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CHINA SEVEN STAR SHOPPING LIMITED
中國七星購物有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board (the "Board") of Directors (the "Directors") of China Seven Star Shopping Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter together referred as the "Group") for the year ended 31 December 2012 together with the comparative figures of the corresponding year in 2011, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Continuing operations			
Turnover	*4*	**616,877**	577,978
Cost of sales and services		**(548,872)**	(593,342)
Gross profit/(loss)		**68,005**	(15,364)
Other income	*5*	**59,669**	54,935
Distribution costs		**(65,074)**	(53,095)
Administrative expenses		**(26,714)**	(41,218)
Other operating expenses		**(6,822)**	(21,805)
Profit/(loss) from operations		**29,064**	(76,547)
Finance costs	*7*	**(11,779)**	(29,665)
Profit/(loss) before tax		**17,285**	(106,212)
Income tax expense	*8*	**(20)**	(109)
Profit/(loss) for the year from continuing operations		**17,265**	(106,321)

	Note	2012 HK$'000	2011 HK$'000
Discontinued operation			
Profit for the period from discontinued operation		–	155
Profit/(loss) for the year	9	**17,265**	(106,166)
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		**3,308**	(19,147)
Profit from discontinued operation		–	155
Profit/(loss) attributable to owners of the Company		**3,308**	(18,992)
Non-controlling interests			
Profit/(loss) from continuing operations		**13,957**	(87,174)
Profit from discontinued operation		–	–
Profit/(loss) attributable to non-controlling interests		**13,957**	(87,174)
		17,265	(106,166)
			(Restated)
Earnings/(loss) per share			
From continuing and discontinued operations			
— basic	10(a)	**HK0.19 cent**	HK(1.27) cents
— diluted	10(a)	**N/A**	N/A
From continuing operations			
— basic	10(b)	**HK0.19 cent**	HK(1.28) cents
— diluted	10(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) for the year	**17,265**	(106,166)
Other comprehensive income		
Exchange differences on translating foreign operations	**153**	(942)
Other comprehensive income for the year, net of tax	**153**	(942)
Total comprehensive income for the year	**17,418**	(107,108)
Attributable to:		
Owners of the Company	**4,985**	(7,876)
Non-controlling interests	**12,433**	(99,232)
	17,418	(107,108)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets		**5,759**	4,421
Intangible assets	*11*	**173**	530,846
Available-for-sale financial assets		**207**	–
		6,139	535,267
Current assets			
Inventories		**15,618**	11,599
Trade and bills receivables	*12*	**52,829**	34,323
Other receivables, prepayments and deposits		**12,277**	54,078
Pledged bank deposits		**12,641**	24,981
Bank and cash balances		**62,038**	40,689
		155,403	165,670
Current liabilities			
Agency fee payables		**20,311**	628,982
Trade payables	*13*	**18,471**	23,932
Other payables and accruals		**74,665**	53,328
Bank loans		**9,944**	9,864
Current tax liabilities		**2,304**	2,268
		125,695	718,374
Net current assets/(liabilities)		**29,708**	(552,704)
NET ASSETS/(LIABILITIES)		**35,847**	(17,437)
Capital and reserves			
Share capital	*14*	**21,983**	732,777
Other reserves		**1,327,081**	1,304,917
Accumulated losses		**(1,095,491)**	(1,747,742)
Equity attributable to owners of the Company		**253,573**	289,952
Non-controlling interests		**(217,726)**	(307,389)
TOTAL EQUITY		**35,847**	(17,437)

Notes:

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered and business office is Unit A02, 11/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are retail and distribution of consumer products and provision of television advertising services and insurance agency services in the People's Republic of China (the "PRC").

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; 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 year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already 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. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies.

4. TURNOVER

The Group's turnover which represents sales of consumer products to customers, television advertising service income, insurance agency service income, sales of properties and rental income from properties are as follows:

	2012	2011
	HK$'000	*HK$'000*
PRC retail and distribution of consumer products	**52,445**	71,307
Television advertising service income	**553,070**	500,870
Insurance agency service income	**11,362**	5,801
Sales of properties	**–**	11,000
Rental income	**–**	643
	616,877	589,621
Representing:		
Continuing operations	**616,877**	577,978
Discontinued operation	**–**	11,643
	616,877	589,621

5. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Interest income	**511**	457
Commission income from television advertising services	**56,824**	48,775
Exchange gains, net	**–**	1,529
Gain on disposals of fixed assets	**28**	–
Rental income	**918**	–
Reversal of allowance for trade receivables	**372**	1,233
Reversal of allowance for other receivables	**4**	–
PRC tax subsidy	**321**	188
Write back of other payables and accruals	**495**	1,091
Write back of trade payables	**121**	55
Sundry income	**75**	1,607
	59,669	54,935
Representing:		
Continuing operations	**59,669**	54,935

6. SEGMENT INFORMATION

The Group has three reportable segments as follows:

PRC retail and distribution	—	retail and distribution of consumer products in the PRC
Television advertising	—	provision of television advertising services in the PRC
Property investment	—	property holding and investment in Hong Kong (Discontinued operation)

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The Group's other operating segment includes the insurance agency service business, which earns insurance agency service income. This segment does not meet any of the quantitative thresholds for determining reportable segments. The information of this operating segment is included in the 'other' column.

Segment profits or losses do not include interest income, corporate income and corporate expenses. Segment assets do not include corporate assets. Segment liabilities do not include corporate liabilities.

The Group accounts for intersegment sales and transfers as if the sales or tranfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	PRC retail and distribution *HK$'000*	Television advertising *HK$'000*	Other *HK$'000*	Total *HK$'000*
Year ended 31 December 2012				
Revenue from external customers	**52,445**	**553,070**	**11,362**	**616,877**
Intersegment revenue	**–**	**–**	**–**	**–**
Segment profit/(loss)	**(12,883)**	**41,560**	**(96)**	**28,581**
Interest revenue	**30**	**14**	**14**	**58**
Interest expense	**665**	**11,114**	**–**	**11,779**
Income tax expense	**–**	**–**	**20**	**20**
Depreciation and amortisation	**1,427**	**527,394**	**106**	**528,927**
Reversal of bad debts/impairment charges	**20**	**359**	**–**	**379**
Bad debts/impairment charges	**1,471**	**4,575**	**–**	**6,046**
Write back of trade and other payables and accruals	**583**	**–**	**–**	**583**
Fixed assets written off	**333**	**–**	**–**	**333**
Gain on disposals of fixed assets	**28**	**–**	**–**	**28**
Additions to segment non-current assets	**526**	**2,806**	**3**	**3,335**
At 31 December 2012				
Segment assets	**120,846**	**74,138**	**22,606**	**217,590**
Segment liabilities	**68,068**	**171,596**	**819**	**240,483**

	PRC retail and distribution *HK$'000*	Television advertising *HK$'000*	(Discontinued operation) Property investment *HK$'000*	Other *HK$'000*	Total *HK$'000*
Year ended 31 December 2011					
Revenue from external customers	71,307	500,870	11,643	5,801	589,621
Intersegment revenue	–	–	–	–	–
Segment profit/(loss)	(67,603)	(29,430)	155	(198)	(97,076)
Interest revenue	137	23	–	33	193
Interest expense	402	29,263	–	–	29,665
Income tax expense	106	–	–	3	109
Depreciation and amortisation	7,117	519,416	–	110	526,643
Reversal of bad debts/impairment charges	1,233	–	–	–	1,233
Bad debts/impairment charges	17,513	15,174	–	–	32,687
Write back of trade and other payables and accruals	107	223	–	–	330
Fixed assets written off	343	–	–	–	343
Additions to segment non-current assets	1,900	14	–	–	1,914
At 31 December 2011					
Segment assets	111,950	614,170	129	22,208	748,457
Segment liabilities	59,219	752,695	–	494	812,408

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**616,877**	589,621
Elimination of discontinued operation	**–**	(11,643)
Consolidated revenue from continuing operations	**616,877**	577,978
Profit or loss		
Total profit or loss of reportable segments	**28,581**	(97,076)
Interest revenue	**511**	457
Unallocated corporate income	**37**	2,345
Unallocated corporate expenses	**(11,844)**	(11,783)
Elimination of discontinued operation	**–**	(155)
Consolidated profit/(loss) before tax from continuing operations	**17,285**	(106,212)
Assets		
Total assets of reportable segments	**217,590**	748,457
Corporate assets	**61,019**	49,492
Elimination of intersegment assets	**(117,067)**	(97,012)
Consolidated total assets	**161,542**	700,937
Liabilities		
Total liabilities of reportable segments	**240,483**	812,408
Corporate liabilities	**2,279**	2,978
Elimination of intersegment liabilities	**(117,067)**	(97,012)
Consolidated total liabilities	**125,695**	718,374

