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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)

- (1) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN YGD SECURITIES (HK) LIMITED;**
 - (2) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN YUAN ASSET MANAGEMENT LIMITED;**
 - (3) STRATEGIC SUBSCRIPTION OF NEW SHARES;**
 - (4) APPLICATION FOR WHITEWASH WAIVER;**
 - (5) SPECIFIC MANDATE FOR THE ISSUE OF NEW SHARES**
- AND**
- (6) RESUMPTION OF TRADING**

Financial adviser to the Company

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

ACQUISITION I

On 14th June, 2015, China Seven Star Real Estate Operation Management Limited (a wholly-owned subsidiary of the Company) and YGD Finance Holdings Limited entered into the YGD Agreement, pursuant to which China Seven Star Real Estate Operation Management Limited, as the purchaser, has conditionally agreed to acquire and YGD Finance Holdings Limited, as the vendor, has conditionally agreed to sell its 100% equity interest of YGD Securities (HK) Limited for the consideration of HK\$9,000,000 plus the net asset value of YGD Securities (HK) Limited as at 30th June, 2015. The total consideration is not expected to exceed HK\$30,000,000.

ACQUISITION II

On 15th June, 2015, China Seven Star Asset Management Limited (a wholly-owned subsidiary of the Company) and Mr. Yen Jong Ling entered into the Yuan Agreement, pursuant to which China Seven Star Asset Management Limited, as the purchaser, has conditionally agreed to acquire and Mr. Yen Jong Ling, as the vendor, has conditionally agreed to sell 100% equity interest of Yuan Asset Management Limited at the consideration of HK\$5,300,000.

Upon completion of the YGD Agreement and the Yuan Agreement, YGD Securities (HK) Limited and Yuan Asset Management Limited will become wholly-owned subsidiaries of the Company.

To the best of the Directors' knowledge as at the date of this announcement, Vendor I and Vendor II are third parties independent of the Company and its connected persons, and the ultimate beneficial owners of Vendor I are third parties independent of the Company and its connected persons.

THE STRATEGIC SUBSCRIPTION

On 18th June, 2015, CMI and Other Investors (by way of Deed of Accessions) entered into the Subscription Agreement with the Company pursuant to which CMI and Other Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 26,316,000,000 Subscription Shares at an issue price of HK\$0.19 per Subscription Share in an aggregate amount of HK\$5,000,040,000. Out of the 26,316,000,000 Subscription Shares, 20,418,000,000 Subscription Shares representing approximately 70.91% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares upon Closing, would be subscribed for by CMI.

Each of CMI and Other Investors has undertaken to the Company not to dispose of any Subscription Share for a period of 6 months from the Closing Date unless with the prior written consent of the Company.

The issue of the Subscription Shares will be subject to a specific mandate to be approved by the Independent Shareholders by an ordinary resolution at the EGM.

WHITEWASH WAIVER

Immediately after Closing, the Concert Group will be interested in approximately 75.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). Under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Concert Group will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of a poll. The Whitewash Waiver is a condition precedent to the closing of the Subscription Agreement which can be waived at the discretion of CMI (for itself or on behalf of all Other Investors) and in the event that CMI waives such condition precedent and elect to proceed with the transactions contemplated under the Subscription Agreement, CMI will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of Acquisition I is more than 5% but less than 25%, Acquisition I constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of Acquisition II is more than 5% but less than 25%, Acquisition II constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive directors of the Company will be established to advise the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment. None of the members of the Independent Board Committee has any material interest in the Share Subscription.

A circular containing, among other things, details of the Share Subscription and the Whitewash Waiver, together with the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver and the notice of the EGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Listing Rules and the Takeovers Code.

The voting in relation to the Share Subscription and the Whitewash Waiver at the EGM will be conducted by way of poll. For the purpose of the Share Subscription and the issue of Subscription Shares and the Whitewash Waiver, Shareholders who have a material interest or who are interested or involved in the Share Subscription and the Whitewash Waiver and their respective associates and parties acting in concert with each of them shall abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Share Subscription and the Whitewash Waiver.

Group First Limited (which is wholly owned by Mr. Ni Xinguang, an executive Director, who was involved in the negotiation of the Share Subscription for and on behalf of the Company) and Mr. Ni Xinguang together holding approximately 18.63% of the issued share capital of the Company as at the date of this announcement will abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Share Subscription and the Whitewash Waiver. Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions relating to the Share Subscription and Whitewash Waiver.

The Concert Group did not hold any Shares as at the date of this announcement and, accordingly, will not be entitled to vote on any of the resolutions at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on Friday, 12th June, 2015, pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:00 a.m. on 28th August, 2015.

WARNING

The Acquisitions are subject to a number of conditions precedent and may or may not become unconditional or be completed. The completion of the Acquisitions is not conditional upon the closing of the Share Subscription. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

Shareholders and potential investors of the Company should also be aware that completion of the Share Subscription is subject to certain conditions precedent, including but not limited to, the completion of the Acquisitions, being satisfied, and consequently the Share Subscription may or may not proceed. Accordingly, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITIONS

I. Acquisition I

Principal terms of the YGD Agreement are set out below:

Date : 14th June, 2015

Parties to Acquisition I : China Seven Star Real Estate Operation Management Limited, as Purchaser I, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability; and

YGD Finance Holdings Limited, as Vendor I, a company incorporated in the British Virgin Islands with limited liability.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor I and its ultimate beneficial owner, Mr. Shen Hua, are third parties independent of the Company and its connected persons and are not related to CMI and Other Investors.

Equity interests to be transferred

Subject to the terms and conditions of the YGD Agreement, Purchaser I agreed to acquire the entire equity interests in YGD Securities (HK) Limited held by Vendor I as at 14th June, 2015. Upon the completion of the YGD Agreement, YGD Securities (HK) Limited will become a wholly-owned subsidiary of the Company.

Consideration

The total consideration for the acquisition of the entire equity interests in YGD Securities (HK) Limited is HK\$9,000,000 plus the net asset value of YGD Securities (HK) Limited as at 30th June, 2015. The consideration was agreed between Vendor I and Purchaser I after arm's length negotiations with reference to the licensed status of YGD Securities (HK) Limited to carry out type 1 regulated activity under the SFO and the financial position of YGD Securities (HK) Limited. A deposit of HK\$900,000 (as part of the total consideration) has been made by Purchaser I after the entering into the YGD Agreement on 14th June, 2015. The remaining payment of HK\$8,100,000 plus the net asset value of YGD Securities (HK) Limited as at 30th June, 2015 shall be payable by Purchaser I upon completion of the YGD Agreement. The Company will settle the consideration out of the Group's available internal resources.

