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 2010

The Board of Directors (the "Board") 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 2010 together with the comparative figures of the corresponding year in 2009, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Turnover	4	**580,085**	469,123
Cost of sales and services		**(616,966)**	(267,899)
Gross (loss)/profit		**(36,881)**	201,224
Other income	5	**42,929**	10,673
Reversal of write down of properties held for resale		**1,700**	600
Gain on bargain purchase		**–**	581
Distribution costs		**(144,274)**	(172,591)
Administrative expenses		**(53,379)**	(44,994)
Other operating expenses		**(21,167)**	(5,283)
Loss from operations		**(211,072)**	(9,790)
Finance costs	7	**(38,374)**	–
Loss before tax		**(249,446)**	(9,790)
Income tax (expense)/credit	8	**(50)**	14,819
(Loss)/profit for the year	9	**(249,496)**	5,029
Attributable to:			
Owners of the Company		**(42,367)**	6,200
Non-controlling interests		**(207,129)**	(1,171)
		(249,496)	5,029
(Loss)/earnings per share	10		
Basic		**HK(0.58) cent**	HK0.08 cent
Diluted		**N/A**	HK0.08 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(249,496)**	5,029
Other comprehensive income		
Exchange differences on translating foreign operations	**2,912**	305
Other comprehensive income for the year, net of tax	**2,912**	305
Total comprehensive income for the year	**(246,584)**	5,334
Attributable to:		
Owners of the Company	**(34,889)**	6,505
Non-controlling interests	**(211,695)**	(1,171)
	(246,584)	5,334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Fixed assets		**13,984**	19,792
Intangible assets	11	**1,011,586**	1,321
		1,025,570	21,113
Current assets			
Properties held for resale		**11,000**	9,300
Inventories		**16,204**	40,475
Trade receivables	12	**25,754**	45,002
Other receivables, prepayments and deposits		**57,358**	88,252
Financial assets at fair value through profit or loss		**–**	12,296
Pledged bank deposits		**6,286**	284
Bank and cash balances		**112,124**	163,397
		228,726	359,006
Current liabilities			
Agency fee payables – current portion	11	**494,202**	–
Trade and bills payables	13	**21,632**	25,928
Other payables and accruals		**51,241**	25,225
Current tax liabilities		**2,167**	2,147
		569,242	53,300
Net current (liabilities)/assets		**(340,516)**	305,706
Total assets less current liabilities		**685,054**	326,819
Non-current liabilities			
Agency fee payables – non-current portion	11	**595,383**	–
NET ASSETS		**89,671**	326,819
Capital and reserves			
Share capital		**732,777**	732,428
Other reserves		**1,295,679**	1,279,675
Accumulated losses		**(1,730,628)**	(1,687,998)
Equity attributable to owners of the Company		**297,828**	324,105
Non-controlling interests		**(208,157)**	2,714
TOTAL EQUITY		**89,671**	326,819

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 Suite 1206, 12/F, Great Eagle Centre, 23 Harbour 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 major subsidiaries are retail and distribution of consumer products and provision of television advertising services in the People's Republic of China (the "PRC") and property holding and investment in Hong Kong.

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 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 January 2010 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2010	2009
	HK$'000	*HK$'000*
Decrease in other operating expenses	**263**	–
Decrease in loss for the year attributable to owners of the Company	**205,281**	–
Increase in loss for the year attributable to non-controlling interests	**205,018**	–
Decrease in loss per share (HK cents)	**2.80**	–

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 its judgements in the process of applying the accounting policies.

4. TURNOVER

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

	2010	2009
	HK$'000	*HK$'000*
Retail and distribution of consumer products	**196,912**	433,713
Media management service fees	**–**	25,297
Television advertising service income	**367,580**	–
Insurance agency service income	**14,653**	9,198
Rental income	**940**	915
	580,085	469,123

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Interest income	**828**	2,541
Commission income from television advertising services	**37,279**	–
Exchange gains	**154**	–
Fair value gain on financial assets at fair value through profit or loss	**686**	–
Reversal of allowance for trade receivables	**156**	2,038
PRC tax subsidy	**1,148**	3,522
Write back of other payables and accruals	**567**	745
Write back of trade payables	**480**	–
Sundry income	**1,631**	1,827
	42,929	10,673

