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)**

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board (the "Board") of Directors (the "Directors") of China Seven Star Holdings Limited (the "Company") announces the unaudited interim financial results of the Company and its subsidiaries (hereinafter together referred as the "Group") for the six months ended 30 June 2014 together with the comparative figures of the corresponding period in 2013, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2014*

| | Note | **Six months ended 30/6/2014 (unaudited)** *HK$'000* | 30/6/2013 (unaudited) *HK$'000* |
|---|---|---|---|
| **Turnover** | *3* | **29,954** | 79,479 |
| Cost of sales and services | | **(29,596)** | (64,010) |
| **Gross profit** | | **358** | 15,469 |
| Other income | | **1,231** | 27,722 |
| Distribution costs | | **–** | (9,381) |
| Administrative expenses | | **(11,066)** | (11,377) |
| Other operating expenses | | **(9,258)** | (3,435) |
| **(Loss)/profit from operations** | | **(18,735)** | 18,998 |
| Finance costs – interest on bank loan | | **–** | (156) |
| **(Loss)/profit before tax** | | **(18,735)** | 18,842 |
| Income tax expense | *4* | **(24)** | (1) |
| **(Loss)/profit for the period** | *5* | **(18,759)** | 18,841 |
| **Attributable to:** | | | |
| Owners of the Company | | **(10,860)** | 15,674 |
| Non-controlling interests | | **(7,899)** | 3,167 |
| | | **(18,759)** | 18,841 |
| **(Loss)/earnings per share** | *7* | | |
| Basic | | **HK(0.49) cent** | HK0.71 cent |
| Diluted | | **N/A** | N/A |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the six months ended 30 June 2014*

| | Six months ended | |
|---|---|---|
| | **30/6/2014** | 30/6/2013 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **(Loss)/profit for the period** | **(18,759)** | 18,841 |
| **Other comprehensive income:** | | |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **394** | (81) |
| **Other comprehensive income for the period, net of tax** | **394** | (81) |
| **Total comprehensive income for the period** | **(18,365)** | 18,760 |
| **Attributable to:** | | |
| Owners of the Company | **(16,399)** | 18,901 |
| Non-controlling interests | **(1,966)** | (141) |
| | **(18,365)** | 18,760 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 30 June 2014*

| | Note | 30/6/2014 (unaudited) HK$'000 | 31/12/2013 (audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **1,653** | 2,505 |
| Intangible assets | | **17** | 71 |
| Available-for-sale financial assets | | **208** | 213 |
| | | **1,878** | 2,789 |
| **Current assets** | | | |
| Inventories | | **–** | 8,982 |
| Trade receivables | *8* | **278** | 1,594 |
| Other receivables, prepayments and deposits | | **1,988** | 2,460 |
| Pledged bank deposits | | **312** | 4,796 |
| Bank and cash balances | *9* | **28,825** | 40,856 |
| | | **31,403** | 58,688 |
| **Current liabilities** | | | |
| Trade and bills payables | *10* | **21,143** | 26,708 |
| Other payables and accruals | | **14,034** | 18,236 |
| Current tax liabilities | | **2,312** | 2,376 |
| | | **37,489** | 47,320 |
| **Net current (liabilities)/assets** | | **(6,086)** | 11,368 |
| **NET (LIABILITIES)/ASSETS** | | **(4,208)** | 14,157 |
| **Capital and reserves** | | | |
| Share capital | *11* | **555,919** | 21,983 |
| Other reserves | *11* | **785,730** | 1,325,205 |
| Accumulated losses | | **(1,100,077)** | (1,089,217) |
| Equity attributable to owners of the Company | | **241,572** | 257,971 |
| Non-controlling interests | | **(245,780)** | (243,814) |
| **TOTAL EQUITY** | | **(4,208)** | 14,157 |

## NOTES

### 1. Basis of preparation

These 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing these condensed financial statements, the directors of the Company have given consideration to the future liquidity of the Group. The placing of existing shares and subscription of new shares was completed on 5 August 2014, and the aggregate net proceeds of approximately HK$18,198,000 were received. The directors also prepared a profit and cash flow forecast for the 18-month period ending 31 December 2015 and there was no indication of significant doubt on the Group's ability to continue as going concern. The directors are therefore of the opinion that it is appropriate to prepare these condensed financial statements on a going concern basis.