Conditions precedent

Completion of the YGD Agreement is conditional upon the fulfilment of the following conditions:

- (1) obtaining the approval from the SFC for Purchaser I to become the substantial shareholder(s) (as defined under Schedule 1 to the SFO) of YGD Securities (HK) Limited as a result of Acquisition I;
- (2) confirmation in writing of the appointment and retaining in writing of the existing two responsible officers, one trader, one settlement officer and one information technology staff member by YGD Securities (HK) Limited;
- (3) obtaining necessary approval from the board of directors of YGD Securities (HK) Limited in respect of the execution of the YGD Agreement;
- (4) Purchaser I having completed the due diligence investigations over, including but not limited to, any affair, business, assets, liabilities, operations, records, financial condition, value of assets, accounts, results, legal and financial structures of YGD Securities (HK) Limited on or before 19th June, 2015 and, in its sole discretion, been satisfied with the results and findings of such due diligence investigations;
- (5) Purchaser I having completed the applications and supplements on or before 19th June, 2015 for the purpose of obtaining approval for Purchaser I to become the substantial shareholder(s) (as defined under Schedule 1 to the SFO) of YGD Securities (HK) Limited under the SFO and Vendor I will make such application on or before 30th June, 2015;
- (6) the approval of Acquisition I by the board of directors of Purchaser I and the Board; and
- (7) the approval of Acquisition I by Purchaser I, the Company and the shareholders of the Company, if necessary.

As at the date of this announcement, save for conditions (3), (4), (5), (6) and (7) above, none of the above conditions has been fulfilled.

Completion

Completion will take place on the fifth business day after all the conditions precedent above have been satisfied or otherwise waived and in any case, should not be later than 31st December, 2015 or a later date agreed by parties of the YGD Agreement. If the conditions are not satisfied or waived by 31st December, 2015 (or such later date as agreed upon by Purchaser I and Vendor I), the YGD Agreement will be terminated.

Information on parties to Acquisition I

The Company

The Company is an investment holding company and its principal subsidiaries are engaged in trading of chemical materials, and provision of consultancy services and provision of insurance agency services in the PRC.

Purchaser I

China Seven Star Real Estate Operation Management Limited, being Purchaser I is a company incorporated in Hong Kong with limited liability. It is a wholly owned subsidiary of the Company.

Vendor I

YGD Finance Holdings Limited, being Vendor I is an investment holding company incorporated in British Virgin Islands with limited liability.

YGD Securities (HK) Limited

YGD Securities (HK) Limited is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of YGD Finance Holdings Limited. It is licensed to carry out type 1 regulated activity (dealing in securities) under the SFO. It has trading rights on the Stock Exchange and is a participant to the Central Clearing and Settlement System (CCASS) of the Stock Exchange.

The audited consolidated financial information of YGD Securities (HK) Limited for the period ended 31st December, 2013 and 31st December, 2014 respectively, which has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, are summarized as follows (for illustration purposes only):

	Period from 1st August, 2012 (date of incorporation) to 31st December, 2013 (HK\$)	Year ended 31st December, 2014 (HK\$)
Loss before taxation	408,187	7,253,691
Loss and total comprehensive loss for the year/period	408,187	7,253,691

Net assets of YGD Securities (HK) Limited as at 31st December, 2014 were HK\$8,338,122.

II. Acquisition II

Principal terms of the Yuan Agreement are set out below:

Date : 15th June, 2015

Parties to Acquisition II : China Seven Star Asset Management Limited, a wholly-owned subsidiary of the Company, as Purchaser II; and Mr. Yen Jong Ling, as Vendor II, an independent third party, who is the ultimate controlling shareholder of Yuan Asset Management Limited. Mr. Yen Jong Ling is not related to CMI or Other Investors.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Vendor II is a third party independent of the Company and its connected persons.

Equity shares to be acquired

Subject to the terms and conditions of the Yuan Agreement, Purchaser II agreed to acquire the entire equity interests in Yuan Asset Management Limited held by Vendor II as at 15th June, 2015. Upon the completion of the Yuan Agreement, Yuan Asset Management Limited will become a wholly-owned subsidiary of the Company.

Consideration

The total consideration for the acquisition of the entire equity interests in Yuan Asset Management Limited to Purchaser II is HK\$5,300,000. A deposit of HK\$1,500,000 (as part of the total consideration) has been made by Purchaser II after entering into the Yuan Agreement as at 15th June, 2015. The interim payment of HK\$1,500,000 shall be payable by Purchaser II after lodging the application for the proposed change in substantial shareholder of a licensed corporation to the SFC by Vendor II. The remaining payment of HK\$2,300,000 shall be payable by Purchaser II after obtaining the approval for the proposed change in substantial shareholder of a licensed corporation by the SFC, at the date of completion of the equity transfer.

As agreed between Vendor II and Purchaser II, Purchaser II has committed to pay any additional costs during the lodging period (which is expected to be 3 to 6 months) for the application for the proposed change in substantial shareholder of a licensed corporation to the SFC by Purchaser II under the Yuan Agreement. Purchaser II will pay the staff costs of Yuan Asset Management Limited, limited to HK\$112,000 per month. The rent and other expenses of Yuan Asset Management Limited will be shared equally between Purchaser II and Vendor II while such expenses shared by Purchaser II are limited to HK\$125,000 per month. The rental share arrangement shall commence from the date of the Yuan Agreement and end on the date when SFC approves the change of substantial shareholder, which is expected to be three to six months.

The consideration was agreed between Vendor II and Purchaser II after arm's length negotiations with reference to the licensed status of Yuan Asset Management Limited to carry out type 4 and type 9 regulated activities under the SFO. The Company will settle the consideration out of the Group's internal resources.

Conditions precedent

The completion of the Yuan Agreement is subject to the fulfilment or waiver (as the case may be) of, among other things, the following conditions precedent:

- (1) the approval of the change in substantial shareholder of a licensed corporation by SFC;
- (2) the approval of the Yuan Agreement by the board of directors of Purchaser II and the Board;
- (3) approval of the Yuan Agreement by Purchaser II, the Company and the shareholders of the Company, if necessary;
- (4) there having been no litigation, arbitration, investigation, notices, orders, judgments or claims on or involving Yuan Asset Management Limited or its directors or responsible officers which Purchaser II considers will have a material adverse effect on the business (including but not limited to the Type 4 and Type 9 regulated activities), financial position or operating performance;
- (5) the licences granted by the SFC to Yuan Asset Management Limited having not been suspended or revoked before the completion; and
- (6) Purchaser II being satisfied with the results of the legal, financial and operational due diligence review on Yuan Asset Management Limited.

