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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)

**PLACING OF EXISTING SHARES
AND
SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

Placing Agent



Oriental Patron Securities Limited

On 28 July 2014 (after trading hours), the Company entered into the Placing and Subscription Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, 110,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will be Independent Third Parties at a Placing Price of HK\$0.169 per Placing Share during the Placing Period, and the Subscription of up to 110,000,000 new Subscription Shares by the Subscriber at the Subscription Price of HK\$0.169 per Subscription Share.

The Placing Shares will be issued under the General Mandate and the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

28 July 2014 (after trading hours)

Issuer

The Company

Placing Agent

Oriental Patron Securities Limited, who and whose ultimate beneficial owners are Independent Third Parties. The Placing Agent will charge the Company a placing commission of 2% of the gross proceeds from the Placing. The Placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate and the price performance of the Shares. The Directors consider that the terms of the Placing, including the Placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

PLACING

Placees

The Placing Shares will be placed on a best effort basis to not fewer than six Placees which will be independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after the completion of the Placing, further announcement will be made by the Company.

Number of Placing Shares

As at the date of this announcement, the Company has 2,198,331,250 Shares in issue. The Placing Shares of 110,000,000 Shares represent approximately 5.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares as a result of the Subscription.

Placing Price

The Placing Price of HK\$0.169 represents:

- (i) a discount of approximately 17.56% to the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.36% to the average of the closing price per Share of approximately HK\$0.207 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

- (iii) a discount of 15.50% to the average of the closing price per Share of approximately HK\$0.200 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price and was negotiated on an arm's length basis between the Company and the Placing Agent. In view of the highly volatile capital market conditions, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscription are fair and reasonable based on the current market condition and that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

The net Placing Price, after deduction of the relevant expenses, is approximately HK\$0.165 per Placing Share.

Ranking of Placing Shares

The Placing Shares shall rank *pari passu* in all respects among themselves and with the existing issued Shares on the date of this announcement.

Completion of the Placing

The Placing is unconditional and completion of the Placing will take place on 4 August 2014 (or such other date as may be agreed by the Subscriber and the Placing Agent).

SUBSCRIPTION

Number of Subscription Shares

Up to 110,000,000 Subscription Shares, which is equivalent to the number of Placing Shares to be placed under the Placing, will be subscribed by the Subscriber under the Placing and Subscription Agreement and represent 5.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares as a result of the Subscription.

The Subscription Shares will rank *pari passu* among themselves and with the other Shares in issue as at the date of the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.169 represents:

- (i) a discount of approximately 17.56% to the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.36% to the average of the closing price per Share of approximately HK\$0.207 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- (iii) a discount of 15.50% to the average of the closing price per Share of approximately HK\$0.200 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) the Placing Price.

The Subscription Price was determined with reference to the prevailing market price and was negotiated on an arm's length basis between the Company and the Placing Agent. In view of the highly volatile capital market conditions, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscription are fair and reasonable based on the current market condition and that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.165 per Subscription Share.

Conditions precedent

The Subscription is conditional upon the following:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Subscription Shares; and
- (ii) completion of the Placing pursuant to the Placing and Subscription Agreement.

In the event that the conditions of the Subscription are not fulfilled on or before 8 August 2014 (or such other date as may be agreed by the Company, the Subscriber and the Placing Agent in writing), the Placing and Subscription Agreement shall cease and neither the Company, the Subscriber nor the Placing Agent shall have any claim against the others under the Placing and Subscription Agreement in respect of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place within the next Business Day (or such other date as may be agreed by the Company, the Subscriber and the Placing Agent) after the conditions of the Subscription have been fulfilled. The Subscription shall be completed on or before 11 August 2014, being 14 days from the date of the Placing and Subscription Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval by the independent Shareholders.

Force majeure

The Placing Agent may, in its absolute opinion, after consultation with the Company, terminate the Placing and Subscription Agreement by notice in writing to the Company at any time up to 10:00 a.m. on the date of completion of the Placing if:

- (i) there is any introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Subscriber or the Company or the Placing Agent to proceed with the Placing; or
- (iii) there is any material breach of the warranties, representations and undertakings given by the Company and/or the Subscriber in the Placing and Subscription Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (iv) there is any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (v) any statement contained in this announcement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the absolute opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

Upon termination of the Placing and Subscription Agreement pursuant to the above mentioned force majeure factors, all liabilities of the parties thereto shall cease and no party of the Placing and Subscription Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing and Subscription Agreement save for any antecedent breach of any obligation under the Placing and Subscription Agreement.