These condensed financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013.

### 2. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA 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; 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 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**

In the current period, 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.

In the current period, 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** *HK\$'000* **(unaudited)** | **PRC retail and distribution** *HK\$'000* **(unaudited)** | **Trading of chemical materials** *HK\$'000* **(unaudited)** | **Other** *HK\$'000* **(unaudited)** | **Total** *HK\$'000* **(unaudited)** |
|---|---|---|---|---|---|
| **Six months ended 30 June 2014** | | | | | |
| Revenue from external customers | **5,789** | **–** | **24,165** | **–** | **29,954** |
| Intersegment revenue | **–** | **–** | **–** | **–** | **–** |
| Segment profit/(loss) | **130** | **(9,096)** | **225** | **–** | **(8,741)** |

| | Insurance agency *HK\$'000* (unaudited) | PRC retail and distribution *HK\$'000* (unaudited) | Television advertising *HK\$'000* (unaudited) | Consultancy services *HK\$'000* (unaudited) | Total *HK\$'000* (unaudited) |
|---|---|---|---|---|---|
| Six months ended 30 June 2013 | | | | | |
| Revenue from external customers | 8,049 | 24,079 | 37,319 | 10,032 | 79,479 |
| Intersegment revenue | – | – | – | – | – |
| Segment profit/(loss) | 28 | (2,556) | 21,312 | 9,530 | 28,314 |

| | **Six months ended** | |
|---|---|---|
| | **30/6/2014** **(unaudited)** *HK\$'000* | 30/6/2013 (unaudited) *HK\$'000* |
| **Reconciliation of segment profit or loss:** | | |
| Total profit or loss of reportable segments | **(8,741)** | 28,314 |
| Unallocated corporate income | **948** | 1,436 |
| Unallocated corporate expenses | **(10,942)** | (10,908) |
| (Loss)/profit before tax | **(18,735)** | 18,842 |

## 4. Income tax expense

| | Six months ended | |
|---|---|---|
| | **30/6/2014** | 30/6/2013 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| PRC tax | | |
| – underprovision in prior years | **24** | 1 |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (six months ended 30 June 2013: HK$Nil).

Taxes on profits assessable in the PRC have been provided at the applicable rates of tax in the PRC in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred taxation has been made for both periods ended 30 June 2013 and 2014 as the tax effect of all temporary differences is not material.

## 5. (Loss)/profit for the period

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

| | Six months ended | |
|---|---|---|
| | **30/6/2014** | 30/6/2013 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Allowance for other receivables | **369** | 950 |
| Allowance for trade receivables | **1,169** | 1,493 |
| Allowance/(reversal of allowance) for inventories | **649** | (4) |
| Amortisation of insurance agency licence | **52** | 52 |
| Cost of inventories sold | **23,940** | 17,840 |
| Depreciation | **795** | 1,005 |
| Directors' emoluments | **1,442** | 1,184 |
| Exchange losses/(gains), net | **133** | (452) |
| Fixed assets written off | **–** | 232 |
| Impairment loss on fixed assets | **–** | 71 |
| Impairment loss on prepayments and deposits | **366** | 449 |
| Interest income | **(377)** | (343) |
| Inventories written off | **6,519** | – |
| Loss on disposal of fixed assets | **–** | 1 |
| Reversal of allowance for other receivables | **–** | (12) |
| Reversal of allowance for trade receivables | **–** | (651) |
| Write back of agency fee payables | **–** | (19,308) |
| Write back of other payables and accruals | **–** | (6,207) |

## 6. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: HK$Nil).

## 7. (Loss)/earnings per share

***Basic (loss)/earnings per share***

The calculation of basic loss (six months ended 30 June 2013: earnings) 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$10,860,000 (six months ended 30 June 2013: profit of approximately HK$15,674,000) and the weighted average number of ordinary shares of 2,198,331,000 (six months ended 30 June 2013: 2,198,331,000) in issue during the period.

***Diluted (loss)/earnings per share***

No diluted loss (six months ended 30 June 2013: earnings) per share is presented as the Company did not have any dilutive potential ordinary shares during the periods ended 30 June 2013 and 2014.

