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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)

**BUSINESS UPDATE:
NEW TRADING OF CHEMICAL MATERIALS BUSINESS AND
CESSATION OF OPERATIONS IN TELEVISION ADVERTISING BUSINESS
AND RETAIL AND DISTRIBUTION BUSINESS**

The board (the “**Board**”) of directors (the “**Directors**”) of China Seven Star Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to keep the shareholders and the potential investors of the Company information of the latest business development of the Group.

The Board is pleased to announce that the Board has a positive outlook of the demand in the chemical materials in the People’s Republic of China (the “**PRC**”) and the Group has commenced in the trading of chemical materials business.

The Board also announces that the Group has ceased its operation in the television advertising business and the retail and distribution business.

Upon the expiry of the exclusive media management services agreement entered into by the Group and Guangdong TV Station on 31 December 2012, the Group no longer had any exclusive agency rights to advertising air time on Guangdong TV Station. After the expiry, the Group switched to the new operation model. If any of the Group’s customers intended to purchase air time for advertising on Guangdong TV Station, the Group would negotiate and enter into agreement with Guangdong TV Station for the supply of air time by Guangdong TV Station and the Group would then subcontract such air time for advertising to the Group’s customers. However, there was 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. As such, the Group decided to stop such business in view of the losses suffered by the Group.

In 2013, the Directors decided to place more of the Group’s resources into the retail and distribution of kitchenware products. The main customers of such kitchenware products were operators of telemarketing channels. However, in the second half of 2013, sales of such

kitchenware products to telemarketing operators decreased, which in turn affected the profitability of such kitchenware products. The adverse market situation has worsen 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.

With the increase in competition in and the decrease in the profitability of the television advertising business and the retail and distribution business, the Board does not foresee a good prospect for growth for such businesses. As such, the Board has decided to cease such businesses to focus its resources on other core businesses including the consultancy services business and the trading of chemical materials business.

The Board considers that it is in the best interests of the Company and its shareholders as a whole to engage in the trading of chemical materials business and the cease its operations in the television advertising business and the retail and distribution business.

By Order of the Board
China Seven Star Holdings Limited
Ni Xinguang
Chairman and executive director

Hong Kong, 18 August 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.