Geographical information:

	Revenue		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	11,643	**243**	27
PRC except Hong Kong	**616,877**	577,978	**5,896**	535,240
Discontinued operation	**–**	(11,643)	**–**	–
Consolidated total	**616,877**	577,978	**6,139**	535,267

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customer:

	2012	2011
	HK$'000	*HK$'000*
Television advertising segment		
Customer a	**178,152**	118,139

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Notional non-cash interest accretion on pre-agreed periodic payments on exclusive advertising agency right	**11,114**	29,263
Interest on bank loans	**665**	402
	11,779	29,665
Representing:		
Continuing operations	**11,779**	29,665

8. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
PRC tax		
— current	**20**	2
— underprovision in prior years	**–**	107
	20	109
Representing:		
Continuing operations	**20**	109

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits in Hong Kong for the year (2011: HK$Nil).

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

No provision for deferred taxation had been made for both years ended 31 December 2011 and 2012 as the tax effect of all temporary difference is not material.

9. PROFIT/(LOSS) FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
(Reversal of)/allowance for inventories (included in cost of inventories sold)	**(3)**	12,852
Allowance for other receivables (included in other operating expenses)	**643**	4,886
Allowance for trade receivables (included in other operating expenses)	**4,491**	5,505
Amortisation of exclusive advertising agency right (included in cost of sales and services)	**527,107**	519,383
Amortisation of insurance agency licence (included in other operating expenses)	**103**	101
Auditor's remuneration	**1,700**	1,700
Cost of inventories sold	**39,783**	66,890
Depreciation	**1,837**	7,186
Exchange differences, net	**237**	(1,529)
Fixed assets written off	**334**	343
Impairment loss on fixed assets (included in other operating expenses)	**–**	4,522
Impairment loss on prepayments and deposits (included in other operating expenses)	**912**	4,922
Operating lease charges		
— Hire of plant and equipment	**–**	1,317
— Land and buildings	**5,213**	7,196
Staff costs (including directors' emoluments)	**10,849**	27,760

10. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings/(loss) per share

The calculation of basic earnings (2011: loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$3,308,000 (2011: loss of approximately HK$18,992,000) and the weighted average number of ordinary shares of 1,750,496,000 (2011: 1,494,865,000 as adjusted to reflect the share consolidation in April 2012 and open offer in August 2012) in issue during the year.

Diluted earnings/(loss) per share

No diluted earnings (2011: loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2011 and 2012.

(b) From continuing operations

Basic earnings/(loss) per share

The calculation of basic earnings (2011: loss) per share from continuing operations attributable to owners of the Company is based on the profit for the year from continuing operations attributable to owners of the Company of approximately HK$3,308,000 (2011: loss of approximately HK$19,147,000) and the denominator used is the same as that detailed in (a) above.

Diluted earnings/(loss) per share

No diluted earnings (2011: loss) per share from continuing operations is presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2011 and 2012.

(c) From discontinued operation

Basic earnings per share

Basic earnings per share from the discontinued operation for 2011 is HK0.01 cent (as restated) per share, based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$155,000 and the denominator used is the same as that detailed in (a) above.

Diluted earnings per share

No diluted earnings per share from the discontinued operation is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2011.

11. INTANGIBLE ASSETS

During the year ended 31 December 2010, the Group incurred approximately HK$1,428,016,000 on additions to intangible assets. The additions represented the exclusive advertising agency right. No further additions incurred for the years ended 31 December 2011 and 2012.

The Group considered the exclusive advertising agency right to be an intangible asset representing the right to sell advertising resources. The present value of pre-agreed periodic payments to be made in subsequent years were capitalised and accounted for as intangible assets in the consolidated statement of financial position, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash and hence were considered to be a financial liability. The exclusive advertising agency right is amortised on a straight-line basis from the effective date of the right over the remaining licence period and is stated net of accumulated amortisation. Interest accreted on the present value of pre-agreed periodic payments is charged to the consolidated income statement within finance costs.

The exclusive advertising agency right has been expired and written off on 31 December 2012.

12. TRADE AND BILLS RECEIVABLES

At 31 December 2012, included in trade and bills receivables are trade receivables of approximately HK$49,960,000 (2011: approximately HK$34,323,000) and bills receivables of approximately HK$2,869,000 (2011: HK$Nil).

