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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)

**FORMATION OF JOINT VENTURE COMPANY
AND
ENTERING INTO OF THE MANAGEMENT AGREEMENT**

This announcement is made by the Company on a voluntary basis to keep the Shareholders informed about the updated business development of the Company.

THE JV AGREEMENT

The Board announces that on 4 July 2014, the JV Agreement was entered into among Seven Star Shopping, Shanghai Qiangguan and Lin Wei relating to the formation of the JV Company, which is proposed to be principally engaged in provision of investment management, investment consultation, business information consultation, financial consultation and corporate sales consultation services in PRC.

The registered capital of the JV Company will be RMB3,000,000 and Seven Star Shopping will subscribe for 70% shareholding interest of the JV Company for a cash consideration of RMB2,100,000 and Shanghai Qiangguan and Lin Wei will subscribe for, in aggregate, 30% shareholding interest of the JV Company for a cash consideration of RMB900,000. The subscription money of RMB2,100,000 in cash payable by Seven Star Shopping will be funded by the Company's internal resources. The subscription money payable by all parties to the JV Agreement will be used as initial working capital of the JV Company.

Pursuant to the JV Agreement, Seven Star Shopping may appoint three directors to the board of directors of the JV Company, whereas Shanghai Qiangguan and Lin Wei may appoint two directors to the board of directors of the JV Company. After the formation of the JV Company, it will become a subsidiary of the Company.

THE MANAGEMENT AGREEMENT

The Board further announces that on 30 June 2014, the Management Agreement was entered into among Shaanxi Bailianan, Seven Star Shopping, Shanghai Qiangguan and Lin Wei pursuant to which Seven Star Shopping, Shanghai Qiangguan and Lin Wei agree to provide management consultation services to Shaanxi Bailianan with respect to the development and sales of the Project.

Pursuant to the Management Agreement, upon completion of the setup of the JV Company, the JV Company will assume all the rights and liabilities under the Management Agreement and the JV Company will provide the management consultation services to Shaanxi Bailianan and charge a management fee in accordance with the terms of the Management Agreement.

This announcement is made by the Company on a voluntary basis to keep the Shareholders informed about the updated business development of the Company. The Board announces that on 4 July 2014, the JV Agreement was entered into among Seven Star Shopping, Shanghai Qiangguan and Lin Wei relating to the formation of the JV Company. Details of the JV Agreement are as follows:

THE JV AGREEMENT

Date: 4 July 2014

Parties: (i) Seven Star Shopping;
(ii) Shanghai Qiangguan; and
(iii) Lin Wei.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Shanghai Qiangguan and its ultimate beneficial owner(s) and Lin Wei are Independent Third Parties; and (ii) Shanghai Qiangguan is principally engaged in corporate investment, asset and investment management and other consultation services.

The JV Company

The JV Company will be a company established under the laws of the PRC with limited liability.

Pursuant to the JV Agreement, Seven Star Shopping may appoint three directors to the board of directors of the JV Company, whereas Shanghai Qiangguan and Lin Wei may appoint two directors to the board of directors of the JV Company. After the formation of the JV Company, it will become a subsidiary of the Company.

Registered capital and shareholding of the JV Company

The registered capital of the JV Company will be RMB3,000,000. Pursuant to the JV Agreement, Seven Star Shopping will subscribe for 70% shareholding interest of the JV Company for a cash consideration of RMB2,100,000 and Shanghai Qiangguan and Lin Wei will subscribe for, in aggregate, 30% shareholding interest of the JV Company for a cash consideration of RMB900,000. The subscription money of RMB2,100,000 in cash payable by Seven Star Shopping will be funded by the Company's internal resources. The subscription money payable by all parties to the JV Agreement will be used as initial working capital of the JV Company.

Principal business of the JV Company

The JV Company will primarily engage in provision of investment management, investment consultation, business information consultation, financial consultation and corporate sales consultation services in PRC.

REASONS FOR ENTERING INTO THE JV AGREEMENT

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

The Company is actively exploring opportunities to expand its investment horizon. The Company will be developed into a one-stop management service provider with a combination of financial and property development operation and become a one-stop property value-added management provider with the comprehensive abilities of property fund raising, investment management, land acquisition, design, construction management, project development management, marketing management, property management, commercial property leasing management, tax and risk management, forming an "investment management + fund management + project management" model, and to enhance the investment return of the Company and the Shareholders as a whole. The Board takes the view that the economy in the PRC will continuously grow in a rapid pace, the demand for the investment management and consultation services will continue to grow quickly and will have good profit margin.

