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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)

### INTERIM RESULTS

#### FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board (the “**Board**”) of Directors (the “**Directors**”) of China Seven Star Holdings Limited (the “**Company**”) announces the unaudited interim financial results of the Company and its subsidiaries (hereinafter together referred as the “**Group**”) for the six months ended 30 June 2015 together with the comparative figures of the corresponding period in 2014, as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		<b>Six months ended</b>	
		<b>30/6/2015</b>	<b>30/6/2014</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	3	<b>139,036</b>	29,954
Cost of sales and services		<u><b>(137,648)</b></u>	<u>(29,596)</u>
<b>Gross profit</b>		<b>1,388</b>	358
Other income		<b>370</b>	1,231
Administrative expenses		<b>(13,026)</b>	(11,066)
Other operating expenses		<u><b>(957)</b></u>	<u>(9,258)</u>
<b>Loss before tax</b>		<b>(12,225)</b>	(18,735)
Income tax expense	4	<u><b>–</b></u>	<u>(24)</u>
<b>Loss for the period</b>	5	<u><b>(12,225)</b></u>	<u>(18,759)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(8,671)</b>	(10,860)
Non-controlling interests		<u><b>(3,554)</b></u>	<u>(7,899)</u>
		<u><b>(12,225)</b></u>	<u>(18,759)</u>
<b>Loss per share</b>	7		
Basic		<u><b>HK(0.37) cent</b></u>	<u>HK(0.49) cent</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2015*

	<b>Six months ended</b>	
	<b>30/6/2015</b>	30/6/2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Loss for the period</b>	<u>(12,225)</u>	<u>(18,759)</u>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(5)</u>	<u>394</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>(5)</u>	<u>394</u>
<b>Total comprehensive income for the period</b>	<u><u>(12,230)</u></u>	<u><u>(18,365)</u></u>
<b>Attributable to:</b>		
Owners of the Company	<u>(8,664)</u>	<u>(16,399)</u>
Non-controlling interests	<u>(3,566)</u>	<u>(1,966)</u>
	<u><u>(12,230)</u></u>	<u><u>(18,365)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	<i>Note</i>	<b>30/6/2015</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2014 (audited) HK\$'000
<b>Non-current assets</b>			
Fixed assets		847	933
Available-for-sale financial assets		208	208
		<b>1,055</b>	1,141
<b>Current assets</b>			
Trade receivables	8	79	–
Other receivables, prepayments and deposits		16,328	9,173
Pledged bank deposits		312	312
Bank and cash balances		72,580	29,567
		<b>89,299</b>	39,052
<b>Current liabilities</b>			
Trade payables	9	19,675	20,603
Other payables and accruals		26,597	15,637
Current tax liabilities		44	125
		<b>46,316</b>	36,365
<b>Net current assets</b>		<b>42,983</b>	2,687
<b>NET ASSETS</b>		<b>44,038</b>	3,828
<b>Capital and reserves</b>			
Share capital	10	626,557	574,117
Other reserves		797,788	797,895
Accumulated losses		(1,127,918)	(1,119,361)
Equity attributable to owners of the Company		<b>296,427</b>	252,651
Non-controlling interests		(252,389)	(248,823)
<b>TOTAL EQUITY</b>		<b>44,038</b>	3,828

## NOTES

### 1. Basis of preparation

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These unaudited condensed financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2014.

The financial information relating to the year ended 31 December 2014 that is included in these unaudited condensed financial statements for the six months ended 30 June 2015 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

- (a) The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).
- (b) The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

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

During the period under review, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 3. Segment information

During the period under review, as the People's Republic of China (the "PRC") retail and distribution 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 other operating segment includes the consultancy service business. This segment does not meet any of the quantitative thresholds for determining reportable segment. The information of this operating segment is included in the "other" column.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable segment assets and liabilities have not been presented in these condensed financial statements.