As at the date of this announcement, save for conditions (2) and (3), none of the above conditions has been fulfilled or waived. If the above conditions have not been fully fulfilled, satisfied or waived on or before 1st December, 2015 (or such other date as may be agreed between the parties to the Yuan Agreement), Vendor II should immediately return all the amount paid and relevant costs incurred by Purchaser II to Purchaser II.

Vendor II's undertaking and guarantee

Vendor II has given certain undertakings under the Yuan Agreement, including but not limited to:

- (1) Vendor II commits and ensures that he is the only legal and actual owner of Yuan Asset Management Limited and undertakes to indemnify Purchaser II for all the liabilities caused by Vendor II to Yuan Asset Management Limited and Purchaser II;
- (2) the licences granted to Yuan Asset Management Limited by SFC continues to remain valid, and Yuan Asset Management Limited continues to comply with the corresponding rules and regulations; and

- (3) Vendor II undertakes to keep both of its two existing responsible officers (as defined in the SFO) at Yuan Asset Management Limited until completion.

Completion

The completion of the Yuan Agreement shall take place on or before 1st December, 2015 after all the conditions precedent are satisfied, or such other date as the parties may agree in writing. If the conditions are not satisfied or waived by 1st December, 2015 (or on a date otherwise agreed upon by Purchaser II and Vendor II by written consent), the Yuan Agreement will be terminated and Vendor II shall refund the amount paid by Purchaser II to Vendor II in accordance with the Yuan Agreement, and pay the expenses incurred by Purchaser II in connection with the purchase of the equity interests in Yuan Asset Management Limited.

Information on parties to Acquisition II

Purchaser II

China Seven Star Asset Management Limited, being Purchaser II is a company incorporated in Hong Kong with limited liability. It is a wholly-owned subsidiary of the Company.

Vendor II

Mr. Yen Jong Ling is the managing director of Yuan Asset Management Limited and directly owns 100% equity interest in Yuan Asset Management Limited.

Yuan Asset Management Limited

Yuan Asset Management Limited is an investment management firm licensed and regulated by the Securities and Futures Commission in Hong Kong to carry out type 4 regulated activity (advising on securities) and type 9 regulated activity (asset management) under the SFO.

The audited financial information of Yuan Asset Management Limited for the period ended 31st December, 2013 and for the year ended 31st December, 2014 respectively, which has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, are summarised as follows (for illustration purposes only):

	Period from 1st April 2013 to 31st December, 2013 (HK\$)	Year ended 31st December, 2014 (HK\$)
Loss before taxation	139,004	916,267
Loss and total comprehensive loss for the year/period	139,004	916,267

Net assets of Yuan Asset Management Limited as at 31st December, 2014 were HK\$1,276,526.

THE SHARE SUBSCRIPTION

Set out below are the major terms of the Subscription Agreement:

Date : 18th June, 2015

Parties : the Company
CMI
Other Investors (by way of Deed of Accessions)

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue 20,418,000,000 Subscription Shares to CMI and 5,898,000,000 Subscription Shares to Other Investors agreeable to both CMI and the Company at the Subscription Price of HK\$0.19 per Share. The net price of the Subscription Share after deduction of relevant expenses (including but not limited to the professional fees and disbursements) is approximately HK\$0.1898 per Share. CMI has the right to assign its rights to subscribe for the Subscription Shares to the Permitted CMI Assignee. As at the date of the announcement, CMI has assigned its rights, benefits and obligations under the Subscription Agreement to CMI Hong Kong, a fellow subsidiary of CMI engaged in investment holding, and is indirectly wholly-owned by China Minsheng Investment.

The following table sets out a summary of the allocation of the Subscription Shares

Name	Number of Subscription Shares	Shareholding percentage (at Closing assuming: (a) Closing under the Subscription Agreement take place; and (b) there is no change to the share capital of the Company other than the issue of the Subscription Shares)
CMI (<i>Note 1</i>)	20,418,000,000	70.91%
Other Investors		
— D. E. Shaw Composite	1,720,000,000	5.97%
— Union Sky	1,390,000,000	4.83%
— WIC LP	1,788,000,000	6.21%
— Mr. Xu	1,000,000,000	3.47%

Note 1: as at the date of the announcement CMI has assigned its rights, benefits and obligations under the Subscription Agreement to CMI Hong Kong.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, CMI and Other Investors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

As Mr. Shi Yuzhu, the ultimate beneficial owner of Union Sky, is a director of China Minsheng Investment which indirectly wholly-owns CMI, Union Sky is presumed to be a party acting in concert with CMI for the purpose of the Takeovers Code. Save for Union Sky being presumed to be a party acting in concert with CMI, none of CMI and the rest of Other Investors fall within the 9 classes of presumptions of acting in concert under the Takeovers Code.

Other than (i) Union Sky being presumed to be a party acting in concert with CMI, and (ii) Mr. Xu being the general partner of WIC LP there are no other relationships (past, present or contemplated), financial, business or otherwise amongst CMI and the Other Investors so far as Listing Rules and Takeovers Code are concerned.

Save for the terms of the Subscription Agreement, pursuant to which any Continuing Investor's (as defined under section headed "Termination" below) has the right to subscribe for the Subscription Shares (whether in full or in part) not subscribed for by the Defaulting Investor (as defined under section headed "Termination" below), there is no other understanding, agreements or arrangements between CMI and the Other Investors in relation to the voting rights of the Company (including their acquisition or disposal of the voting rights of the Company).

As (1) none of Other Investors is or will become a core connected person to the Company upon closing of the Share Subscription; (2) the subscriptions of the Subscription Shares by Other Investors are not financed directly or indirectly by CMI or any core connected person of the Company; and (3) none of the Other Investors is accustomed to take instructions from CMI or any core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his name or otherwise held by him, all of the Other Investors will be members of "the public" defined under Rule 8.24 of the Listing Rules upon closing of the Share Subscription.