The Group's turnover represents television advertising service income, sales of consumer products and insurance agency service income. For television advertising business, the Group generally requires customers to pay in advance, but grants a credit period of 30 to 120 days to some customers. The payment terms of the sales of consumer products are normally from 30 to 180 days. The payment terms of insurance agency services provided are normally at 30 days.

The aging analysis of trade receivables as at the statement of financial position date, based on the invoice date, and net of allowance, is as follows:

	2012	2011
	HK$'000	*HK$'000*
0–90 days	**49,066**	32,235
91–180 days	**517**	1,782
181–365 days	**272**	10
Over 365 days	**105**	296
	49,960	34,323

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The aging analysis of trade payables, based on date of receipt of goods, is as follows:

	2012	2011
	HK$'000	*HK$'000*
0–90 days	**8,294**	15,867
91–180 days	**61**	1,878
181–365 days	**5**	813
Over 365 days	**10,111**	5,374
	18,471	23,932

14. SHARE CAPITAL

	Note	Number of Shares	Amount
		'000	*HK$'000*
Authorised:			
Ordinary shares			
At 1 January 2011, 31 December 2011 and 1 January 2012 (HK$0.1 each)		16,000,000	1,600,000
Reduction in par value	*(a)(i)*	–	(1,568,000)
Share consolidation	*(a)(iv)*	(12,800,000)	–
At 31 December 2012 (HK$0.01 each)		3,200,000	32,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2011, 31 December 2011 and 1 January 2012 (HK$0.1 each)		7,327,771	732,777
Reduction in par value	*(a)(ii)*	–	(718,122)
Share consolidation	*(a)(iv)*	(5,862,217)	–
Issue of shares on open offer (HK$0.01 each)	*(b)*	732,777	7,328
At 31 December 2012 (HK$0.01 each)		2,198,331	21,983

Notes:

(a) On 20 January 2012, a special resolution was passed at an extraordinary general meeting to:

(i) reduce the nominal value of the authorised share capital of the Company from HK$0.1 to HK$0.002 per share such that the authorised share capital is reduced from HK$1,600,000,000 to HK$32,000,000.

(ii) reduce the nominal value of each of the issued share from HK$0.1 to HK$0.002 by cancelling the paid-up capital to the extent of HK$0.098 on each issued share. The issued share capital of the Company is then reduced from HK$732,777,000 to HK$14,655,000.

(iii) apply the credit of HK$718,122,000 arising from the capital reduction as mentioned in Note (a)(ii) to eliminate part of the Company's accumulated losses.

(iv) consolidate every five reduced shares of HK$0.002 each in the authorised and issued share capital of the Company into one consolidated share of HK$0.01 each following the capital reduction as mentioned in Notes (a)(i) and (a)(ii) above.

The authorised and issued share capital of the Company was consolidated into 3,200,000,000 shares and 1,465,554,000 shares of HK$0.01 each respectively.

The aforesaid capital reduction (Notes (a)(i) and (a)(ii)) was approved by the High Court of Hong Kong SAR on 2 April 2012 and duly registered by the Registrar of Companies in Hong Kong on 16 April 2012. The share consolidation (Note (a)(iv)) also became effective on 20 April 2012.

(b) On 21 August 2012, 732,777,000 ordinary shares of HK$0.01 each were issued at HK$0.05 per share by way of open offer on the basis of one offer share for every two existing shares. The premium on the issue of shares, amounting to approximately HK$28,538,000, net of share issue expenses, was credited to the Company's share premium account.

15. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Analysis of China's consumer goods market

In the year of 2012, China's consumer goods market was in a complex market environment due to the uncertainty and instability brought by various local and international impacts and challenges. From an international level, the sovereign debt crisis of Europe and the United States could hardly be eased in a short period of time. Together with the changing international political and military situation, this further slowed down the pace of recovery of the world's economy. Domestically, the PRC government took initiative to slow down the economic growth rate and transformed its mode of economic development, creating difficulty for China's consumer goods market to growth rapidly. Meanwhile, the rising price level, increasing public awareness towards the high inflation rate and insufficient commercial and welfare networks in the urban area gave further pressure to the consumption growth rate. However, the steady growth of China's economy, rapid development of industrialization and urbanization, reform of distribution system and structural adjustment of tax did not only promote and expand the demand for domestic consumption, but further increased the consumption power of citizen. According to the National Bureau of Statistics, the annual Gross Domestic Product ("GDP") in 2012 was RMB51,932.2 billion, with an increase of 7.8% over the previous year. Urban residents' per capita disposable income was RMB24,565, a growth of 12.6% over the previous year and an actual growth of 9.6% after excluding price factors. The total retail sales of consumer products in the country in 2012 amounted to RMB21,030.7 billion, an increase of 14.3% compared to last year and an actual growth of 12.1% after deducting the effect of inflation.