	<b>Insurance agency (unaudited) HK\$'000</b>	<b>Trading of chemical materials (unaudited) HK\$'000</b>	<b>Other (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>	
<b>Six months ended 30 June 2015</b>					
Revenue from external customers	3,998	135,038	–	139,036	
Segment profit/(loss)	<u>(291)</u>	<u>1,233</u>	<u>–</u>	<u>942</u>	
	Insurance agency (unaudited) HK\$'000	Trading of chemical materials (unaudited) HK\$'000	PRC retail and distribution (unaudited) HK\$'000	Other (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Six months ended 30 June 2014</b>					
Revenue from external customers	5,789	24,165	–	–	29,954
Segment profit/(loss)	<u>130</u>	<u>225</u>	<u>(9,096)</u>	<u>–</u>	<u>(8,741)</u>
	<b>Six months ended</b>				
	<b>30/6/2015</b>				<b>30/6/2014</b>
	<b>(unaudited)</b>				<b>(unaudited)</b>
	<b>HK\$'000</b>				<b>HK\$'000</b>

#### Reconciliation of segment profit or loss:

Total profit or loss of reportable segments	942	(8,741)
Unallocated corporate income	328	948
Unallocated corporate expenses	<u>(13,495)</u>	<u>(10,942)</u>
Loss before tax	<u>(12,225)</u>	<u>(18,735)</u>

#### 4. Income tax expense

	Six months ended	
	30/6/2015	30/6/2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
PRC tax		
– underprovision in prior years	–	24

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period under review (six months ended 30 June 2014: HK\$Nil).

The provision for PRC Enterprise Income Tax has been provided at the statutory tax rate of 25% (six months ended 30 June 2014: 25%) on the assessable profits of the Company's PRC subsidiaries.

No provision for deferred taxation has been made for both periods ended 30 June 2014 and 2015 as the tax effect of all temporary differences is not material.

#### 5. Loss for the period

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

	Six months ended	
	30/6/2015	30/6/2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Allowance for other receivables	–	369
Allowance for trade receivables	–	1,169
Allowance for inventories	–	649
Amortisation of insurance agency licence	–	52
Cost of inventories sold	133,788	23,940
Depreciation	109	795
Directors' emoluments	940	1,442
Exchange losses, net	42	133
Gain on disposals of fixed assets	(85)	–
Impairment loss on prepayments and deposits	–	366
Interest income	(147)	(377)
Inventories written off	–	6,519

#### 6. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$Nil).

## 7. 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 period attributable to owners of the Company of approximately HK\$8,671,000 (six months ended 30 June 2014: HK\$10,860,000) and the weighted average number of ordinary shares of 2,340,649,000 (six months ended 30 June 2014: 2,198,331,000) in issue during the period under review.

### *Diluted loss per share*

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2015. No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2014.

## 8. Trade receivables

The general credit terms of insurance agency services 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:

	<b>30/6/2015</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2014 (audited) HK\$'000
0–90 days	<u>79</u>	<u>–</u>

## 9. Trade payables

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:

	<b>30/6/2015</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2014 (audited) HK\$'000
0–90 days	32	781
91–180 days	1	68
181–365 days	1	61
Over 365 days	<u>19,641</u>	<u>19,693</u>
	<u><b>19,675</b></u>	<u><b>20,603</b></u>

## 10. Share capital

	<i>Note</i>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Ordinary shares, issued and fully paid:			
At 1 January 2014		2,198,331	21,983
Transition to no-par value regime on 3 March 2014	<i>(a)</i>	–	533,936
Issue of shares on placement and subscription	<i>(b)</i>	110,000	18,198
At 31 December 2014 and 1 January 2015 (audited)		2,308,331	574,117
Issue of shares on placement and subscription	<i>(c)</i>	83,360	48,707
Issue of shares under share option scheme	<i>(d)</i>	21,960	3,733
At 30 June 2015 (unaudited)		2,413,651	626,557

### *Notes:*

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Chapter 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.
- (b) On 28 July 2014, the Company, Group First Limited (“**Group First**”, a substantial shareholder of the Company) and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six places to purchase 110,000,000 shares at a placing price of HK\$0.169 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 110,000,000 shares at a subscription price equivalent to the placing price of HK\$0.169 per share from the Company. The placing and subscription was completed on 5 August 2014, and net proceeds of approximately HK\$18,198,000 were credited to the Company's share capital.
- (c) On 22 April 2015, the Company, Group First and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six places to purchase 83,360,000 shares at a placing price of HK\$0.6 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at a subscription price equivalent to the placing price of HK\$0.6 per share from the Company. The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,707,000 were credited to the Company's share capital.
- (d) On 12 May 2015, 21,960,000 shares of the Company were issued upon exercise of share options on 6 May 2015 at an exercise price of HK\$0.17 per share, and the net proceeds of approximately HK\$3,733,000 were credited to the Company's share capital.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