Subscription Price

The Subscription Price represents:

- (i) a discount of approximately 89.89% to the closing price of HK\$1.88 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 87.66% to the average closing price per Share of HK\$1.54 for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 86.62% to the average closing price per Share of HK\$1.42 for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 83.76% to the average closing price per Share of HK\$1.17 for the last 30 consecutive trading days up to and including the Last Trading Day; and

- (v) approximately 111.73 times the audited consolidated net asset value per Share of approximately HK\$0.0017 as at 31st December, 2014.

The Subscription Price was arrived at after arm's length negotiations between the Company and CMI and Other Investors with reference to the liquidity and recent trading performance of the Shares, the financial conditions and the business outlook of the Group. The Directors (other than independent non-executive Directors who will give their opinion after considering the advice from the independent financial adviser) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Non-disposal undertaking

Each of CMI and Other Investors has undertaken to the Company that for a period of 6 months from the Closing Date, it will not and it will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein beneficially owned or held by it or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Company.

Conditions precedent in respect of the Share Subscription

The obligations of CMI and Other Investors to subscribe and pay for, and the obligations of the Company to issue, the Subscription Shares to CMI and Other Investors are subject to the fulfilment or waiver (as the case may be) of the following conditions:

1. Compliance at the Closing:
 - (i) the representations and warranties of the Company made in the Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date; and
 - (ii) the Company having performed all of its obligations and undertakings made under the Subscription Agreement to be performed on or before such date;
2. Listing: the Stock Exchange having given its approval for the listing and trading of the Subscription Shares and such approval not having been subsequently revoked, withdrawn or cancelled;
3. Material adverse change: up to the Closing, there shall not have occurred any change (nor any development or event involving a prospective change), which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of any of the Company or any other member of the Group;

4. No default: at the Closing, none of the Company or any other member of the Group is in breach of or in default (nor has any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement would result in a default by the Company or any other member of the Group) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound;
5. No restrictions or prohibitions: no order, judgment, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority to restrict or prohibit the transactions contemplated under the Subscription Agreement;
6. No proceedings: no proceedings having been initiated or threatened by third parties with any judicial or governmental authority in any jurisdiction to restrict or prohibit the transactions under the Subscription Agreement, declare the transaction contemplated herein illegal or seek for a remedy of a material nature;
7. Independent Shareholders' approval: the passing at an extraordinary general meeting of the Company of resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the granting of a specific mandate to the directors of the Company to allot and issue the Subscription Shares and the Whitewash Waiver pursuant to Note 1 to the Notes on dispensation from Rule 26 of the Takeovers Code waiving any obligation on CMI to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code upon subscription of the Subscription Shares;
8. Whitewash Waiver: the SFC having granted the Whitewash Waiver in favour of CMI and any conditions stipulated thereon having been fulfilled to the extent that such conditions are capable of being fulfilled before Closing;
9. Other consents: there shall have been delivered to CMI and Other Investors copies of all consents and approvals required under agreements to which any member of the Group is a party on the part of the Company in relation to the issue of the Subscription Shares and all the transactions contemplated under the Subscription Agreement or a written confirmation signed by a director of the Company that none is required, in each case in form and substance reasonably satisfactory to CMI and Other Investors (including, without limitation, approval by the Company's board of directors, shareholders and any relevant governmental or regulatory authorities);
10. Legal opinions: there having been delivered to CMI and Other Investors opinions, in form and substance reasonably satisfactory to CMI and Other Investors, dated the date of the Closing of, Hong Kong legal counsel of the Company, to be agreed by the parties as to the law of Hong Kong;
11. Director's closing certificate: A director or the chief executive director of the Company having delivered a written confirmation in the form as set out in the Subscription Agreement on or before the Closing;

12. Necessary approval from regulatory bodies: on or prior to the Closing, there shall have been delivered to CMI and Other Investors copies of all necessary consents and approvals from competent regulatory bodies and other governmental agencies and for the transaction contemplated in the Subscription Agreement or a written confirmation signed by a director of the Company that none is required;
13. Licenses: The licences issued by the SFC under the SFO to the Targets remaining valid and effective, and no additional conditions, restrictions or suspension have been imposed on any of such licences or any of the approved regulated activities approved to be conducted by the Targets;
14. The acquisition: Yuan Agreement and YGD Agreement having become unconditional in all respects and, if required by the Listing Rules, the shareholders of the Company having approved at an extraordinary general meeting or, if permitted by the Listing Rules, by way of a written resolution or certificate, the agreements and the transactions contemplated thereunder;
15. Satisfactory due diligence: CMI having completed and, in its sole discretion, been satisfied with the results and findings of due diligence investigations over the business, financial, liabilities, legal and other aspects of the Company, its subsidiaries and the Targets;
16. Name change: the passing at an extraordinary general meeting of the Company of a special resolution approving the change of the Company's name to such name as notified by CMI to the Company in writing and the Register of the Companies of Hong Kong having issued a certificate of change of name to the Company reflecting the above change of name;
17. SFC approval: The SFC having granted its approval for CMI which will be regarded as substantial shareholder(s) (as defined under Schedule 1 to the SFO) as a result of the transactions contemplated hereunder to become a substantial shareholder (as defined in the SFO) of the Targets under section 132 of the SFO; and
18. NDRC filing: CMI, the Permitted CMI Assignee and/or their respective controlling shareholder having made the necessary filing with (or obtained the necessary approval form) the National Development and Reform Commission of The People's Republic of China in relation to the entering by CMI of this Subscription Agreement and the consummation by CMI of the transactions contemplated hereunder.

Pursuant to the Subscription Agreement, where any provision requires or contemplates the giving of notice, consent or waiver by CMI and Other Investors, CMI and Other Investors authorise and agree that CMI shall be given the full authority to, at its own and sole discretion, to give such notice, consent or waiver as it deems fit for itself and on behalf of each of the other Investors. Therefore, CMI may, at its sole discretion and upon such terms as it thinks fit, for itself or on behalf of all Other Investors waive compliance with the whole or any part of the 18 points as stipulated above under "Conditions precedent in respect of the Share Subscription" (other than those in conditions 2, 7, 17 and 18 are not waivable).

If the conditions set out in “Conditions precedent in respect of the Share Subscription” have not been satisfied (or waived where permitted) by 31st December, 2015 or such other time as the parties may otherwise agree, the obligations of CMI and the Other Investors to subscribe for, and the Company to allot and issue, the Subscription Shares under the Subscription Agreement shall become null and void save for any antecedent breaches by any party.

