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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board (the "Board") of Directors (the "Directors") of China Seven Star Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter together referred as the "Group") for the year ended 31 December 2014 together with the comparative figures of the corresponding year in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Turnover	5	**68,086**	112,220
Cost of sales and services		**(67,238)**	(108,461)
Gross profit		**848**	3,759
Other income	6	**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 — interest on bank loan		**–**	(157)
Loss before tax		**(43,298)**	(21,236)
Income tax credit/(expense)	8	**2,175**	(25)
Loss for the year	9	**(41,123)**	(21,261)
Attributable to:			
Owners of the Company		**(30,144)**	(1,757)
Non-controlling interests		**(10,979)**	(19,504)
		(41,123)	(21,261)
Loss per share	10		
— Basic		**HK (1.34) cents**	HK (0.08) cent
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'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

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Fixed assets		**933**	2,505
Intangible assets		**–**	71
Available-for-sale financial assets		**208**	213
		1,141	2,789
Current assets			
Inventories		**–**	8,982
Trade receivables	*11*	**–**	1,594
Other receivables, prepayments and deposits		**9,173**	2,460
Pledged bank deposits		**312**	4,796
Bank and cash balances		**29,567**	40,856
		39,052	58,688
Current liabilities			
Trade and bills payables	*12*	**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	*13*	**574,117**	21,983
Other reserves	*13*	**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

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 31 December 2014 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2014 will be available from the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

2. 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.

The Company is an investment holding company. The principal activities of its principal subsidiaries are trading of chemical materials, and provision of insurance agency services and consultancy services in the People's Republic of China (the "PRC").

3. 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.

4. BASIS OF PREPARATION

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.

5. TURNOVER

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

	2014	2013
	HK$'000	*HK$'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

6. OTHER INCOME

	2014	2013
	HK$'000	*HK$'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

7. 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	Trading of chemical materials	Insurance agency	Other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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**

	PRC retail and distribution *HK$'000*	Television advertising *HK$'000*	Insurance agency *HK$'000*	Other *HK$'000*	Total *HK$'000*
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 or 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**	–

8. 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.

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.

9. 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)	**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.

10. 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.

11. 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:

	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

12. TRADE AND BILLS PAYABLES

	2014	2013
	HK$'000	*HK$'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:

	2014	2013
	HK$'000	*HK$'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

13. SHARE CAPITAL AND OTHER RESERVES

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. 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. 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.

14. DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2014, China's economic growth slowed down with the GDP growth of 7.4% for the first three quarters, which is lower than the annual target of 7.5% stipulated by the State Council. The rapid economic growth in China over the past 30 years have ceased to exist while fixed asset investment, retail sales, industrial projects and other projects recorded a decline in the monthly growth rate. China's economy has entered its new stage with its rapid economic growth becoming moderate and a slowed growth in personal consumption recorded. Meanwhile, under the changing international environment, the European debt crisis, global economic deflation and certain other factors have inhibited the export demand in China, and hence affected China's export trade. China faced the intense competition in the global market of medium-to-low end products. The export growth of countries in Southeast Asia, Africa and even Latin America to developed countries provided an alternative to China's supply, resulting in decline in export demand in China. Under the challenges of economic transformation and the movements in both domestic and international markets, China's economy suffered from short-term fluctuation and was expected to decline in the long run.

BUSINESS REVIEW

In order to concentrate its resources for operating other core businesses, the Group has ceased a number of businesses, including its advertising agency 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. 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.

Besides, the Group has ceased its sales and distribution business during the year. 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 deteriorated 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. The Board held positive view towards the demand of chemical materials in China. Therefore, the Group had added new trading of the chemical materials business during the first half year of 2014. 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.

Meanwhile, the Group actively explored opportunity to expand its investment portfolio during the year. It intended to develop itself to a comprehensive management service provider for both financial service as well real estate development and operation, so as to enhance the overall investment returns for the Company and the Shareholder. Therefore, Seven Star Shopping (China) Company Limited* (七星購物(中國)有限公司) ("Seven Star Shopping"), a wholly-owned subsidiary of the Group, Shanghai Qiangguan Enterprises Holdings Limited* (上海強冠企業集團有限公司) ("Shanghai Qiangguan") and Lin Wei established a JV Company, Shanghai Seven Star Qiangguan Investment Management Company Limited* (上海七星強冠投資管理有限公司), on 11 October 2014, which is principally engaged in the provision of investment management, investment consultation, business information consultation, financial consultation and corporate sales consultation services in China. The registered capital of the JV Company is RMB10,000,000. Seven Star Shopping holds 70% of equity interest of the JV Company.