In the first half of 2015, the national economy has been running within proper range and the major indicators picking up steadily, showing moderate but stable and sound momentum of development. It is beyond doubt that the 7% growth in the domestic economy during the first half of the year did not come by easily. In the first half of the year, global economic recovery was slower than expected in general. Coupled with intensifying geopolitical conflicts and significant drop in commodity prices, global economic recovery has become increasingly unstable and uncertain. People are more optimistic about the Chinese economy for the second half of the year as the 7% growth in the domestic economy during the first half of the year is beyond their expectations.

### Business Review

The Group is principally engaged in trading of chemical materials, provision of consultancy services and insurance agency services in the PRC.

Amongst those three continuing businesses of the Group, only the chemical materials business contributed a minimal profit to the Group in the first half of 2015.

In order to enhance the Group's cash levels to meet the needs for its future development, on 22 April 2015, the Company, Group First and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six places to purchase 83,360,000 shares at a placing price of HK\$0.60 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at a subscription price equivalent to the placing price of HK\$0.60 per share from the Company (the "**Top-Up Placing**"). The Group intended to use part of the net proceeds from the Top-Up Placing in the amount of approximately HK\$25 million for the acquisition of 10% equity interests in Shaanxi Bailianan Economy Development Company Limited\* (陝西百聯安經濟發展有限公司) as disclosed in the announcement of the Company dated 30 December 2014, and the remaining balance will be applied for the development of a solar power business including but not limited to the cooperation with Shandong RealForce Group Company Limited\* (山東潤峰集團有限公司). As at the date of this announcement, the Company has not utilised the proceeds raised from the Top-Up Placing.

The Company has been exploring vigorously new investment and business opportunities, and the Board recently considered both real estate business and solar power business as sectors worth exploring. However, subject to further comprehensive assessment of the overall risk profile on these two business sectors, the Board has adopted a wait and see approach and will make a decision on whether to commence such businesses in the second half of 2015.

\* *Management translation*

Also, the Board has been monitoring the market conditions of the financial service industry and related businesses. It is expected that such industry and related businesses have enormous positive potentials which will contribute long term benefits to the Group. Therefore, the Company has decided to tap into the financial service industry and related businesses and to position them as core business segments of the Group.

Given the Company's plan to expand into financial services sector and related businesses, it has entered into the YGD Agreement (as defined in the section headed "Material acquisitions and disposals of subsidiaries and associates") and Yuan Agreement (as defined in the section headed "Material acquisitions and disposals of subsidiaries and associates"). 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 Securities and Futures Commission (the "SFC") under the Securities and Finance Ordinance (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 Company may apply a portion of the proceeds raised from the Top-Up Placing carried out in April 2015 to finance the proposed acquisitions.

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.

In order to maximise the synergy, at the end of June 2015, the Company has entered into a subscription agreement with CMI Financial Holding Corporation and other investors by way of deed of accession to further accelerate the pace of tapping into the financial sector. The Board considers that the Company could expand new business and investment opportunities upon the completion of acquisition and share subscription, and could benefit from the valuable experience of CMI Financial Holding Corporation and other investors. The Group will be able to carry out further assessments and evaluation on the commercial feasibility of these business opportunities, as well as identify, recognise, capture and implement new opportunities for business development and diversification. Details of the acquisitions and the subscription are set out in the Company's announcement dated 27 August 2015.

## Outlook and Strategy

CMI Financial Holding Corporation is a wholly owned subsidiary of China Minsheng Investment Corporation Limited (中國民生投資股份有限公司). China Minsheng Investment Corporation Limited (中國民生投資股份有限公司) 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 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.. The Board considers that the introduction of strategic shareholders will bring in remarkable returns for the shareholders in the future.

## Financial Review

For the six months ended 30 June 2015, the Group's unaudited consolidated turnover was approximately HK\$139,036,000, which represents an increase of approximately 364.2% from the same period of last year, mainly attributable from the trading of chemical materials.

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

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

	2015	2014	Change
Insurance agency service income	3,998	5,789	-30.9%
Trading of chemical materials	<u>135,038</u>	<u>24,165</u>	+458.8%
Turnover	<u><u>139,036</u></u>	<u><u>29,954</u></u>	+364.2%

The Group recorded a gross profit of HK\$1,388,000 and a gross profit margin of 1.0% which is lower than the 1.2% of the same period last year and the gross profit was mainly generated from the trading of chemical materials.

