Holding Company Limited, a company incorporated in Hong Kong with limited liability and is a fellow subsidiary of CMI and is a wholly owned subsidiary of China Minsheng Investment
"Company"	China Seven Star Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Concert Group"	CMI and parties acting in concert with it including but not limited to Union Sky
"connected persons(s)"	has the meaning ascribed to it under the Listing Rules
"Deeds of Accession"	the deed of accession entered into amongst the Company, CMI and D. E. Shaw Composite on 23 June 2015; the deed of accession entered into amongst the Company, CMI and Union Sky on 23 June 2015; the deed of accession entered into amongst the Company, CMI and WIC LP on 23 June 2015; and the deed of accession entered into amongst the Company, CMI and Mr. Xu on 23 June 2015
"D. E. Shaw Composite"	D. E. Shaw Composite Portfolios, L.L.C., a limited liability company established in Delaware
"D. E. Shaw Group"	a global investment and technology development firm owned by Dr. David Elliot Shaw
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among other things, the Share Subscription, the Whitewash Waiver and the Proposed Change of Company Name
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board established by the Board comprising all the non-executive Directors, namely Mr. Tu Baogui, Mr. Lyu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang to advise the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver
"Independent Financial Adviser" or "V Baron"	V Baron Global Financial Services Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than those who have a material interest in or those who are interested or involved in the Share Subscription and the Whitewash Waiver (including Group First Limited and Mr. Ni Xinguang)
"Last Trading Day"	12 June 2015, being the last trading day of the Shares immediately prior to the date of the Announcement on which trading in Shares was halted at 1:00 p.m.
"Latest Practicable Date"	23 October 2015, being the latest practicable date for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Mr. Shi"	Mr. Shi Yuzhu
"Mr. Xu"	Mr. Xu Xiang
"Other Investors"	D. E. Shaw Composite, Union Sky, WIC LP and Mr. Xu
"Permitted CMI Assignee"	designated subsidiaries or fellow subsidiaries of CMI in written notice to subscribe and pay for the Subscription Shares instead of CMI and to assign CMI's rights, benefits and obligations. CMI has assigned its rights, benefits and obligations under the Subscription Agreement to CMI Hong Kong on 25 June 2015 and, accordingly, CMI Hong Kong is the Permitted CMI Assignee
"PRC"	the People's Republic of China

"Proposed Change of Company Name"	proposed change of the Company's English name from "China Seven Star Holdings Limited" to "China Minsheng Financial Holding Corporation Limited" and the Company's Chinese name from "中國七星控股有限公司" to "中國民生金融控股有限公司"
"Purchaser I"	China Seven Star Real Estate Operation Management Limited, a company incorporated in Hong Kong with limited liability
"Purchaser II"	China Seven Star Asset Management Limited, a company incorporated in Hong Kong with limited liability
"Relevant Period"	the period commencing from 26 December 2014, being six months prior to 26 June 2015, the date on which the offer period has commenced, and up to and including the Latest Practicable Date
"Relevant Securities"	relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance under Cap. 571 of the Laws of Hong Kong
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of the Shares of the Company
"Share Subscription"	the subscription for the Subscription Shares by CMI and Other Investors
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the agreement dated 18 June 2015, between the Company, CMI and Other Investors (by way of the Deeds of Accession), relating to the subscription of 26,316,000,000 ordinary shares of the Company
"Subscription Shares"	26,316,000,000 new Shares, in aggregate, to be subscribed by CMI and Other Investors, and each a Subscription Share
"Takeovers Code"	the Codes on Takeovers and Mergers issued by the SFC as amended from time to time
"Targets"	Yuan Asset Management Limited and YGD Securities (HK) Limited

"Union Sky"	Union Sky Holding Group Limited, a company incorporated in British Virgin Islands with limited liability
"Vendor I"	YGD Finance Holdings Limited, a company incorporated in British Virgin Islands with limited liability
"Vendor II"	Mr. Yen Jong Ling
"Whitewash Waiver"	means a waiver from the Executive pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of CMI to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Concert Group which would, if the Share Subscription proceeds, otherwise arise as a result of the issue of the Share Subscription Shares to the Concert Group upon Closing
"WIC LP"	Wanzaixingjun Investment Center (Limited Partnership)* (萬載星筠投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 14 January 2015 and is principally engaged in the asset management, investment management and investment consultation business in the PRC
"YGD Agreement"	the sales and purchase agreement dated 14 June 2015 made between China Seven Star Real Estate Operation Management Limited and YGD Finance Holdings Limited in relation to the acquisition of 100% equity interest of YGD Securities (HK) Limited
"Yuan Agreement"	the equity transfer agreement dated 15 June 2015 made between Mr. Yen Jong Ling and China Seven Star Asset Management Limited in relation to the acquisition of 100% equity interest of Yuan Asset Management Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

* *The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purposes only. In event of any inconsistency, the Chinese names prevail.*

CHINA SEVEN STAR HOLDINGS LIMITED
中國七星控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

Executive Director
Mr. NI Xinguang *(Chairman)*
Ms. CHEN Xiaoyan

Non-executive Director
Mr. TU Baogui

Independent non-executive Directors
Mr. WONG Chak Keung
Mr. LYU We
Mr. LING Yu Zhang

Registered and principal office
Unit A02, 11/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

26 October 2015

To the Shareholders

Dear Sir or Madam,

(1) STRATEGIC SUBSCRIPTION OF NEW SHARES; (2) APPLICATION FOR WHITEWASH WAIVER; (3) SPECIFIC MANDATE FOR THE ISSUE OF NEW SHARES; (4) PROPOSED CHANGE OF COMPANY NAME AND (5) NOTICE OF EGM

(A) INTRODUCTION

Reference is made to the announcements of the Company dated 26 June 2015, 7 July 2015, 27 July 2015, 7 August 2015, 27 August 2015, 31 August 2015, 2 September 2015, 17 September 2015, 24 September 2015 and 16 October 2015 in relation to, among other things, the Share Subscription and the Whitewash Waiver and the announcement of the Company dated 23 October 2015 in relation to the Proposed Change of Company Name.

On 18 June 2015, CMI and Other Investors (by way of Deeds of Accession) entered into the Subscription Agreement with the Company pursuant to which CMI and Other Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 26,316,000,000 Subscription Shares at an issue price of HK$0.19 per Subscription Share in an aggregate amount of HK$5,000,040,000. Out of the 26,316,000,000

Subscription Shares, 20,418,000,000 Subscription Shares representing approximately 70.80% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares upon Closing, would be subscribed for by CMI.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Share Subscription, the Whitewash Waiver and the Proposed Change of Company Name, (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver, and (iv) the notice of the EGM.

(B) THE ACQUISITIONS

I. Acquisition I

Principal terms of the YGD Agreement are set out below:

Date	:	14 June 2015
Parties to Acquisition I	:	China Seven Star Real Estate Operation Management Limited, as Purchaser I, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability; and YGD Finance Holdings Limited, as Vendor I, a company incorporated in the British Virgin Islands with limited liability.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor I and its ultimate beneficial owner, Mr. Shen Hua, are third parties independent of the Company and its connected persons and are not related to CMI and Other Investors.

Equity interests transferred

Subject to the terms and conditions of the YGD Agreement, Purchaser I agreed to acquire the entire equity interests in YGD Securities (HK) Limited held by Vendor I as at 14 June 2015. Upon the completion of the YGD Agreement, YGD Securities (HK) Limited has become a wholly-owned subsidiary of the Company.

Consideration

The total consideration for the acquisition of the entire equity interests in YGD Securities (HK) Limited is HK$9,000,000 plus the net asset value of YGD Securities (HK) Limited as at 30 June 2015. The consideration was agreed between Vendor I and Purchaser I after arm's length negotiations with reference to the licensed status of YGD Securities (HK) Limited to carry out Type 1 regulated activity under the

SFO and the financial position of YGD Securities (HK) Limited. The Company has settled the total consideration of HK$22,656,166 out of the Group's available internal resources.

Conditions precedent

Completion of the YGD Agreement is conditional upon the fulfilment of the following conditions:

(1) obtaining the approval from the SFC for Purchaser I to become the substantial shareholder(s) (as defined under Schedule 1 to the SFO) of YGD Securities (HK) Limited as a result of Acquisition I;

(2) confirmation in writing of the appointment and retaining in writing of the existing two responsible officers, one trader, one settlement officer and one information technology staff member by YGD Securities (HK) Limited;

(3) obtaining necessary approval from the board of directors of YGD Securities (HK) Limited in respect of the execution of the YGD Agreement;

(4) Purchaser I having completed the due diligence investigations over, including but not limited to, any affair, business, assets, liabilities, operations, records, financial condition, value of assets, accounts, results, legal and financial structures of YGD Securities (HK) Limited on or before 19 June 2015 and, in its sole discretion, been satisfied with the results and findings of such due diligence investigations;

(5) Purchaser I having completed the applications and supplements on or before 19 June 2015 for the purpose of obtaining approval for Purchaser I to become the substantial shareholder(s) (as defined under Schedule 1 to the SFO) of YGD Securities (HK) Limited under the SFO and Vendor I will make such application on or before 30 June 2015;

(6) the approval of Acquisition I by the board of directors of Purchaser I and the Board; and

(7) the approval of Acquisition I by Purchaser I, the Company and the shareholders of the Company, if necessary.

Completion

Completion will take place on the fifth business day after all the conditions precedent above have been satisfied or otherwise waived and in any case, should not be later than 31 December 2015 or a later date agreed by parties of the YGD Agreement. If the conditions are not satisfied or waived by 31 December 2015 (or such later date as agreed upon by Purchaser I and Vendor I), the YGD Agreement will be terminated.

The YGD Agreement was completed on 29 September 2015.

Information on parties to Acquisition I

The Company

The Company is an investment holding company and its principal subsidiaries are engaged in trading of chemical materials, and provision of consultancy services and provision of insurance agency services in the PRC.

Purchaser I

China Seven Star Real Estate Operation Management Limited, being Purchaser I is a company incorporated in Hong Kong with limited liability. It is a wholly owned subsidiary of the Company.

Vendor I

YGD Finance Holdings Limited, being Vendor I is an investment holding company incorporated in British Virgin Islands with limited liability.

YGD Securities (HK) Limited

YGD Securities (HK) Limited is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of YGD Finance Holdings Limited. It is licensed to carry out Type 1 regulated activity (dealing in securities) under the SFO. It has trading rights on the Stock Exchange and is a participant to the Central Clearing and Settlement System (CCASS) of the Stock Exchange.

The audited consolidated financial information of YGD Securities (HK) Limited for the period ended 31st December, 2013 and 31st December, 2014 respectively, which has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, are summarized as follows (for illustration purposes only):

	Period from 1st August, 2012 (date of incorporation) to 31st December, 2013 *(HK$)*	**Year ended 31st December, 2014** *(HK$)*
Loss before taxation	408,187	7,253,691
Loss and total comprehensive loss for the year/period	408,187	7,253,691

Net assets of YGD Securities (HK) Limited as at 31st December, 2014 were HK$8,338,122.

II. Acquisition II

Principal terms of the Yuan Agreement are set out below:

Date	:	15 June 2015
Parties to Acquisition II	:	China Seven Star Asset Management Limited, a wholly-owned subsidiary of the Company, as Purchaser II; and Mr. Yen Jong Ling, as Vendor II, an independent third party, who is the ultimate controlling shareholder of Yuan Asset Management Limited. Mr. Yen Jong Ling is not related to CMI or Other Investors.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Vendor II is a third party independent of the Company and its connected persons.

Equity shares acquired

Subject to the terms and conditions of the Yuan Agreement, Purchaser II agreed to acquire the entire equity interests in Yuan Asset Management Limited held by Vendor II as at 15 June 2015. Upon the completion of the Yuan Agreement, Yuan Asset Management Limited has become a wholly-owned subsidiary of the Company.

Consideration

The total consideration for the acquisition of the entire equity interests in Yuan Asset Management Limited to Purchaser II is HK$5,300,000.

As agreed between Vendor II and Purchaser II, Purchaser II has committed to pay any additional costs during the lodging period (which is expected to be 3 to 6 months) for the application for the proposed change in substantial shareholder of a licensed corporation to the SFC by Purchaser II under the Yuan Agreement. Purchaser II will pay the staff costs of Yuan Asset Management Limited, limited to HK$112,000 per month. The rent and other expenses of Yuan Asset Management Limited will be shared equally between Purchaser II and Vendor II while such expenses shared by Purchaser II are limited to HK$125,000 per month. The rental share arrangement shall commence from the date of the Yuan Agreement and end on the date when SFC approves the change of substantial shareholder.

The consideration was agreed between Vendor II and Purchaser II after arm's length negotiations with reference to the licensed status of Yuan Asset Management Limited to carry out Type 4 and Type 9 regulated activities under the SFO. The Company has settled the total consideration of HK$5,300,000 out of the Group's internal resources.

Conditions precedent

The completion of the Yuan Agreement is subject to the fulfilment or waiver (as the case may be) of, among other things, the following conditions precedent:

(1) the approval of the change in substantial shareholder of a licensed corporation by SFC;

(2) the approval of the Yuan Agreement by the board of directors of Purchaser II and the Board;

(3) approval of the Yuan Agreement by Purchaser II, the Company and the shareholders of the Company, if necessary;

(4) there having been no litigation, arbitration, investigation, notices, orders, judgments or claims on or involving Yuan Asset Management Limited or its directors or responsible officers which Purchaser II considers will have a material adverse effect on the business (including but not limited to the Type 4 and Type 9 regulated activities), financial position or operating performance;

(5) the licences granted by the SFC to Yuan Asset Management Limited having not been suspended or revoked before the completion; and

(6) Purchaser II being satisfied with the results of the legal, financial and operational due diligence review on Yuan Asset Management Limited.

If the above conditions have not been fully fulfilled, satisfied or waived on or before 1 December 2015 (or such other date as may be agreed between the parties to the Yuan Agreement), Vendor II should immediately return all the amount paid and relevant costs incurred by Purchaser II to Purchaser II.

Vendor II's undertaking and guarantee

Vendor II has given certain undertakings under the Yuan Agreement, including but not limited to:

(1) Vendor II commits and ensures that he is the only legal and actual owner of Yuan Asset Management Limited and undertakes to indemnify Purchaser II for all the liabilities caused by Vendor II to Yuan Asset Management Limited and Purchaser II;

(2) the licences granted to Yuan Asset Management Limited by SFC continues to remain valid, and Yuan Asset Management Limited continues to comply with the corresponding rules and regulations; and

(3) Vendor II undertakes to keep both of its two existing responsible officers (as defined in the SFO) at Yuan Asset Management Limited until completion.

Completion

The completion of the Yuan Agreement shall take place on or before 1 December 2015 after all the conditions precedent are satisfied, or such other date as the parties may agree in writing. If the conditions are not satisfied or waived by 1 December 2015 (or on a date otherwise agreed upon by Purchaser II and Vendor II by written consent), the Yuan Agreement will be terminated and Vendor II shall refund the amount paid by Purchaser II to Vendor II in accordance with the Yuan Agreement, and pay the expenses incurred by Purchaser II in connection with the purchase of the equity interests in Yuan Asset Management Limited.

The Yuan Agreement was completed on 29 September 2015.

Information on parties to Acquisition II

Purchaser II

China Seven Star Asset Management Limited, being Purchaser II is a company incorporated in Hong Kong with limited liability. It is a wholly-owned subsidiary of the Company.

Vendor II

Mr. Yen Jong Ling is the managing director of Yuan Asset Management Limited and directly owns 100% equity interest in Yuan Asset Management Limited.

Yuan Asset Management Limited

Yuan Asset Management Limited is an investment management firm licensed and regulated by the Securities and Futures Commission in Hong Kong to carry out Type 4 regulated activity (advising on securities) and Type 9 regulated activity (asset management) under the SFO.

The audited financial information of Yuan Asset Management Limited for the period ended 31st December, 2013 and for the year ended 31st December, 2014 respectively, which has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, are summarised as follows (for illustration purposes only):

	Period from 1st April 2013 to 31st December, 2013 *(HK$)*	**Year ended 31st December, 2014** *(HK$)*
Loss before taxation	139,004	916,267
Loss and total comprehensive loss for the year/period	139,004	916,267

Net assets of Yuan Asset Management Limited as at 31st December, 2014 were HK$1,276,526.

(C) THE SUBSCRIPTION AGREEMENT

Date: 18 June 2015

Parties: the Company
CMI
Other Investors (by way of Deeds of Accession)

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue 20,418,000,000 Subscription Shares to CMI and 5,898,000,000 Subscription Shares to Other Investors agreeable to both CMI and the Company at the Subscription Price of HK$0.19 per Share. The net price of the Subscription Share after deduction of relevant expenses (including but not limited to the professional fees and disbursements) is approximately HK$0.1898 per Share. CMI has the right to assign its rights to subscribe for the Subscription Shares to the Permitted CMI Assignee. On 25 June 2015, CMI has assigned its rights, benefits and obligations under the Subscription Agreement to CMI Hong Kong, a fellow subsidiary of CMI engaged in investment holding, and is indirectly wholly-owned by China Minsheng Investment.

The following table sets out a summary of the allocation of the Subscription Shares.

Name	**Number of Subscription Shares**	**Shareholding percentage (at Closing assuming: (a) Closing under the Subscription Agreement take place; and (b) there is no change to the share capital of the Company other than the issue of the Subscription Shares)**
CMI *(Note1)*	20,418,000,000	70.80%
Other Investors		
— D. E. Shaw Composite	1,720,000,000	5.96%
— Union Sky	1,390,000,000	4.82%
— WIC LP	1,788,000,000	6.20%
— Mr. Xu	1,000,000,000	3.47%

Note 1: on 25 June 2015 CMI has assigned its rights, benefits and obligations under the Subscription Agreement to CMI Hong Kong.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, CMI and Other Investors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

As Mr. Shi the ultimate beneficial owner of Union Sky, is a director of China Minsheng Investment which indirectly wholly-owns CMI, Union Sky is presumed to be a party acting in concert with CMI for the purpose of the Takeovers Code. Save for Union Sky being presumed to be a party acting in concert with CMI, none of CMI and the rest of Other Investors fall within the 9 classes of presumptions of acting in concert under the Takeovers Code.

Other than (i) Union Sky being presumed to be a party acting in concert with CMI, and (ii) Mr. Xu being the general partner of WIC LP there are no other relationships (past, present or contemplated), financial, business or otherwise amongst CMI and the Other Investors so far as the Listing Rules and the Takeovers Code are concerned.

Save for the terms of the Subscription Agreement, pursuant to which any Continuing Investor's (as defined under section headed "Termination" below) has the right to subscribe for the Subscription Shares (whether in full or in part) not subscribed for by the Defaulting Investor (as defined under section headed "Termination" below), there is no other understanding, agreements or arrangements between CMI and the Other Investors in relation to the voting rights of the Company (including their acquisition or disposal of the voting rights of the Company).

As (1) none of Other Investors is or will become a core connected person to the Company upon Closing of the Share Subscription; (2) the subscriptions of the Subscription Shares by Other Investors are not financed directly or indirectly by CMI or any core connected person of the Company; and (3) none of the Other Investors is accustomed to take instructions from CMI or any core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his name or otherwise held by him, all of the Other Investors will be members of "the public" defined under Rule 8.24 of the Listing Rules upon Closing of the Share Subscription.

In the unlikely event that any of the Other Investors fails to complete the subscription of the Subscription Shares and the election to exercise of the right (as referred to under section headed "Termination" below) to further subscribe by CMI of such Subscription Shares (whether in full or in part) not subscribed by the defaulting investor would result in the Company having insufficient public float, CMI will not exercise such right, and if necessary, CMI will enter into a supplemental agreement with the Company and Other Investors to reduce the number of Subscription Shares to be subscribed by CMI and downsize the total number of Subscription Shares accordingly to ensure the Company has sufficient public float.

Subscription Price

The Subscription Price represents:

(1) a discount of approximately 89.89% to the closing price of HK$1.88 per Share as quoted on the Stock Exchange on the Last Trading Day;

(2) a discount of approximately 87.66% to the average closing price per Share of HK$1.54 for the last 5 consecutive trading days up to and including the Last Trading Day;

(3) a discount of approximately 86.62% to the average closing price per Share of HK$1.42 for the last 10 consecutive trading days up to and including the Last Trading Day;

(4) a discount of approximately 83.76% to the average closing price per Share of HK$1.17 for the last 30 consecutive trading days up to and including the Last Trading Day;

(5) a discount of approximately 84.30% to the closing price per Share of HK$1.21 as quoted on the Stock Exchange on the Latest Practicable Date;

(6) approximately 111.76 times the audited consolidated net asset value per Share of approximately HK$0.0017 as at 31 December 2014; and

(7) approximately 10.44 times the unaudited consolidated net asset value per Share of approximately HK$0.0182 as at 30 June 2015.

The Subscription Price was arrived at after arm's length negotiations between the Company and CMI and Other Investors with reference to the liquidity and recent trading performance of the Shares, the financial conditions and the business outlook of the Group. The Directors (other than the Independent Board Committee whose opinion is set out in the letter from the Independent Board Committee) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Non-disposal undertaking

Each of CMI and Other Investors has undertaken to the Company that for a period of 6 months from the Closing Date, it will not and it will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein beneficially owned or held by it or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Company.