Furthermore, Seven Star Shopping entered into a management agreement with Shaanxi Bailianan Economic Development Company* (陝西百聯安經濟發展有限公司) ("Shaanxi Bailianan"), Shanghai Qiangguan and Lin Wei, pursuant to which it would provide management advisory service to Shaanxi Bailianan. The Board was in a view that the management agreement was an opportunity for the Company to expand its management service to the Chinese market, which the Directors considered as one of the fast-growing market in the world. Therefore, it would improve the Group's income sources.

Besides, the Group has also entered the new energy industry. It entered into a non-legally binding memorandum of understanding with ReneSola Ltd. ("ReneSola"), pursuant to which the Company intended to acquire from ReneSola or its affiliates 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. The Company and ReneSola Singapore Pte. Ltd entered into a non-legally binding letter of intent in relation to the detailed terms of the trading 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.

In addition, Shanghai Seven Star New Energy Investment Company Limited* (上海七星新能源投資有限公司) ("Shanghai Seven Star") and Shandong RealForce Group Company Limited* (山東潤峰集團有限公司) ("Shandong RealForce") also entered into a non-legally binding cooperation agreement in relation to the investment, development, operation and management of photovoltaic solar power plants located in China; Shanghai Seven Star and Shandong RealForce entered into a non-legally binding letter of intent in relation to the proposed acquisition of 100% equity interest in Jining Dingli Photovoltaic System Engineering Company Limited* (濟寧鼎立光伏系統工程有限公司) by Shanghai Seven Star from Shandong RealForce; and the Company and Shandong RealForce entered into another non-legally binding letter of intent in relation to proposed allotment and issue of 230,000,000 new shares of the Company by the Company to Shandong RealForce or its nominee(s). The Company will set up a trading platform for solar photovoltaic power station, and applying the international financial platform in the PRC, as well as Shandong RealForce's expertise and experience in establishing and managing new energy infrastructure and the Group's then power station resources, to introduce securitization trading model to the new energy industry.

* *Management translation*

Sales results and performance review

For the year ended 31 December 2014, the Group's consolidated turnover was approximately HK$68,086,000, representing a decrease of approximately 39% from 2013. The Group recorded a gross profit of approximately HK$848,000 and a gross profit margin of 1.2% which is lower than 3.3% of last year mainly due to the low gross profit generated from the new business of trading chemical materials.

The Group recorded a consolidated loss attributable to owners of the Company of approximately HK$30,144,000 for the year ended 31 December 2014 which increased substantially as compared with the consolidated loss attributable to owners of the Company of approximately HK$1,757,000 for the year ended 31 December 2013. This is mainly due to the following reasons:

1. The Group has recorded decreases in both revenue and gross margin for the year ended 31 December 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;

2. The Group has engaged in a new business of trading chemical materials which has a low gross profit;

3. There were write back of agency fees payable of approximately HK$19,416,000, write back of other payables and accruals of approximately HK$8,984,000 and write back of trade payables of approximately HK$3,344,000 for the year ended 31 December 2013 but there was only write back of other payables and accruals of approximately HK$1,551,000 for the year ended 31 December 2014; and

4. There was share-based payment expenses of HK$12,583,000 recognised in relation to the share options granted by the Company on 4 November 2014.

On financial position and cash flows, as at and for the year ended 31 December 2014, the Group's total assets were approximately HK$40,193,000 (2013: approximately HK$61,477,000), a decrease of 35% when compared with 2013. Net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK$(34,729,000), HK$5,083,000 and HK$18,198,000 respectively (2013: approximately HK$(19,509,000), HK$(3,859,000) and HK$2,386,000). There was no capital expenditure for the year (2013: approximately HK$360,000). Depreciation and amortization for tangible and intangible assets were approximately HK$1,113,000 (2013: approximately HK$2,035,000). The weakening of Renminbi currency also posed an adverse currency effect and contributed approximately HK$(5,957,000) (2013: approximately HK$6,155,000) to the reserves for the year. As at 31 December 2014, the Group's total cash (including pledged bank deposits) was approximately HK$29,879,000 (2013: approximately HK$45,652,000).