The Group recorded a loss of approximately HK\$12,225,000 for the six months ended 30 June 2015 as compared with a loss of approximately HK\$18,759,000 recorded by the Group for the six months ended 30 June 2014. This is mainly due to the following reasons:

1. Turnover increased sharply as compared with the turnover of the corresponding period last year which resulted in an increased gross profit; and
2. There were allowances and write-off for inventories of approximately HK\$7,168,000 and trade receivables of approximately HK\$1,169,000 for the retail and distribution business (a business terminated by the Group since August 2014) for the six months ended 30 June 2014 but there was no such expenses for the six months ended 30 June 2015.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$Nil).

On 22 April 2015, the Company, Group First and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 83,360,000 shares at placing price of HK\$0.60 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at subscription price equivalent to the placing price of HK\$0.60 per share from the Company. Details are set out in the Company's announcement dated 29 April 2015.

The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,707,000 were received.

### **Employee relations**

As at 30 June 2015, the Group has 50 employees (as at 30 June 2014: 38 employees). Total remuneration cost for the period under review was approximately HK\$4,993,000 (six months ended 30 June 2014: approximately HK\$4,213,000). No share options were granted during the period under review and no share option cost that was charged to the statement of profit or loss (six months ended 30 June 2014: HK\$Nil). Based on the existing outstanding number of share options as of 30 June 2015 and assume that no further share options are to be granted in the six months to 31 December 2015, no further share option cost will be charged to the statement of profit or loss.

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

### **Liquidity and financial resources**

As at 30 June 2015, the Group's cash and bank deposits (include pledged bank deposits) amounted to approximately HK\$72,892,000 (as at 31 December 2014: approximately HK\$29,879,000). The gearing ratio as at 30 June 2015 (total interest bearing borrowings to total assets) was 0% (as at 31 December 2014: 0%), indicated that the Group's overall financial position remained strong.

### **Segment information**

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

## Capital structure

On 22 April 2015, the Company, Group First and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees (all are independent individual, institutional or professional investors and who and whose ultimate beneficial owners are independent third parties) to purchase 83,360,000 shares at placing price of HK\$0.60 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at subscription price equivalent to the placing price of HK\$0.60 per share from the Company. The subscription price of HK\$0.60 represents: (i) a discount of approximately 10.45% to the closing price of HK\$0.67 per share of the Company as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 22 April 2015, being the date of the placing and subscription agreement; and (ii) a premium of approximately 36.99% over the average of the closing price per share of the Company of approximately HK\$0.438 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the placing and subscription agreement. Details of the placing and subscription are set out in the Company’s announcement dated 29 April 2015.

The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,707,000 were received.

On 12 May 2015, 21,960,000 new shares were allotted and issued pursuant to the exercise of 21,960,000 share options granted under the share option scheme of the Company adopted on 9 December 2013 at the exercise price of HK\$0.17 per share. The net proceeds of approximately HK\$3,733,000 were received.

On 7 July 2015, 43,920,000 new shares were allotted and issued pursuant to the exercise of 43,920,000 share options granted under the share option scheme of the Company adopted on 9 December 2013 at the exercise price of HK\$0.17 per share. The net proceeds of approximately HK\$7,466,000 were received.

On 7 August 2015, 21,960,000 new shares were allotted and issued pursuant to the exercise of 21,960,000 share options granted under the share option scheme of the Company adopted on 9 December 2013 at the exercise price of HK\$0.17 per share. The net proceeds of approximately HK\$3,733,000 were received.

## Material acquisitions and disposals of subsidiaries and associates

On 14 June 2015, China Seven Star Real Estate Operation Management Limited (a wholly-owned subsidiary of the Company) and YGD Finance Holdings Limited entered into an agreement (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 30 June 2015. The total consideration is not expected to exceed HK\$30,000,000.

On 15 June 2015, China Seven Star Asset Management Limited (a wholly-owned subsidiary of the Company) and Mr. Yen Jong Ling entered into an agreement (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. Details of the acquisitions are set out in the Company's announcement dated 27 August 2015.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2015.