Analysis and prospects for China's advertising market

In 2012, China's advertising market had experienced a new turning point. In the first three quarters of 2012, a decline in macroeconomic indicators affected advertisers' confidence and their advertising proportion through traditional media. This further affected the joint advertising plans of advertisers and advertising media, thus holding back the steady growth of traditional media. According to the market research — "Review of the first three quarters of China's advertising market in 2012"* issued by the CTR China, the advertising expenses on traditional media in the first quarter of 2012 increased only 1% when compared to last year, 6% in the second quarter and 4% in the third quarter. Despite the negative impact of economic downturn on the advertising industry in the first three quarters, the industry started to improve by the fourth quarter. According to the CTR China, the year-on-year growth rate on advertising reached 11.9% in 2012, while the GDP grew at 7.8%. The growth rate of advertising industry was higher than the overall growth rate of the national economy. This implies a balanced, equilibrium and interactive development of the overall advertising market. Television media still takes a leading position in the China's advertising industry. It is estimated that the television advertising expenses will amount to RMB 221.19 billion in 2013, accounting for 50.4% of the overall advertising expenses.

In the “12th Five-Year Plan of Advertising Industry”* proposed by the State Administration for Industry and Commerce (“SAIC”) in May 2012, it stated that China will vigorously develop the advertising industry and further enhance the intensiveness, professionalism and international standard of the industry for the period of Twelfth Five-Year. It emphasizes that more than fifteen national advertising industry parks will be completed in five years. This plan will boost the development of the advertising industry as a whole, allowing it to be stable and sustainable.

For the media shopping industry, due to a lack of industry standards and regulations, the Ministry of Commerce is now setting up a “Media Shopping Industry Standard”* to strictly regulate the fields of television shopping, broadcast media shopping, online shopping, print media shopping, catalog shopping and mobile shopping etc. This aims to bring a positive impact on the development of media shopping industry by increasing the confidence of consumers.

BUSINESS REVIEW

The Group had entered into an advertising agency business in 2010, since signing the media management services agreement with the Guangdong Television on 31 December 2009. The media management services agreement granted the Group a three-year exclusive right of sale of all the advertising time of the satellite television channel (“GSTV”) of Guangdong Television, which covers more than 20 programs for a total advertising air time of 114,000 minutes. After three years’ continuous effort and active development of the Group, the Group has deepened its understanding towards to television advertising industry, established professional knowledge, improved management skill, accumulated experience through actual practices, introduced and trained professional talents to develop more strategic marketing plan. The turnover from advertising agency business in 2012 was approximately HK$553,070,000 (2011: approximately HK$500,870,000), accounting for over half of the Group’s turnover and was the major source of the Group’s revenue. Meanwhile, the Group also actively worked with a number of large and influential advertising companies in 2012. Apart from maintaining friendly and close relationship with existing business partners and clients, the Group also adopted active expansion strategy and actively seeked long-term business partners. Currently, the Group cooperates with various advertising companies, including Beijing Dentsu Advertising Co. Ltd., DDB Beijing Advertising Co. Ltd, GroupM (Shanghai) Advertising Co. Ltd, Leo Burnett Worldwide and Saatchi & Saatchi Great Wall. Cooperative arrangements involve a variety of sectors, including food, medicine, household products, health care products, medical, education institutes and vehicles etc. Meanwhile, the advertising customers of the Group include some world renowned brands such as Pepsi, Seven-Up, Mead Johnson, Ashly, China Mobile, Unicom and Shanghai Volkswagen.

GSTV is the number one television channel among all provincial satellite television stations in southern China, covering more than 70 major cities and over 8 hundred million people. The television programs of GSTV are diverse and filmed in a serious manner. They gained widespread recognition from the society and overwhelmingly positive response from the audience. However, due to the high advertising agency cost, which will affect the financial statement of the Group, the Group decided to change the cooperation model with Guangdong Television after the completion of the three years media management services agreement on 31 December 2012. The Group decided not to renew the media management services agreement and to continue the advertising agency business through subcontracting. The Group believes the change in cooperation model to subcontracting can further lower the operating cost and expand the Group's profit.