6. SEGMENT INFORMATION

The Group has three reportable segments as follows:

PRC retail and distribution	–	retail and distribution of consumer products as well as the provision of media management services in the PRC
Television advertising	–	provision of television advertising services in the PRC
Property investment	–	property holding and investment in Hong Kong

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 segments include the insurance agency service business, which earns insurance agency service income. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

Segment profits or losses do not include interest income, fair value gain or loss on financial assets at fair value through profit or loss, gain on bargain purchase, loss on deemed disposal of a subsidiary, corporate income and corporate expenses. Segment assets do not include financial assets at fair value through profit or loss and corporate assets. Segment liabilities do not include corporate liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers 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*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2010					
Revenue from external customers	**196,912**	**367,580**	**940**	**14,653**	**580,085**
Intersegment revenue	**–**	**32,448**	**–**	**–**	**32,448**
Segment profit/(loss)	**(133,150)**	**(100,468)**	**2,142**	**(66)**	**(231,542)**
Interest revenue	**306**	**39**	**–**	**49**	**394**
Interest expense	**–**	**38,374**	**–**	**–**	**38,374**
Income tax expense	**21**	**8**	**–**	**21**	**50**
Depreciation and amortisation	**6,990**	**453,240**	**–**	**121**	**460,351**
Reversal of bad debts/impairment charges	**156**	**–**	**–**	**–**	**156**
Bad debts/impairment charges	**29,091**	**–**	**–**	**–**	**29,091**
Write back of trade and other payables and accruals	**1,047**	**–**	**–**	**–**	**1,047**
Reversal of write down of properties held for resale	**–**	**–**	**1,700**	**–**	**1,700**
Fixed assets written off	**–**	**–**	**–**	**14**	**14**
Additions to segment non-current assets	**489**	**1,428,176**	**–**	**3**	**1,428,668**
At 31 December 2010					
Segment assets	**136,628**	**1,097,886**	**11,133**	**21,840**	**1,267,487**
Segment liabilities	**48,304**	**1,199,565**	**326**	**983**	**1,249,178**

	PRC retail and distribution *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2009				
Revenue from external customers	459,010	915	9,198	469,123
Segment profit/(loss)	(947)	1,067	357	477
Interest revenue	760	–	25	785
Interest expense	–	–	–	–
Income tax credit/(expense)	14,871	–	(52)	14,819
Depreciation and amortisation	4,802	–	49	4,851
Reversal of bad debts/impairment charges	8,647	–	–	8,647
Bad debts/impairment charges	3,123	–	–	3,123
Write back of other payables and accruals	705	–	–	705
Reversal of write down of properties held for resale	–	600	–	600
Loss on disposals of fixed assets	16	–	–	16
Fixed assets written off	18	–	–	18
Additions to segment non-current assets	5,294	–	482	5,776
At 31 December 2009				
Segment assets	266,596	9,433	21,847	297,876
Segment liabilities	46,806	309	1,608	48,723

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

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**612,533**	469,123
Elimination of intersegment revenue	**(32,448)**	–
Consolidated revenue	**580,085**	469,123
Profit or loss		
Total profit or loss of reportable segments	**(231,542)**	477
Fair value gain/(loss) on financial assets at fair value through profit or loss	**686**	(255)
Interest revenue	**828**	2,541
Gain on bargain purchase	**–**	581
Loss on deemed disposal of a subsidiary	**–**	(1,023)
Unallocated corporate income	**154**	42
Unallocated corporate expenses	**(19,572)**	(12,153)
Loss before tax	**(249,446)**	(9,790)
Assets		
Total assets of reportable segments	**1,267,487**	297,876
Financial assets at fair value through profit or loss	**–**	12,296
Corporate assets	**74,601**	70,297
Elimination of intersegment assets	**(87,792)**	(350)
Consolidated total assets	**1,254,296**	380,119
Liabilities		
Total liabilities of reportable segments	**1,249,178**	48,723
Corporate liabilities	**3,239**	4,927
Elimination of intersegment liabilities	**(87,792)**	(350)
Consolidated total liabilities	**1,164,625**	53,300