### **Charges on Group assets**

Apart from the deposit of approximately HK\$312,000 (at 31 December 2014: HK\$312,000) pledged to a bank as security for a corporate card with credit limit of approximately HK\$250,000 (at 31 December 2014: HK\$250,000) granted to an executive director of the Group, as at 30 June 2015, there were no other charges on the Group's assets.

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

The Directors considered that the Group has certain exposures to foreign currency risk as some of its business transactions are denominated in currencies other than the functional currency of respective Group entities such as Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2015 (as at 31 December 2014: HK\$Nil).

## **CORPORATE GOVERNANCE**

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

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

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

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing non-executive Director (the "**NED**") or 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 every three years pursuant to the Articles of Association of the Company (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. Chairman of the audit committee, and members of remuneration committee, nomination committee and audit committee attended such annual general meeting. The Company considered that their attendance was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company will optimize the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence and participation in annual general meetings such that all Directors will be able to attend future annual general meetings of the Company. The Company reviews its corporate governance practices regularly to ensure compliance with the Corporate Governance Code.

### **Review of Accounts**

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

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and has discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2015.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2015.

### **OTHER INFORMATION**

#### **Share Options**

Reference is made to the annual report of the Company for the financial year ended 31 December 2014 published by the Company on the website of HKEx (defined below) on 22 April 2015 (the “**Annual Report**”).

The Board would like to provide the following information on the share option schemes of the Company under Rule 17.07(3) and 17.09 of the Listing Rules in respect of the Annual Report.

The Company adopted a new share option scheme on 9 December 2013 (the “**2013 Share Option Scheme**”) to replace the share option scheme adopted on 28 May 2004 (the “**2004 Share Option Scheme**”).

A summary of the principal terms of the 2004 Share Option Scheme is set out below pursuant to the requirements as contained in Chapter 17 of the Listing Rules:

*(a) Purpose*

The purpose of the 2004 Share Option Scheme is to grant options to the eligible participants (specified under (b) below) as incentives or rewards for their commitment and/or contribution to the Group and as incentive for such eligible participants to render improved services and/or patronage to the Group on a long-term basis.

*(b) Eligible Participants*

The Board (which, in so far as may be required under the Listing Rules, shall include the independent non-executive Directors) may, at its discretion on the basis of the length of service of the eligible participant with the Group and/or the job performance of the eligible participant and/or the contribution made or expected to be made by the eligible participant to the Group, invite any person belonging to any of the following eligible participants to take up options:

1. any employee (whether full-time or part-time), any Director (whether executive, non-executive or independent non-execution Director) or any shareholders of any member of the Group;
2. any employee (whether full time or part time), any director (whether executive, non-executive or independent non-executive director) or any shareholder of any associated company of any member of the Group;
3. any trust in which any employee, director or shareholder of any member of the Group is a beneficiary or a discretionary object;
4. any supplier of goods or services to any member of the Group;
5. any customer of any member of the Group;
6. any professional advisers of any member of the Group; and
7. any company wholly-owned by any one or more persons belonging to any of the above classes of persons.

*(c) Total number of shares available for issue under the scheme and percentage of issued share capital as at 31 March 2015 (the “Date of the Annual Report”)*

The number of shares available for issue under the 2004 Share Option Scheme was 1,476,960 shares, representing 0.06% of the issued share capital of 2,308,331,250 as at the Date of the Annual Report.



*(d) Maximum number of shares available for issue*

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share options schemes does not in aggregate exceed 10% of the shares in issue on the date of date of adoption of the 2004 Share Option Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding option granted and yet to be exercised under all the share option schemes does not exceed 30% of the share in issue from time to time.

*(e) Maximum entitlement of each eligible participant*

The maximum entitlement of any eligible participant is that the total number of shares and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the shares in issue.

*(f) Time of exercise of option*

An option may be exercised at any time during such period as may be determined by the Board in accordance with the terms of the 2004 Share Option Scheme (the period shall be not more than 10 years from the date of acceptance of the offer by the grantee).

*(g) Payment on acceptance of option*

HK\$1.00 is payable by the eligible participant to the Company on acceptance of the option offer, which must be made within 28 days from the date of the option offer and in the manner prescribed by the Company.

*(h) Basis of determining the subscription price*

The subscription price for shares under the 2004 Share Option Scheme will be a price determined by the Board and notified to each grantee and will be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("**Trading Day**"); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five Trading Days immediately preceding the date of offer; and (c) the nominal value of the share.