In addition, subject to the unfavorable factors in the media shopping industry, the Group decided to make appropriate adjustments on its business in the media shopping industry in order to provide a fast, high-quality, safe and reliable shopping services for customers. At the same time, the Group also strengthened the retail and wholesale business of kitchenware to TV shopping companies. In 2012, the revenue from retail and wholesale of kitchenware was approximately HK$52,445,000, accounting 8.5% of the Group's revenue. The Group will continue its investment in the retail and wholesale business of kitchenware and expect steady development in the future years.

Sales results and performance review

For the year ended 31 December 2012, the Group's consolidated turnover was approximately HK$616,877,000, represents a slight increase of approximately 6.7% from 2011. The Group records a gross profit during the year mainly due to the lower of the amortization of exclusive advertising agency rights charging to the income statement when compared to the actual payment for the related agency right according to an agreement dealing with media management services entered into between Shanghai Seven Star Advertising Co., Ltd, a subsidiary of the Company, and 廣東電視台 (transliterated as Guangdong Television) on 31 December 2009. Based on the legal interpretation of the terms as contained in the structural contracts the Group entered into for the purpose of consolidating the financial results of the television shopping and related business, and under the HKAS 27 (revised) "Consolidated and Separate Financial Statements" that became effective for the Company's financial statements from 2010 onwards, the non-controlling interests of the PRC business of the Group shared a portion of the profit before tax of approximately HK$13,957,000 (2011: loss: approximately HK$87,174,000), resulting in a profit attributable to the owners of the Company of approximately HK$3,308,000 (2011: loss: approximately HK$18,992,000).

On financial position and cash flows, for the year ended 31 December 2012, the Group's total assets were approximately HK$161,542,000 (2011: approximately HK$700,937,000), a decrease of 77% when compared with 2011. Net cash (outflows)/inflows from operating activities, investing activities and financing activities were at approximately HK$(34,361,000), HK$(240,000) and HK$48,208,000 respectively (2011: approximately HK$(63,931,000), HK$4,529,000 and HK$(14,808,000)). Capital expenditure for the year was approximately 3,465,000 (2011: approximately HK$1,920,000) with depreciation and amortization for tangible and intangible assets at approximately HK$529,047,000 (2011: approximately HK$526,670,000). Strength of the Chinese Yuan also contributed to a favorable currency effect of approximately HK$1,677,000 (2011: approximately HK$11,116,000) to the current year's reserves. As at 31 December 2012, the total cash position (included pledge bank deposits) of the Group was approximately HK$74,679,000 (2011: approximately HK$65,670,000).

Strategy and Outlook

During the period of Twelve Five-Year, China's advertising industry is facing a significant development opportunity. The steady growth of national economy, continuous improvement on income level and consumption power of citizens bring good economic foundations and market conditions for rapid development in advertising industry. Furthermore, according to the "World Economic Outlook Report" published by the International Monetary Fund, it forecasts that China's economy will experience an 8.5% growth rate, which is 4.6% higher than its forecasts for global economic growth of 3.9%. From an international economic level, the high and rapid growth rate of China's economy drives the development of the advertising market and creates a better market prospect. Besides, a series of economic and social development strategy launched by the PTC brings a stronger policy support and system guarantee for the advertising industry. The "12th Five-Year Plan of Advertising Industry" proposed by SAIC in May 2012 does not only proves the significant attention of central government toward the advertising industry, but also improves, strengthens and promotes the development of the advertising market as a whole. The Group will make use of its own advantages, professionalism and experience to seize the booming advertising market and the emerging opportunities. Together with the subcontracting cooperation model with the GSTV, it can further improve the quality of service of the Group and thus assisting the Group in seeking expansion opportunities for long-term profitability and development.

Regarding to the media shopping industry, the Ministry of Commerce is actively regulating the mode of operation in the industry. It is expected that the "Media Shopping Industry Standards" will be implemented very soon to improve the efficiency of media shopping industry. The Group will pay close attention to the development of media shopping industry and grasp business opportunities to develop steadily in the market.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2012, the Group had financial assets (excluding receivables) amounted to approximately HK$74,886,000 (2011: approximately HK$65,670,000) of which approximately HK$62,038,000 (2011: approximately HK$40,689,000) are liquid cash deposits.