General Mandate to issue the Subscription Shares

The Subscription Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 5 June 2014, subject to the limit of 439,666,250 Shares (representing 20% of the share capital of the Company in issue on that date). The 110,000,000 Subscription Shares to be allotted and issued will utilise 25.02% of the General Mandate.

As at the date of this announcement, the Company has not utilised the General Mandate.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Group has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

CHANGE IN SHAREHOLDING STRUCTURE

Assuming there being no other change in the issued share capital of the Company and all the Placing Shares are fully placed, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Placing; and (iii) immediately after the completion of the Placing and the Subscription:

	As at the date of this announcement		Immediate after completion of the Placing		Immediate after completion of the Placing and the Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders						
Group First Limited (<i>Note 1</i>)	566,004,000	25.75	456,004,000	20.74	566,004,000	24.52
Ni Xinguang	46,068,000	2.09	46,068,000	2.10	46,068,000	2.00
Best Idea International Limited (<i>Note 2</i>)	231,497,650	10.53	231,497,650	10.53	231,497,650	10.02
Public Shareholders						
Placees	—	—	110,000,000	5.00	110,000,000	4.77
Other public Shareholders	<u>1,354,761,600</u>	<u>61.63</u>	<u>1,354,761,600</u>	<u>61.63</u>	<u>1,354,761,600</u>	<u>58.69</u>
	<u>2,198,331,250</u>	<u>100.00</u>	<u>2,198,331,250</u>	<u>100.00</u>	<u>2,308,331,250</u>	<u>100.00</u>

Notes:

1. Group First Limited, which is 100% owned by Mr. Ni Xinguang, an executive Director and the chairman of the Company.
2. Best Idea International Limited is 100% owned by Ms. Ye Zhu Ying.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and its principal subsidiaries are engaged in retail and distribution consumer products, provision of television advertising services, provision of consultancy services and provision of insurance agency services in the People's Republic of China.

The Board considers that the Placing and the Subscription represents good opportunities to raise additional funds for the Company while broadening the Shareholder and capital base of the Company.

The gross proceeds of the Subscription will amount to approximately HK\$18.6 million. The net proceeds from the Subscription, after the deduction of the Placing commission and other related expenses, are estimated to be approximately HK\$18.1 million, representing a net issue price of approximately HK\$0.165 per Placing Share. The Company intends to use the net proceeds from the Placing and the Subscription for general working capital of the Group.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (not being Saturdays, Sundays, days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 9:00 a.m. or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Seven Star Holdings Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 5 June 2014, pursuant to which a maximum of 439,666,250 new Shares may fall to be allotted and issued as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Independent Third Parties”	a party which is not connected persons (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons
“Last Trading Day”	28 July 2014, being the last trading day for the Shares before the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to purchase for any of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing”	the placing, on a best effort basis, of the Placing Shares during the Placing Period pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent”	Oriental Patron Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing and Subscription Agreement”	the conditional placing and subscription agreement dated 28 July 2014 and entered into between the Subscriber, the Company and the Placing Agent in relation to the Placing and the Subscription
“Placing Period”	the period from the date of the Placing and Subscription Agreement to 4 August 2014 (or such other date as may be agreed by the Subscriber and the Placing Agent)
“Placing Price”	HK\$0.169 per Placing Share
“Placing Share(s)”	up to 110,000,000 Shares to be placed under the Placing
“Share(s)”	ordinary issued share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	the subscription of the Subscription Shares by the Subscriber at the Subscription Price pursuant to the Placing and Subscription Agreement

“Subscription Price”	HK\$0.169 per Subscription Share
“Subscription Shares”	up to 110,000,000 Shares to be allotted and issued by the Company to the Subscriber pursuant to the terms and conditions of the Placing and Subscription Agreement
“Substantial Shareholder”	has the meaning ascribed to this term under the Listing Rules
“HK\$ and cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
China Seven Star Holdings Limited
Ni Xinguang
Chairman

Hong Kong, 28 July 2014

As at the date of this announcement, the Board comprises (1) Mr. Ni Xinguang, Mr. Tu Baogui and Ms. Chen Xiaoyan as executive Directors, and (2) Mr. Lu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang as independent non-executive Directors.