Conditions precedent in respect of the Share Subscription

The obligations of CMI and Other Investors to subscribe and pay for, and the obligations of the Company to issue, the Subscription Shares to CMI and Other Investors are subject to the fulfilment or waiver (as the case may be) of the following conditions:

(1) Compliance at the Closing:

  (i) the representations and warranties of the Company made in the Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and

  (ii) the Company having performed all of its obligations and undertakings made under the Subscription Agreement to be performed on or before such date;

(2) Listing: the Stock Exchange having given its approval for the listing and trading of the Subscription Shares and such approval not having been subsequently revoked, withdrawn or cancelled;

(3) Material adverse change: up to the Closing, there shall not have occurred any change (nor any development or event involving a prospective change), which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of any of the Company or any other member of the Group;

(4) No default: at the Closing, none of the Company or any other member of the Group is in breach of or in default (nor has any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement would result in a default by the Company or any other member of the Group) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound;

(5) No restrictions or prohibitions: no order, judgment, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority to restrict or prohibit the transactions contemplated under the Subscription Agreement;

(6) No proceedings: no proceedings having been initiated or threatened by third parties with any judicial or governmental authority in any jurisdiction to restrict or prohibit the transactions under the Subscription Agreement, declare the transaction contemplated herein illegal or seek for a remedy of a material nature;

(7) Independent Shareholders' approval: the passing at an extraordinary general meeting of the Company of resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the granting of a specific mandate to the directors of the Company to allot and issue the Subscription Shares and the Whitewash Waiver pursuant to Note 1 to the Notes on dispensation from Rule 26 of the Takeovers Code waiving any obligation on CMI to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code upon subscription of the Subscription Shares;

(8) Whitewash Waiver: the SFC having granted the Whitewash Waiver in favour of CMI and any conditions stipulated thereon having been fulfilled to the extent that such conditions are capable of being fulfilled before Closing;

(9) Other consents: there shall have been delivered to CMI and Other Investors copies of all consents and approvals required under agreements to which any member of the Group is a party on the part of the Company in relation to the issue of the Subscription Shares and all the transactions contemplated under the Subscription Agreement or a written confirmation signed by a director of the Company that none is required, in each case in form and substance reasonably

satisfactory to CMI and Other Investors (including, without limitation, approval by the Company's board of directors, shareholders and any relevant governmental or regulatory authorities);

(10) Legal opinions: there having been delivered to CMI and Other Investors opinions, in form and substance reasonably satisfactory to CMI and Other Investors, dated the date of the Closing of, Hong Kong legal counsel of the Company, to be agreed by the parties as to the law of Hong Kong;

(11) Director's closing certificate: A director or the chief executive director of the Company having delivered a written confirmation in the form as set out in the Subscription Agreement on or before the Closing;

(12) Necessary approval from regulatory bodies: on or prior to the Closing, there shall have been delivered to CMI and Other Investors copies of all necessary consents and approvals from competent regulatory bodies and other governmental agencies and for the transaction contemplated in the Subscription Agreement or a written confirmation signed by a director of the Company that none is required;

(13) Licenses: The licences issued by the SFC under the SFO to the Targets remaining valid and effective, and no additional conditions, restrictions or suspension have been imposed on any of such licences or any of the approved regulated activities approved to be conducted by the Targets;

(14) The acquisition: Yuan Agreement and YGD Agreement having become unconditional in all respects and, if required by the Listing Rules, the shareholders of the Company having approved at an extraordinary general meeting or, if permitted by the Listing Rules, by way of a written resolution or certificate, the agreements and the transactions contemplated thereunder;

(15) Satisfactory due diligence: CMI having completed and, in its sole discretion, been satisfied with the results and findings of due diligence investigations over the business, financial, liabilities, legal and other aspects of the Company, its subsidiaries and the Targets;

(16) Name change: the passing at an extraordinary general meeting of the Company of a special resolution approving the change of the Company's name to such name as notified by CMI to the Company in writing and the Register of the Companies of Hong Kong having issued a certificate of change of name to the Company reflecting the above change of name;

(17) SFC approval: The SFC having granted its approval for CMI which will be regarded as substantial shareholder(s) (as defined under Schedule 1 to the SFO) as a result of the transactions contemplated hereunder to become a substantial shareholder (as defined in the SFO) of the Targets under section 132 of the SFO; and

(18) NDRC filing: CMI, the Permitted CMI Assignee and/or their respective controlling shareholder having made the necessary filing with (or obtained the necessary approval form) the National Development and Reform Commission of The People's Republic of China in relation to the entering by CMI of the Subscription Agreement and the consummation by CMI of the transactions contemplated thereunder.

Pursuant to the Subscription Agreement, where any provision requires or contemplates the giving of notice, consent or waiver by CMI and Other Investors, CMI and Other Investors authorise and agree that CMI shall be given the full authority to, at its own and sole discretion, to give such notice, consent or waiver as it deems fit for itself and on behalf of each of the Other Investors. Therefore, CMI may, at its sole discretion and upon such terms as it thinks fit, for itself or on behalf of all Other Investors waive compliance with the whole or any part of the 18 points as stipulated above under "Conditions precedent in respect of the Share Subscription" (other than those in conditions 2, 7, 17 and 18 are not waivable).

As at the Latest Practicable Date, save for condition (14), none of the above conditions has been fulfilled or waived.

If the conditions set out in "Conditions precedent in respect of the Share Subscription" have not been satisfied (or waived where permitted) by 31 December 2015 or such other time as the parties may otherwise agree, the obligations of CMI and the Other Investors to subscribe for, and the Company to allot and issue, the Subscription Shares under the Subscription Agreement shall become null and void save for any antecedent breaches by any party.

In the event that CMI waives condition 8 above in respect of the Whitewash Waiver and elect to proceed with the transactions contemplated under the Subscription Agreement, CMI will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code. Accordingly the offer period as defined under the Takeovers Code has commenced.

In respect of condition 12 above, so far as the Company is aware of, the only necessary consents and approvals required are that from the SFC regarding the Whitewash Waiver (as set out in point 8 above) and that from the Stock Exchange for its approval for the listing and trading of the Subscription Shares (as set out in condition 2 above).

Completion

Closing will take place at 10:00am (Hong Kong time) (or such other time as may be agreed by the Company, CMI and Other Investors) on the third business day after the closing conditions of the Share Subscription (as stipulated above) have all been satisfied (or, where applicable, waived by CMI (for itself or on behalf of all of the Other Investors)) and subject to the purchase of all of the issued shares of the Targets under the

YGD Agreement and the Yuan Agreement having been completed or completing of the same time, the Company will issue the Subscription Shares to CMI and Other Investors and/or any of its affiliates nominated (prior notification be given to the Company) by it.

Resignation and appointment of directors

Pursuant to the Subscription Agreement, CMI has the right to ask for up to six of the current Directors to resign as a director with effect from Closing or such earliest time permitted under the Takeovers Code (or pursuant to any prior consent) by the Executive. CMI also has the right to require that eight new Directors nominated by it be appointed to the Board with effect from Closing if so elected in accordance with the Company's articles of association. Upon Closing of the Share Subscription, CMI may propose change in the Board composition to cater for development of the financial services business of the Group. As at the Latest Practicable Date, CMI has no definite plan in this regard. The Company will make further announcements pursuant to Rule 13.51(2) of the Listing Rules to provide further details about changes to the Directors.

Termination

The obligations of CMI and Other Investors to subscribe for the Subscription Shares and all other obligations under the Subscription Agreement shall be several (and not joint and several). In the event where any of CMI and Other Investors (the "**Defaulting Investor**") fails to complete the subscription of the Subscription Shares, the other non-defaulting investors (the "**Continuing Investors**") shall have the right to: (i) defer Closing by no longer than seven business days; (ii) terminate the Subscription Agreement or; (iii) continue to complete the subscription of the Subscription Shares for which they have agreed to subscribe under the Subscription Agreement and, as a further right and only if so elected, to also subscribe for the Subscription Shares (whether in full or in part) not subscribed for by the Defaulting Investor. In the case where the Continuing Investors have elected (iii) above, the Company shall be obliged to issue such Subscription Shares to the Continuing Investors at Closing. Any of such Closing or termination of the Subscription Agreement shall be without prejudice to the rights the Company and/or the Continuing Investors have against the Defaulting Investor.

Ranking of the Subscription Share

The Subscription Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under a specific mandate to be approved by the Independent Shareholders by an ordinary resolution at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION ON CMI AND OTHER INVESTORS

CMI and CMI Hong Kong

CMI is the company that entered into the Subscription Agreement and is an indirectly wholly-owned subsidiary of China Minsheng Investment. On 25 June 2015 CMI has assigned its rights, benefits and obligations under the Subscription Agreement to its fellow subsidiary CMI Hong Kong which is indirectly wholly-owned by China Minsheng Investment. CMI and CMI Hong Kong are managed by CMI Capital, the financial division of China Minsheng Investment. The investment mandate of CMI Capital focuses on investment in the financial sectors, covering traditional financial institutions and innovative internet based financial companies both in the PRC and internationally.

China Minsheng Investment is a large private investment company organised by The All-China Federation of Industry and Commerce in China and was launched by 59 well-known private enterprises throughout China. The shareholders of China Minsheng Investment are all large scale private enterprises, some of which are among China's top 500 companies. The business scope of the shareholders of China Minsheng Investment involves a variety of industries such as machinery manufacturing, metallurgy, information technology, asset management, garment, biological pharmacy, environmental protection, new energy, culture and media, commerce and trade, electric power, home appliances stores, e-commerce, real estate and so forth. As at the Latest Practicable Date, no single shareholder of China Minsheng Investment held more than 4% of the voting rights or equity contributed in China Minsheng Investment.

China Minsheng Investment was established and registered in Shanghai in May 2014, with a registered capital of RMB50 billion. It is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting. China Minsheng Investment's strategy is to fully utilise its competitive strengths in terms of national brand, integration of resources, financial strength, comprehensive operations, management output and other competitive advantages in the implementation of its strategic integration in key target industries, with the objective to create a strategic and sustainable business model. China Minsheng Investment will, through capital investment and leverage, and featured by business consolidation and the full range of financial licenses, apply its resources and efforts in developing distinctive business portfolios and key segments. In terms of the specific implementation path, China Minsheng Investment, relying on industrial integration, industrial strategic investment, mixed investment, establishment of full financial licenses platform and exploration of overseas investment market, will actively carry out the relevant business activities.

The directors of CMI, the directors of China Minsheng Investment as well as those shareholders of China Minsheng Investment whose ultimate beneficial owners are directors of CMI or directors of China Minsheng Investment are considered to be parties acting in concert with CMI.

D. E. Shaw Composite

D. E. Shaw Composite is an investment vehicle managed by an entity within the D. E. Shaw Group, a global investment and technology development firm with more than US$37 billion in investment capital as of 1 July 2015, and offices in North America, Europe, and Asia.

Mr. Xu and WIC LP

Mr. Xu Xiang is the general manager of Shanghai Zexi Investment Management Company Limited (上海澤熙投資管理有限公司) and has rich experience in fund management. Shanghai Zexi Investment Management Company Limited is a reputable PRC fund management company based in Shanghai. WIC LP is a limited partnership established under the laws of the PRC. It is managed by its general partner Mr. Xu.

Union Sky

Union Sky is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Shi. Mr. Shi is a reputable investor in PRC who has rich experience in the internet and finance industry. Mr. Shi is the founder of Giant Interactive Group Inc., a leading online game developer and operator in the PRC and his recent investments in the financial service industry include his investment in Haitong Securities Company Limited (stock code: 6837-HK), and as at the Latest Practicable Date, Mr. Shi is interested in approximately 7.27% of the issued share capital of Haitong Securities Company Limited. Mr. Shi is a director and vice chairman of China Minsheng Investment.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS AND THE SHARE SUBSCRIPTION

The Group is engaged in trading of chemical materials, provision of consultancy services and provision of insurance agency services in the PRC. In the past, the Group had invested into various businesses such as advertising agency business, sale of kitchenware products and chemical materials business. Upon the expiry of the exclusive agency rights relating to the advertising agency business of the Group on 31 December, 2012, the Group ceased its advertising agency business in the second half of 2013 in view of the keen competition for selling of advertising air time.

The Group also ceased its sales and distribution business in 2014 as a result of the deteriorating market condition since the end of 2013 to reduce operational costs and investment losses. Amongst the three segments of business maintained by the Group as at the end of 2014, only the chemical materials business generated minimal segmental profit for the year ended 31 December 2014.

The Company has been actively exploring new investments and business opportunities and the Directors have recently considered the real estate business and solar power business as possible avenues for expansion. However, upon a further comprehensive review on the overall risk profile of both business sectors, the Directors had decided to adopt a wait-and-see approach in 2015 in respect of commencing these lines of business.

The Directors have also been reviewing the market conditions of the financial services sector and related businesses and are of the view that such sectors and businesses are expected to have very positive potential and bring long-term benefits to the Group. The Company has therefore decided to expand into the financial services sector and related businesses, and currently plans to focus on such sectors and businesses as a core business segment of the Group.

Given the Company's plan to expand into financial services sector and related businesses it has entered into the YGD Agreement and Yuan Agreement. Under the YGD Agreement, the Group will acquire 100% of the issued shares of YGD Securities (HK) Limited. The core business of YGD Securities (HK) Limited comprises of securities brokerage and dealing, and it is also the holder of a Type 1 licence issued by the SFC under the SFO. Under the Yuan Agreement, the Group will acquire 100% of the issued shares of Yuan Asset Management Limited. The core businesses of Yuan Asset Management Limited comprise of asset management and research, and it is also the holder of Type 4 and 9 licences issued by the SFC under the SFO.

The Group plans to use both YGD Securities (HK) Limited and Yuan Asset Management Limited as its initial platforms in establishing its financial services and related businesses. The intention is in due course to develop the Group to become an integrated security house offering sales and trading, corporate finance, discretionary and non-discretionary asset management, securities margin financing, principal investment with a focus on financial services and extending loan finance to suitable business using the Group's license under the Money Lenders Ordinance of Hong Kong.

In an effort to further implement this strategy, the Directors believe that it would create business synergies if the Company were to introduce prominent and reputable strategic investors who would be able to work with the Company to enhance its professional expertise in the financial services sector, to develop the pipeline of business opportunities in financial services sector and to accelerate the formation of a comprehensive financial services platform by way of identifying, evaluating and acquiring established financial institutions in Hong Kong and overseas.

The Directors have considered:

(a) the background, industry expertise and management experience of CMI;

(b) the benefits including strategic value and management expertise in areas such as asset management, principal investment, internet and finance industries that the Other Investors could bring to the Group in the future; and

(c) the significant strengthening of the Company's financial position as a result of the Share Subscription.

The Directors are of the view that the Company will be able to exploit businesses and investment opportunities upon completion of the Acquisitions and Share Subscription and with the benefit of the experience of CMI and the Other Investors, the Group will be in a better position to assess and evaluate the commercial viability of the business opportunities, to source and identify new business development and diversification opportunities, and to capture and undertake those opportunities.

The Company has considered other fund raising methods such as rights issue or open offer, and debt financing and considered that the Share Subscription is preferable for the following reasons:

(a) it would be difficult for financial institutions to provide facility up to such a substantial amount to the Group as proposed under the Share Subscription and debt financing would inevitably increase the financial costs of the Group; and

(b) a pre-emptive issue such as rights issue or open offer would not be able to bring in strategic investors as Shareholders, particularly investors with the background and professional expertise, such as CMI and the Other Investors.

Having considered the past business and financial performance of the Group and the importance of the licensed status that the Group could achieve through the Acquisitions in implementing the strategy described above, the Directors are of the view that the terms of YGD Agreement and Yuan Agreement are fair and reasonable and in the interest of Shareholders as whole.

Having considered the reasons and benefits and the alternative choices of fund raising methods above, the Directors consider that despite the dilution effect and the substantial discount of the Subscription Price to the closing price of Shares on the Last Trading Day but taking into account the multiple that the Subscription Price represents to the latest published net asset value per share, it is fair and reasonable to proceed with the Share Subscription and the Directors (other than the Independent Board Committee whose opinion is set out in the letter from the Independent Board Committee) consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Share Subscription would amount to HK$5,000,040,000. The net proceeds after deduction of relevant expenses (including but not limited to the professional fees and disbursements) of approximately HK$4,995,300,000, are intended to be employed in the following manner:

(1) 20% or approximately HK$1 billion of the proceeds will be used for expanding and reserving capital for the securities broking business of the Group conducting under the license for carrying out Type 1 regulated activity of dealing in securities under the SFO held under the Targets immediately upon Closing. It is expected that these funds will be utilised as follows:

a. immediately upon Closing, approximately HK$550 million will be allocated to securities margin financing business which will provide funding on a secured basis for clients to acquire listed securities;

b. immediately upon Closing, approximately HK$300 million will be allocated for sales and trading. As it is proposed that the majority of clients of the Company would be institutional clients, such funds will be allocated to facilitate the dealing and settlement requirements of such institutional clients;

c. approximately HK$40 million for building up IT systems, including trading system;

d. approximately HK$70 million for recruitment of traders, sales personnel, and researchers. The recruitment process will commence as soon as practicable and prior to the Closing; and

e. approximately HK$40 million for the rental and refurbishment of the office. The process will commence as soon as practicable and prior to the Closing;

(2) 5% or approximately HK$250 million of the proceeds will be used for developing the group's capability of extending loan finance to suitable businesses pursuant to its license under the Money Lending Ordinance of Hong Kong. This fund will be set-aside for the money lending business immediately upon Closing;

(3) 2.5% or approximately HK$125 million of the proceeds will be used for expanding the asset management businesses of the Targets which are currently limited in size and funds available to invest, with a view to transforming them into a local and regional prominent asset management platform within the first year from Closing of the Share Subscription;

(4) 2.5% or approximately HK$125 million of the proceeds will be used for expanding other lines of investment banking business by obtaining licences from the SFC for other regulated activities under the SFO such as Type 6 regulated activity of advising on corporate finance within the first year from the Closing of the Share Subscription;

(5) 30% to 40% or approximately HK$1.5 billion to HK$2 billion of the proceeds will be used for as part of the Group's plans to establish further its financial services and other related businesses, making strategic investments in and, or acquisitions of other established financial institutions both in Hong Kong and overseas covering internet finance, leasing, insurance, private banking and internet technologies and platforms. It is expected the funds will be substantially invested within the first year from the Closing of the Share Subscription;

(6) 15% to 25% or approximately HK$750 million to HK$1.25 billion of the proceeds will be used for, as part of the Group's establishment of a principal investment business, making investments in the financial and non-financial industries, such as investing in listed companies' securities through participating in placings of high quality listed companies in Hong Kong and other countries and regions and taking proprietary positions in trading high quality stocks on the secondary market.; and

(7) 15% or approximately HK$750 million of the proceeds will be used as general working capital of the Group, including the recruitment of personnel to expand the managerial and operational headcount of the Group, marketing and brand promotion.

Upon Closing, the Company will make announcements to update quarterly on its cash to total assets ratio until such ratio fall below 50% and will disclose the status of the use of proceeds in its subsequent interim and annual reports.

FUTURE INTENTIONS OF CMI REGARDING THE GROUP

CMI is supportive to the Group's existing business plan of using both YGD Securities (HK) Limited and Yuan Asset Management Limited as its initial platforms in establishing its financial services and related businesses and in due course to develop the Group to become an integrated security house offering sales and trading, corporate finance, discretionary and non-discretionary asset management, securities margin financing, principal investment with a focus on financial services and extending loan finance to suitable business using the Group's license under the Money Lenders Ordinance of Hong Kong.

Following the Closing, CMI intends to undertake a comprehensive strategic review on the Group for the purpose of optimising the above business plans and determining what changes, if any, would be appropriate or desirable in order to optimise and rationalise the business activities, personnel and assets portfolio of the Group. Subject to the strategic review, it is possible that the Group may accelerate the formation of a comprehensive financial services platform by acquiring other established financial institutions both in Hong Kong and overseas covering internet finance, leasing, insurance, private banking and internet technologies and platforms. As at the Latest Practicable Date, CMI has not formulated definitive proposals, terms or timetable for any possible future acquisitions and no agreements for any possible future acquisitions have been entered into. Subject to the strategic review, it is also possible that changes would be made to the management and professional team of the Group. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code when appropriate.

CMI has currently no intention to discontinue any of the existing business of the Group, namely trading of chemical materials, provision of consultancy services and provision of insurance agency services in the PRC and such businesses will be conducted in the manner in which they are presently conducted immediately following the Closing. Subject to the above strategic review, it is possible that changes be made to such existing businesses to facilitate the development of the Group's financial services and related business. CMI does not intend to redeploy the fixed assets of the Company and intends to continue the employment of the employees of the Group.

BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the 2015 interim report of the Company, the turnover of the Group during the first half of 2015 increased by 364.2% comparing to the same period in 2014 mainly due to the increased volume in trading of chemical materials. Due to intense competition in the chemical materials trading business, the gross profit margin of the Group decreased from 1.2%

for the first half of 2014 to 1.0% for the first half of 2015. As a result, the Group recorded a loss of approximately HKD12.2 million for the first half of 2015, comparing to a loss of approximately HKD18.4 million for the first half of 2014.

With respect to the prospects of the chemical materials trading business, due to the fierce competition in China, low profit margin in this business segment, and the Group's focus on developing the financial services segment, the Company considered to gradually reduce the chemical materials trading business. Although the Group's insurance agency business and consultancy business also face fierce competition in China, the Company will these two segments as they are but will review them on a regular basis.

As described in the section headed "Reasons for and benefits of the Acquisitions and the Share Subscription" above, the Group plans to expand into financial services sector and related businesses. In view of the possible launch of Shenzhen-Hong Kong Stock Connect in due course and the possible increase in number of companies listing in Hong Kong due to the recent frozen of the initial public offering market in PRC, it is considered the financial services sector and related business in Hong Kong has positive prospects.

As the Acquisitions have completed on 29 September 2015, in the event that the Share Subscription fails to proceed to Closing, the Company intends to continue the brokerage and asset management businesses operated under the Targets and will formulate its revised business plan in relation to the development of the financial services business based on the then market condition and available business opportunities.

FURTHER INFORMATION ON THE FINANCIAL SERVICES BUSINESS

Business model

The financial services business of the Group will initially cover the following principal segments:

Strategic Investment	Principal Investment	Securities Brokerage	Money Lending
• Participating in IPOs/ Placings which are expected to have strategic value • Investment in non-listed securities which are expected to have strategic value • Setting up joint ventures or other forms of investment vehicles	• Taking proprietary positions in trading of stocks on the secondary market • Participating in IPOs/ Placings with an aim of making investment return only • Investment in non-listed equity securities with an aim of making investment return only • Investment in government bonds and investment grade corporate bonds	• Securities brokerage service • Margin financing • Placing and underwriting	• Extending loan finance to suitable businesses

Other than the four initial segments, it is the intention other segments of financial services business such as corporate finance and asset management will be rolled out in due course to develop the Group into an integrated security house.

Strategic Investment

It is intended that the Group will engage in making strategic investments through (i) participating in IPOs and placings of listed securities; (ii) investment in non-listed securities; and (iii) setting up joint ventures or other forms of investment vehicles.

Strategic investments will involve medium to long term investments which, in addition to passive purchase of equity interests, are expected to bring strategic value (such as commercial cooperation) to the business of the Group or where the Group will be able to have influence over the target company with an aim of developing the financial services and related businesses of the Group.

The scope of the strategic investments within the first year from Closing of the Share Subscription is intended to include 3 to 10 established financial institutions both in Hong Kong and overseas covering internet finance, leasing, insurance, private banking and internet technologies and platforms. The expected investment size for each target company would be between HK$200 million to HK$800 million. It is the intention that the priority of such strategic investments will be allocated to Hong Kong listed companies and those well-established institutions regulated by relevant authorities. The role of the Group would involve being a cornerstone investor in IPO, a placee in placing, and a buyer or an offeror in acquisitions.

Further, CMI is currently exploring the feasibility of establishing a joint venture in the PRC by the Group and a competent strategic partner and develop the joint venture from scratch into a full-fledged security house. Pursuant to the relevant laws and regulations in PRC, a full-fledged security house will be subject to a minimum paid-in capital requirement of RMB500 million (equivalent to approximately HK$625 million) and the maximum shareholding percentage of foreign investor (such as the Group) is 49%. It is expected the initial investment by the Group into such joint venture will be approximately HK$500 million.

To maximise the investment return, the proceeds allocated for strategic investments, before committed or paid, will be invested in short term high liquidity assets as part of the principal investment.

Principal Investment

The Group is also intended to engage in making principal investments through (i) taking proprietary positions in trading of stocks on the secondary market; (ii) participating in IPOs and placings; (iii) investment in non-listed securities; and (iv) investment in debt securities such as government bonds and investment grade corporate bonds.