## 8. 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:

| | **30/6/2014 (unaudited) *HK$'000*** | 31/12/2013 (audited) *HK$'000* |
|---|---|---|
| 0 – 90 days | **188** | 1,211 |
| 91 – 180 days | **90** | 378 |
| 181 – 365 days | **–** | 4 |
| Over 365 days | **–** | 1 |
| | **278** | 1,594 |

## 9. Bank and cash balances

During the period from November 2013 to June 2014, five suppliers filed petitions to the courts in Shanghai against a subsidiary of the Company for settlement of trade debts of approximately RMB8,389,000 (equivalent to approximately HK$10,470,000) in aggregate.

At 30 June 2014, the bank and cash balances of the Group included bank balances of approximately HK$974,000 (at 31 December 2013: HK$630,000) which have been frozen by banks based on the instructions of the courts.

## 10. Trade and bills payables

| | **30/6/2014** **(unaudited)** ***HK$'000*** | 31/12/2013 (audited) *HK$'000* |
|---|---|---|
| Trade payables *(Note)* | **21,143** | 22,232 |
| Bills payables | **–** | 4,476 |
| | **21,143** | 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:

| | **30/6/2014** **(unaudited)** ***HK$'000*** | 31/12/2013 (audited) *HK$'000* |
|---|---|---|
| 0 – 90 days | **235** | 8,105 |
| 91 – 180 days | **185** | 5,839 |
| 181 – 365 days | **12,612** | 649 |
| Over 365 days | **8,111** | 7,639 |
| | **21,143** | 22,232 |

## 11. Share capital and other reserves

With effect from 3 March 2014, the new Hong Kong Companies Ordinance Cap. 622 abolished the concept of par (or nominal) value for all shares in Hong Kong incorporated companies. In addition, the concepts of share premium, capital redemption reserve and authorised share capital have been abolished. Consequently, on 3 March 2014, the Company has transferred the amount standing to the credit of the share premium of approximately HK$533,936,000 to share capital.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

In the first half year of 2014, China's Economy shows a generally stable operational status. With the steady structure adjustment, it gives a favorable transformation and upgrading momentum. According to the data from the National Bureau of Statistics, China's Gross Domestic Product (GDP for short) amounted to RMB39,725.7 billion in the first half of 2014, representing an increase of 7.4% compared to last year while growth for the first two quarters remain the same. Also, under the national consumption expansion policy, China's consumption market runs smoothly. Statistics shows that the retail sales of the consumer goods rise for 12.1%, gives an actual increase of 10.8% netting off the price factor, which shows 0.6% slowed down than the same period last year. Consumption becomes the first engine of the economic blooming, the final consumption in the first half year has contributed 54.4% of the GDP, and 4% of the economic growth, which is increased by 9.2% and 0.6% respectively than the same period last year.

As the global economy stabilises in addition to the implementation of micro-stimulus measures in China, the market growth in commodities including chemical materials is expected to pick up and follow the pace of the economic recovery. Attributed to the tight integration between China and the global economy, the consumption and trade of the Chinese industrial chemicals and products are mounting in both the domestic and overseas markets. Taking pure terephthalic acid ("PTA") as an example, the production capacity is mainly concentrated in the Asian region while the consumptions are heavy in Asia and North America. Since PTA is a chemical material in polyester fiber manufacturing which the domestic market is enormous, the production and trade of PTA in China is playing a significant role in the world. It is expected that the global economic recovery will continue to promote the development of the trading of industrial chemicals.

### Business Review

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. As a result, the Group decided to cease such business to reduce operational costs and investment losses.

The cessation of the above two businesses will further reduce the operational costs of the Group, the remaining funds will be applied to other profitable businesses for long-term development purpose.

During the first half year of 2014, the Group had added new trading of the chemical materials business. The Group had gained profit in trading chemical materials and this business had replaced the television advertising agency business to become the Group's core income source. For the six months ended 30 June 2014, the revenue generated in the trade of chemical materials business accounts for 81% of the Group's turnover. The Group will deepen chemical materials and work on its sustainable development.

In addition, the revenue of the Group's insurance agency services business had declined compare to the same period last year by 28.1% mainly due to the termination of several insurance agency services contracts during the six months ended 30 June 2014.