In the event that CMI waives condition 8 above in respect of the Whitewash Waiver and elect to proceed with the transactions contemplated under the Subscription Agreement, CMI will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code. Accordingly the offer period as defined under the Takeovers Code has commenced.

In respect of condition 12 above, so far as the Company is aware of, the only necessary consents and approvals required are that from the SFC regarding the Whitewash Waiver (as set out in point 8 above) and that from the Stock Exchange for its approval for the listing and trading of the Subscription Shares (as set out in condition 2 above).

Completion

Closing will take place at 10:00 a.m. (Hong Kong time) (or such other time as may be agreed by the Company, CMI and Other Investors) on the third business day after the closing conditions of the Share Subscription (as stipulated above) have all been satisfied (or, where applicable, waived by CMI (for itself or on behalf of all of the Other Investors)) and subject to the purchase of all of the issued shares of the Targets under the YGD Agreement and the Yuan Agreement having been completed or completing of the same time, the Company will issue the Subscription Shares to CMI and Other Investors and/or any of its affiliates nominated (prior notification be given to the Company) by it.

Resignation and appointment of directors

Pursuant to the Subscription Agreement, CMI has the right to ask for up to six of the current Directors to resign as a director with effect from Closing or such earliest time permitted under the Takeovers Code (or pursuant to any prior consent) by the Executive. CMI also has the right to require that eight new Directors nominated by it be appointed to the Board with effect from Closing if so elected in accordance with the Company’s articles of association. The Company will make further announcements pursuant to Rule 13.51(2) of the Listing Rules to provide further details about changes to the Directors.

Termination

The obligations of CMI and Other Investors to subscribe for the Subscription Shares and all other obligations under the Subscription Agreement shall be several (and not joint and several). In the event where any of CMI and Other Investors (the “Defaulting Investor”) fails to complete the subscription of the Subscription Shares, the other non-defaulting investors (the “Continuing Investors”) shall have the right to: (i) defer Closing by no longer than seven business days; (ii) terminate the Subscription Agreement or; (iii) continue to complete the subscription of the Subscription Shares for which they have agreed to subscribe under the Subscription Agreement and, as a further right and only if so elected, to also subscribe for the Subscription Shares (whether in full or in part) not subscribed for by the

Defaulting Investor. In the case where the Continuing Investors have elected (iii) above, the Company shall be obliged to issue such Subscription Shares to the Continuing Investors at Closing. Any of such Closing or termination of the Subscription Agreement shall be without prejudice to the rights the Company and/or the Continuing Investors have against the Defaulting Investor.

Ranking of the Subscription Share

The Subscription Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under a specific mandate to be approved by the Independent Shareholders by an ordinary resolution at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION ON CMI AND OTHER INVESTORS

CMI and CMI Hong Kong

CMI is the company that entered into the Subscription Agreement and is an indirectly wholly-owned subsidiary of China Minsheng Investment. As at the date of the announcement CMI has assigned its rights, benefits and obligations under the Subscription Agreement to its fellow subsidiary CMI Hong Kong which is indirectly wholly-owned by China Minsheng Investment. CMI and CMI Hong Kong are managed by CMI Capital, the financial division of China Minsheng Investment. The investment mandate of CMI Capital focuses on investment in the financial sectors, covering traditional financial institutions and innovative internet based financial companies both in the PRC and internationally.

China Minsheng Investment is a large private investment company organised by The All-China Federation of Industry and Commerce in China and was launched by 59 well-known private enterprises throughout China. The shareholders of China Minsheng Investment are all large scale private enterprises, some of which are among China's top 500 companies. The business scope of the shareholders of China Minsheng Investment involves a variety of industries such as machinery manufacturing, metallurgy, information technology, asset management, garment, biological pharmacy, environmental protection, new energy, culture and media, commerce and trade, electric power, home appliances stores, e-commerce, real estate and so forth. As at the date of this announcement, no single shareholder of China Minsheng Investment holds more than 4% of the voting rights or equity contributed in China Minsheng Investment.

China Minsheng Investment was established and registered in Shanghai in May 2014, with a registered capital of RMB50 billion. It is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting. China

Minsheng Investment's strategy is to fully utilise its competitive strengths in terms of national brand, integration of resources, financial strength, comprehensive operations, management output and other competitive advantages in the implementation of its strategic integration in key target industries, with the objective to create a strategic and sustainable business model. China Minsheng Investment will, through capital investment and leverage, and featured by business consolidation and the full range of financial licenses, apply its resources and efforts in developing distinctive business portfolios and key segments. In terms of the specific implementation path, China Minsheng Investment, relying on industrial integration, industrial strategic investment, mixed investment, establishment of full financial licenses platform and exploration of overseas investment market, will actively carry out the relevant business activities.

The directors of CMI, the directors of China Minsheng Investment as well as those shareholders of China Minsheng Investment whose ultimate beneficial owners are directors of CMI or directors of China Minsheng Investment are considered to be parties acting in concert with CMI.

D. E. Shaw Composite

D. E. Shaw Composite is an investment vehicle managed by an entity within the D.E. Shaw group, a global investment and technology development firm with more than US\$36 billion in investment capital as of 1st April, 2015, and offices in North America, Europe, and Asia.

Mr. Xu and WIC LP

Mr. Xu Xiang is the general manager of Shanghai Zexi Investment Management Company Limited (上海澤熙投資管理有限公司) and has rich experience in fund management. Shanghai Zexi Investment Management Company Limited is a reputable PRC fund management company based in Shanghai. WIC LP is a limited partnership established under the laws of the PRC. It is managed by its general partner Mr. Xu.

Union Sky

Union Sky is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Shi. Mr. Shi is a reputable investor in PRC who has rich experience in the internet and finance industry. Mr. Shi is the founder of Giant Interactive Group Inc., a leading online game developer and operator in the PRC and his recent investments in the financial service industry include his investment in Haitong Securities Company Limited (stock code: 6837-HK), and as at the date of this announcement, Mr. Shi is interested in approximately 7.27% of the issued share capital of Haitong Securities Company Limited. Mr. Shi is a director and vice chairman of China Minsheng Investment.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS AND THE SHARE SUBSCRIPTION

The Company is engaged in trading of chemical materials, provision of consultancy services and provision of insurance agency services in the PRC. In the past, the Company had invested into various businesses such as advertising agency business, sale of kitchenware products and chemical materials business. Upon the expiry of the exclusive agency rights

relating to the advertising agency business of the Group on 31st December, 2012, the Group ceased its advertising agency business in the second half of 2013 in view of the keen competition for selling of advertising air time.