Principal investments will involve taking short to medium term proprietary trading positions in liquid and high quality securities with an aim of making investment returns or making passive investments as a financial investor. Typically there will be no business cooperation nor material influence over the target companies. It is the intention that the Group will become a primary platform in making principal investments in the financial and non-financial industries in Hong Kong and other countries and regions and taking proprietary positions in trading high quality stocks on the secondary market. In addition to equity principal investments, it is also the intention that the principal investment portfolio will include certain portion of debt securities such as government bonds and investment grade corporate bonds. CMI will provide the requisite expertise and network connection to the Group in undertaking principal investments. CMI will also refer principal investment opportunities to the Group.

Securities Brokerage Service

Following the completion of the Acquisitions, the Group, through the Targets, is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. It is proposed the securities brokerage business of the Group will be conducted through YGD Securities (HK) Limited, which has trading rights on the Stock Exchange and is a participant to the Central Clearing and Settlement System (CCASS) of the Stock Exchange.

The securities brokerage business will mainly involve (i) providing a trading system to enable customers to transact listed securities via the trading platform established by the Stock Exchange and in return receiving brokerage commission income; (ii) providing margin financing on a secured basis to such trading customers in return for interest income; and (iii) identifying buyers of listed securities by acting as underwriter or placing agent of the listed issuers or with other brokers, in return for underwriting or placing commission income.

Money Lending

The Group is currently holding a license under the Money Lending Ordinance of Hong Kong. It is the intention that the Group will also engage in money lending business as a complementary part of the margin finance business. The money lending business will mainly involve extending loan finance to suitable business on fixed or revolving terms.

Delineation of Business between the Group and CMI Capital

It is the intention that the following measures will be taken to achieve a clear delineation between the Group and CMI Capital in relation to potential competition in securing investment opportunities in strategic and principal investments:

1. On new investment opportunities, the Group's primary focus will be investing in companies engaged in financial service and related industries (the "**Group's Territory**"); and

2. In the event that CMI Capital identifies any strategic or principal investment opportunities that fall under the Group's Territory, CMI Capital will refer such investment opportunities to the Group and CMI Capital will only invest in such investment opportunities if the Group prefers not to take up such opportunities. Notwithstanding such referral arrangement is a measure to avoid competition between the Group and CMI Capital, to support the development of the Group's financial services business, CMI Capital may actively identify and refer investment opportunities under the Group's Territory during the development stage of the Group's financial services business and after the financial services business of the Group having matured, such support may gradually reduce.

In relation to the existing investment portfolio managed by CMI Capital, CMI Capital has no plan to sell any part of the portfolio to the Group. As at the Latest Practicable Date, CMI Capital's intention is to continue to hold such portfolio until the suitable time for their realisation. Also, it is not the plan for the Group to invest in companies in the existing investment portfolio managed by CMI Capital. Accordingly, it is expected that there will be no conflict of interests in this regard.

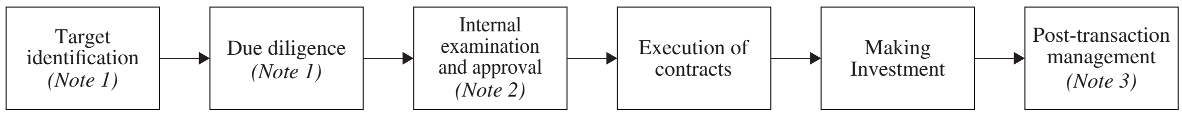
For the asset management business, CMI Capital is in its early stage of developing such business and has recently set up a joint venture real estate fund with Savills Investment Management in UK to conduct real estate asset management business. As the Group has no immediate intention to enter into real estate fund management business, it is expected that there will be no conflict of interests in this regard.

Internal Control

Upon Closing of the Share Subscription, the Group proposes to develop a risk management system that will be tailored to comprehensively, effectively and rigorously manage the risks in the Group's financial services business. Set out below are a summary of the proposed guidelines, policies and risk control measures in relation to each of the main business sectors of the Group.

Strategic and Principal Investments

It is proposed that the division of the Group engaging in the strategic and principal investments (the "**Investment Division**") will have an internal control procedure to manage the risks in this business and protect the Group's investment. As at the Latest Practicable Date, the Investment Division was at the preparation stage. It is proposed that with the assistance of the risk management committee, investment decision committee and internal audit committee of the Investment Division, the directors and management responsible for the Investment Division will take the lead in the internal control and risk management process. The senior management and the relevant legal and compliance department of the Investment Division will get involved in this process as well. The Group's risk management procedures will mainly consist of target due diligence reviews, multilevel assessment and approval processes, and post-transaction management. The chart below summarises the key steps that the Investment Division will use to assess and manage the various risks:



Notes:

1. The Investment Division will identify potential targets through their sales and marketing efforts and referrals from their customers or cooperating with banks and other institutions. The execution team of the Investment Division is responsible for communicating with the management of the target and conducting a detailed analysis of the relevant target to understand its background, industry information, proposed uses of funds, financing status, business scale, financial conditions, future plans and business prospects. Competent external legal advisers, financial advisers and auditors shall be appointed to advise on the legal, financial and accounting issues arising from the due diligence;

2. Depending on the nature, size and structure of the proposed investment, the senior management (including the legal and compliance department) and the investment decision committee will be involved in the internal examination and approval process and in the event that any investment constitutes a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant notification, announcement and shareholder's approval process, as applicable. In event that any investment involves a complicated deal structure and/or constitutes a notifiable and/or connected transaction of the Company under the Listing Rules, the Board will also get involved in the internal approval process and will be the final decision maker for such investment;

3. To manage the post-transaction risks, the execution team of the Investment Division will monitor the target's financial condition through publicly available information, on-site investigations, reviewing the target's financial statements and discussions with the management of the target from time to time.

As at the Latest Practicable Date, the framework and key steps in relation to the foregoing internal control policies have been agreed in principle but the relevant details thereof are still being reviewed by CMI internally. It is expected that these internal control policies will be adopted by the Group immediately upon Closing of the Share Subscription.

Securities Brokerage and Money Lending

As SFC licensed entities, each of YGD Securities (HK) Limited and Yuan Asset Management Limited has established an internal control and risk management procedure in accordance with the relevant laws and regulations in Hong Kong. Upon Closing of the Share Subscription, as part of the ordinary course of the Group's securities brokerage service and money lending service, the division of the Group engaging in the securities brokerage and money lending business will be exposed primarily to (i) credit risk in respect to the Group's brokerage service and money lending service; (ii) operational risk relating to the Group's internal processes and staff; (iii) regulatory risks in respect of compliance with rules and regulations; and (iv) anti-money laundering risk in respect of illegal or improper use of the Group's operations. As part of the Group's initiatives to manage these risks, the Group proposes to establish and implement an operation manual which contains its credit policy, operating procedures and other internal control measures regulating such businesses.

Credit risk management

(a) to assess the credibility of the customers and identify the loan purpose. The assessment of customers' creditworthiness for granting trading limit and margin limit, will take into account factors such as customers' financial position, occupation and employment status, investment experience, cash and securities positions, payment records and default records (if any);

(b) to carry out the personal background check and request for bank credit reference letter (for personal loan);

(c) to review the financial statements of the customers (for corporate customers);

(d) to inspect the effectiveness and legality of the collateral;

(e) to enhance the capability of the officers in respect of assessment of the value of the collaterals; and

(f) to strictly comply with the operating and internal approval procedures for each transaction.

Operational risk management

The SFC licensed entities have account opening procedures in compliance with the Code of Conduct for Persons Licensed by or Registered with the SFC (the "**Code of Conduct**"). The Group will only take orders or instructions from customers who have completed account opening procedures including the signing of account opening forms and trading agreements. When signing the account opening form, the customer's signature is required to be witnessed by the Group's account executive. Account executives have to observe the Code of Practice and the Personal Data (Privacy) Ordinance when handling personal data of customers, such as collecting copies of identity card during account opening process.

Account executives responsible for handling customers' orders must be registered with the SFC as a Responsible Officer or Licensed Representative. The Group will formulate a policy for its recruitment, licensing and training for licensed staff to ensure that they are properly recruited, appointed, licensed and trained. The Group will only employ persons who are fit and proper and competent to perform the duties for which they are employed.

Regulatory risk management

The Group is subject to a number of different regulatory requirements, and the securities brokerage arm in particular is required to comply with the requirements under the Securities and Futures (Financial Resources) Rules (the "**FRR**"), including maintaining adequate capital and liquid capital at all times. The accounts department of the SFC licensed entities is responsible for the preparation of the financial returns according to the requirements under the FRR. In addition, the accounts department of the SFC licensed entities will closely monitor the daily reconciliation of customer trust bank account and the Company's bank account for funding and settlement purposes to ensure compliance with the Securities and Futures (Clients Money) Rules.

Anti-money laundering risk management

All the staff members of the Group are required to adhere to the requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the SFC Guideline on Anti-Money Laundering and Counter Terrorist Financing and any update in relation thereto.

Integrated Internal Control System

Going forward, in additional to the internal control procedures set out above, the Group may adopt a consolidated and integrated internal control and risk management procedure applicable to its financial services business such that the financial services business of the Group can be further integrated. Such procedure will be designed in accordance with the relevant requirements set out in the applicable laws and regulations in Hong Kong and shall be approved by the relevant regulators in Hong Kong. In addition, an internal audit department will be set up by the Group to further strengthen and support the integrated internal control system.

Competitive Strengths

It is expected that, upon Closing of the Share Subscription, the Group will have the following competitive strengths in its financial services business:

The Group will have a strong shareholder base

Upon Closing of the Share Subscription, CMI will be the controlling shareholder of the Group. In addition, D. E. Shaw Composite, Mr. Xu, and Mr. Shi will be shareholders of the Group upon Closing of the Share Subscription. Details of the background and shareholder base of CMI and its ultimate parent China Minsheng Investment are set in section headed "INFORMATION ON CMI AND OTHER INVESTORS". The Group believes that such strong shareholder base will enhance its clients' confidence in the Group, broaden the Group's client base and provide the Group with more business opportunities.

The Group's diversified business platforms will operate synergistically and share the Group's business network and client base

Upon Closing of the Share Subscription, it is the intention to develop the Group into a comprehensive financial services platform covering diversified sectors. It is planned that the Group will leverage the support from CMI in areas such as industry expertise and project sourcing capacity, and the Group's existing experience in operation management and business network across China to facilitate the development of the core competitiveness of the Group. It is the strategy of the Group that such diversified business sectors will operate synergistically by sharing of business and organisational networks and sharing of client resources and business development. The Group believes such synergies could improve the Group's overall operating efficiency and competitiveness.

The Group's strong financial position upon Closing of the Share Subscription

Upon Closing of the Share Subscription it is expected that the financial position of the Group will be significantly strengthened by the proceeds of the Share Subscription. The Group believes that such strong financial position will be a competitive strength for the Group in implementing its proposed business strategies.

Risk Factors

Any inability to effectively mitigate credit risk may have a material adverse impact on the Group's business, financial condition and results of operations

Upon Closing of the Share Subscription, the sustainability of the Group's financial services business and future growth depends largely on the Group's ability to effectively manage its credit risk and maintain the quality of its receivables portfolio. As such, any deterioration in its receivable portfolio or impairment in the collectability of the receivables could materially and adversely affect the Group's results of operations. The quality of the Group's receivables portfolio may deteriorate for a variety of reasons, including factors beyond the Group's control, such as a slowdown in the economic growth of the PRC or global economies, a recurrence of a global credit crisis or other adverse macroeconomic trends which may cause operational, financial and liquidity problems for the Group's customers thereby affecting their ability to make timely loan repayments. If the level of the Group's impaired receivables increases, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group may be unable to successfully identify, invest in or acquire suitable investment projects or acquisition targets

Upon Closing of the Share Subscription, the Group expects part of its growth to be achieved through investments and acquisitions. However, the Group may be unable to identify suitable investment and acquisition opportunities, negotiate acceptable terms, or successfully invest in identified projects or acquire identified targets. Identifying appropriate investment projects and acquisition targets with good potential requires an assessment of a number of factors, many of which are inherently subjective, and as a result our estimates may prove to be inaccurate. The due diligence the Group conducts for an investment or acquisition opportunity may not comprehensively and fully capture the financial, business and other information of the target. The Group may be unable to adequately identify, evaluate or address the financial, legal and operational risks arising from our investments and acquisitions, which could expose it to unanticipated costs and liabilities. These types of risks could have an adverse effect on the Group's reputation, business prospects, results of operations and financial condition.

The Group's securities brokerage service may be adversely affected by the trading system failure and/or trading errors

In respect of the Group's brokerage services, the Group relies heavily on the Broker Supplied System (the "**BSS**") to execute customers' instructions accurately and promptly, and, to process a large number of transactions simultaneously during peak periods. The Group's BSS is provided by a vendor recognised by the Stock Exchange. It may be vulnerable to a number of disruptions such as computer viruses and hacking. Such disruptions may cause data corruption and interruptions, delay or cessation in executing customers' trading instructions which could have a material adverse effect on our business operation. Any hacking into the Group's system may also jeopardise the security of confidential information (such as customer data or trading records) stored in the Group's computer systems and cause losses to the Group.

During the course of providing brokerage service, trading errors may occur such as errors made on taking customer's instruction (i.e. incorrect security name, quantity of the transaction or incorrect buy/sell order) or incorrect input of customer's instruction or customer's account number. The Group has to bear the losses resulting from trading errors made by its in-house account executives. In the event that the trading errors are not effectively prevented or controlled, or rectification measures could not cover the loss incurred, the financial results of the Group would be adversely affected.

The Group's business and prospects may be materially and adversely affected if its risk management and internal control systems ineffective or inadequate

The Group's business and prospects may be materially and adversely affected if its risk management and internal control systems is ineffective or inadequate. Any deficiencies in these systems and practices could adversely affect our ability to timely and accurately record, process, summarise and report financial and other data, as well as adversely affect efficiency and increase the potential likelihood of financial reporting errors and non-compliance with rules and regulations.

While the Group will, upon Closing of the Share Subscription, put in place internal control policies, there is no assurance that they will be properly implemented or are adequate and effective for the continuously changing business environment. In view of the continuous development of the market, the Group's business operation and financial results may be materially affected.

The Group's business and future success depend substantially on the strategies and visions of its key management personnel

Given that the competition for competent personnel is intense, the Group may not be able to attract or retain the services of the necessary key personnel for the Group's business in the future. Should the Group fail to recruit and retain these key personnel, the Group operation and profitability could be materially and adversely affected. In addition, under the licensing requirements of the SFO, the Group must at all times maintain at least two Responsible Officers for each regulated activity. In case any two of the Responsible Officers resign simultaneously, the Group will breach the relevant licensing requirements. This may result in suspension of the relevant SFC licences and effectively suspending the Group's business operation. In such event, the Group's business operation and financial results will be adversely affected.

The financial services business of the Group will be subject to the market volatility

Upon Closing of the Share Subscription, the Group will be transforming its main business to financial services. The performance of the Group's securities brokerage business will be subject to the market volatility, any decrease in the trading volume and/or prices of shares in the securities market could result in a reduction of the Group's commission income. Also, if the value of any collateral taken is insufficient to meet the settlement of any outstanding receivables from the Group's margin finance customers, the Group may result in suffering a loss from such lending if there was a default of the repayment of such loans. The Group's strategic and principal investment generally involves direct equity/debt investments in private/listed companies with the Group's own capital. Even if a sound investment has been made by the Group, a drop in the overall securities market may result in a decline of the prices of the securities in which the Group has made an investment. Accordingly, any decrease in the overall securities market may result in a material adverse change to the performance and financial conditions of the Group.

If the Group cannot attract sufficient clients and maintain its client base, the Group's financial services business will be materially and adversely affected

The financial services market, in particular the securities brokerage business, is highly competitive. The Group will be required to attract new clients for its financial services business. Although CMI is planning to take proactive steps to refer new clients to the Group for its financial services business and the Group itself will take steps to develop its own client base, there is no guarantee that such initiatives will succeed. In addition, there is no guarantee that the new clients developed by the Group or referred to the Group will generate sufficient severance for the Group.

Recruitment Policy

Upon Closing of the Share Subscription, the Group will adopt a strict recruitment policy in respect of its financial services business and will recruit and promote individuals based on merit and their development potentials for the positions offered. The recruitment criteria for each position offered shall depend on the role and responsibilities associating with such position. In general, the recruitment process will consist of the following steps: (1) sourcing and identifying candidates; (2) screening; (3) assessments and testing; (4) interviewing; (5) background and reference checks; (6) making employment offers; and (7) executing employment contracts. As at the Latest Practicable Date, the recruitment process has commenced and a number of candidates for junior to middle level positions (including analyst, executive and vice president) have been identified and the negotiation with candidates for the senior management (including chief executive officer, chief financial officer, chief investment officer, head of legal and compliance and managing directors of business segments) of the financial service business are still in progress. It is planned that 8 senior management positions and 15 junior to middle positions will be recruited upon Closing of the Share Subscription. Subject to further comprehensive review of the senior management of the financial service business of the Group and the then market condition, it is planned that the team for financial service business will expand to around 40 members within one year from Closing of the Share Subscription.

FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save as disclosed below, the Company did not undertake any fund raising exercise in the past 12 months immediately prior to the Latest Practicable Date.

Date of Announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
29 April 2015	Placing of new Shares and subscription of new Shares	HK$48.5 million	Acquisition of 10% equity interests in a company principally engaged in the real estate business in the PRC and the remaining balance applied to develop a solar power business	Approximately HK$28 million was used for acquiring the Targets. The remaining proceeds are deposited in bank
28 July 2014	Top-up placing of 110,000,000 Shares	HK$18.1 million	For general working capital of the Group	It was all used as general working capital of the Group

CHANGE IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 2,523,451,250 Shares in issue, other than the 1,428,000 outstanding share options granted under the share option scheme of the Company approved on 28 May 2004 and 87,840,000 outstanding share options granted under the share option scheme of the Company approved on 9 December 2013, the Company does not have any other outstanding convertible securities, options warrants or other derivatives in issue which are convertible or exchangeable into Shares.

The shareholding structure of the Company as at the Latest Practicable Date and after the Closing of the Share Subscription, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, are as follows:

	Existing number of issued Shares	Existing shareholding (%)	Number of new Subscription Shares	As a percentage of existing issued number of Shares	Enlarged issued number of Shares upon Closing	As a percentage of enlarged issued number of Shares
Existing Shareholders						
Mr. Ni Xinguang *(Note 1)*	462,072,000	18.31%	—	0.00%	462,072,000	1.60%
Ms. Ye Zhu Ying *(Note 2)*	231,497,650	9.17%	—	0.00%	231,497,650	0.80%
Other public Shareholders *(Note 2)*	1,829,881,600	72.52%	—	0.00%	1,829,881,600	6.35%
Subtotal — existing Shareholders	2,523,451,250	100.00%	—	0.00%	2,523,451,250	8.75%
Subscribers						
The Concert Group						
— CMI	—	0.00%	20,418,000,000	809.13%	20,418,000,000	70.80%
— Union Sky	—	0.00%	1,390,000,000	55.08%	1,390,000,000	4.82%
Subtotal — the Concert Group	—	0.00%	21,808,000,000	864.21%	21,808,000,000	75.62%
Other subscribers						
— D. E. Shaw Composite	—	0.00%	1,720,000,000	68.16%	1,720,000,000	5.96%
— WIC LP	—	0.00%	1,788,000,000	70.86%	1,788,000,000	6.20%
— Mr. Xu	—	0.00%	1,000,000,000	39.63%	1,000,000,000	3.47%
Subtotal — other subscribers	—	0.00%	4,508,000,000	178.65%	4,508,000,000	15.63%
Total	2,523,451,250	100.00%	26,316,000,000	1,042.86%	28,839,451,250	100.00%

Note:

1. Mr. Ni Xinguang has personal interest of 46,068,000 Shares and owns 416,004,000 Shares through Group First Limited, his wholly owned company.

2. Ms. Ye Zhu Ying and other public Shareholders are Independent Shareholders.

(D) THE WHITEWASH WAIVER

Immediately after Closing, the Concert Group will be interested in approximately 75.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). Under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it unless the Whitewash Waiver is obtained from the Executive.

In this regard, CMI has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of a poll.

As at the Latest Practicable Date, the Concert Group has not received any irrevocable commitment from any Shareholder to vote for or against the resolutions concerning the Share Subscription and/or the Whitewash Waiver to be proposed at the EGM.

The Whitewash Waiver is a condition precedent to the closing of the Subscription Agreement which can be waived at the discretion of CMI (for itself or on behalf of all Other Investors) and in the event that CMI waives such condition precedent and elect to proceed with the transactions contemplated under the Subscription Agreement, CMI will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code.

If the Whitewash Waiver is approved by the Independent Shareholders and the Share Subscription proceeds to completion, the shareholding of the Concert Group in the Company will exceed 50% upon the allotment and issue of the Subscription Shares. CMI may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

(E) PROPOSED CHANGE OF COMPANY NAME

Reference is made to the announcement of the Company on 23 October 2015, the Board proposed to change the Company's English name from "China Seven Star Holdings Limited" to "China Minsheng Financial Holding Corporation Limited" and the Company's Chinese name from "中國七星控股有限公司" to "中國民生金融控股有限公司".

Reasons for the Proposed Change of Company Name

Immediately after Closing, the Company will become a subsidiary of China Minsheng Investment. The Proposed Change of Company Name is to reflect the change in ownership of the majority of the Shares of the Company.

Conditions for the Proposed Change of Company Name

The Proposed Change of Company Name is subject to (i) the Subscription Agreement becoming unconditional (ii) the passing of a special resolution by the Shareholders approving the Proposed Change of Company Name at the EGM; and (iii) the Registrar of Companies of Hong Kong approving the new name in both English and Chinese and issuing a certificate of change of name.

Subject to the satisfaction of the above conditions, the Proposed Change of Company Name will take effect from the date on which the certificate of change of name is issued by the Registrar of Companies of Hong Kong.

Effect of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the Shareholders or the Company's daily business operation and its financial position.

All existing share certificates of the Company in issue bearing the Company's existing name (in English and Chinese) shall, after the Proposed Change of Company Name, continue to be evidence of legal title to the shares of the Company and valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing share certificates for new share certificates bearing the new name of the Company. Once the Proposed Change of Company Name becomes effective, any issue of new share certificates of the Company will bear the new name of the Company (in English and Chinese).

(F) EGM

The EGM will be held at the Boardroom, Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57–73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 18 November 2015 at 10:30 a.m. (or any adjournment thereof) to consider and, if though fit, pass (i) ordinary resolutions to approve (a) the Subscription Agreement and the transactions contemplated thereunder; (b) the granting of the Specific Mandate; and (c) the Whitewash Waiver and (ii) the special resolution to approve the Proposed Change of Company Name.

Group First Limited (which is wholly owned by Mr. Ni Xinguang, an executive Director, who was involved in the negotiation of the Share Subscription for and on behalf of the Company) and Mr. Ni Xinguang together holding approximately 18.31% of the issued share capital of the Company as at the Latest Practicable Date will abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Share Subscription and the Whitewash Waiver. Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions relating to the Share Subscription and the Whitewash Waiver.