*(i) Remaining life of the 2004 Share Option Scheme*

Since adoption of the 2013 Share Option Scheme, no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

A summary of the principal terms of the 2013 Share Option Scheme is set out below pursuant to the requirements as contained in Chapter 17 of the Listing Rules:

*(a) Purpose*

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group or any invested entity specified in (b) below. The Company considers that the invested entity, an entity in which the Group holds an equity interest, may contribute to the Group's profits. The Company also considers that the granting of the options to the employee, director, officer or consultant of the invested entity would provide an incentive for their contribution to the invested entity which indirectly benefits the Group.

*(b) Eligible Participants*

Any full time or part time employees of the Group or any invested entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any entity in which the Group holds an equity interest (the "**Invested Entity**")) any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity.

*(c) Total number of shares available for issue under the scheme and percentage of issued share capital as at the Date of the Annual Report*

The number of shares available for issue under the 2013 Share Option Scheme was 219,833,125 shares, representing 9.52% of the issued share capital of 2,308,331,250 as at the Date of the Annual Report.

*(d) Maximum number of shares available for issue*

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share options schemes does not in aggregate exceed 10% of the shares in issue on the date of date of adoption of the 2013 Share Option Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding option granted and yet to be exercised under all the share option schemes does not exceed 30% of the share in issue from time to time.

(e) *Maximum entitlement of each eligible participant*

The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue.

(f) *Time of exercise of option*

An option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of grant of the particular option but subject to the provisions for early termination but subject to early termination of the 2013 Share Option Scheme.

(g) *Payment on acceptance of option*

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the eligible participant together with the said consideration of HK\$1.00 is received by the Company.

(h) *Basis of determining the subscription price*

The subscription price for shares under the 2013 Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date.

(i) *Remaining life of the 2013 Share Option Scheme*

The 2013 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the 2013 Share Option Scheme on 9 December 2013.

On 4 November 2014, the Company granted to certain employees and consultants, a total of 219,600,000 options to subscribe for 219,600,000 ordinary shares of the Company in accordance with the 2013 Share Option Scheme with the exercise price of HK\$0.170 per share, which represents the higher of (i) the closing price of HK\$0.170 per share as stated in the Stock Exchange's daily quotation sheet on 4 November 2014; and (ii) average closing price of approximately HK\$0.165 per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding 4 November 2014. The option period of the options shall be three years from 4 November 2014 (the "**Option Period**") and the options shall lapse at the expiry of the Option Period. The closing price of the Company's shares immediately before 4 November 2014, the date of grant, was HK\$0.17.

## **Placing in 2014**

The Board would also like to disclose the following information in relation to the placing of the placing shares in August 2014:

On 5 August 2014, the Company completed the placing of the placing shares at a price of HK\$0.169 per placing share. The placing shares were issued, under the General Mandate granted at the annual general meeting of the Company held on 5 June 2014, to not less than six placees (all are independent individual, institutional or professional investors and who and whose ultimate beneficial owners are the independent third parties) at a price of HK\$0.169 per placing share. The Board considered that the placing and subscription represented good opportunities to raise additional funds for the Company while broadening the shareholder and capital base of the Company.

The closing price per share of the Company as quoted on the Stock Exchange on 28 July 2014 was HK\$0.205; the average of the closing price per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 July 2014 was approximately HK\$0.207; and the average of the closing price per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 29 July 2014 was approximately HK\$0.200.

Upon completion of the placing, the issued shares of the Company had been increased to 2,308,331,250 shares, the net proceeds of approximately HK\$18,198,000 were received. As at 30 June 2015, approximately HK\$8,100,000 was used for the general working capital of the Group. The remaining proceeds were deposited in the bank. The details of the placing are set out in the announcement of the Company dated 28 July 2014.

## **Pre-emptive Rights**

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

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

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

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

The results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited (the “**HKEx**”) at [www.hkexnews.hk](http://www.hkexnews.hk) under “Latest Listed Company Information” and on the website of the Company at [www.sevenstar.hk](http://www.sevenstar.hk) respectively.

The interim report of the Company for the six months ended 30 June 2015 will be despatched to the shareholders and published on the websites of the HKEx and the Company in due course.

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

Hong Kong, 28 August 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.*