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions and assets are denominated in currencies other than the functional currency of 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.

STAFF AND REMUNERATION POLICY

The Group had 71 employees (including Directors) as at 31 December 2012 (2011: 111). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

GEARING RATIO

As at 31 December 2012, the Group had total assets of approximately HK$161,542,000 (2011: approximately HK$700,937,000) and the gearing ratio (calculated on the basis of the Group's total bank and other borrowings, over the equity attributable to owners of the Company) was approximately 3.9% as at 31 December 2012 (at 31 December 2011: 3.4%).

CAPITAL REORGANISATION

On 20 January 2012, the shareholders of the Company approved a proposed capital reorganisation (the "Capital Reorganisation") which comprised:

(a) the nominal value of each of the issued Shares of HK$0.10 each be reduced to HK$0.002 each by cancelling the paid-up capital to the extent of HK$0.098 on each issued Share;

(b) the nominal value of each of the authorised but unissued Shares of HK$0.10 each be diminished to HK$0.002 each by a diminution of HK$0.098 on each authorised but unissued Share;

(c) the credit arising from the Reduction of Issued Share Capital in the sum of HK$718,121,542.222 be applied to eliminate part of the Company's accumulated losses, which amounted to approximately HK$1,898,407,000 as at 30 November 2011; and

(d) every five Reduced Shares of HK$0.002 each in the issued and unissued share capital of the Company be consolidated into one Consolidated Share of HK$0.01 each in the issued and unissued share capital of the Company.

Details of the Capital Reorganisation are set out in the circular dated 29 December 2011. The Capital Reorganisation were effective on 20 April 2012 when the authorised and issued capital consisted of 3,200,000,000 and 1,465,554,167 ordinary shares of HK$0.01 each, respectively. The Capital Reduction was approved by the Court on 2 April 2012 and the sealed copy of the Court order has been duly registered by the Registrar of Companies in Hong Kong on 16 April 2012.

OPEN OFFER

On 21 August 2012, the Company completed the open offer and raised net proceeds of approximately HK$34,796,000 by issuing 732,777,083 offer shares at HK$0.05 each to qualifying shareholders on the basis of one offer share for every two shares. Details of the open offer are set out in the prospectus dated 25 July 2012.

CAPITAL STRUCTURE

Details in the changes of the capital structure of the Company during the year ended 31 December 2012 are set out in Capital Reorganisation and Open Offer above.

CHARGES ON GROUP'S ASSETS

At 31 December 2012, the Group's pledged bank deposits included a deposit pledged to a bank of approximately HK$311,000 (2011: approximately HK$309,000) as securities for two corporate cards granted to two executive directors of the Group. The credit limit of both corporate cards is approximately HK$249,000 (2011: approximately HK$247,000) in aggregate.

At 31 December 2012, the Group's pledged bank deposits included a deposit pledged to a bank of approximately HK$12,330,000 (2011: approximately HK$24,672,000) to secure bank loans of approximately HK$9,944,000 (2011: approximately HK$9,864,000).

Save for the details of pledged bank deposits as set out above, as at 31 December 2012, there were no charges on the Group's assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2012.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2012.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any material acquisitions or disposals of subsidiaries or associates during the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and came into full effect on 1 April 2012.

Throughout the year under review, the Company has complied with most of the Code Provisions of the Former CG Code for the period from 1 January 2012 to 31 March 2012 and of the Revised CG Code for the period from 1 April 2012 to 31 December 2012, save for the deviation of the Code Provision A.4.1 which is explained below.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

None of the existing independent non-executive Directors (the "INEDs") is appointed for a specific term.

Although the INEDs are not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under Code Provision A.4.1.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Wong Chak Keung (Chairman), Mr. Ling Yu Zhang and Mr. Lu Wei. The Audit Committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 31 December 2012.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2012. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2012 will be dispatched to shareholders and be published on the aforementioned websites in due course.

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

Hong Kong, 27 March 2013

As at the date of this announcement, the Board comprises Mr. Ni Xinguang and Mr. Wang Zhiming as executive directors, and Mr. Wong Chak Keung, Mr. Ling Yu Zhang and Mr. Lu Wei as independent non-executive directors.

* *Management translation*