The Concert Group did not hold any Shares as at the Latest Practicable Date and, accordingly, will not be entitled to vote on any of the resolutions at the EGM.

As no Shareholder had a material interest in the Proposed Change of Company Name, no Shareholder is required to abstain from voting on the special resolution approving the Proposed Change of Company Name at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting if you so desire.

The resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

(G) RECOMMENDATIONS

The Independent Board Committee comprising all the non-executive Directors, namely Mr. Tu Baogui, Mr. Lyu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang has been established to advise the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver. V Baron has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver and the appointment of the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code. None of the members of the Independent Board Committee has any material interest in or is involved or interested in the Share Subscription and the Whitewash Waiver.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 42 to 43 of this circular which contains its recommendation to the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver based on the advice from the Independent Financial Adviser set out on pages 44 to 68 of this circular which contains their recommendations to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

The Board considers the Proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the resolutions in relation to the Proposed Change of Company Name at the EGM.

The Board (other than the Independent Board Committee whose opinion is set out in the letter from the Independent Board Committee) believes that the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Subscription Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under a specific mandate.

(H) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the board of directors of
China Seven Star Holdings Limited
Ni Xinguang
Chairman and Executive Director

CHINA SEVEN STAR HOLDINGS LIMITED
中 國 七 星 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

26 October 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) STRATEGIC SUBSCRIPTION OF NEW SHARES;
(2) APPLICATION FOR WHITEWASH WAIVER; AND
(3) SPECIFIC MANDATE FOR THE ISSUE OF NEW SHARES

We refer to the circular issued by the Company dated 26 October, 2015 (the "**Circular**") of which this letter forms apart. Terms defined in the Circular shall have the same meanings when used herein the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the terms of the Subscription Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Independent Shareholders. V Baron Global Financial Services Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof. Details of the advice from the Independent Financial Adviser, together with the principal factors and reasons considered in arriving at such advice and recommendation, are contained in its letter set out on pages 44 to 68 of the Circular.

We wish to draw your attention to the "Letter from the Board" set out on pages 6 to 41 of the Circular which contains, among other things, information of the terms of the Subscription Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder.

Having taken into account the advice and recommendation given by the Independent Financial Adviser, we consider that the terms of the Subscription Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Subscription Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Tu Baogui	**Wong Chak Keung**	**Lyu Wei**	**Ling Yu Zhang**
Non-executive Director	*Independent non-executive Directors*		

Set out below is the text of a letter received from V Baron, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver for the purpose of inclusion in this circular.

建泉環球金融服務有限公司
V Baron Global Financial Services Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

26 October 2015

To: The independent board committee and the independent shareholders of China Seven Star Holdings Limited

Dear Sirs,

(1) STRATEGIC SUBSCRIPTION OF NEW SHARES; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) SPECIFIC MANDATE FOR THE ISSUE OF NEW SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 26 October 2015 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in this Circular unless the context requires otherwise.

The Share Subscription

The Company announced on 27 August 2015 that, amongst others, the Company entered into the Subscription Agreement with CMI and the Other Investors (by way of the Deeds of Accession), pursuant to which CMI and the Other Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 26,316,000,000 Subscription Shares at an issue price of HK$0.19 per Subscription Share (the "**Subscription Price**") in an aggregate amount of HK$5,000,040,000. The issue of the Subscription Shares will be subject to a specific mandate to be approved by the Independent Shareholders by an ordinary resolution at the EGM.

The Whitewash Waiver

As at the date of the Subscription Agreement, the Concert Group did not own or have control or direction over any Shares. Immediately after the Closing, the Concert Group will be interested in approximately 75.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). Accordingly, under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it unless the Whitewash Waiver is granted by the Executive. In this regard, CMI has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, amongst others, approval by the Independent Shareholders at the EGM by way of poll. The Whitewash Waiver is a condition precedent to the completion of the Subscription Agreement.

The Independent Board Committee comprising the non-executive Director, Mr. Tu Baogui, and all the independent non-executive Directors, namely Mr. Lyu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang, has been established to advise the Independent Shareholders on (i) whether the terms of Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Share Subscription is in the interests of the Company and the Shareholders as a whole; (iii) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to approve the Share Subscription and the Whitewash Waiver at the EGM. We, V Baron Global Financial Services Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment was approved by the Independent Board Committee.

As at the Latest Practicable Date, apart from the existing engagement in connection with the Share Subscription and the Whitewash Waiver, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, CMI, the Other Investors or any party acting in concert with any of them. We consider ourselves independent to form our opinion in respect of the Share Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Share Subscription and the Whitewash Waiver, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and this Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of this Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in this Circular were reasonably made after due enquiry and careful consideration. 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 facts contained in this Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in this Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Circular or this Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this letter of advice.

This Circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular (other than those relating to CMI, the Other Investors and parties acting in concert with any of them) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Circular (other than those expressed by CMI, the Other Investors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

The sole director of CMI, namely Mr. Liu Tianlin, accepts full responsibility for the accuracy of the information contained in this Circular relating to CMI and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Circular (other than those expressed by the Group and the Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omissions of which would make any statement in this Circular misleading.

D. E. Shaw Composite does not have any director. The managing director and CEO for Greater China of D. E. Shaw Composite, namely Mr. Donald Tang, accepts full responsibility for the accuracy of the information contained in this Circular relating to D. E. Shaw Composite and D. E. Shaw Group and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Circular (other than those expressed by the Group, CMI and the rest of the Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omissions of which would make any statement in this Circular misleading.

The sole director of Union Sky, namely Mr. Shi Yuzhu, accepts full responsibility for the accuracy of the information contained in this Circular relating to Union Sky and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Circular (other than those expressed by the Group, CMI and the rest of the Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omissions of which would make any statement in this Circular misleading.

Mr. Xu, being the sole general partner of WIC LP, accepts full responsibility for the accuracy of the information contained in this Circular relating to WIC LP and himself and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Circular (other than those expressed by the Group, CMI and the rest of the

Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omissions of which would make any statement in this Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, CMI and the Other Investors, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Subscription and the Whitewash Waiver. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. However, should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as practicable. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Share Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

(I) THE SHARE SUBSCRIPTION

1. Background of and reasons for the Share Subscription

Business and financial overview of the Group

The Company is engaged in trading of chemical materials, provision of consultancy services and provision of insurance agency services in the PRC.

Before 2015, the Company had invested into various businesses such as the advertising agency business, sales of kitchenware products and chemical materials business. According to the Directors, the Group ceased its advertising agency business in the second half of 2013 upon expiry of the exclusive agency rights relating to such business on 31 December 2012 due to the keen competition for selling of advertising air time. The Group also ceased its sales and distribution business (i.e. the sales of kitchenware products) in 2014 as a result of the deteriorating market condition since the end of 2013 to reduce operational costs and investment losses.

Set out below are the consolidated financial results of the Group for the six months ended 30 June 2015 & 2014 and the three years ended 31 December 2014, 2013 & 2012 as extracted from the Company's interim report for the six months ended 30 June 2015 (the "**2015 Interim Report**") and its annual report for the year ended 31 December 2014 (the "**2014 Annual Report**"):

	For the six months ended 30 June 2015	**For the six months ended 30 June 2014**	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**	**For the year ended 31 December 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	139,036	29,954	68,086	112,220	616,877
(Loss)/Profit for the period/year	(12,225)	(18,759)	(41,123)	(21,261)	17,265

As depicted by the above table, the Group's financial performance has been deteriorating over the past few years. As mentioned earlier, the Group ceased its advertising agency business in the second half of 2013 upon expiry of the exclusive agency rights. According to the 2014 Annual Report, there were keen competition from low pricing internet sales platforms coupled by keen competition of selling of advertising air time from the second half of 2013 and the Group was unable to compete with other suppliers after losing the exclusive agency rights. For the year ended 31 December 2013, the Group's total audited turnover decreased substantially by more than 80% from approximately HK$616.9 million to approximately HK$112.2 million. During the same said year, the Group also started to become loss making.

In 2014, the Group ceased its sales and distribution business (i.e. the sales of kitchenware products). According to the 2014 Annual Report, sales of kitchenware products to telemarketing operators decreased, which in turn affected the profitability of such kitchenware products. The adverse market situation has continued after the end of 2013 due to keen competition from low pricing internet sales platforms. The Group encountered difficulty in selling kitchenware products during the first half of 2014. As a result, the Group decided to cease such business to reduce operating costs and investment losses.

Following the cessation of the advertising agency business and the sales and distribution business, the Company is only engaged in the trading of chemical materials, provision of consultancy services and provision of insurance agency services businesses. For the year ended 31 December 2014, the Group recorded no consultancy service income and its revenue was mainly generated from the trading of chemical materials business. The Group's total audited turnover further decreased to approximately HK$68.1 million and its loss making situation had also worsened during the same year under review.

For the six months ended 30 June 2015, while the performance of the provision of consultancy services and the provision of insurance agency services businesses remained stagnant, the trading of chemical materials business of the Group had been improving, leading to a significant increase in the Group's total unaudited turnover. Nevertheless, the gross profit margin of such business was as low as around 1%, and the Group had continued to be loss making in the first half of 2015 since its minimal gross profit was unable to cover the increasing administrative expenses.

In view of the historical deteriorating financial performance of the Group as well as the low profit margin of the Group's existing core revenue-generating trading of chemical materials business as illustrated above, we concur with the Directors that the Group is in need to identify new suitable opportunities to diversify its business into other profitable areas.

The Group's future development plan

As advised by the Directors, the Company has been actively exploring new investments and business opportunities and they have considered the real estate business and solar power business as possible avenues for expansion. However, upon a further comprehensive review on the overall risk profile of both business sectors, the Directors had decided to adopt a wait-and-see approach in 2015 in respect of commencing these lines of business.

As further advised by the Directors, they have also been reviewing the market conditions of the financial services sector and related businesses and are of the view that such sector and businesses are expected to have positive potential and bring long-term benefits to the Group. The Company has therefore decided to expand into the financial services sector and related businesses, and currently plans to focus on such sector and businesses as a core business segment of the Group.

Given the Company's plan to expand into the financial services sector and related businesses, the Group has entered into the YGD Agreement and the Yuan Agreement. Pursuant to the YGD Agreement, the Group will acquire 100% of the issued shares of YGD Securities (HK) Limited. The core business of YGD Securities (HK) Limited comprises securities brokerage and dealing, and it is also the holder of Type 1 license issued by the SFC under the SFO. Whereas pursuant to the Yuan Agreement, the Group will acquire 100% of the issued shares of Yuan Asset Management Limited. The core businesses of Yuan Asset Management Limited comprise asset management and research, and it is also the holder of Type 4 and 9 licenses issued by the SFC under the SFO. For further information on YGD Securities (HK) Limited and Yuan Asset Management Limited (including their respective financial information), please refer to the section headed "The Acquisitions" of the Letter from the Board. The Acquisitions were completed on 29 September 2015.

We understand from the Directors that the Group plans to use both YGD Securities (HK) Limited and Yuan Asset Management Limited as its initial platforms in establishing its financial services and related businesses. The intention is in due course to develop the Group to become an integrated security house offering sales and trading, corporate finance, discretionary and non-discretionary asset management, securities margin financing, principal investment with a focus on financial services and extending loan finance to suitable business using the Group's license under the Money Lenders Ordinance of Hong Kong. A detailed discussion on the future financial services and related businesses of the Group, including its business model and internal control system, is set out under the sub-section headed "Further information on the financial services business" of the Letter from the Board.

Moreover, in an effort to further implement the aforesaid strategy, the Directors believe that it would create business synergies if the Company were to introduce prominent and reputable strategic investors who would be able to work with the Company to enhance its professional expertise in the financial services sector, to develop the pipeline of business opportunities in financial services sector and to accelerate the formation of a comprehensive financial services platform by way of identifying, evaluating and acquiring established financial institutions in Hong Kong and overseas.

Information on CMI and China Minsheng Investment

Set out below is the information on CMI and China Minsheng Investment as extracted from the Letter from the Board:

CMI is an indirect wholly-owned subsidiary of China Minsheng Investment. As at the Latest Practicable Date, CMI had assigned its rights, benefits and obligations under the Subscription Agreement to its fellow subsidiary, CMI Hong Kong which is also indirect wholly-owned by China Minsheng Investment.

CMI and CMI Hong Kong are managed by CMI Capital, the financial division of China Minsheng Investment. The investment mandate of CMI Capital focuses on investment in the financial sectors, covering traditional financial institutions and innovative internet based financial companies both in the PRC and internationally.

China Minsheng Investment is a large private investment company organised by The All-China Federation of Industry and Commerce in China and was launched by 59 well-known private enterprises throughout the PRC. The shareholders of China Minsheng Investment are all large scale private enterprises, some of which are among China's top 500 companies. The business scope of the shareholders of China Minsheng Investment involves a variety of industries such as machinery manufacturing, metallurgy, information technology, asset management, garment, biological pharmacy, environmental protection, new energy, culture and media, commerce and trade, electric power, home appliances stores, e-commerce, real estate etc.

China Minsheng Investment was established and registered in Shanghai in May 2014, with a registered capital of RMB50 billion. It is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting. China Minsheng Investment's strategy is to fully utilise its competitive strengths in terms of national brand, integration of resources, financial strength, comprehensive operations, management output and other competitive advantages in the implementation of its strategic integration in key target industries, with the objective to create a strategic and sustainable business model. China Minsheng Investment will, through capital investment and leverage, and featured by business consolidation and the full range of financial licenses, apply its resources and efforts in developing distinctive business portfolios and key segments. In terms of the specific implementation path, China Minsheng Investment, relying on industrial integration, industrial strategic investment, mixed investment, establishment of full financial licenses platform and exploration of overseas investment market, will actively carry out the relevant business activities.

Shareholders may also refer to the sub-section headed "Information on CMI and Other Investors" of the Letter from the Board for information on the Other Investors.

Future intentions of CMI regarding the Group

Set out below are the future intentions of CMI regarding the Group as extracted from the Letter from the Board:

CMI is supportive to the Group's existing business plan of using both YGD Securities (HK) Limited and Yuan Asset Management Limited as its initial platforms in establishing its financial services and related businesses and in due course to develop the Group to become an integrated security house offering sales and trading, corporate finance, discretionary and non-discretionary asset management, securities margin financing, principal investment with a focus on financial services and extending loan finance to suitable business using the Group's license under the Money Lenders Ordinance of Hong Kong.

Following the Closing, CMI intends to undertake a comprehensive strategic review on the Group for the purpose of optimising the above business plans and determining what changes, if any, would be appropriate or desirable in order to optimise and rationalise the business activities, personnel and assets portfolio of the Group. Subject to the strategic review, it is possible that the Group may accelerate the formation of a comprehensive financial services platform by acquiring other established financial institutions both in Hong Kong and overseas covering internet finance, leasing, insurance, private banking and internet technologies and platforms. As at the Latest Practicable Date, CMI had not formulated definitive proposals, terms or timetable for any possible future acquisitions and no agreements for any possible future acquisitions have been entered into. Subject to the strategic review, it is also possible that changes would be made to the management and professional team of the Group.

CMI has currently no intention to discontinue any of the existing businesses of the Group, namely trading of chemical materials, provision of consultancy services and provision of insurance agency services in the PRC and such businesses will be conducted in the manner in which they are presently conducted immediately following the Closing. Subject to the above strategic review, it is possible that changes be made to such existing businesses to facilitate the development of the Group's financial services and related business. CMI does not intend to redeploy the fixed assets of the Company and intends to continue the employment of the employees of the Group.

Delineation of business between the Group and CMI Capital

As extracted from the Letter from the Board, in relation to potential competition in securing investment opportunities in strategic and principal investments, it is the intention that the following measures will be taken to achieve a clear delineation of business between the Group and CMI Capital:

(a) On new investment opportunities, the Group's primary focus will be investing in companies engaged in financial service and related industries (the "**Group's Territory**"); and

(b) In the event that CMI Capital identifies any strategic or principal investment opportunities that fall under the Group's Territory, CMI Capital will refer such investment opportunities to the Group and CMI Capital will only invest in such investment opportunities if the Group prefers not to take up such opportunities. Notwithstanding such referral arrangement is a measure to avoid competition between the Group and CMI Capital, to support the development of the Group's financial services business, CMI Capital may actively identify and refer investment opportunities under the Group's Territory during the development stage of the Group's financial services business and after the financial services business of the Group having matured, such support may gradually reduce.

In relation to the existing investment portfolio managed by CMI Capital, CMI Capital has no plan to sell any part of the portfolio to the Group. As at the Latest Practicable Date, CMI Capital's intention was to continue to hold such portfolio until the suitable time for their realisation. Also, it is not the plan for the Group to invest in companies in the existing investment portfolio managed by CMI Capital. Accordingly, it is expected that there will be no conflict of interests in this regard.

For the asset management business, CMI Capital is in its early stage of developing such business and has recently set up a joint venture real estate fund with Savills Investment Management in the United Kingdom to conduct real estate asset management business. As the Group has no immediate intention to enter into the real estate fund management business, it is expected that there will be no conflict of interests in this regard.

We are of the opinion that the above measures and arrangement would provide a delineation of business between the Group and CMI Capital and thus reduce the potential competition in securing investment opportunities in strategic and principal investments.

Outlook of the financial services market in Hong Kong

With reference to the HKEx Fact Book — 2014 published by the Stock Exchange in March 2015, the Stock Exchange markets continued to show signs of growth in multiple dimensions amid buoyant primary market activities. The total market capitalisation of the securities market (including the Main Board and the Growth Enterprise Market of the Stock Exchange ("**GEM**")) at the end of 2014 was approximately HK$25,071.8 billion, being approximately 4% higher than at the end of 2013. The year's highest and lowest single-day turnover in the securities market were approximately HK$148.3 billion and HK$39.7 billion respectively (as compared to the highest of HK$128.4 billion and lowest of HK$38.6 billion in 2013). The total securities market turnover in 2014 was approximately HK$17,155.7 billion, up by approximately 12% as compared to the prior year. The average daily turnover for the overall market in 2014 recorded a year-on-year increase of approximately 11% to approximately HK$69.5 billion. There were a record high of 122 newly listed companies on the Main Board and GEM in 2014, with total equity funds raised reaching a record level of approximately HK$942.7 billion, of which the funds raised through initial public offering ("**IPO**") increased year-on-year by approximately 38% to approximately HK$232.5 billion. The amount of post-IPO funds raised was another new record, which increased significantly by approximately 238% to approximately HK$710.2 billion as compared to the prior year.

With reference to HKEx Monthly Market Highlights — July 2015 as disclosed on the Stock Exchange's website, the average daily turnover for the securities market in the first seven months of 2015 was approximately HK$125,449 million, up by approximately 98% as compared to the corresponding period last year. Funds raised through IPO in the first seven months of 2015 was approximately HK$143,748 million, representing an increase of approximately 36% as compared to the corresponding period last year. Total funds raised in the first seven months of 2015 was approximately HK$786,146 million, representing an increase of approximately 200% as compared to the corresponding period last year.

On 17 November 2014, Shanghai-Hong Kong Stock Connect was launched to provide mutual trading access between the Shanghai and Hong Kong stock markets. The Shanghai Stock Exchange and the Stock Exchange enable investors to trade eligible shares listed on each other's market subject to daily and aggregate quotas. As at 30 June 2015, there were 569 eligible stocks for northbound trading and 286 eligible stocks for southbound trading.

In addition, the China Securities Regulatory Commission ("**CSRC**") and SFC jointly announced on 22 May 2015 that to deepen Mainland-Hong Kong financial cooperation and promote the joint development of the Mainland and Hong Kong capital markets, the CSRC and SFC have decided to embark the Mainland-Hong Kong Mutual Recognition of Funds ("**MRF**") initiative. On even date, the CSRC and SFC signed a memorandum of regulatory cooperation in respect of the MRF.

Through the MRF, the CSRC and SFC will allow Mainland and Hong Kong funds that meet the eligibility requirements to follow streamlined procedures to obtain authorisation or approval for offering to retail investors in each other's market.

As extracted from the relevant announcement, the MRF is considered to be an important element in the opening up of the Mainland's capital market. It is also an important milestone in the mutual opening of the Mainland and Hong Kong markets. The MRF will enhance mutual capital market access between the Mainland and Hong Kong, and is significant in various ways, including:

(a) The MRF will deepen the exchange and cooperation of the Mainland and Hong Kong asset management industries, broaden cross-border investment channels, and enhance the competitiveness of the Mainland and Hong Kong fund markets.

(b) The MRF will lay the foundation of the CSRC and the SFC to jointly develop a fund regulatory standard, promote the integration and development of the Asian asset management industry, and encourage the transformation of Asian savings into cross border investments.

(c) The MRF will provide more diverse fund investment products to the Mainland and Hong Kong investors, and expand the business opportunities and enhance the international competitiveness of the Mainland and Hong Kong management firms.

Under the MRF, the CSRC and SFC will establish equivalent eligibility requirements for recognising Mainland and Hong Kong funds, to promote the mutually beneficial development of recognised funds and broadly balanced cross-border in and out fund flows. The initial investment quota for the MRF is RMB300 billion for in and out fund flows each way and the MRF has been implemented on 1 July 2015.

We are of the view that the favourable statistics and intensifying cooperation between the Stock Exchange/SFC and CSRC as demonstrated above may suggest the potential prospects of the financial services sector in Hong Kong.

Other financing alternatives available to the Group

Upon our enquiry, the Directors advised us that the Company has considered other fund raising methods, such as debt financing and equity financing like rights issue or open offer, and considered that the Share Subscription is preferable for the following reasons:

(a) it would be difficult for financial institutions to provide facility up to such a substantial amount to the Group as proposed under the Share Subscription and debt financing would inevitably increase the financial costs of the Group; and

(b) a pre-emptive issue such as rights issue or open offer would not be able to bring in strategic investors as Shareholders, particularly investors with the background and professional expertise, such as CMI and the Other Investors.

Taking into account the persistent loss making history of the Group, the Group may not be able to obtain bank borrowings up to the substantial amount as proposed under the Share Subscription if without any asset pledge and/or incurring relatively high interest rate. We noted that as at 30 June 2015, the Group had unaudited fixed assets of approximately HK$847,000, which would likely to be insufficient as pledges for bank borrowings of substantial amount. On the other hand, we also concur with the Directors that bank borrowings would increase the financial costs of the Group and thus create adverse effect on the Group's financial performance, especially under its current loss making situation.

Based on the foregoing factors, we concur with the Directors that besides the Share Subscription, there is no other fund raising method currently available to the Group with comparable fund raising size and would allow the Group to bring in strategic investors as Shareholders to revive its existing deteriorating financial performance.

Reasons for the Share Subscription and intended use of proceeds

As referred to in the Letter from the Board, the Directors have considered:

(a) the background, industry expertise and management experience of CMI;

(b) the benefits including strategic value and management expertise in areas such as asset management, principal investment, internet and finance industries that the Other Investors could bring to the Group in the future; and

(c) the significant strengthening of the Company's financial position as a result of the Share Subscription.