Geographical information:

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**940**	915	**48**	59
The PRC except Hong Kong	**579,145**	468,208	**1,025,522**	21,054
Consolidated total	**580,085**	469,123	**1,025,570**	21,113

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

Revenue from major customer:

	2010	2009
	HK$'000	*HK$'000*
Television advertising segment		
Customer a	**110,710**	–

7. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Notional non-cash interest accretion on pre-agreed periodic payments on exclusive advertising agency right	**38,374**	–

8. INCOME TAX EXPENSE/(CREDIT)

	2010	2009
	HK$'000	*HK$'000*
PRC tax		
– current	**50**	458
– overprovision in prior years	**–**	(15,277)
	50	(14,819)

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profits arising in Hong Kong for the year (2009: HK$Nil).

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

No provision for deferred taxation has been made for both years ended 31 December 2009 and 2010 as the tax effect of all temporary difference is not material.

9. (LOSS)/PROFIT FOR THE YEAR

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

	2010	2009
	HK$'000	*HK$'000*
Advertising costs	**69,106**	100,949
Allowance for trade receivables (included in other operating expenses)	**5,746**	2,503
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold)	**8,433**	(6,609)
Allowance for other receivables (included in other operating expenses)	**1,173**	288
Amortisation of exclusive advertising agency right (included in cost of sales and services)	**453,223**	–
Amortisation of internet platform and insurance agency licence (included in other operating expenses)	**318**	251
Auditor's remuneration	**1,700**	1,450
Bad debts written off (included in other operating expenses)	**437**	–
Cost of inventories sold	**142,834**	253,256
Depreciation	**6,844**	4,635
Direct operating expenses that generate rental income	**432**	422
Exchange differences, net	**(154)**	179
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(686)**	255
Fixed assets written off	**14**	18
Impairment loss on fixed assets (included in other operating expenses)	**158**	203
Impairment loss on intangible asset (included in other operating expenses)	**666**	–
Impairment loss on prepayments and deposits (included in other operating expenses)	**12,282**	129
Inventories written off (included in cost of inventories sold)	**196**	–
Loss on deemed disposal of a subsidiary (included in other operating expenses)	**–**	1,023
Loss on disposals of fixed assets	**–**	16
Operating lease charges		
– Hire of plant and equipment	**1,914**	–
– Land and buildings	**8,240**	6,568
Staff costs (including directors' emoluments)	**41,612**	38,351

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2009: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$42,367,000 (2009: profit attributable to owners of the Company of approximately HK$6,200,000) and the weighted average number of ordinary shares of 7,326,518,000 (2009: 7,324,281,000) in issue during the year.

Diluted (loss)/earnings per share

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2010.

For the year ended 31 December 2009, the calculation of diluted earnings 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$6,200,000 and the weighted average number of ordinary shares of 7,324,630,000, being the weighted average number of ordinary shares of 7,324,281,000 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 349,000 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

11. INTANGIBLE ASSETS

During the year, the Group incurred HK$1,428,016,000 (2009: HK$475,000) on additions to intangible assets. The additions represented the exclusive advertising agency right (2009: insurance agency licence).

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 license 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.

In the event of termination of the exclusive advertising agency contract by either party to contract, the cancelling or default party will be responsible for a compensation amounted to 10% of the unfulfilled contract sum for the year of default as well as an amount equals to the deposit on account for the contract. At 31 December 2010, a deposit of approximately HK$35,000,000 relating to the exclusive advertising agency contract has been included in other receivables, prepayments and deposits, and the maximum compensation computed for each of the financial years of 2011 and 2012 were approximately HK$52,000,000 and HK$61,000,000 respectively. The management believes that the Group would have sufficient resources to meet its obligation in the event of default on its part.

12. TRADE RECEIVABLES

The Group's turnover included sales of consumer products, service income and rental income. The payment terms of the sales to retail customers in the PRC retail and distribution segment are on cash-on-delivery basis to the logistic providers who received on the Group's behalf upon delivery of goods and reimburse the fund so collected within 15 to 60 days. The payment terms of the sales to distributors in the PRC retail and distribution segment are normally from 30 to 180 days. For television advertising business, the Group generally requires customers to pay in advance, but grants a credit period of 30 to 90 days to some customers. The payment terms of media management services and insurance agency services provided are normally at 30 days. The rental income is paid in accordance with the terms of the respective agreements, which is normally due on the first day of the month.