The Group also ceased its sales and distribution business in 2014 as a result of the deteriorating market condition since the end of 2013 to reduce operational costs and investment losses. Amongst the three segments of business maintained by the Group as at the end of 2014, only the chemical materials business generated minimal segmental profit for the year ended 31st December, 2014.

The Company has been actively exploring new investments and business opportunities and the Directors have recently considered the real estate business and solar power business as possible avenues for expansion. However, upon a further comprehensive review on the overall risk profile of both business sectors, the Directors had decided to adopt a wait-and-see approach in 2015 in respect of commencing these lines of business.

The Directors have also been reviewing the market conditions of the financial services sector and related businesses and are of the view that such sectors and businesses are expected to have very positive potential and bring long-term benefits to the Group. The Company has therefore decided to expand into the financial services sector and related businesses, and currently plans to focus on such sectors and businesses as a core business segment of the Group.

Given the Company's plan to expand into financial services sector and related businesses it has entered into the YGD Agreement and Yuan Agreement. Under the YGD Agreement, the Group will acquire 100% of the issued shares of YGD Securities (HK) Limited. The core business of YGD Securities (HK) Limited comprises of securities brokerage and dealing, and it is also the holder of a Type 1 licence issued by the SFC under the SFO. Under the Yuan Agreement, the Group will acquire 100% of the issued shares of Yuan Asset Management Limited. The core businesses of Yuan Asset Management Limited comprise of asset management and research, and it is also the holder of Type 4 and 9 licences issued by the SFC under the SFO.

The Group plans to use both YGD Securities (HK) Limited and Yuan Asset Management Limited as its initial platforms in establishing its financial services and related businesses. The intention is in due course to develop the Group to become an integrated security house offering sales and trading, corporate finance, discretionary and non-discretionary asset management, securities margin financing, principal investment with a focus on financial services and extending loan finance to suitable business using the Group's license under the Money Lenders Ordinance of Hong Kong.

In an effort to further implement this strategy, the Directors believe that it would create business synergies if the Company were to introduce prominent and reputable strategic investors who would be able to work with the Company to enhance its professional expertise in the financial services sector, to develop the pipeline of business opportunities in financial services sector and to accelerate the formation of a comprehensive financial services platform by way of identifying, evaluating and acquiring established financial institutions in Hong Kong and overseas.

The Directors have considered:

- (a) the background, industry expertise and management experience of CMI;
- (b) the benefits including strategic value and management expertise in areas such as asset management, principal investment, internet and finance industries that the Other Investors could bring to the Group in the future; and
- (c) the significant strengthening of the Company's financial position as a result of the Share Subscription.

The Directors are of the view that the Company will be able to exploit businesses and investment opportunities upon completion of the Acquisitions and Share Subscription and with the benefit of the experience of CMI and the Other Investors, the Group will be in a better position to assess and evaluate the commercial viability of the business opportunities, to source and identify new business development and diversification opportunities, and to capture and undertake those opportunities.

The Company has considered other fund raising methods such as rights issue or open offer, and debt financing and considered that the Share Subscription is preferable for the following reasons:

- (a) it would be difficult for financial institutions to provide facility up to such a substantial amount to the Group as proposed under the Share Subscription and debt financing would inevitably increase the financial costs of the Group; and
- (b) a pre-emptive issue such as rights issue or open offer would not be able to bring in strategic investors as Shareholders, particularly investors with the background and professional expertise, such as CMI and the Other Investors.

Having considered the past business and financial performance of the Group and the importance of the licensed status that the Group could achieve through the Acquisitions in implementing the strategy described above, the Directors are of the view that the terms of YGD Agreement and Yuan Agreement are fair and reasonable and in the interest of Shareholders as whole.

Having considered the reasons and benefits and the alternative choices of fund raising methods above, the Directors consider that despite the dilution effect and the substantial discount of the Subscription Price to the closing price of Shares on the Last Trading Day but taking into account the multiple that the Subscription Price represents to the latest published net asset value per share, it is fair and reasonable to proceed with the Share Subscription and the Directors (excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the independent financial adviser) consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Share Subscription would amount to HK\$5,000,040,000. The net proceeds after deduction of relevant expenses (including but not limited to the professional fees and disbursements) of approximately HK\$4,995,300,000, are intended to be employed in the following manner:

- (1) 20% or approximately HK\$1 billion of the proceeds will be used for expanding and reserving capital for the securities broking business of the Group conducting under the license for carrying out Type 1 regulated activity of dealing in securities under the SFO held under the Targets immediately upon Closing. It is expected that these funds will be utilised as follows:
 - a. immediately upon Closing, approximately HK\$550 million will be allocated to securities margin financing business which will provide funding on a secured basis for clients to acquire listed securities;
 - b. immediately upon Closing, approximately HK\$300 million will be allocated for sales and trading. As it is proposed that the majority of clients of the Company would be institutional clients, such funds will be allocated to facilitate the dealing and settlement requirements of such institutional clients;
 - c. approximately HK\$40 million for building up IT systems, including trading system;
 - d. approximately HK\$70 million for recruitment of traders, sales personnel, and researchers. The recruitment process will commence as soon as practicable and prior to the Closing; and
 - e. approximately HK\$40 million for the rental and refurbishment of the office. The process will commence as soon as practicable and prior to the Closing;
- (2) 5% or approximately HK\$250 million of the proceeds will be used for developing the group's capability of extending loan finance to suitable businesses pursuant to its license under the Money Lending Ordinance of Hong Kong. This fund will be set-aside for the money lending business immediately upon Closing;
- (3) 2.5% or approximately HK\$125 million of the proceeds will be used for expanding the asset management businesses of the Targets which are currently limited in size and funds available to invest, with a view to transforming them into a local and regional prominent asset management platform within the first year from Closing of the Share Subscription;
- (4) 2.5% or approximately HK\$125 million of the proceeds will be used for expanding other lines of investment banking business by obtaining licences from the SFC for other regulated activities under the SFO such as Type 6 regulated activity of advising on corporate finance within the first year from the Closing of the Share Subscription;
- (5) 30% to 40% or approximately HK\$1.5 billion to HK\$2 billion of the proceeds will be used for as part of the Group's plans to establish further its financial services and other related businesses, making strategic investments in and, or acquisitions of other

established financial institutions both in Hong Kong and overseas covering internet finance, leasing, insurance, private banking and internet technologies and platforms. The intention is for the Group to accelerate the formation of a comprehensive financial services platform in three years from Closing of the Share Subscription;

- (6) 15% to 25% or approximately HK\$750 million to HK\$1.25 billion of the proceeds will be used for, as part of the Group's establishment of a principal investment business, making investments in the financial and non-financial industries, such as investing in listed companies' securities through participating in placings of high quality listed companies in Hong Kong and other countries and regions; and
- (7) 15% or approximately HK\$750 million of the proceeds will be used as general working capital of the Group, including the recruitment of personnel to expand the managerial and operational headcount of the Group, marketing and brand promotion.

FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save as disclosed below, the Company did not undertake any fund raising exercise in the past 12 months immediately prior to the date of this announcement.

Date of Announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
29th April, 2015	Placing of new Shares and subscription of new Shares	HK\$48.5 million	Acquisition of 10% equity interests in a company principally engaged in the real estate business in the PRC and the remaining balance applied to develop a solar power business	Yet to be applied
28th July, 2014	Top-up placing of 110,000,000 Shares	HK\$18.1 million	For general working capital of the Group	Approximately HK\$8.1 million was used as general working capital of the Group. The remaining proceeds are deposited in bank

CHANGE IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 2,479,531,250 Shares in issue, other than the 1,428,000 outstanding share options granted under the share option scheme of the Company approved on 28th May, 2004 and 131,760,000 outstanding share options granted under the share option scheme of the Company approved on 9th December, 2013, the Company does not have any other outstanding convertible securities, options warrants or other derivatives in issue which are convertible or exchangeable into Shares.

The shareholding structure of the Company as at the date of this announcement and after the completion of the Share Subscription, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, are as follows:

	Existing number of issued Shares	Existing shareholding (%)	Number of new Subscription Shares	As a percentage of existing issued number of Shares	Enlarged issued number of Shares on completion	As a percentage of enlarged issued number of Shares
Existing Shareholders						
Ni Xinguang (<i>Note</i>)	462,072,000	18.63%	—	0.00%	462,072,000	1.61%
Ye Zhu Ying	231,497,650	9.34%	—	0.00%	231,497,650	0.80%
Other public Shareholders	<u>1,785,961,600</u>	<u>72.03%</u>	<u>—</u>	<u>0.00%</u>	<u>1,785,961,600</u>	<u>6.20%</u>
Subtotal — existing Shareholders	2,479,531,250	100.00%	—	0.00%	2,479,531,250	8.61%
Subscribers						
<i>The Concert Group</i>						
— CMI	—	—	20,418,000,000	823.46%	20,418,000,000	70.91%
— Union Sky	<u>—</u>	<u>—</u>	<u>1,390,000,000</u>	<u>56.06%</u>	<u>1,390,000,000</u>	<u>4.83%</u>
Subtotal — the Concert Group	—	—	21,808,000,000	879.52%	21,808,000,000	75.74%
<i>Other subscribers</i>						
— D.E. Shaw Composite	—	—	1,720,000,000	69.37%	1,720,000,000	5.97%
— WIC LP	—	—	1,788,000,000	72.11%	1,788,000,000	6.21%
— Mr. Xu	<u>—</u>	<u>—</u>	<u>1,000,000,000</u>	<u>40.33%</u>	<u>1,000,000,000</u>	<u>3.47%</u>
Subtotal — other subscribers	<u>—</u>	<u>—</u>	<u>4,508,000,000</u>	<u>181.81%</u>	<u>4,508,000,000</u>	<u>15.65%</u>
Total	<u>2,479,531,250</u>	<u>100.00%</u>	<u>26,316,000,000</u>	<u>1,061.33%</u>	<u>28,795,531,250</u>	<u>100.00%</u>

Note: Mr. Ni Xinguang has personal interest of 46,068,000 Shares and owns 416,004,000 Shares through Group First Limited, his wholly owned company.

APPLICATION FOR THE WHITEWASH WAIVER

Immediately after Closing, the Concert Group will be interested in approximately 75.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). Under Rule 26.1 of the Takeovers Code, the Concert Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it unless the Whitewash Waiver is obtained from the Executive. In this regard, the Concert Group will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of a poll. The Whitewash Waiver is a condition precedent to the closing of the Subscription Agreement which can be waived at the discretion of CMI (for itself or on behalf of all Other Investors) and in the event that CMI waives such condition precedent and elect to proceed with the transactions

contemplated under the Subscription Agreement, CMI will comply with all the relevant requirements under the Takeovers Code, including but not limited to, the making of a general offer under Rule 26.1 of the Takeovers Code.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of the announcement:

1. none of the members of the Concert Group holds any convertible securities, warrants or options of the Company;
2. none of the members of the Concert Group has entered into outstanding derivative in respect of securities in the Company;
3. none of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months prior to the date of the Subscription Agreement and up to and including the date of this announcement;
4. there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which may be material to the Share Subscription or the Whitewash Waiver;
5. there is no arrangement or agreement to which any member of the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Share Subscription or the Whitewash Waiver; and
6. there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Concert Group has borrowed or lent.

The grant and approval of the Whitewash Waiver is condition precedent to the completion of the Subscription Agreement. In the case where the Subscription Agreement is approved by the Independent Shareholders in the EGM but the Whitewash Waiver is not granted or not approved by the Independent Shareholders, CMI reserves its right as to whether or not to waive such condition. If CMI waives such condition, it will comply with the provisions of the Takeovers Code to make a general offer under Rule 26.1 of the Takeovers Code.

GENERAL

The Independent Board Committee comprising all the independent non-executive directors of the Company will be established to advise the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment. None of the members of the Independent Board Committee has any material interest in the Share Subscription.

A circular containing, among other things, details of the Share Subscription and the Whitewash Waiver, together with the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the

Share Subscription and the Whitewash Waiver and the notice of the EGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Listing Rules and the Takeovers Code.

The voting in relation to the Share Subscription and the Whitewash Waiver at the EGM will be conducted by way of a poll. For the purpose of the Share Subscription and the issue of Subscription Shares and the Whitewash Waiver, Shareholders who have a material interest or who are interested or involved in the Share Subscription and the Whitewash Waiver and their respective associates and parties acting in concert with each of them shall abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Share Subscription and the Whitewash Waiver.