The Directors are of the view that the Company will be able to explore businesses and investment opportunities upon completion of the Acquisitions on 29 September 2015 and the Share Subscription and with the benefit of the experience of CMI and the Other Investors, the Group will be in a better position to assess and evaluate the commercial viability of the business opportunities, to source and identify new business development and diversification opportunities, and to capture and undertake those opportunities.

The gross proceeds from the Share Subscription would amount to HK$5,000,040,000. As broadly disclosed under the sub-section headed "Use of proceeds" of the Letter from the Board, the Company intends to apply the net proceeds from the Share Subscription of approximately HK$4,995,300,000 in the short to medium run in accordance with the Group's strategies to develop and expand its future business, namely in the financial services sector and related businesses. We concur with the Directors that the substantial amount to be raised from the Share Subscription could allow the Company to meet the tentative funding needs for development of the financial services sector and related businesses in various areas such as securities broking, loan finance, asset management etc., and facilitate the Company to formulate a more comprehensive plan for expansion into these new business areas.

Having taken into account (i) the loss making history of the Group and that its existing core revenue-generating trading of chemical materials business has a rather low profit margin; (ii) the Company's plan to expand into the financial services sector and related businesses and the future business model of the Group as comprehensively presented in the Letter from the Board; (iii) the potential prospects of the financial services sector as demonstrated under the sub-section headed "Outlook of the financial services sector in Hong Kong" of this letter of advice; (iv) the background of CMI and the Other Investors, as well as their support to the Company's plan to expand into the financial services sector and related businesses; (v) the possible synergy effects on the Group after the introduction of CMI and the Other Investors as its strategic investors as represented by the Directors and the measures to be taken to achieve a clear delineation of business between the Group and CMI Capital; (vi) the Share Subscription being an appropriate fund raising alternative currently available to the Group; (vii) the proposed use of proceeds from the Share Subscription in the short to medium run to fulfill the Group's business strategies to expand into the financial services sector and related businesses which require abundant funding; and (viii) the possible accretion in the net asset value of the Group upon completion of the Share Subscription (please also refer to the section headed "Possible financial effects of the Share Subscription" of this letter of advice), we concur with the Directors that the Share Subscription and the intended use of proceeds are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement

The following is a summary of the major terms of the Subscription Agreement:

Date: 18 June 2015

Issuer: The Company

Subscribers: CMI and the Other Investors

Subscription Shares: A total of 26,316,000,000 Subscription Shares to be allocated in the below manner:

Name	Number of Subscription Shares	% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)
CMI	20,418,000,000	70.80
Other Investors		
D. E. Shaw Composite	1,720,000,000	5.96
Union Sky	1,390,000,000	4.82
WIC LP	1,788,000,000	6.20
Mr. Xu	1,000,000,000	3.47

Subscription Price: HK$0.19 per Subscription Share.

The Subscription Price represents:

(i) a discount of approximately 84.30% to the closing price of HK$1.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 89.89% to the closing price of HK$1.88 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 87.66% to the average closing price per Share of HK$1.54 for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 83.76% to the average closing price per Share of HK$1.17 for the last 30 consecutive trading days up to and including the Last Trading Day;

(v) approximately 111.76 times the audited consolidated net asset value per Share (being the audited consolidated net assets of the Group as at 31 December 2014 divided by the total number of issued Shares as at 31 December 2014) of approximately HK$0.0017 as at 31 December 2014; and

(vi) approximately 10.44 times the unaudited consolidated net asset value per Share (being the unaudited consolidated net assets of the Group as at 30 June 2015 divided by the total number of issued Shares as at 30 June 2015) of approximately HK$0.0182 as at 30 June 2015.

To assess the fairness and reasonableness of the Subscription Price, we have taken into consideration the following factors:

The Group's future development plan

As confirmed by the Directors, the Company has decided to expand into the financial services sector and related businesses, and currently plans to focus on such sector and businesses as a core business segment of the Group.

As further confirmed by the Directors, upon completion of the Acquisitions on 29 September 2015, the Group plans to use both YGD Securities (HK) Limited and Yuan Asset Management Limited as its initial platforms in establishing its financial services and related businesses. The intention is in due course to develop the Group to become an integrated security house offering sales and trading, corporate finance, discretionary and non-discretionary asset management, securities margin financing, principal investment with a focus on financial services and extending loan finance to suitable business using the Group's license under the Money Lenders Ordinance of Hong Kong. A detailed discussion on the future financial services and related businesses of the Group, including its business model and internal control system, is set out under the sub-section headed "Further information on the financial services business" of the Letter from the Board.

Moreover, in an effort to further implement the aforesaid strategy, the Directors believe that it would create business synergies if the Company were to introduce prominent and reputable strategic investors who would be able to work with the Company to enhance its professional expertise in the financial services sector, to develop the pipeline of business opportunities in financial services sector and to accelerate the formation of a comprehensive financial services platform by way of identifying, evaluating and acquiring established financial institutions in Hong Kong and overseas.

With the potential prospects of the financial services sector in Hong Kong as demonstrated under the sub-section headed "Outlook of the financial services sector in Hong Kong" of this letter of advice, we are of the view that the operating environment of the Group in the financial services sector is likely to be generally positive.

Strengths of CMI as strategic investor

As extracted from the Letter from the Board and reproduced under the sub-section headed "Information on CMI and China Minsheng Investment" of this letter of advice, CMI and CMI Hong Kong are managed by CMI Capital, the financial division of China Minsheng Investment. The investment mandate of CMI Capital focuses on investment in the financial sectors, covering traditional financial institutions and innovative internet based financial companies both in the PRC and internationally.

China Minsheng Investment is a large private investment company organised by The All-China Federation of Industry and Commerce in China and was launched by 59 well-known private enterprises throughout the PRC. The shareholders of China Minsheng Investment are all large scale private enterprises, some of which are among China's top 500 companies. The business scope of the shareholders of China Minsheng Investment involves a variety of industries. Moreover, with a registered capital of RMB50 billion, China Minsheng Investment is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting.

We were advised by the Directors that the recognisable brand name, extensive network, industry expertise and management experience of CMI and China Minsheng Investment would likely to contribute to the future business development of the Group in the financial services sector.

Furthermore, as concluded under the sub-section headed "Delineation of business between the Group and CMI Capital" of this letter of advice, we are of the opinion that those measures and arrangement to be taken would provide a delineation of business between the Group and CMI Capital and thus reduce the potential competition in securing investment opportunities in strategic and principal investments.

Non-disposal undertaking given by CMI and the Other Investors

We noticed from the Letter from the Board that, each of CMI and the Other Investors has undertaken to the Company that for a period of six months from the Closing Date, it will not and it will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein beneficially owned or held by it or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Company.

We are of the view that the aforesaid non-disposal undertaking would be beneficial to the Group.

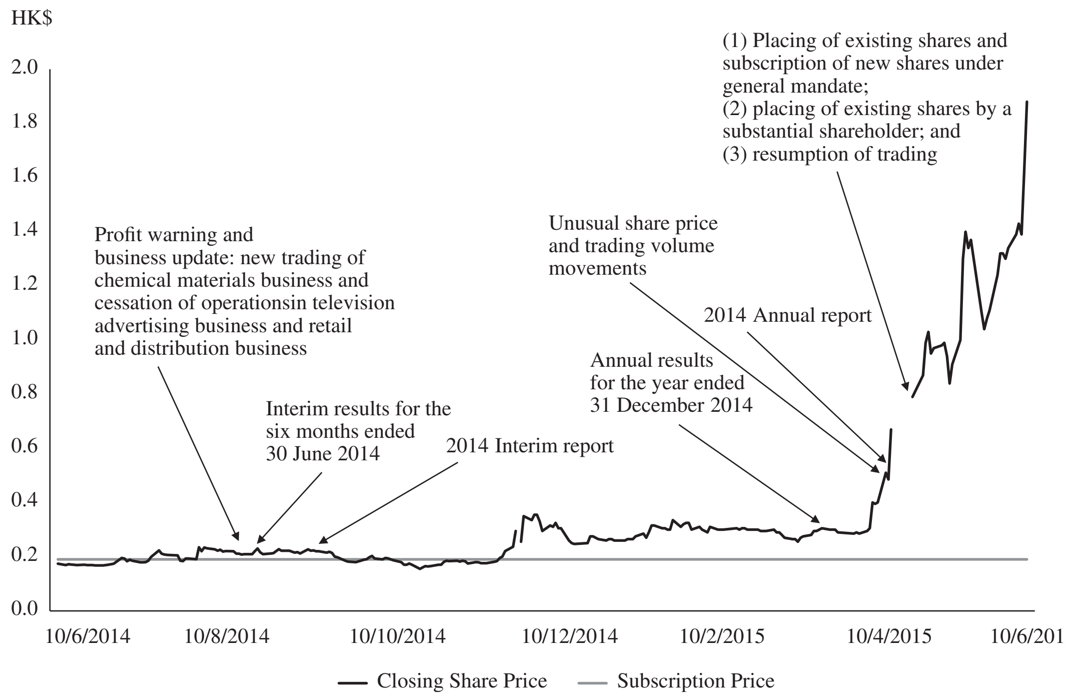
The huge fund raising size of the Share Subscription

The net proceeds from the Share Subscription is estimated to be of approximately HK$4,995,300,000. The Company intends to apply such substantial amount of net proceeds in accordance with the Group's strategies to develop and expand its future business. Given the huge fund raising size of the Share Subscription, as concluded under the sub-section headed ''Other financing alternatives available to the Group'' of this letter of advice, besides the Share Subscription, there is no other financing alternative currently available to the Group with comparable fund raising size and would allow the Group to bring in strategic investors as Shareholders to revive its existing deteriorating financial performance. On the other hand, we also concur with the Directors that the substantial amount to be raised from the Share Subscription could allow the Company to meet the tentative funding needs for development of the financial services sector and related businesses in various areas such as securities broking, loan finance, asset management etc., and facilitate the Company to formulate a more comprehensive plan for expansion into these new business areas.

The historical Share price movement

- During the Review Period

Set out below is a chart reflecting movements in the closing price of the Shares from 13 June 2014 up to and including the Last Trading Day (the "**Review Period**"), being an one-year period which represents a sufficient period of time to provide a general overview on the historical price performance of the Shares:



Source: https://hk.finance.yahoo.com

Note: Trading in the Shares was halted on 3 December 2014 and from 23 April 2015 to 29 April 2015 (both dates inclusive).

From the above chart, we noted that the closing prices of the Shares were nearly all the time equal or less than HK$0.30 per Share from 13 June 2014 to 14 April 2015, representing more than 75% of the total number of trading days during the entire Review Period. On 15 April 2015, there was a sudden surge in the market price of the Shares from the previous close of HK$0.305 to HK$0.40 per Share. Thereafter, the closing price of the Shares rose to HK$0.67 per Share on 22 April 2015, being the last trading day before trading in the Shares was halted pending the release of an announcement of the Company regarding (1) placing of existing Shares and subscription of new Shares under general mandate; and (2) placing of existing Shares by a substantial shareholder. On 30 April 2015, the Shares resumed trading and its closing price further increased to HK$0.79 per Share. The Company made an "unusual share price and trading volume movements" announcement on 20 May 2015, the day on which the closing price of the Shares jumped to HK$1.40 per Share. As referred to in the said announcement, the Board confirms that it is not aware of any reasons for such price and trading volume movements or any information which must be announced to avoid a false market in the Company's securities or of any inside information. The market Share prices remained at a high level afterwards and peaked at HK$1.88 per Share on the Last Trading Day.

- During the Post Announcement Period

From 15 June 2015 to 27 August 2015 (both days inclusive), trading in the Shares had been suspended pending the publication of the Announcement. The market price of the Shares then declined significantly to HK$0.82 on 28 August 2015 (the "**First Resumption Day**") right after the trading suspension. We have enquired into the Directors and the Directors advised us that save and except for the publication of the Announcement regarding the Acquisitions, the Share Subscription and the Whitewash Waiver, the Company was not aware of any other incidents which might have affected the market Share price. During the period between the First Resumption Day and the Latest Practicable Date (both days inclusive) (the "**Post Announcement Period**"), movement in the market price of the Shares had been volatile and the Company made another "unusual share price and trading volume movements" announcement on 7 September 2015. The lowest and highest closing prices of the Shares were HK$0.38 recorded on 4 September 2015 and HK$1.31 recorded on 5 October 2015 respectively, and the average closing price of the Shares was HK$1.01 per Share in the Post Announcement Period. In this relation, we noted that the Subscription Price represents discounts of approximately 50.00%, 85.50% and 81.19% to the aforesaid lowest, highest and average closing prices.

Based on the trend of the historical Share price movement as set out above, the current financial fundamental of the Group may not by itself justify the high closing price of the Shares on the Last Trading Day.

Peer comparison

To assess the fairness and reasonableness of the Subscription Price, we have attempted to make reference to the price-to-earnings ("**P/E**") ratio and the price to book ("**P/B**") ratio of all the companies listed on the Stock Exchange which are principally engaged in business similar to that of the Group, namely the trading of chemical materials business, and derive a majority (over 80%) of revenue from such business (the "**Comparable**"). As far as we are aware of, we identified one such Comparable, which we consider to be exhaustive. Given that both the Company and the Comparable had been loss making in their respective latest full financial year, the P/E ratio is impracticable. In addition, as the Company is not an asset-based company, we set forth below the P/B ratios of the Company and the Comparable for Shareholders' reference only:

Company (stock code)	**Principal business**	**P/B ratio** *(times)*
Sheng Yuan Holdings Limited (851)	Trading of chemical products, provision of securities brokerage and financial services and asset management services.	5.36 *(Note 1)*
The Company (245)	Trading of chemical materials, provision of consultancy services and provision of insurance agency services in the PRC.	10.44 *(Note 2)*

Notes:

(1) The P/B ratio of the Comparable is calculated based on its latest published unaudited consolidated net asset value per share of HK$0.0625 as at 30 June 2015 and its closing share price of HK$0.335 on the Last Trading Day.

(2) The implied P/B ratio of the Company is calculated based on its latest published unaudited consolidated net asset value per Share of HK$0.0182 as at 30 June 2015 and the Subscription Price of HK$0.19.

Shareholders should note that the above peer comparison does not form part of our analysis on the fairness and reasonableness of the Subscription Price.

Conclusion on the Subscription Price

Taking into account the above factors regarding the Share Subscription which we summarise as below:

(i) it is the intention of the Group to expand into the financial services sector and related businesses which demonstrates potential prospects;

(ii) the Directors represented that the strengths of CMI and China Minsheng Investment would likely to contribute to the future business development of the Group in the financial services sector;

(iii) the non-disposal undertaking given by CMI and the Other Investors would be beneficial to the Group;

(iv) besides the Share Subscription, there is no other financing alternative currently available to the Group with comparable fund raising size and would allow the Group to bring in strategic investors as Shareholders to revive its existing deteriorating financial performance;

(v) the substantial amount to be raised from the Share Subscription could allow the Company to meet the tentative funding needs for development of the financial services sector and related businesses and facilitate the Company to formulate a more comprehensive plan for expansion into these new business areas;

(vi) the current financial fundamental of the Group may not by itself justify the high closing price of the Shares on the Last Trading Day; and

(vii) the Share Subscription would strengthen the net asset value and working capital position of the Group (please also refer to the section headed "Possible financial effects of the Share Subscription" of this letter of advice),

we consider that the Subscription Price, although being at a deep discount of approximately 89.89% to the closing price of the Shares on the Last Trading Day, is fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible dilution on the shareholding interests of the existing Independent Shareholders

For illustrative purpose, we set out below the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Subscription Agreement:

	As at the Latest Practicable Date		**Immediately upon completion of the Subscription Agreement**	
	Shares	*%*	*Shares*	*%*
Existing Shareholders				
Ni Xingguang *(Note 1)*	462,072,000	18.31	462,072,000	1.60
Ye Zhu Ying *(Note 2)*	231,497,650	9.17	231,497,650	0.80
Other public Shareholders *(Note 2)*	1,829,881,600	72.52	1,829,881,600	6.35
Sub-total	**2,523,451,250**	**100**	**2,523,451,250**	**8.75**
Subscribers				
The Concert Group				
CMI			20,418,000,000	70.80
Union Sky			1,390,000,000	4.82
Sub-total			**21,808,000,000**	**75.62**
Other subscribers				
D. E. Shaw Composite			1,720,000,000	5.96
WIC LP			1,788,000,000	6.20
Mr. Xu			1,000,000,000	3.47
Sub-total			**4,508,000,000**	**15.63**
Sub-total (all subscribers)			**26,316,000,000**	**91.25**
Total	**2,523,451,250**	**100**	**28,839,451,250**	**100**

Notes:

(1) Mr. Ni Xingguang has personal interest in 46,068,000 Shares and owns 416,004,000 Shares through Group First Limited, his wholly owned company.

(2) Ms. Ye Zhu Ying and other public Shareholders are Independent Shareholders.

Although the shareholding interests of the existing Independent Shareholders would be diluted by approximately 74.54 percent point immediately upon completion of the Subscription Agreement, as balanced by (i) the reasons for and possible benefits of the Share Subscription; (ii) the Share Subscription being an appropriate financing alternative currently available to the Group as compared to other fund raising methods; (iii) the huge fund raising size of the Share Subscription, the proceeds of which are expected to contribute to the future business development of the Group; and (iv) the terms of the Subscription Agreement being fair and reasonable, we are of the view that the said possible dilution to the shareholding interests of the existing Independent Shareholders is acceptable.

4. Possible financial effects of the Share Subscription

The Directors expected that the Share Subscription would increase the net asset value of the Group as the capital base of the Group would be enlarged. The Share Subscription would also increase the net asset value per Share based on the enlarged net asset value of the Group divided by the total number of issued Shares immediately upon completion of the Subscription Agreement. Furthermore, the Share Subscription would generate net proceeds of approximately HK$4,995,300,000 to the Group.

RECOMMENDATION ON THE SHARE SUBSCRIPTION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Share Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Share Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

(II) THE WHITEWASH WAIVER

As at the date of the Subscription Agreement, the Concert Group did not own or have control or direction over any Shares. Immediately after the Closing, the Concert Group will be interested in approximately 75.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). Accordingly, under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it unless the Whitewash Waiver is granted by the Executive.

CMI has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, amongst others, approval by the Independent Shareholders at the EGM by way of poll. The Whitewash Waiver is a condition precedent to the completion of the Subscription Agreement, which can be waived at the discretion of CMI (for itself or on behalf of all Other Investors). As advised by the Directors, CMI is yet to decide whether to waive any of the conditions precedent to the completion of the Subscription Agreement. In the event that CMI waives the Whitewash Waiver condition and elects to proceed with the transactions contemplated under the Subscription Agreement, CMI will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code.

As such, if the Whitewash Waiver condition is not satisfied, completion of the Subscription Agreement will depend on whether the fulfilment of such condition is waived by CMI and CMI chooses to proceed with the general offer (the "**Alternative Conditions**"). In the event that the Alternative Conditions are not fulfilled, the Subscription Agreement will not proceed to completion.

Since the shareholding interest of the Concert Group in the Company will exceed 50% upon completion of the Subscription Agreement, CMI may increase its shareholdings in the Company without incurring further obligations under Rule 26 of the Takeovers Code to make a general offer for the Shares and other securities of the Company.

In light of (i) the reasons for and possible benefits of the Share Subscription as set forth under the sub-section headed "Reasons for the Share Subscription and intended use of proceeds" of this letter of advice; (ii) the Share Subscription being an appropriate financing alternative currently available to the Group as compared to other fund raising methods; (iii) the intended use of the net proceeds from the Share Subscription; and (iv) the terms of the Subscription Agreement, despite that the Subscription Price represents a discount of approximately 89.89% to the closing price of the Shares on the Last Trading Day, being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval for the Whitewash Waiver, which is a condition precedent to the completion of the Subscription Agreement, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Share Subscription.

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration the reasons for and possible benefits of the Share Subscription and that the Share Subscription is conditional upon the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
V Baron Global Financial Services Limited

Ringo Hui	**Doris Sing**
Group General Manager	*Director*

Mr. Ringo Hui is a licensed person and responsible officer of V Baron Global Financial Services Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over seven years of experience in corporate finance.

Ms. Doris Sing is a licensed person and responsible officer of V Baron Global Financial Services Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 11 years of experience in corporate finance.

(I) FINANCIAL SUMMARY

The following is a summary of the consolidated results and financial information of the Group, consisting of the three years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2014 and 2015, details of which were extracted from the annual reports of the Company for each of the years ended 31 December 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015.

(a) Consolidated Statement of Comprehensive Income

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	616,877	112,220	68,086	29,954	139,036
Cost of sales and services	(548,872)	(108,461)	(67,238)	(29,596)	(137,648)
Gross profit	68,005	3,759	848	358	1,388
(Loss)/profit before tax	17,285	(21,236)	(43,298)	(18,735)	(12,225)
Income tax credit/(expense)	(20)	(25)	2,175	(24)	—
(Loss)/profit for the period	17,265	(21,261)	(41,123)	(18,759)	(12,225)
(Loss)/profit for the period attributable to					
Owners of the Company	3,308	(1,757)	(30,144)	(10,860)	(8,671)
Non-controlling interests	13,957	(19,504)	(10,979)	(7,899)	(3,554)
(Loss)/profit per share for the period attributable to owners of the Company					
Basic and diluted *(HK$ cents)*	0.19	(0.08)	(1.34)	(0.49)	(0.37)
Dividends					
Dividend	—	—	—	—	—
Dividend per share *(HK$)*	—	—	—	—	—

RSM Nelson Wheeler, the auditor of the Company did not issue any qualified opinion on the financial statements of the Group for each of the years ended 31 December 2012, 2013 and 2014. The Group had no items which are exceptional because of size, nature or incidence for each of the years ended 31st December, 2012, 2013 and 2014 and for the six months ended 30 June 2015.