Strategy and Outlook

During the plenary meeting convened by the State Council in mid-January 2015, the Chinese leadership has discussed about the in-depth adjustment of the global economy and the tough recovery. It stated that its economy still suffered from the downward pressure and it encountered certain difficulties and challenges. However, China will be determined to maintain a stable growth and devote to accomplishing the annual economic and social development and the various tasks in the Twelfth Five-Year Plan, thus promoting a medium-to-high economic growth rate and reaching a medium-to-high end level for its economy. Looking forward, the Group predicts that the export trade will further develop in a stable pace.

China's chemical industry has exhibited a fast growth pace and it enjoyed enormous growth opportunities as a result of various factors including the stable urbanization and development plan on infrastructural projects, the sustainable development objectives promoted by the country, and the growing demand in consumables, automobile, information technology and electronic projects driven by the increasing middle class. This enabled the rapid development of chemical industry and the emergence of specific industries of synthetic materials and special chemicals. The Group believed that there were still plenty of room for the market development of bulk chemical materials production and trading.

Meanwhile, the Group will continue to exert greater efforts in exploring the existing new business and improve the operational mode in various aspects, so as to increase the revenue. The Group will also explore other investment sectors such as property operation and management service and photovoltaic solar power plants, and enable a more concrete movement for business reorganization through the establishment of joint venture companies across different sectors as well as mergers and acquisitions.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, the Group's financial assets (excluding receivables) amounted to approximately HK$30,087,000 (2013: approximately HK$45,865,000), of which approximately HK$29,564,000 (2013: approximately HK$40,226,000) were liquid cash deposits.

The Directors are of the opinion that there are sufficient cash resources for the Group to meet its financial obligation and business requirements.

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 the 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 arises.

STAFF AND REMUNERATION POLICY

The Group had 36 employees (including Directors) as at 31 December 2014 (2013: 50). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. 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.

GEARING RATIO

As at 31 December 2014, the Group had total assets of approximately HK$40,193,000 (2013: approximately HK$61,477,000) and the gearing ratio (calculated on the basis of the Group's total bank and other borrowings, over the equity attributable to owners of the Company) was Nil as at 31 December 2014 (2013: Nil).

CAPITAL STRUCTURE

Save for the 110,000,000 shares issued for the top-up placement in August 2014, there were no other change of the capital structure of the Company during the year ended 31 December 2014.

CHARGES ON GROUP'S ASSETS

As at 31 December 2014, apart from a deposit pledged to a bank of approximately HK$312,000 (2013: approximately HK$320,000) as security for a corporate card with credit limit of approximately HK$250,000 (2013: approximately HK$256,000) granted to an executive director of the Group, there were no other charges on the Group's assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any material acquisitions or disposals of subsidiaries or associates during the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 2014, 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 non-executive Director (the "NED") and independent non-executive Directors (the "INEDs") is appointed for a specific term. Although the NED and 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 year ended 31 December 2014, the annual general meeting held on 5 June 2014, the whole Board of Directors and auditor of the Company have attended the meeting to answer questions of the Shareholders except that Mr. Ni Xinguang (chairman of the Board), Mr. Tu Baogui, Ms. Chen Xiaoyan and Mr. Lu Wei (chairman of nomination committee) could not attend the annual general meeting due to other business engagement but they have appointed the other attended Directors as their representative at the meeting to answer questions of the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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 year ended 31 December 2014.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Wong Chak Keung (Chairman), Mr. Ling Yu Zhang and Mr. Lu Wei. The Audit Committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 31 December 2014.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2014. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong 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 annual report of the Company for the year ended 31 December 2014 will be dispatched to shareholders and be published on the aforementioned websites in due course.

On behalf of the Board
China Seven Star Holdings Limited
Ni Xinguang
Chairman

Hong Kong, 31 March 2015

As at the date of this announcement, 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. Lu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang as independent non-executive Directors.