Group First Limited (which is wholly owned by Mr. Ni Xinguang, an executive Director, who was involved in the negotiation of the Subscription for and on behalf of the Company) and Mr. Ni Xinguang together holding approximately 18.63% of the issued share capital of the Company as at the date of this announcement will abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Share Subscription and the Whitewash Waiver. Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions relating to the Share Subscription and the Whitewash Waiver.

The Concert Group did not hold any Shares as at the date of this announcement and, accordingly, will not be entitled to vote on any of the resolutions at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on Friday, 12th June, 2015, pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:00 a.m. on 28th August, 2015.

WARNING

The Acquisitions are subject to a number of conditions precedent and may or may not become unconditional or be completed. The completion of the Acquisitions is not conditional upon the closing of the Share Subscription. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

Shareholders and potential investors of the Company should also be aware that completion of the Share Subscription is subject to certain conditions precedent, including but not limited to, the completion of the Acquisitions, being satisfied, and consequently the Share Subscription may or may not proceed. Accordingly, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition I”	the acquisition by China Seven Star Real Estate Operation Management Limited (a wholly-owned subsidiary of the Company) of the 100% equity interest of YGD Securities (HK) Limited
“Acquisition II”	the acquisition by China Seven Star Asset Management Limited (a wholly-owned subsidiary of the Company) of 100% equity interest of Yuan Asset Management Limited
“Acquisitions”	collectively Acquisition I and Acquisition II
“Board”	board of the Directors
“China Minsheng Investment”	China Minsheng Investment Corporation Limited* (中國民生投資股份有限公司), a joint stock limited company incorporated in the PRC with limited liability which wholly owns CMI and CMI Hong Kong
“Closing”	closing of the Subscription Agreement which will take place on the Closing Date
“Closing Date”	10:00 a.m. (Hong Kong time) (or such other time as may be agreed by the Company, CMI and Other Investors) on the third business day after the closing conditions of the Share Subscription have all been satisfied (or, where applicable, waived by CMI (for itself or on behalf of all of the Other Investors)) and subject to the purchase of all of the issued shares of the Targets under the YGD Agreement and the Yuan Agreement having been completed or completing of the same time
“CMI”	CMI Financial Holding Corporation, a company incorporated in the British Virgin Islands with limited liability and the Permitted CMI Assignee
“CMI Capital”	CMI Capital Company Limited* (中民投資本管理有限公司), a company incorporated in PRC with limited liability and is a wholly-owned subsidiary of China Minsheng Investment
“CMI Hong Kong”	CMI Financial Holding Company Limited, a company incorporated in Hong Kong with limited liability and is a fellow subsidiary of CMI and is a wholly owned subsidiary of China Minsheng Investment

“Company”	China Seven Star Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Concert Group”	CMI and parties acting in concert with it including but not limited to Union Sky
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Accessions”	the deed of accession entered into amongst the Company, CMI and D. E. Shaw Composite on 23rd June, 2015; the deed of accession entered into amongst the Company, CMI and Union Sky on 23rd June, 2015; the deed of accession entered into amongst the Company, CMI and WIC LP on 23rd June, 2015; and the deed of accession entered into amongst the Company, CMI and Mr. Xu on 23rd June, 2015
“D. E. Shaw Composite”	D. E. Shaw Composite Portfolios, L.L.C., a limited liability company established in Delaware
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Share Subscription and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be established by the Board to advise the Independent Shareholders in respect of the Share Subscription and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than those who have a material interest in or those who are interested or involved in the Share Subscription and the Whitewash Waiver (including Group First Limited and Mr. Ni Xinguang)
“Last Trading Day”	12th June, 2015, being the last trading of the Shares immediately prior to the date of this announcement on which trading in Shares was halted at 1:00 p.m. on 12th June, 2015
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange

“Mr. Shi”	Mr. Shi Yuzhu
“Mr. Xu”	Mr. Xu Xiang
“Other Investors”	D. E. Shaw Composite, Union Sky, WIC LP and Mr. Xu
“Permitted CMI Assignee”	designated subsidiaries or fellow subsidiaries of CMI in written notice to subscribe and pay for the Subscription Shares instead of CMI and to assign CMI’s rights, benefits and obligations. As at the date of this announcement, CMI has assigned its rights, benefits and obligations under the Subscription Agreement to CMI Hong Kong and, accordingly, CMI Hong Kong is the Permitted CMI Assignee
“PRC”	the People’s Republic of China
“Purchaser I”	China Seven Star Real Estate Operation Management Limited, a company incorporated in Hong Kong with limited liability
“Purchaser II”	China Seven Star Asset Management Limited, a company incorporated in Hong Kong with limited liability
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance under Cap. 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares of the Company
“Share Subscription”	the subscription for the Subscription Shares by CMI and Other Investors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 18th of June, 2015, between the Company, CMI and Other Investors (by way of the Deed of Accessions), relating to the subscription of 26,316,000,000 ordinary shares of the Company
“Subscription Shares”	26,316,000,000 new Shares, in aggregate, to be subscribed by CMI and Other Investors, and each a Subscription Share
“Takeovers Code”	the Codes on Takeovers and Mergers issued by the SFC as amended from time to time
“Targets”	Yuan Asset Management Limited and YGD Securities (HK) Limited

“Union Sky”	Union Sky Holding Group Limited, a company incorporated in British Virgin Islands with limited liability
“Vendor I”	YGD Finance Holdings Limited, a company incorporated in British Virgin Islands with limited liability
“Vendor II”	Mr. Yen Jong Ling
“Whitewash Waiver”	means a waiver from the Executive pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of CMI to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Concert Group which would, if the Share Subscription proceeds, otherwise arise as a result of the issue of the Share Subscription Shares to the Concert Group upon Closing
“WIC LP”	Wangzaixingjun Investment Center (Limited Partnership)* (萬載星筠投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 14th January, 2015 and is principally engaged in the asset management, investment management and investment consultation business in the PRC
“YGD Agreement”	The sales and purchase agreement dated 14th June, 2015 made between China Seven Star Real Estate Operation Management Limited and YGD Finance Holdings Limited in relation to Acquisition I
“Yuan Agreement”	the equity transfer agreement dated 15th June, 2015 made between Mr. Yen Jong Ling and China Seven Star Asset Management Limited in relation to Acquisition II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board
China Seven Star Holdings Limited
Ni Xinguang
Chairman and Executive Director

Hong Kong, 27th August, 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. Lyu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang as independent non-executive Directors.

This announcement is made by the order of the Board. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

** For identification purposes only*