(II) AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The following information is extracted from the audited financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2014.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	7	68,086	112,220
Cost of sales and services		(67,238)	(108,461)
Gross profit		848	3,759
Other income	8	3,325	37,208
Distribution costs		—	(16,662)
Administrative expenses		(36,354)	(23,286)
Other operating expenses		(11,117)	(22,098)
Loss from operations		(43,298)	(21,079)
Finance costs	10	—	(157)
Loss before tax		(43,298)	(21,236)
Income tax credit/(expense)	11	2,175	(25)
Loss for the year	12	(41,123)	(21,261)
Attributable to:			
Owners of the Company	15	(30,144)	(1,757)
Non-controlling interests		(10,979)	(19,504)
		(41,123)	(21,261)
Loss per share	17		
— Basic		HK(1.34) cents	HK(0.08) cent
— Diluted		N/A	N/A

	2014 *HK$'000*	2013 *HK$'000*
Loss for the year	(41,123)	(21,261)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	13	(429)
Other comprehensive income for the year, net of tax	13	(429)
Total comprehensive income for the year	(41,110)	(21,690)
Attributable to:		
Owners of the Company	(36,101)	4,398
Non-controlling interests	(5,009)	(26,088)
	(41,110)	(21,690)

Consolidated Statement of Financial Position
As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Fixed assets	18	933	2,505
Intangible assets	19	—	71
Available-for-sale financial assets	21	208	213
		1,141	2,789
Current assets			
Inventories	22	—	8,982
Trade receivables	23	—	1,594
Other receivables, prepayments and deposits	24	9,173	2,460
Pledged bank deposits	25	312	4,796
Bank and cash balances	25	29,567	40,856
		39,052	58,688
Current liabilities			
Trade and bills payables	26	20,603	26,708
Other payables and accruals		15,637	18,236
Current tax liabilities		125	2,376
		36,365	47,320
Net current assets		2,687	11,368
NET ASSETS		3,828	14,157
Capital and reserves			
Share capital	27	574,117	21,983
Other reserves	29	797,895	1,325,205
Accumulated losses		(1,119,361)	(1,089,217)
Equity attributable to owners of the Company		252,651	257,971
Non-controlling interests		(248,823)	(243,814)
TOTAL EQUITY		3,828	14,157

Statement of Financial Position
As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Fixed assets	18	10	72
Interests in subsidiaries	20	10,773	1,012
		10,783	1,084
Current assets			
Prepayments and deposits	24	214	142
Bank and cash balances		18,831	29,811
		19,045	29,953
Current liabilities			
Other payables and accruals		1,954	2,330
Net current assets		17,091	27,623
NET ASSETS		27,874	28,707
Capital and reserves			
Share capital	27	574,117	21,983
Other reserves	29	739,952	1,261,305
Accumulated losses		(1,286,195)	(1,254,581)
TOTAL EQUITY		27,874	28,707

Consolidated Statement of Changes in Equity

As at 31 December 2014

	Attributable to owners of the Company					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	21,983	1,327,081	(1,095,491)	253,573	(217,726)	35,847
Total comprehensive income for the year	—	6,155	(1,757)	4,398	(26,088)	(21,690)
Transfer	—	(8,031)	8,031	—	—	—
Changes in equity for the year	—	(1,876)	6,274	4,398	(26,088)	(21,690)
At 31 December 2013	21,983	1,325,205	(1,089,217)	257,971	(243,814)	14,157
At 1 January 2014	21,983	1,325,205	(1,089,217)	257,971	(243,814)	14,157
Total comprehensive income for the year	—	(5,957)	(30,144)	(36,101)	(5,009)	(41,110)
Transition to no-par value regime on 3 March 2014 *(Notes 27(c) and 29)*	533,936	(533,936)	—	—	—	—
Issue of shares on placement and subscription *(Note 27(d))*	18,198	—	—	18,198	—	18,198
Recognition of share-based payments *(Note 28)*	—	12,583	—	12,583	—	12,583
Changes in equity for the year	552,134	(527,310)	(30,144)	(5,320)	(5,009)	(10,329)
At 31 December 2014	574,117	797,895	(1,119,361)	252,651	(248,823)	3,828

Consolidated Statement of Cash Flows
As at 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before tax	(43,298)	(21,236)
Adjustments for:		
Finance costs	—	157
Interest income	(607)	(665)
Depreciation	1,043	1,930
Allowance for inventories	—	10,573
Allowance for other receivables	457	12,278
Allowance for trade receivables	1,173	3,985
Amortisation of intangible assets	70	105
Barter transactions for inventories and fixed assets	—	(305)
Equity-settled share-based payments	12,583	—
Fixed assets written off	18	1,643
Gain on disposals of fixed assets	—	(99)
Impairment loss on fixed assets	461	—
Impairment loss on prepayments and deposits	367	1,096
Inventories written off	7,185	6,200
Reversal of allowance for other receivables	—	(14)
Reversal of allowance for trade receivables	—	(680)
Write back of agency fee payables	—	(19,416)
Write back of other payables and accruals	(1,551)	(8,984)
Write back of trade payables	—	(3,344)
Operating loss before working capital changes	(22,099)	(16,776)
Increase in inventories	—	(10,137)
(Increase)/decrease in trade receivables, and other receivables, prepayments and deposits	(7,116)	44,387
Decrease in agency fee payables	—	(1,189)
Decrease in trade and bills payables, and other payables and accruals	(5,483)	(35,617)
Cash used in operations	(34,698)	(19,332)
Tax paid	(31)	(20)
Interest paid	—	(157)
Net cash used in operating activities	(34,729)	(19,509)

	2014	2013
	HK$'000	*HK$'000*
Cash flows from investing activities		
Decrease/(increase) in pledged bank deposits	4,476	(4,476)
Payment for purchase of fixed assets	—	(55)
Proceeds from disposals of fixed assets	—	7
Interest received	607	665
Net cash generated from/(used in) investing activities	5,083	(3,859)
Cash flows from financing activities		
Decrease in pledged bank deposit	—	12,330
Repayment of bank loans	—	(9,944)
Proceeds from issue of shares	18,198	—
Net cash generated from financing activities	18,198	2,386
Net decrease in cash and cash equivalents	(11,448)	(20,982)
Effect of foreign exchange rate changes	159	(200)
Cash and cash equivalents at 1 January	40,856	62,038
Cash and cash equivalents at 31 December	29,567	40,856
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	29,567	40,856

Notes to the Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. The address of its registered and business office is Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 20 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) New and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010–2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010–2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors anticipate that these new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

(b) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Fixed assets

Fixed assets are stated in the consolidated statement of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	**Over the lease term and certain leasehold improvements revised to 2 years since 1 January 2010**
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Operating leases

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Intangible assets

Insurance agency licence

The insurance agency licence is stated at acquisition cost less accumulated amortisation and impairment losses. It is amortised on a straight line basis over its estimated useful life of 5 years.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from consultancy services and insurance agency services are recognised when the services are rendered.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as expense.

(q) Government subsidies

A government subsidy is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the subsidy will be received.

Government subsidies that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

(t) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets except investments, inventories and receivables of which the impairment policies are set out in Notes 3(h), 3(f) and 3(i) respectively, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposals and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Consolidation of entity with no equity interest

Although the Group does not own any equity interest in Shanghai Seven Star International Shopping Co., Ltd.^ (上海七星國際購物有限公司, "**Seven Star (Shanghai)**"), Seven Star (Shanghai) and its subsidiaries ("Seven Star (Shanghai) Group") are treated as subsidiaries because the Group is able to control the relevant activities of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of fixed assets as at 31 December 2014 was approximately HK$933,000 (2013: HK$2,505,000).

(b) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax credit of approximately HK$2,175,000 (2013: income tax expense of HK$25,000) was credited/charged to profit or loss.

^ *For identification purpose only*

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness, the past collection history of each debtor and on management's judgement. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at 31 December 2014, impairment loss for bad and doubtful debts amounted to approximately HK$18,994,000 (2013: HK$29,071,000).

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions and assets are denominated in currencies other than the functional currency of respective Group entities such as Renminbi ("**RMB**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2014, if RMB had weakened 5 per cent against Hong Kong dollars with all other variables held constant, consolidated loss after tax for the year and the equity would have been approximately HK$210,000 (2013: HK$1,432,000) higher, arising mainly as a result of the foreign exchange loss on bank deposits denominated in RMB. If RMB had strengthened 5 per cent against Hong Kong dollars with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$210,000 (2013: HK$1,432,000) lower, arising mainly as a result of the foreign exchange gain on bank deposits denominated in RMB.

(b) Credit risk

The carrying amount of the bank and cash balances, pledged bank deposits and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk related to these financial assets.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk on trade and other receivables is significantly reduced.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014					
Trade payables	20,603	—	—	—	20,603
Other payables and accruals	13,273	—	—	—	13,273
At 31 December 2013					
Trade and bills payables	26,708	—	—	—	26,708
Other payables and accruals	18,236	—	—	—	18,236

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. Certain bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk. Other bank deposits bear interests at variable interest rates varied with the then prevailing market condition.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

(e) Categories of financial instruments at 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	30,311	48,040
Available-for-sale financial assets	208	213
Financial liabilities:		
Financial liabilities at amortised cost	33,876	44,944

(f) Fair values

Except as disclosed in Note 21 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

7. TURNOVER

The Group's turnover which represents revenue from the followings:

	2014 *HK$'000*	2013 *HK$'000*
Trading of chemical materials	57,732	—
Insurance agency service income	10,354	18,203
Consultancy service income	—	10,222
PRC retail and distribution of consumer products	—	39,149
Television advertising service income	—	44,646
	68,086	112,220

8. OTHER INCOME

	2014 *HK$'000*	2013 *HK$'000*
Interest income on bank deposits	607	665
Exchange gains, net	—	892
Gain on disposals of fixed assets	—	99
Rental income	801	2,285
Reversal of allowance for other receivables	—	14
Reversal of allowance for trade receivables	—	680
PRC tax subsidy	314	293
Write back of agency fee payables	—	19,416
Write back of other payables and accruals	1,551	8,984
Write back of trade payables	—	3,344
Sundry income	52	536
	3,325	37,208

9. SEGMENT INFORMATION

The Group has three reportable segments as follows:

PRC retail and distribution — retail and distribution of consumer products in the PRC

Trading of chemical materials — trading of chemical materials in the PRC

Insurance agency — provision of insurance agency services in the PRC

In the current year, as the television advertising business did not meet the definition of an operating segment in accordance with HKFRS 8 "Operating Segment", its information is not presented.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The Group's other operating segment includes the consultancy service business. This segment does not meet any of the quantitative thresholds for determining reportable segments. The information of this operating segment is included in the 'other' column.

Segment profits or losses do not include corporate income, equity-settled share-based payments and corporate expenses.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable segment assets and liabilities have not been presented.

Information about reportable segment profit or loss:

	PRC retail and distribution *HK$'000*	Trading of chemical materials *HK$'000*	Insurance agency *HK$'000*	Other *HK$'000*	Total *HK$'000*
Year ended 31 December 2014					
Revenue from external customers	—	57,732	10,354	—	68,086
Segment profit/(loss)	(11,881)	556	(7)	—	(11,332)
Interest revenue	63	—	8	—	71
Depreciation and amortisation	4	—	70	—	74
Bad debts/impairment charges	1,534	—	1	—	1,535
Fixed assets written off	12	—	—	—	12
Inventories written off	7,185	—	—	—	7,185
Year ended 31 December 2013					
Revenue from external customers	39,149	44,646	18,203	10,222	112,220
Segment profit/(loss)	(23,307)	22,663	119	9,675	9,150
Interest revenue	63	6	8	—	77
Depreciation and amortisation	108	532	105	—	745
Bad debts/impairment charges	14,939	2,287	—	—	17,226
Fixed assets written off	132	1,197	—	—	1,329
Inventories written off	6,200	—	—	—	6,200
Reversal of bad debts/impairment charges	32	648	—	—	680
Write back of payables and accruals	4,515	27,229	—	—	31,744

Reconciliations of reportable segment revenue and profit of loss:

	2014 *HK$'000*	2013 *HK$'000*
Revenue		
Total revenue of reportable segments	68,086	112,220
Profit or loss		
Total profit or loss of reportable segments	(11,332)	9,150
Unallocated corporate income	2,888	4,193
Equity-settled share-based payments	(12,583)	—
Unallocated corporate expenses	(22,271)	(34,579)
Consolidated loss before tax	(43,298)	(21,236)

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	—	—	10	72
PRC except Hong Kong	68,086	112,220	923	2,504
Consolidated total	68,086	112,220	933	2,576

Revenue from major customers:

	2014	**2013**
	HK$'000	*HK$'000*
Television advertising segment		
Customer a	—	40,466
Trading of chemical materials segment		
Customer b	47,010	—
Customer c	10,722	—

10. FINANCE COSTS

	2014	**2013**
	HK$'000	*HK$'000*
Interest on bank loans — wholly repayable within five years	—	157

11. INCOME TAX (CREDIT)/EXPENSE

	2014	**2013**
	HK$'000	*HK$'000*
Current tax — the PRC		
Provision for the year	108	24
(Over)/under-provision in prior years	(2,283)	1
	(2,175)	25

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits in Hong Kong for the year (2013: HK$Nil).

The provision for PRC Enterprise Income Tax has been provided at the statutory tax rate of 25% (2013: 25%) on the assessable profits of the Company's PRC subsidiaries.

The reconciliation between the income tax (credit)/expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before tax	(43,298)	(21,236)
Tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	(7,144)	(3,504)
Tax effect of income that is not taxable	(85)	(340)
Tax effect of expenses that are not deductible	8,310	11,240
Tax effect of temporary differences not recognised	(2,889)	(916)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(1,711)	(1,181)
Tax effect of tax losses not recognised	5,127	3,352
Tax effect of utilisation of tax losses not previously recognised	(1,500)	(8,627)
(Over)/under-provision in prior years	(2,283)	1
Income tax (credit)/expense	(2,175)	25

At the end of the reporting period the Group and the Company has unused tax losses of approximately HK$222,402,000 (2013: HK$217,216,000) and HK$3,739,000 (2013: HK$3,739,000) respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of approximately HK$87,433,000, HK$65,563,000, HK$12,348,000, HK$13,173,000 and HK$20,468,000 will expire on 31 December 2015, 2016, 2017, 2018 and 2019 respectively. Other tax losses may be carried forward indefinitely. Included in unused tax losses of the Group are losses of approximately HK$210,939,000 (2013: HK$205,754,000) that have not yet been agreed by respective tax authorities.

No provision for deferred taxation had been made for both years ended 31 December 2013 and 2014 as the tax effect of all temporary difference is not material.

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2014	2013
	HK$'000	*HK$'000*
Allowance for inventories	—	10,573
Allowance for other receivables (included in other operating expenses)	457	12,278
Allowance for trade receivables (included in other operating expenses)	1,173	3,985
Amortisation of insurance agency licence (included in other operating expenses)	70	105
Auditor's remuneration	1,500	1,700
Cost of inventories sold	57,169	46,503
Depreciation	1,043	1,930
Equity-settled share-based payments	12,583	—
Exchange differences, net	233	(892)
Fixed assets written off	18	1,643
Inventories written off	7,185	6,200
Impairment loss on fixed assets	461	—
Impairment loss on prepayments and deposits (included in other operating expenses)	367	1,096
Operating lease charges		
— Land and buildings	3,103	5,183
Staff costs (including directors' emoluments) *(Note 13)*	17,306	10,125

Cost of inventories sold included allowance for inventories of HK$Nil (2013: approximately HK$10,573,000) and inventories written off of HK$Nil (2013: approximately HK$6,200,000) which are included in the amounts disclosed separately above.

Staff costs included equity-settled share-based payments of approximately HK$7,550,000 (2013: HK$Nil) which is included in the amount disclosed separately above.

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2014	2013
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	9,011	9,024
Equity-settled share-based payments	7,550	—
Retirement benefits scheme contributions	745	1,101
	17,306	10,125

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments of each director and the chief executive were as follows:

Name of director/ chief executive	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Retirement benefit scheme contributions	Compensation for loss of office	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors									
Mr. Ni Xinguang	—	960	10	—	484	60	—	—	1,514
Ms. Chen Xiaoyan *(Note a)*	—	173	—	—	—	—	—	—	173
Mr. Tu Baogui	45	900	—	—	—	—	—	—	945
Mr. Ling Yu Zhang	180	—	—	—	—	—	—	—	180
Mr. Lu Wei	180	—	—	—	—	—	—	—	180
Mr. Wong Chak Keung	180	—	—	—	—	—	—	—	180
Chief executive	585	2,033	10	—	484	60	—	—	3,172
Mr. Chen Fenfai *(Note b)*	—	411	—	—	—	—	—	—	411
Total for 2014	585	2,444	10	—	484	60	—	—	3,583

Name of director/ chief executive	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Retirement benefit scheme contributions	Compensation for loss of office	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors									
Mr. Ni Xinguang	—	980	10	—	—	19	—	—	1,009
Mr. Tu Baogui *(Note c)*	—	574	—	—	—	—	—	—	574
Mr. Wang Zhiming *(Note d)*	—	403	—	—	—	153	—	—	556
Mr. Ling Yu Zhang	180	—	—	—	—	—	—	—	180
Mr. Lu Wei	180	—	—	—	—	—	—	—	180
Mr. Wong Chak Keung	180	—	—	—	—	—	—	—	180
Total for 2013	540	1,957	10	—	—	172	—	—	2,679

Notes:

(a) Appointed on 16 January 2014.

(b) Appointed on 9 October 2014.

(c) Appointed on 9 July 2013.

(d) Resigned on 28 June 2013.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2013 and 2014.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included 1 (2013: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2013: 2) individuals are set out below:

	2014	**2013**
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	410	950
Equity-settled share-based payments	5,033	—
Retirement benefit scheme contributions	152	30
	5,595	980

The emoluments fell within the following bands:

	Number of individuals	
	2014	**2013**
HK$Nil to HK$1,000,000	—	2
HK$1,000,001 to HK$1,500,000	4	—

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK$31,614,000 (2013: HK$30,033,000) which has been dealt with in the financial statements of the Company.

16. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: HK$Nil).

17. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$30,144,000 (2013: HK$1,757,000) and the weighted average number of ordinary shares of 2,243,235,000 (2013: 2,198,331,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2014. No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2013.

18. FIXED ASSETS

	The Group				
	Leasehold improvements	**Furniture, fixtures and office equipment**	**Call centre system**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2013	8,704	15,021	4,375	10,362	38,462
Additions	—	55	—	305	360
Disposals/write-off	(1,022)	(9,416)	(4,439)	(3,815)	(18,692)
Exchange differences	228	297	64	250	839
At 31 December 2013 and 1 January 2014	7,910	5,957	—	7,102	20,969
Write-off	—	(3,091)	—	(65)	(3,156)
Exchange differences	(184)	(124)	—	(172)	(480)
At 31 December 2014	7,726	2,742	—	6,865	17,333
Accumulated depreciation and impairment					
At 1 January 2013	8,438	13,402	4,375	6,488	32,703
Charge for the year	173	434	—	1,323	1,930
Disposals/write-off	(1,022)	(9,229)	(4,439)	(2,204)	(16,894)
Exchange differences	227	260	64	174	725
At 31 December 2013 and 1 January 2014	7,816	4,867	—	5,781	18,464
Charge for the year	94	363	—	586	1,043
Impairment losses	—	461	—	—	461
Write-off	—	(3,079)	—	(59)	(3,138)
Exchange differences	(184)	(103)	—	(143)	(430)
At 31 December 2014	7,726	2,509	—	6,165	16,400
Carrying amount					
At 31 December 2014	—	233	—	700	933
At 31 December 2013	94	1,090	—	1,321	2,505

	Leasehold improvements *HK$'000*	The Company Office equipment *HK$'000*	Total *HK$'000*
Cost			
1 January 2013	326	137	463
Disposals	—	(25)	(25)
At 31 December 2013, 1 January 2014 and 31 December 2014	326	112	438
Accumulated depreciation			
1 January 2013	109	111	220
Charge for the year	163	8	171
Disposals	—	(25)	(25)
At 31 December 2013 and 1 January 2014	272	94	366
Charge for the year	54	8	62
At 31 December 2014	326	102	428
Carrying amount			
At 31 December 2014	—	10	10
At 31 December 2013	54	18	72

19. INTANGIBLE ASSETS

	The Group		
	Internet platform	Internet agency licence	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2013	1,201	520	1,721
Write-off	(1,218)	—	(1,218)
Exchange differences	17	15	32
At 31 December 2013 and 1 January 2014	—	535	535
Exchange differences	—	(13)	(13)
At 31 December 2014	—	522	522
Accumulated amortisation and impairment			
At 1 January 2013	1,201	347	1,548
Amortisation for the year	—	105	105
Write-off	(1,218)	—	(1,218)
Exchange differences	17	12	29
At 31 December 2013 and 1 January 2014	—	464	464
Amortisation for the year	—	70	70
Exchange differences	—	(12)	(12)
At 31 December 2014	—	522	522
Carrying amount			
At 31 December 2014	—	—	—
At 31 December 2013	—	71	71

Insurance agency licence

The Group's insurance agency licence is for its provision of insurance agency services. As at 31 December 2014, the insurance agency licence has been fully amortised (2013: remaining amortisation period of the insurance agency licence is 0.67 year).

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted investments, at cost	277,066	277,066
Loans to subsidiaries	1,234,246	1,214,068
	1,511,312	1,491,134
Less: impairment losses	(1,500,539)	(1,490,122)
	10,773	1,012

The loans to subsidiaries are unsecured, interest-free and will not be repayable within the next twelve months.

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Cheong Wa Limited	Hong Kong, limited liability company	HK$29,970,106	100%	—	Investment holding
Top Pro Limited	The British Virgin Islands, limited liability company	US$1	100%	—	Investment holding
Fuzhou Landun Science of Life Co., Ltd	The PRC, wholly-foreign owned enterprise with limited liability	HK$100,000,000	—	100%	Investment holding
Seven Star (Shanghai)	The PRC, limited liability company	RMB6,000,000	—	100% *(Note)*	Investment holding and trading of chemical materials
Seven Star Shopping (China) Co., Ltd.^ 七星購物(中國)有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB360,000,000	—	100%	Investment holding, provision of consultancy services and trading of chemical materials
Seven Star Shopping Limited	Hong Kong, limited liability company	HK$1	—	100%	Investment holding
Shanghai Seven Star Advertising Co., Ltd. ("**Seven Star Advertising**")^ 上海七星廣告有限公司	The PRC, limited liability company	RMB1,000,000	—	60%	Ceased business and became investment holding
Shanghai Seven Star Electronic Commerce Co., Ltd.^,#	The PRC, limited liability company	RMB30,000,000	—	96%	Investment holding

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Shanghai Seven Star Marketing Co., Ltd. ("**Seven Star Marketing**")^,# 上海七星營銷有限公司	The PRC, limited liability company	RMB1,000,000	—	96%	Inactive
Shanghai Seven Star Qiangguan Investment Management Co., Ltd.^ ("**Shanghai Qiangguan**") 上海七星強冠投資管理有限公司	The PRC, limited liability company	RMB10,000,000*	—	70%	Not yet commence business
Shanghai Shenmin Bio-technology Co., Ltd.^ 上海盛民生物科技有限公司	The PRC, limited liability company	RMB1,000,000	—	100%	Investment holding
Shanghai Xiangsheng Insurance Agency Co., Ltd.^,## 上海祥生保險代理有限公司	The PRC, limited liability company	RMB20,000,000	—	96%	Provision of insurance agency services
Shanghai Xingru Householding Engineering & Design Co., Ltd. ("**Xingru Householding**")^,# 上海星茹家居工程設計有限公司	The PRC, limited liability company	RMB1,000,000	—	60%	Investment holding
Shanghai Xishiduo Hanying Kitchen Ware Ltd.^,### ("**Shanghai Xishiduo**") 上海喜世多漢英廚具有限公司	The PRC, Sino-foreign joint venture with limited liability company	RMB20,000,000	—	92.8%	Ceased business and became inactive
Shanghai Yujie Trading Co., Ltd. ("**Shanghai Yujie**")^,## 上海予捷貿易有限公司	The PRC, limited liability company	RMB500,000	—	60%	Inactive

^ *For identification purposes only*

Directly held by Seven Star (Shanghai)

Indirectly held by Seven Star (Shanghai)

41.8% is directly held by Seven Star (Shanghai)

* *The registered capital of Shanghai Qiangguan is RMB10,000,000 and no capital has been paid up as at 31 December 2014.*

Note: Although the Group does not own any equity interest in Seven Star (Shanghai), Seven Star (Shanghai) Group are treated as subsidiaries because the Group is able to control the relevant activities of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

None of the subsidiaries has issued any debt securities.