**Outlook and Strategy**

According to the Economic and Financial Outlook Analysis report published by the Bank of China in Beijing, the leverage risk of the global economy in the first half year of 2014 remains the same, where the global GDP increased by 2.8%, which is essentially flat with the same period last year. Compared with 2013, the slow recovery of the global economy lead to an attenuate demand for the bulk commodities, which also causes an overcapacity of most China's bulk commodities; also in year 2014, under the influence of the international economic and financial environment, the focal point of China's economic policy is switching from incentive policies to stable policies. This move will certainly bring new opportunities to China's commodity trading and twist.

In addition, according to the "China's economic situation review and the situational analysis report of importing and exporting in the first quarter of 2014 (Spring report)"* (hereinafter referred to as "report") issued by www.haiguan.info, China is now in a stable economy situation, the domestic manufacturing growth and domestic demand will constitute some downward pressure on economic growth to the country. Based on the analysis towards varies factors that we are facing in the present trading situation, the report has kept its positive judgment to the trading situation in the second half year of 2014. Our Group believes that under the prompting import and export prospects and the optimized national policy, the bulk commodity trade will have thriving new opportunities.

* *Management translation*

For the coming future, our Group will continue to deepen and explore the existing new business, further improve the business model in all aspects in order to gain more revenue. In the meanwhile, the Group will also broaden the investment visions in other areas such as real estate operation management service and operation of solar photovoltaic power stations, through the use of business modes such as joint venture, merger and acquisitions to make more substantial changes to the business restructuring.

On 4 July 2014, a JV Agreement was entered into among the subsidiary of Group, Seven Star Shopping (China) Company Limited* (七星購物(中國)有限公司), Shanghai Qiangguan Enterprises Holdings Limited* (上海強冠企業集團有限公司) 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 the PRC.

On 21 July 2014, the Company and ReneSola Ltd. ("ReneSola") entered into a non-legally binding memorandum of understanding (the "MOU") in relation to the Company's intention to acquire from ReneSola or its affiliates within 18 months from the date of entering into the MOU, the solar power plants with a capacity of not less than 200MW including but not limited to, two Solar Power Plants located in Bulgaria and two Solar Power Plants located in Romania; and the Company and ReneSola Singapore Pte. Ltd entered into a non-legally binding letter of intent in relation to the detail terms of 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.

**Financial Review**

For the six months ended 30 June 2014, the Group's unaudited consolidated turnover was approximately HK$29,954,000, represents a decrease of approximately 62.3% from the same period of last year, mainly attributable to no revenue was generated from the Group's retail and distribution of consumer products and television advertising businesses due to (i) keen competition from low pricing internet sales platforms and (ii) 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 accordingly.

The breakdown of the Group's turnover recognized in the unaudited consolidated statement of profit or loss was as follows:

For the six months ended 30 June, in HK$'000

| | **2014** | 2013 | Change |
|---|---|---|---|
| PRC retail and distribution of consumer products | **–** | 24,079 | -100% |
| Television advertising service income | **–** | 37,319 | -100% |
| Insurance agency service income | **5,789** | 8,049 | -28.1% |
| Consultancy service income | **–** | 10,032 | -100% |
| Trading of chemical materials | **24,165** | – | n/a |
| Turnover | **29,954** | 79,479 | -62.3% |

* *Management translation*

The Group recorded a gross profit of HK$358,000 and a gross profit margin of 1.2% which is lower than the 19.5% of the same period last year mainly due to the low gross profit generated from the new business of trading chemical materials which is at its early stage.

Due to no revenue was generated from the Group's retail and distribution of consumer products and television advertising businesses, there was no distribution costs for the six months ended 30 June 2014.