The Directors consider that the terms and conditions of the JV Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board further announces that on 30 June 2014, the Management Agreement was entered into among Shaanxi Bailianan, Seven Star Shopping, Shanghai Qiangguan and Lin Wei pursuant to which Seven Star Shopping, Shanghai Qiangguan and Lin Wei agree to provide management consultation services to Shaanxi Bailianan with respect to the development and sales of the Project. Details of the Management Agreement are as follows:

THE MANAGEMENT AGREEMENT

Date: 30 June 2014

Parties: (i) Shaanxi Bailianan;
(ii) Seven Star Shopping;
(iii) Shanghai Qiangguan; and
(iv) Lin Wei.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Shaanxi Bailianan and its ultimate beneficial owner(s) are Independent Third Parties; and (ii) Shaanxi Bailianan is principally engaged in property development.

Principle terms of the Management Agreement

Pursuant to the terms of the Management Agreement, Seven Star Shopping, Shanghai Qiangguan and Lin Wei agree to provide management consultation services to Shaanxi Bailianan with respect to the development and sales of Project, which include but not limited to (i) with the assistance of Shaanxi Bailianan, to complete the preliminary reporting and approval work for the Project; (ii) to be responsible for the management works with respect to the planning and design of the Project; (iii) to assist Shaanxi Bailianan with the management of contracts to be entered into during the development and construction of the Project; and (iv) to be responsible for planning, management for the Project's development, promotion and sales management.

Details of the Project

The Project is a real estate project with respect to the development and reconstruction of a land situated at Xian city, Shaanxi Province, PRC with a total area of approximately 32,576 square meters. Shaanxi Bailianan has the right to develop and reconstruct the land with a gross floor area of approximately 188,587 square meters for development and construction. It is expected that the Project will be completed in 20 months after the date of the Management Agreement. The Project will be developed and sold in different phases and it is expected that the first phase of the Project will be on sale no later than December 2014.

Duration of the Management Agreement

The Management Agreement will be effective from the date of the Management Agreement until completion of the tax clearance for the Project.

Management fee

Pursuant to the terms of the Management Agreement, the management fee of Seven Star Shopping, Shanghai Qiangguan and Lin Wei will depend on the sale proceeds of the Project. If the net profits of the Project is less than RMB250,000,000, Seven Star Shopping, Shanghai Qiangguan and Lin Wei will be entitled to a management fee of 1.5% of the total sale proceeds of the Project. If the net profits of the Project is more than RMB250,000,000, Seven Star Shopping, Shanghai Qiangguan and Lin Wei will be entitled to a management fee of 3% of the total sale proceeds of the Project.

Assumption of rights and liabilities under the Management Agreement

Pursuant to the Management Agreement, upon completion of the setup of JV Company, JV Company will assume all the rights and liabilities under the Management Agreement and JV Company will provide the management consultation services to Shaanxi Bailianan in accordance with the terms of the Management Agreement.

REASONS FOR ENTERING INTO THE MANAGEMENT AGREEMENT

The Board is of the view that the Management Agreement will provide the Company with a good opportunity to expand the Company's managing business into the PRC market which the Directors consider to be one of the major fast growing markets in the world and thus help enhance the income stream of the Group. The terms of the Management Agreement were negotiated on an arm's length basis between the parties to the Management Agreement on normal commercial terms. The Directors believe that the Management Agreement represents an attractive business opportunity for the Group. The Directors are also of the opinion that the Management Agreement is in the ordinary and usual course of business of the Group and the terms of the Management Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and are in the best interests of the Company and its Shareholders as a whole.

DEFINITIONS

In the announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Company”	China Seven Star Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“JV Agreement”	the agreement dated 4 July 2014 and entered into among Seven Star Shopping, Shanghai Qiangguan and Lin Wei in relation to the formation of the JV Company
“JV Company”	a joint venture company to be established in the PRC with limited liability and the proposed name of which will be 上海七星強冠投資管理有限公司 (Shanghai Seven Star Qiangguan Investment Management Limited#)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the agreement dated 30 June 2014 and entered into among Shaanxi Bailianan, Seven Star Shopping, Shanghai Qiangguan and Lin Wei in relation to the provision of management consultation services
“PRC”	The People’s Republic of China, which for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Project”	a real estate project with respect to the development and reconstruction of a land situated at Xian city, Shaanxi Province, PRC with a total area of approximately 32,576 square meters and a gross floor area of approximately 188,587 square meters
“Seven Star Shopping”	七星購物(中國)有限公司 (Seven Star Shopping (China) Company Limited#), a wholly-owned subsidiary of the Company and one of the parties to the JV Agreement to subscribe for 70% shareholding interest of the JV Company
“Shanghai Qiangguan”	上海強冠企業集團有限公司 (Shanghai Qiangguan Enterprises Holdings Limited#), a company established in PRC with limited liability and one of the parties to the JV Agreement to subscribe for 15% shareholding interest of the JV Company

“Shaanxi Bailianan”	陝西百聯安經濟發展有限公司 (Shaanxi Bailianan Economic Development Company Limited#), a company established in PRC with limited liability and a party to the Management Agreement
“Shareholders”	holders of the issued Shares
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

The English transliteration of the Chinese names in this announcement where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

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

Hong Kong, 4 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.