The following table shows information of the subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Seven Star (Shanghai) 2014	2013	Seven Star Advertising 2014	2013	Shanghai Xishiduo 2014	2013
Principal place of business/country of registration	PRC/PRC		PRC/PRC		PRC/PRC	
% of ownership interests/voting rights held by NCI	100%/0%	100%/0%	40%/40%	40%/40%	49%/0%	49%/0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December:						
Non-current assets	49,551	50,948	208	855	—	16
Current assets	151,481	155,218	9,909	11,169	281	16,493
Non-current liabilities	(457,026)	(459,703)	—	—	—	—
Current liabilities	(6,989)	(7,163)	(83,728)	(89,220)	(38,333)	(42,895)
Net liabilities	(262,983)	(260,700)	(73,611)	(77,196)	(38,052)	(26,386)
Accumulated NCI	(96,510)	(90,092)	(36,674)	(38,287)	(25,926)	(20,391)
Year ended 31 December:						
Revenue	19,345	13,486	—	44,646	—	39,143
Profit/(loss)	(8,650)	(14,093)	1,724	22,759	(12,374)	(27,463)
Total comprehensive income	(2,283)	(21,230)	3,585	20,261	(11,665)	(27,864)
Profit/(loss) allocated to NCI	(8,650)	(14,093)	689	9,103	(6,063)	(13,457)
Net cash generated from/(used in) operating activities	1,074	(307)	(995)	(9,877)	(5,460)	4,950
Net cash generated from/(used in) investing activities	8	(27)	1	6	4,539	(4,413)
Effect of foreign exchange rate changes	(74)	297	(20)	219	346	17
Net increase/(decrease) in cash and cash equivalents	1,008	(37)	(1,014)	(9,652)	(575)	554

The following table shows information of the subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Xingru Householding 2014	Xingru Householding 2013	Shanghai Yujie 2014	Shanghai Yujie 2013	Seven Star Marketing 2014	Seven Star Marketing 2013
Principal place of business/country of registration	PRC/PRC		PRC/PRC		PRC/PRC	
% of ownership interests/voting rights held by NCI	100%/0%	100%/0%	100%/0%	100%/0%	100%/0%	100%/0%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December:						
Non-current assets	6,302	6,459	—	407	—	—
Current assets	23,155	23,730	192	197	153	157
Current liabilities	—	—	—	—	—	—
Non-current liabilities	(68,627)	(70,735)	(23,578)	(24,708)	(38,770)	(40,376)
Net liabilities	(39,170)	(40,546)	(23,386)	(24,104)	(38,617)	(40,219)
Accumulated NCI	(24,642)	(25,658)	(24,147)	(24,884)	(21,000)	(22,165)
Year ended 31 December:						
Revenue	—	—	—	—	—	—
Profit/(loss)	396	(20)	135	(83)	631	695
Total comprehensive income	1,377	(1,161)	718	(760)	1,602	(447)
Profit/(loss) allocated to NCI	396	(20)	135	(83)	631	695
Net cash generated from/(used in) operating activities	—	21	—	(1)	—	—
Net cash generated from/(used in) investing activities	—	—	—	—	—	—
Effect of foreign exchange rate changes	—	(30)	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	—	(9)	—	(1)	—	—

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group 2014	The Group 2013
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	208	213
Analysed as:		
Non-current assets	208	213

Unlisted equity securities with carrying amount of approximately HK$208,000 (2013: HK$213,000) were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

22. INVENTORIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Finished goods	—	8,982

23. TRADE RECEIVABLES

The general credit terms of insurance agency services and sales of consumer products are normally 30 days. For trading of chemical materials, the Group requires customers to pay in advance.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0–90 days	—	1,211
91–180 days	—	378
181–365 days	—	4
Over 365 days	—	1
	—	1,594

At 31 December 2014, an allowance was made for estimated irrecoverable trade receivables of approximately HK$8,598,000 (2013: HK$16,147,000).

Reconciliation of allowance for trade receivables:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	16,147	53,196
Allowance for the year	1,173	3,985
Amounts reversed for the year	—	(680)
Amounts written off	(8,371)	(41,352)
Exchange differences	(351)	998
At 31 December	8,598	16,147

At 31 December 2014, trade receivables of HK$Nil (2013: approximately HK$383,000) were overdue but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Overdue by:		
Up to 6 months	—	379
Over 6 months	—	4
	—	383

The carrying amounts of the Group's trade receivables are denominated in RMB.

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	432	794	19	—
Prepayments and deposits *(Note)*	8,741	1,666	195	142
	9,173	2,460	214	142

Note: At 31 December 2014, included in the Group's prepayments and deposits is a deposit of approximately HK$7,488,000 paid for a proposed acquisition. Details are set out in the Company's announcement dated 30 December 2014.

25. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

At 31 December 2014, the Group's pledged bank deposits included a deposit pledged to a bank of approximately HK$312,000 (2013: HK$320,000) as security for a corporate card granted to an executive director of the Group. The credit limit of the corporate card is approximately HK$250,000 (2013: HK$256,000). The deposit is in RMB and bears fixed interest rate of 2.75% (2013: 3.0%) per annum and therefore is subject to fair value interest rate risk.

At 31 December 2013, the Group's pledged bank deposits included deposits pledged to a bank of approximately HK$4,476,000 to secure bills payables of approximately HK$4,476,000 as set out in Note 26 to the financial statements. The deposits are in RMB and bear fixed interest rates ranging from 0.4% to 2.8% per annum and therefore are subject to fair value interest rate risk.

At 31 December 2014, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$10,326,000 (2013: HK$9,941,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As set out in Note 30 to the financial statements, certain creditors filed settlement petitions to the courts against a subsidiary of the Company. At 31 December 2014, the bank and cash balances of the Group included bank balances of approximately HK$3,000 (2013: HK$630,000) which have been frozen by banks based on the instructions of the courts.

26. TRADE AND BILLS PAYABLES

	The Group 2014 HK$'000	2013 HK$'000
Trade payables *(Note)*	20,603	22,232
Bills payables	—	4,476
	20,603	26,708

Note: The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers but certain suppliers would require the Group to pay in advance

The aging analysis of trade payables, based on date of receipt of goods and services, is as follows:

	The Group 2014 HK$'000	2013 HK$'000
0–90 days	781	8,105
91–180 days	68	5,839
181–365 days	61	649
Over 365 days	19,693	7,639
	20,603	22,232

The carrying amounts of the Group's trade payables are denominated in RMB.

27. SHARE CAPITAL

		The Company			
		2014		2013	
	Note	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:	*(a)*				
Ordinary shares of HK$0.01 each	*(b)*	—	—	3,200,000	32,000
Ordinary shares, issued and fully paid:					
At 1 January		2,198,331	21,983	2,198,331	21,983
Transition to no-par value regime on 3 March 2014	*(c)*	—	533,936	—	—
Issue of shares on placement and subscription	*(d)*	110,000	18,198	—	—
At 31 December		2,308,331	574,117	2,198,331	21,983

Notes:

(a) Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(d) On 28 July 2014, the Company, Group First Limited ("**Group First**", a substantial shareholder of the Company) and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 110,000,000 shares at placing price of HK$0.169 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 110,000,000 shares at subscription price equivalent to the placing price of HK$0.169 per share from the Company. The placing and subscription was completed on 5 August 2014, and net proceeds of approximately HK$18,198,000 were credited to the Company's share capital.

28. SHARE OPTIONS

Equity-settled share option scheme

On 9 December 2013, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 28 May 2004 (the "**2004 Share Option Scheme**") and the adoption of a new share option scheme (the "**2013 Share Option Scheme**"). The 2013 Share Option Scheme will expire on 8 December 2023.

2013 Share Option Scheme

Under the 2013 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

At 31 December 2014, the following options to subscribe for shares were outstanding under the 2013 Share Option Scheme:

	Date of grant	Exercise price per share *HK$*	Number of outstanding options	Exercise period
Employees	4 November 2014	0.17	131,760,000	4 November 2014–3 November 2017
Consultants *(Note)*	4 November 2014	0.17	87,840,000	4 November 2014–3 November 2017
			219,600,000	

2004 Share Option Scheme

The 2004 Share Option Scheme was terminated on 9 December 2013 such that no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

At 31 December 2014, the following options to subscribe for shares were outstanding under the 2004 Share Option Scheme:

	Date of grant	Exercise price per share *HK$*	Number of outstanding options	Exercise period
Consultants *(Note)*	30 April 2007	6.03	48,960	30 April 2008–29 April 2015
	30 April 2009	0.49	1,428,000	5 May 2010–4 May 2017
			1,476,960	

Note: Options granted to consultants were incentives for them to assist the Group in the expansion of its business network, identifying and acquiring new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share option granted.

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Weighted average exercise price in HK$ per share	Number of share options	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	0.674	1,476,960	0.776	30,444,960
Granted during the year	0.170	219,600,000	—	—
Lapsed during the year	—	—	0.782	(28,968,000)
At 31 December	0.173	221,076,960	0.674	1,476,960
Exercisable at 31 December	0.173	221,076,960	0.674	1,476,960

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.84 years (2013: 3.28 years) and the exercise prices range from HK$0.17 to HK$6.03 (2013: HK$0.49 to HK$6.03). In 2014, 219,600,000 options were granted on 4 November 2014. The estimated fair value of the options on this date was approximately HK$12,583,000.

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share options granted on 4 November 2014
Weighted average share price	0.17
Exercise price	0.17
Expected volatility	70.92%
Expected life	1.5 years
Risk free rate	0.233%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recorded total expenses of approximately HK$12,583,000 (2013: HK$Nil) during the year in respect of the 2013 Share Option Scheme.

29. OTHER RESERVES

The Group

	Share premium HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Total HK$'000
At 1 January 2013	533,936	8,701	726,699	51,883	5,862	1,327,081
Transfer	—	(8,031)	—	—	—	(8,031)
Translation differences	—	—	—	6,155	—	6,155
At 31 December 2013	533,936	670	726,699	58,038	5,862	1,325,205
At 1 January 2014	533,936	670	726,699	58,038	5,862	1,325,205
Transition to no-par value regime on 3 March 2014 *(Note 27(c))*	(533,936)	—	—	—	—	(533,936)
Recognition of share-based payments *(Note 28)*	—	12,583	—	—	—	12,583
Translation differences	—	—	—	(5,957)	—	(5,957)
At 31 December 2014	—	13,253	726,699	52,081	5,862	797,895

The Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Total HK$'000
At 1 January 2013	533,936	8,701	726,699	1,269,336
Transfer	—	(8,031)	—	(8,031)
At 31 December 2013	533,936	670	726,699	1,261,305
At 1 January 2014	533,936	670	726,699	1,261,305
Transition to no-par value regime on 3 March 2014 *(Note 27(c))*	(533,936)	—	—	(533,936)
Recognition of share-based payments *(Note 28)*	—	12,583	—	12,583
At 31 December 2014	—	13,253	726,699	739,952

Nature and purpose of reserves

(a) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(b) Share-based payments reserve

The share-based payments reserve represented the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 3(p) to the financial statements.

(c) Special capital reserve

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(d) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3(b)(iii) to the financial statements.

(e) Statutory surplus reserve

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

30. LITIGATION

As at 31 December 2014, five suppliers (the "**Plaintiffs**") filed petitions to the courts in Shanghai against a subsidiary of the Company for settlement of trade debts of approximately RMB8,431,000 (equivalent to approximately HK$10,522,000) in aggregate. Up to the date of these financial statements, all hearings (including appeals) had been held and the verdicts were in favor of the Plaintiffs.

As the claimed trade debts have been properly recognised in the consolidated financial statements, the directors believe that these litigations would not have material impact to the Group and the Company.

31. OPERATING LEASE COMMITMENTS

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	4,419	3,787	775	154
In the second to fifth years inclusive	15,027	15,013	158	—
After five years	28,250	32,847	—	—
	47,696	51,647	933	154

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for terms ranging from two to twenty years and rentals are fixed over the lease terms and do not include contingent rentals.

32. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2014	**2013**
	HK$'000	*HK$'000*
Allowance for amount due from a former director	—	126
Allowance for rental receivables from a related company *(Note)*	—	585
Consultancy service income from a related company *(Note)*	—	134
Rental income from related parties *(Note)*	801	2,285

Note: Mr. Ni Xinguang ("**Mr. Ni**"), an executive director of the Company has beneficial interests in these related parties.

(b) At the end of the reporting period, the Group had the following balances with its related parties:

	2014	**2013**
	HK$'000	*HK$'000*
Other receivables from a related company *(Note (i) and (ii))*	—	277

Notes:

(i) Mr. Ni has beneficial interests in this related company.

(ii) The amount due was unsecured, interest-free and had no fixed term of repayment.

(c) The remuneration for directors and other members of key management of the Group during the year is disclosed in Note 14(a) to the financial statements.

(d) As at 31 December 2014, a related party issued a guarantee to a subsidiary of the Company in respect of a deposit refund of RMB6,000,000 (equivalent to approximately HK$7,488,000) if the proposed acquisition is cancelled. Details are set out in the Company's announcement dated 30 December 2014. Mr. Ni has beneficial interests in this related party.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.

FIVE YEAR FINANCIAL SUMMARY

	2014	**2013**	**2012**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	68,086	112,220	616,877	589,621	580,085
(Loss)/profit attributable to:					
— Owners of the Company	(30,144)	(1,757)	3,308	(18,992)	(42,367)
— Non-controlling interests	(10,979)	(19,504)	13,957	(87,174)	(207,129)
Assets and liabilities					
Total assets	40,193	61,477	161,542	700,937	1,254,296
Total liabilities	(36,365)	(47,320)	(125,695)	(718,374)	(1,164,625)
Total equity	3,828	14,157	35,847	(17,437)	89,671

(III) UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

		Six months ended	
		30/6/2015	**30/6/2014**
		(unaudited)	(unaudited)
	Note	*HK$'000*	*HK$'000*
Turnover	3	139,036	29,954
Cost of sales and services		(137,648)	(29,596)
Gross profit		1,388	358
Other income		370	1,231
Administrative expenses		(13,026)	(11,066)
Other operating expenses		(957)	(9,258)
Loss before tax		(12,225)	(18,735)
Income tax expense	4	—	(24)
Loss for the period	5	(12,225)	(18,759)
Attributable to:			
Owners of the Company		(8,671)	(10,860)
Non-controlling interests		(3,554)	(7,899)
		(12,225)	(18,759)
Loss per share	7		
Basic		HK(0.37) cent	HK(0.49) cent
Diluted		N/A	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2015

	Six months ended 30/6/2015 (unaudited) *HK$'000*	Six months ended 30/6/2014 (unaudited) *HK$'000*
Loss for the period	(12,225)	(18,759)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(5)	394
Other comprehensive income for the period, net of tax	(5)	394
Total comprehensive income for the period	(12,230)	(18,365)
Attributable to:		
Owners of the Company	(8,664)	(16,399)
Non-controlling interests	(3,566)	(1,966)
	(12,230)	(18,365)

Condensed Consolidated Statement of Financial Position
At 30 June 2015

	Note	30/6/2015 (unaudited) HK$'000	31/12/2014 (audited) HK$'000
Non-current assets			
Fixed assets	8	847	933
Available-for-sale financial assets		208	208
		1,055	1,141
Current assets			
Trade receivables	9	79	—
Other receivables, prepayments and deposits		16,328	9,173
Pledged bank deposits		312	312
Bank and cash balances		72,580	29,567
		89,299	39,052
Current liabilities			
Trade payables	10	19,675	20,603
Other payables and accruals		26,597	15,637
Current tax liabilities		44	125
		46,316	36,365
Net current assets		42,983	2,687
NET ASSETS		44,038	3,828
Capital and reserves			
Share capital	11	626,557	574,117
Other reserves		797,788	797,895
Accumulated losses		(1,127,918)	(1,119,361)
Equity attributable to owners of the Company		296,427	252,651
Non-controlling interests		(252,389)	(248,823)
TOTAL EQUITY		44,038	3,828

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Unaudited								
	Attributable to owners of the Company								
	Share capital	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	574,117	13,253	726,699	52,081	5,862	(1,119,361)	252,651	(248,823)	3,828
Total comprehensive income for the period	—	—	—	7	—	(8,671)	(8,664)	(3,566)	(12,230)
Transfer	—	(114)	—	—	—	114	—	—	—
Issue of shares *(Note 11(c) and (d))*	52,440	—	—	—	—	—	52,440	—	52,440
Changes in equity for the period	52,440	(114)	—	7	—	(8,557)	43,776	(3,566)	40,210
At 30 June 2015	626,557	13,139	726,699	52,088	5,862	(1,127,918)	296,427	(252,389)	44,038

For the six months ended 30 June 2014

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	21,983	533,936	670	726,699	58,038	5,862	(1,089,217)	257,971	(243,814)	14,157
Total comprehensive income for the period	—	—	—	—	(5,539)	—	(10,860)	(16,399)	(1,966)	(18,365)
Transition to no-par value regime on 3 March 2014 *(Note 11(a))*	533,936	(533,936)	—	—	—	—	—	—	—	—
Changes in equity for the period	533,936	(533,936)	—	—	(5,539)	—	(10,860)	(16,399)	(1,966)	(18,365)
At 30 June 2014	555,919	—	670	726,699	52,499	5,862	(1,100,077)	241,572	(245,780)	(4,208)

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2015

	Six months ended	
	30/6/2015	**30/6/2014**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	(9,634)	(17,483)
Purchase of fixed assets	(38)	—
Proceeds from disposals of fixed assets	99	—
Decrease in pledged bank deposits	—	4,382
Other investing cash flows (net)	147	377
NET CASH GENERATED FROM INVESTING ACTIVITIES	208	4,759
Proceeds from issue of shares	52,440	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	52,440	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	43,014	(12,724)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	29,567	40,856
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1)	693
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	72,580	28,825
Bank and cash balances	72,580	28,825

Notes to the Condensed Interim Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Listing Rules.

These unaudited condensed financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2014.

The financial information relating to the year ended 31 December 2014 that is included in these unaudited condensed financial statements for the six months ended 30 June 2015 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

(a) The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

(b) The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the period under review, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (collectively, "**new HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015.new HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards, and Interpretations. The adoption of these new HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

During the period under review, as the PRC retail and distribution business did not meet the definition of an operating segment in accordance with HKFRS 8 "Operating Segment", its information is not presented.

The Group's other operating segment includes the consultancy service business. This segment does not meet any of the quantitative thresholds for determining reportable segment. The information of this operating segment is included in the "other" column.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable segment assets and liabilities have not been presented in these condensed financial statements.

	Insurance agency (unaudited) *HK$'000*	Trading of chemical materials (unaudited) *HK$'000*	Other (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Six months ended 30 June 2015				
Revenue from external customers	3,998	135,038	—	139,036
Segment profit/(loss)	(291)	1,233	—	942

	Insurance agency (unaudited) *HK$'000*	Trading of chemical materials (unaudited) *HK$'000*	PRC retail and distribution (unaudited) *HK$'000*	Other (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Six months ended 30 June 2014					
Revenue from external customers	5,789	24,165	—	—	29,954
Segment profit/(loss)	130	225	(9,096)	—	(8,741)

	Six months ended	
	30/6/2015 (unaudited) *HK$'000*	**30/6/2014** (unaudited) *HK$'000*
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	942	(8,741)
Unallocated corporate income	328	948
Unallocated corporate expenses	(13,495)	(10,942)
Loss before tax	(12,225)	(18,735)

4. INCOME TAX EXPENSE

	Six months ended	
	30/6/2015	**30/6/2014**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
PRC tax		
— underprovision in prior years	—	24

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period under review (six months ended 30 June 2014: HK$Nil).

The provision for PRC Enterprise Income Tax has been provided at the statutory tax rate of 25% (six months ended 30 June 2014: 25%) on the assessable profits of the Company's PRC subsidiaries.

No provision for deferred taxation has been made for both periods ended 30 June 2014 and 2015 as the tax effect of all temporary differences is not material.

5. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	Six months ended	
	30/6/2015	**30/6/2014**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Allowance for other receivables	—	369
Allowance for trade receivables	—	1,169
Allowance for inventories	—	649
Amortisation of insurance agency licence	—	52
Cost of inventories sold	133,788	23,940
Depreciation	109	795
Directors' emoluments	940	1,442
Exchange losses, net	42	133
Gain on disposals of fixed assets	(85)	—
Impairment loss on prepayments and deposits	—	366
Interest income	(147)	(377)
Inventories written off	—	6,519

6. DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: HK$Nil).

7. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK$8,671,000 (six months ended 30 June 2014: HK$10,860,000) and the weighted average number of ordinary shares of 2,340,649,000 (six months ended 30 June 2014: 2,198,331,000) in issue during the period under review.

Diluted loss per share

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2015. No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2014.

8. CAPITAL EXPENDITURE

During the period, the Group incurred approximately HK$38,000 (six months ended 30 June 2014: HK$Nil) on additions to fixed assets.

9. TRADE RECEIVABLES

The general credit terms of insurance agency services are normally 30 days. For trading of chemical materials, the Group requires customers to pay in advance.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30/6/2015	**30/6/2014**
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0–90 days	79	—

10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers but certain suppliers would require the Group to pay in advance.

The aging analysis of trade payables, based on date of receipt of goods and services, is as follows:

	30/6/2015	**30/6/2014**
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0–90 days	32	781
91–180 days	1	68
181–365 days	1	61
Over 365 days	19,641	19,693
	19,675	20,603

11. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid:			
At 1 January 2014		2,198,331	21,983
Transition to no-par value regime on 3 March 2014	*(a)*	—	533,936
Issue of shares on placement and subscription	*(b)*	110,000	18,198
At 31 December 2014 and 1 January 2015 (audited)		2,308,331	574,117
Issue of shares on placement and subscription	*(c)*	83,360	48,707
Issue of shares under share option scheme	*(d)*	21,960	3,733
At 30 June 2015 (unaudited)		2,413,651	626,557

Notes:

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Chapter 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(b) On 28 July 2014, the Company, Group First and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 110,000,000 shares at a placing price of HK$0.169 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 110,000,000 shares at a subscription price equivalent to the placing price of HK$0.169 per share from the Company. The placing and subscription was completed on 5 August 2014, and net proceeds of approximately HK$18,198,000 were credited to the Company's share capital.

(c) On 22 April 2015, the Company, Group First and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 83,360,000 shares at a placing price of HK$0.6 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at a subscription price equivalent to the placing price of HK$0.6 per share from the Company. The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK$48,707,000 were credited to the Company's share capital.