The Group recorded a loss of approximately HK$18,759,000 for the six months ended 30 June 2014 as compared with a profit of approximately HK$18,841,000 recorded by the Group for the six months ended 30 June 2013. This is mainly due to the following reasons:

1. The Group has recorded decreases in both revenue and gross margin for the six months ended 30 June 2014 as no revenue was generated from the Group's retail and distribution of consumer products and television advertising businesses due to (i) keen competition from low pricing internet sales platforms and (ii) 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 accordingly;

2. The Group has engaged in a new business of trading chemical materials which is at its very early stage and has a low gross profit;

3. There were write back of agency fees payable of approximately HK$19,308,000 and write back of other payables and accruals of approximately HK$6,207,000 for the six months ended 30 June 2013 but there was no such income for the six months ended 30 June 2014; and

4. Further allowances and write off were made for inventories of approximately HK$7,168,000 and trade receivables of approximately HK$1,169,000 for retail and distribution business for the six months ended 30 June 2014.

The Board did not recommend payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HK$Nil).

**Employee relations**

As of 30 June 2014, the Group has 38 employees (at 30 June 2013: 58 employees). Total remuneration cost for the period under review was approximately HK$4,213,000 (six months ended 30 June 2013: approximately HK$5,210,000). No share options were granted during the period under review and no share option cost that was charged to the statement of profit or loss (six months ended 30 June 2013: HK$Nil). Based on the existing outstanding number of share options as of 30 June 2014 and assume that no further share options are to be granted in the six months to 31 December 2014, no further share option cost will be charged to the statement of profit or loss.

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

**Liquidity and financial resources**

At 30 June 2014, the Group's cash and bank deposits (include pledged bank deposits) amounted to approximately HK$29,137,000 (at 31 December 2013: approximately HK$45,652,000). The gearing ratio at 30 June 2014 (total interest bearing borrowings to total assets) was 0% (at 31 December 2013: 0%), indicated that the Group's overall financial position remained strong.

As the Group had net current liabilities and net liabilities of approximately HK$6,086,000 and approximately HK$4,208,000 respectively, the directors of the Company have given consideration to the future liquidity of the Group. The placing of existing shares and subscription of new shares was completed on 5 August 2014, and the aggregate net proceeds of approximately HK$18,198,000 were received. The directors also prepared a profit and cash flow forecast for the 18-month period ending 31 December 2015 and there was no significant liquidity problem.

**Segment information**

The details of segment information are set out in Note 3 to the announcement.

**Capital structure**

There were no changes to the Group's capital structure during the six months ended 30 June 2014.

**Placing of existing shares and subscription of new shares**

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 places 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. Details are set out in the Company's announcement dated 28 July 2014.

The placing and subscription was completed on 5 August 2014, and net proceeds of approximately HK$18,198,000 were received.

**Material acquisitions and disposals of subsidiaries and associates**

The Group did not have any material acquisitions or disposals of subsidiaries or associates during the six months ended 30 June 2014.

**Charges on Group assets**

Apart from the deposit of approximately HK$312,000 (at 31 December 2013: HK$320,000) pledged to a bank as security for a corporate card with credit limit of approximately HK$250,000 (at 31 December 2013: HK$256,000) granted to an executive director of the Group, and bank balances of approximately HK$974,000 (at 31 December 2013: HK$630,000) which have been frozen by banks based on the instructions of the courts at 30 June 2014, there were no other charges on the Group's assets.

**Exposure to exchange rate fluctuation and related hedging**

The Directors considered that 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. 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.

**Contingent liabilities**

The Group did not have any significant contingent liabilities at 30 June 2014 (at 31 December 2013: HK$Nil).

## CORPORATE GOVERNANCE

**Compliance with the Code on Corporate Governance Practices of the Listing Rules**

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the period under review, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation of the Code Provisions A.4.1, E.1.2 and A.6.7 which are explained below.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive Directors (the "INEDs") is appointed for a specific term. Although the INEDs are not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under Code Provision A.4.1.

Under the Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the period under review, Mr. Ni Xinguang (chairman of the Board) and Mr. Lu Wei (chairman of nomination committee) could not attend the annual general meeting of the Company held on 5 June 2014 due to other business engagement but they have appointed the other attended Directors as their representative at the meeting.

### Review of Accounts

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules.

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course has discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2014.

## OTHER INFORMATION

### Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.sevenstar.hk respectively.

The interim report of the Company for the six months ended 30 June 2014 will be despatched to the shareholders and published on the websites of the HKEX and the Company in due course.

On behalf of the Board
**China Seven Star Holdings Limited**
**Ni Xinguang**
*Chairman and executive director*

Hong Kong, 28 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.*