(d) On 12 May 2015, 21,960,000 shares of the Company were issued upon exercise of share options on 6 May 2015 at an exercise price of HK$0.17 per share, and the net proceeds of approximately HK$3,733,000 were credited to the Company's share capital.

12. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with its related parties during the period:

	Six months ended 30/6/2015 (unaudited) HK$'000	30/6/2014 (unaudited) HK$'000
Rental income from related parties *(Note)*	29	585

Note: Mr. Ni Xinguang, an executive director of the Company has beneficial interests in these related parties.

(b) As at 30 June 2015, a related party issued guarantees to a subsidiary of the Company in respect of deposits refund of RMB6,600,000 (equivalent to approximately HK$8,237,000) if the proposed acquisition is cancelled. Details of the proposed acquisition are set out in the Company's announcement dated 30 December 2014. Mr. Ni has beneficial interests in this related party.

13. LITIGATION

As at 30 June 2015, five suppliers (the "**Plaintiffs**") filed petitions to the courts in Shanghai against a subsidiary of the Company for settlement of trade debts of approximately RMB8,431,000 (equivalent to approximately HK$10,522,000) in aggregate. All hearings (including appeals) had been held and the verdicts were in favor of the Plaintiffs.

As the claimed trade debts have been properly recognised in these condensed financial statements, the directors believe that these litigations would not have material impact to the Group and the Company.

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2015 (at 31 December 2014: HK$Nil).

15. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 July 2015, 43,920,000 shares of the Company were issued upon exercise of share options on 29 June 2015 at an exercise price of HK$0.17 per share. The net proceeds of the transaction are approximately HK$7,466,000.

(b) On 7 August 2015, 21,960,000 shares of the Company were issued upon exercise of share options on 30 July 2015 at an exercise price of HK$0.17 per share. The net proceeds of the transaction are approximately HK$3,733,000.

(c) On 31 August 2015, 21,960,000 shares of the Company were issued upon exercise of share options on 24 August 2015 at an exercise price of HK$0.17 per share. The net proceeds of the transaction are approximately HK$3,733,000.

(d) On 10 September 2015, the Board announced that the board lot size of the shares of the Company for trading on the Stock Exchange will be changed from 40,000 shares to 10,000 shares with effect from 9:00 a.m. on Monday, 5 October 2015. Please refer to the Company's announcement dated 10 September 2015 for further details.

(e) At the date of these condensed financial statements, there has been no further update at this stage in respect of the Acquisitions and the Share Subscription as defined in the announcement of the Company dated 26 June 2015.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2015.

(IV) STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the despatch of this circular, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

(V) WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration of the net proceeds from the Share Subscription and the internal resources of the Group, the Group has sufficient working capital for its normal business operation for at least next 12 months from the date of publication of this circular.

(VI) MATERIAL CHANGE

Saved as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) the Group recorded an increase in turnover and cost of sales and services both by more than fourfold for the eight months ended 31 August 2015 as compared to the corresponding period in 2014 mainly attributable from the trading of chemical materials;

(ii) the Group recorded an increase in bank and cash balances by approximately 67% as at 31 August 2015 as compared to 31 December 2014 as a result of (a) the net proceeds generated from the top-up placing which was announced by the Company on 29 April 2015; and (b) the amount received from the exercise of share options of the Company by several option holders; and

(iii) given the Company's plan to expand into the financial services sector and related businesses, the Group entered into the YGD Agreement and the Yuan Agreement on 14 June 2015 and 15 June 2015, respectively. The Acquisitions were completed on 29 September 2015.

(I) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to CMI, Other Investors and parties acting in concert with any of them) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the CMI, Other Investors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of CMI, namely Mr. Liu Tianlin accepts full responsibility for the accuracy of the information contained in this circular relating to CMI and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group and Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omissions of which would make any statement in this circular misleading.

D. E. Shaw Composite does not have any director. The managing director and CEO for Greater China of the D. E. Shaw Group, namely Mr. Donald Tang accepts full responsibility for the accuracy of the information contained in this circular relating to D. E. Shaw Composite and D. E. Shaw Group and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group, CMI and the rest of Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omissions of which would make any statement in this circular misleading.

The sole directors of Union Sky, namely Mr. Shi Yuzhu accepts full responsibility for the accuracy of the information contained in this circular relating to Union Sky and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group, CMI and the rest of Other Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omissions of which would make any statement in this circular misleading.

Mr. Xu, being the sole general partner of WIC LP, accepts full responsibility for the accuracy of the information contained in this circular relating to WIC LP and himself and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group, CMI and the rest of Other

Investors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omissions of which would make any statement in this circular misleading.

(II) SHARE CAPITAL

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists and the Shares no longer have a par or nominal value. The issued share capital of the Company as at the Latest Practicable Date and immediately after Closing are and will be as follows:

	Number of Shares
Issued and fully paid or credited as fully paid	
As at the Latest Practicable Date	2,523,451,250
Subscription Shares to be issued	26,316,000,000
	28,839,451,250

All the Shares currently in issue rank *pari passu* in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

The Subscription Shares to be allotted and issued will be identical and rank *pari passu* with each other and all the existing Shares in issue in all respects. The Shares in issue are listed on the Stock Exchange.

As at the Latest Practicable Date, other than the 1,428,000 outstanding share options granted under the share option scheme of the Company approved on 28 May 2004 and 87,840,000 outstanding share options granted under the share option scheme of the Company approved on 9 December 2013, the Company does not have any other outstanding convertible securities, options warrants or other derivatives in issue which are convertible or exchangeable into Shares.

Since 31 December 2014 (the date to which the latest published audited financial statements of the Company were made up) to the Latest Practicable Date, the Company has issued 215,120,000 new Shares as fully paid. Save as disclosed, the Company or any member of the Group has not issued nor agreed to issue any new Shares (other than under the Subscription Agreement).

(III) DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Aggregate long and short position in the shares, underlying shares and debentures of the Company and its associated corporations:

	Number of shares held			
Name of Director	**Personal interests**	**Corporate interests**	**Total**	**Percentage of the issued share capital** *(Note (b))*
Mr. Ni Xinguang	46,068,000	416,004,000 *(Note (a))*	462,072,000	18.31%

Notes:

(a) 416,004,000 Shares were owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 16.49% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest of the shares held by Group First Limited.

(b) The percentage was calculated based on the total number of 2,523,451,250 ordinary shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange and to be disclosed under the Takeovers Code.

(IV) INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company and based on 2,523,451,250 ordinary Shares in issue as at the Latest Practicable Date, the following persons (other than any Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions on the Shares and underlying shares of the Company:

Name	Capacity/nature of interest	Number of ordinary shares/ underlying shares held in long position	Approximate percentage of the issued share capital
Group First Limited	Beneficial owner *(Note (a))*	416,004,000	16.49%
Ye Zhu Ying	Interests of controlled through corporation *(Note (b))*	231,497,650	9.17%
Best Idea International Limited	Beneficial owner *(Note (b))*	231,497,650	9.17%
China Minsheng Investment Corporation Limited (中國民生投資股份有限公司) *(Note (d))*	Interest of controlled corporation	26,316,000,000	1,042.86%
CMI Financial Holding Company Limited *(Note (d))*	Beneficial owner	26,316,000,000	1,042.86%
D. E. Shaw & Co. (Asia Pacific) Limited *(Note (e))*	Investment manager	26,316,000,000	1,042.86%
D. E. Shaw & Co. II, Inc. *(Note (e))*	Interest of controlled corporation	26,316,000,000	1,042.86%

Name	Capacity/nature of interest	Number of ordinary shares/ underlying shares held in long position	Approximate percentage of the issued share capital
D. E. Shaw & Co., Inc. *(Note (e))*	Interest of controlled corporation	26,316,000,000	1,042.86%
D. E. Shaw & Co., L.L.C. *(Note (e))*	Interest of controlled corporation	26,316,000,000	1,042.86%
D. E. Shaw & Co., L.P. *(Note (e))*	Investment manager	26,316,000,000	1,042.86%
D. E. Shaw Composite Portfolios L.L.C. *(Note (e))*	Beneficial owner	26,316,000,000	1,042.86%
Minsheng (Shanghai) Assets Management Company Limited (民生(上海)資產管理有限公司) *(Note (d))*	Interest of controlled corporation	26,316,000,000	1,042.86%
David Elliot Shaw *(Note (e))*	Interest of controlled corporation	26,316,000,000	1,042.86%
Shi Yuzhu *(Note (f))*	Interest of controlled corporation	26,316,000,000	1,042.86%
Union Sky Holding Group Limited *(Note (f))*	Beneficial owner	26,316,000,000	1,042.86%
Wanzaixingjun Investment Centre (Limited Partnership) *(Note (g))*	Beneficial owner	26,316,000,000	1,042.86%
Xu Xiang *(Note (g))*	Interest of controlled corporation	26,316,000,000	1,042.86%
Yan Mengxiang *(Note (g))*	Interest of controlled corporation	26,316,000,000	1,042.86%

Notes:

(a) Group First Limited is a private company wholly owned by Mr. Ni, who is an executive director of the Company. Accordingly, under the SFO, the 416,004,000 Shares owned by Group First Limited is also deemed to be the corporate interests of Mr. Ni.

(b) Best Idea International Limited is a private company wholly owned by Ms. Ye Zhu Ying. Accordingly, the 231,497,650 shares owned by Best Idea International Limited is also deemed to be the corporate interests of Ms. Ye Zhu Ying.

(c) The percentage has been calculated based on the total number of 2,523,451,250 ordinary Shares of the Company in issue as at the Latest Practicable Date.

(d) Such long position includes derivative interests in 5,898,000,000 shares to be issued pursuant to the subscription agreement. CMI Financial Holding Company Limited and Minsheng (Shanghai) Assets Management Company Limited (民生(上海)資產管理有限公司) are 100% owned by China Minsheng Investment Corporation Limited (中國民生投資股份有限公司), and is therefore deemed to be interested in such shares.

(e) Such long position includes derivative interests in 24,596,000,000 shares to be issued pursuant to the subscription agreement. The interests in shares represent the shares to be issued pursuant to the subscription agreement held by D. E. Shaw Composite Portfolios, L.L.C., which is controlled by D. E. Shaw & Co., L.L.C., which is controlled by D. E. Shaw & Co. II, Inc., which in turn is wholly-owned by Dr. David Elliot Shaw, who controls D. E. Shaw & Co., Inc., which controls D. E. Shaw & Co., L.P., which in turn controlled D. E. Shaw & Co. (Asia Pacific) Limited. All of these companies and Dr. David Elliot Shaw are deemed under the SFO to be interested in such shares.

(f) Such long position includes derivative interests in 24,926,000,000 shares to be issued pursuant to the subscription agreement. Union Sky Holding Group Limited is 100% owned by Shi Yuzhu, and is therefore deemed to be interested in such shares.

(g) Such long position includes derivative interests in 24,528,000,000 shares to be issued pursuant to the subscription agreement. Xu Xiang is the general partner of Wanzaixingjun Investment Centre (Limited Partnership), and Wanzaixingjun Investment Centre (Limited Partnership) is a controlled corporation of Yan Mengxiang, and are therefore deemed to be interested in such shares.

Save as disclosed above, as at the Latest Practicable Date, there was no other person so far as is known to the Directors and chief executives of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(V) DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has entered into any existing or proposed service contracts with the Company, or any other member of the Group (a) which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation); (b) which (including both continuous and fixed term contracts) had been entered into or amended within six months prior to the Last Trading Date, being the date of the announcement of the Company commencing the offer period; (c) which were continuous contracts with a notice period of 12 months or more; (d) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

(VI) LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

(VII) MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by the Group within the two years preceding 26 June 2015 and up to and including the Latest Practicable Date of this circular and are or may be material:

(a) the joint venture agreement dated 4 July 2014 (the "**JV Agreement**") entered into among Seven Star Shopping (China) Company Limited* ("**Seven Star Shopping**") (a wholly-owned subsidiary of the Company), Shanghai Qiangguan Enterprises Holdings Limited* ("**Shanghai Qiangguan**") and Lin Wei in relation to the formation of a joint venture company, Shanghai Seven Star Qiangguan Investment Management Limited ("**Shanghai Seven Star Qiangguan**"), further details of which are set out in the announcement of the Company dated 4 July 2014;

(b) (i) the non-legally binding memorandum of understanding dated 21 July 2014 entered into between the Company and ReneSola Ltd. ("**ReneSola**") in relation to the Company's intention to acquire from ReneSola or its affiliates two solar power plants located in Bulgaria and two solar power plants located in Romania; (ii) the non-legally binding letter of intent dated 21 July 2014 entered into between the Company and ReneSola Singapore Pte. Ltd in relation to the sale and purchase of the entire issued share capital of MG Solar Systems EOOD and Nove Eco Energy EOOD, each of which owns one of the solar power plants located in Bulgaria, further details of which are set out in the announcement of the Company dated 21 July 2014;

(c) the placing and subscription agreement dated 28 July 2014 entered into between the Company and Oriental Patron Securities Limited (the "**Placing Agent**") in relation to a placing and subscription, further details of which are set out in the announcement of the Company dated 28 July 2014;

(d) the supplemental agreement to the JV Agreement dated 30 July 2014 entered into among Seven Star Shopping, Shanghai Qiangguan and Lin Wei to amend certain terms to the JV Agreement, further details of which are set out in the announcement of the Company dated 30 July 2014;

(e) (i) the non-legally binding cooperation agreement dated 3 December 2014 entered into between Shanghai Seven Star New Energy Investment Company Limited ("**Shanghai Seven Star**") and Shandong RealForce Group Company Limited ("**Shandong RealForce**") in relation to the investment, development, operation and management of solar power plants located in the PRC; (ii) the non-legally binding letter of intent dated 3 December 2014 entered into between Shanghai Seven Star and

Shandong RealForce in relation to the proposed acquisition of 100% equity interest in Jining Dingli Photovoltaic System Engineering Company Limited; and (iii) the non-legally binding letter of intent dated 3 December 2014 entered into between the Company and Shandong RealForce in relation to proposed allotment and issue of 230,000,000 new Shares by the Company to Shandong RealForce or its nominee(s), further details of which are set out in the announcement of the Company dated 3 December 2014;

(f) the non-legally binding letter of intent dated 30 December 2014 entered into between Shanghai Seven Star Qiangguan (a 70% non wholly-owned subsidiary of the Company) and Lin Wei in relation to the proposed acquisition of 10% equity interests in Xia Xi Bai Lian Economy Development Limited*, further details of which are set out in the announcement of the Company dated 30 December 2014;

(g) the supplemental letter of intent dated 5 January 2015 entered into between the Company and Shandong RealForce to extend the subscription completion date, further details of which are set out in the announcement of the Company dated 5 January 2015;

(h) the placing and subscription agreement dated 22 April 2015 (as supplemented by the supplemental agreement dated 29 April 2015) entered into between the Company, Group First Limited and First Shanghai Securities Limited (as the placing agent) in relation to a placing and subscription, further details of which are set out in the announcement of the Company dated 29 April 2015; and

(i) the cooperation framework agreement dated 1 June 2015 entered into between Shanghai Seven Star and Beijing Ecom Energy Technology Co., Ltd. Zhejiang Branch*, further details of which are set out in the announcement of the Company dated 1 June 2015.

Save as the aforesaid, no material contracts (not being contracts entered into the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material.

(VIII) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

(IX) DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

(X) ADDITIONAL DISCLOSURE

(a) As at the Latest Practicable Date and during the Relevant Period, none of the Shareholders had irrevocably committed itself to vote for or against the resolutions to be proposed at the EGM to approve the Share Subscription and/or the Whitewash Waiver.

(b) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the CMI and any person acting in concert with it and other persons in relation to the transfer, charge or pledge of the Shares that may be allotted and issued under the Share Subscription.

(c) As at the Latest Practicable Date and during the Relevant Period, save for the Subscription Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (i) CMI and any person acting in concert with it; or (ii) the Company, or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of associate under the Takeovers Code.

(d) As at the Latest Practicable Date and during the Relevant Period, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any such securities of the Company.

(e) As at the Latest Practicable Date and during the Relevant Period, no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company.

(f) As at the Latest Practicable Date, none of the Company, the Directors, CMI and any person acting in concert with it had borrowed or lent the Shares.

(g) As at the Latest Practicable Date, no benefit would be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Share Subscription and/or the Whitewash Waiver.

(h) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Share Subscription and/or the Whitewash Waiver or otherwise connected with the Share Subscription and/or the Whitewash Waiver.

(i) As at the Latest Practicable Date, there was no material contract entered into by each CMI in which any Director had a material personal interest.

(j) As at the Latest Practicable Date, there was no agreement, arrangement or (understanding (including any compensation arrangement) existed between CMI or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Subscription and/or the Whitewash Waiver.

(k) As at the Latest Practicable Date and during the Relevant Period, the Company did not hold any shares, convertible securities, warrants, options or derivatives of CMI and it did not have any dealing in any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of CMI.

(l) As at the Latest Practicable Date and during the Relevant Period, none of the Director held any shares, convertible securities, warrants, options or derivatives of CMI and none of the Directors had any dealing in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of CMI.

(m) As at the Latest Practicable Date, save for Mr. Ni Xinguang who was interested in 462,072,000 Shares representing approximately 18.31% of the issued share capital of the Company, none of the Directors held any Share, convertible securities, warrants, options or derivatives of the Company and none of the Directors had any dealing in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

(n) As at the Latest Practicable Date, CMI and parties acting in concert with it did not own or control any Shares or any other convertible securities, warrants, options and derivatives in respect of the Shares. During the Relevant Period save for entering into of the Subscription Agreement, CMI and parties acting in concert with it did not deal for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

(o) As at the Latest Practicable Date, the sole director of CMI, namely Mr. Liu Tianlin, did not have any interest in any shares, convertible securities, warrants, options or derivatives in respect of the Shares.

(p) The ultimate parent company of CMI is China Minsheng Investment. The directors of China Minsheng Investment include Mr. Dong Wenbiao, Mr. Sun Yinhuan, Mr. Lu Zhiqiang, Mr. Shi Yuzhu, Mr. Kevin EunHyung Lee, Mr. Li Huaizhen, Mr. Zhang Jianhong, Mr. Shi Guilu, Mr. Mao Yonghong, Mr. Zhou Haijiang, Mr. Yang Xiaoping, Mr. Li Guangrong, and Mr. Li Zhenxi.

(XI) EXPERT AND CONSENT

The following sets out the qualifications of the experts who have given opinions or advice which are contained in the circular.

Name	Qualifications
V Baron	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, V Baron has given and confirmed that it has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, V Baron did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities which carry voting rights in any member of the Group.

As at the Latest Practicable Date, V Baron did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(XII) MARKET PRICE

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each month of the Relevant Period and (ii) on the Latest Practicable Date:

	Closing price per Share *HK$*
31 December 2014	0.275
30 January 2015	0.335
27 February 2015	0.300
31 March 2015	0.300
30 April 2015	0.790
29 May 2015	1.110
12 June 2015 (the Last Trading Day)	1.880
30 June 2015	Suspended
31 July 2015	Suspended
31 August 2015	0.760
30 September 2015	0.990
Latest Practicable Date	1.210

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.235 on 24 December 2014 and HK$1.91 on 12 June 2015, respectively.

(XIII) MISCELLANEOUS

(a) The company secretary of the Company is Mr. Wong Choi Chak.

(b) The registered office of and principal office of the Company at Unit A02, 11/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(c) The Company's branch share registrar is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The registered office of CMI Hong Kong is Unit 1501-C1, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

(e) The registered office of Union Sky is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(f) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

(g) As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business and there is no contract or arrangement subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the Group's business.

(h) The English texts of this circular shall prevail over their respective Chinese texts in case of any inconsistency.

(XIV) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection (i) during normal business hours on any weekday (except for public holidays) at the registered and principal office of the Company at Unit A02, 11/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.sevenstar.hk), from the date of this circular up to and including the date of the EGM:

(a) the Subscription Agreement;

(b) the Deeds of Accession;

(c) the amended and restated memorandum of association and bye-laws of the Company;

(d) the annual reports of the Company for the two years ended 31 December 2014;

(e) the interim report of the Company for the six months ended 30 June 2015;

(f) the letter from the Board, the text of which is set out on pages 6 to 41 of this circular;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this circular;

(h) the letter from V Baron, the text of which is set out on pages 44 to 68 of this circular;

(i) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" of this appendix;

(j) the letter of consent from V Baron as referred to in the paragraph headed "EXPERT AND CONSENT" of this appendix; and

(k) this circular.

CHINA SEVEN STAR HOLDINGS LIMITED
中 國 七 星 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of China Seven Star Holdings Limited (the "**Company**") will be held at the Boardroom, Basement 2, the Wharney Guang Dong Hotel Hong Kong, 57–73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 18 November 2015 at 10:30 a.m., for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company as indicated below:

ORDINARY RESOLUTIONS

1. "**THAT:**

(a) the Subscription Agreement (as defined in the circular of the Company dated 26 October 2015) (the "**Circular**"), a copy of which is marked "A" now produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) dated 18 June 2015 entered into between the Company and CMI and Other Investors (being the subscriber referred to in the Circular) (the "**Subscribers**") in respect of the subscription for 26,316,000,000 new ordinary shares of the Company (the "**Subscription Shares**"), in aggregate, to be subscribed by the Subscribers at the subscription price of HK$0.19 per Subscription Share (the "**Share Subscription**") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate ("**Specific Mandate**") to exercise the powers of the Company to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement, such Subscription Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution;

(c) any one or more of the Directors be and are hereby authorised, for an on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Subscription Agreement, which in the opinion of any such Director(s) may consider to be appropriate and in the interests of the Company and the Shareholders as a whole."

2. "**THAT** subject to the Executive (as defined in the Circular (as defined above)) granting the Whitewash Waiver (as defined in the Circular) to CMI (as defined in the Circular) and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 on the Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") waiving any obligation on the part of CMI to make a mandatory general offer for all of the shares of the Company not already owned or agreed to be acquired by the Concert Group (as defined in the Circular) which would, if the Share Subscription proceeds, otherwise arise as a result of the issue of the Subscription Shares to the Concert Group upon Closing (as defined in the Circular), be and is hereby approved and **THAT** any one director of the Company be and is hereby authorised to do all acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver."

SPECIAL RESOLUTION

1. "**THAT** subject to and conditional upon the issue of the certificate of change of name by the Registrar of Companies of Hong Kong, the name of the Company be and is hereby changed from "China Seven Star Holdings Limited 中國七星控股有限公司" to "China Minsheng Financial Holding Corporation Limited 中國民生金融控股有限公司" and the directors (the "**Directors**") of the Company be and are hereby authorised to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the aforesaid change of name of the Company."

By Order of the Board of
China Seven Star Holdings Limited
Ni Xinguang
Chairman and Executive Director

Hong Kong, 26 October 2015

Registered office:
Unit A02, 11/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if he holds two or more shares, more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.

4. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company at http://www.sevenstar.hk and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the Board comprises (1) Mr. Ni Xinguang and Ms. Chen Xiaoyan as executive Directors; (2) Mr. Tu Baogui as non-executive Director; and (3) Mr. Lyu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang as independent non-executive Directors.