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

	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**19,676**	41,179
91 – 180 days	**2,898**	2,830
181 – 365 days	**3,144**	912
Over 365 days	**36**	81
	25,754	45,002

13. TRADE AND BILLS PAYABLES

At 31 December 2010, included in trade and bills payables are trade payables of approximately HK$15,757,000 (2009: HK$25,928,000) and bills payables of approximately HK$5,875,000 (2009: HK$Nil).

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:

	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**9,590**	15,632
91 – 180 days	**1,005**	959
181 – 365 days	**1,332**	3,039
Over 365 days	**3,830**	6,298
	15,757	25,928

14. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

PRC consumer goods market analysis

Following the policy of "Adjusting Structure and Promoting Consumption" implemented by the Chinese Government, the Chinese economy achieved strong growth in 2010. Data from the National Bureau of Statistics of China showed that annual GDP grew by 10.3% to RMB39,798.3 billion and annual total per capita income of urban residents also rose by 11.5% to RMB21,033. Increasing consumption and actual spending power of consumers has contributed to quicker growth in the retail industry. The total retail sales of consumer products in the country for the entire year increased by 18.4% year-on-year to RMB15,455.4 billion. With materialization of the Twelfth Five-Year Plan boosting domestic demand, the PRC economy is expected to continue expanding steadily, creating favorable conditions for the prosperous development of the retail market.

Media shopping market analysis and prospects

Although the State Administration of Radio Film and Television ("SARFT") implemented a series of policies in 2009 to regulate and consolidate the industry, the matter of integrity surrounding the television shopping industry has not been resolved entirely. Questionable business practices and frequent issues of fraud raised over the years have made consumers resist television shopping. According to information contained in the "White paper of the communication marketing industry development in the PRC in 2010*" (《2010年中國通訊營銷渠道行業發展白皮書》) issued by the Ministry of Industry and Information Technology, the proportion of overall retail sales of consumer goods conducted by television shopping constituted less than 1% in the PRC.

Compared with the traditional television direct sale industry, the home shopping industry showed more rational development. Strong support from the Chinese government has brought new opportunities to home television shopping industry. SARFT currently manages home television shopping channels through unified licensing, enabling relevant enterprises holding government licenses to grow healthily and enhance their reputation, which in turn helps improve the overall standard of the industry. Moreover, the media shopping industry is planning to launch the "National Standard of Media Shopping in the PRC*" (中國媒體購物國家標準), standardizing online shopping, television shopping, radio shopping and telephone shopping. Formulation of the standard has been completed and is currently in the application stage. Implementation of the regulatory policies is expected to help regain consumer confidence toward the industry.

The global television shopping industry is growing at a pace of over 20% per year. The annual income from the television shopping industry in the United States even accounts for 8% of the nation's total retail sales. Hence, the television shopping industry in the PRC has enormous potential for substantial growth. The analyst of China Market Intelligence Center has stated that the television shopping market will surge from RMB23.4 billion in 2009 to RMB500 billion in 2020 – just ten year's time – paralleling the rise in total retail sales in the PRC. Further increase in income and spending power of Chinese citizens will create bright prospects for the country's television shopping industry.

Business review

With support from the Chinese government, the home television shopping industry is expected to have a promising future. As such, the Group leveraged its significant experience in media shopping, print media, the Internet and retail store to actively expand its home television shopping business with the objective of providing a unique home television shopping experience for its customers.

The Group has been authorized to conduct a home shopping business via digital television channel, specifically launching the 24-hour JIA XI GOU WU shopping channel*(家禧購物頻道) in Fuzhou City, Fujian Province during the year. In addition, the Group expanded related businesses in other PRC cities by working with local television stations, setting up home shopping channels in Shanghai, Hangzhou City in Zhejiang Province, Suzhou City in Jiangsu Province, Zhangjiagang City, Yancheng City, and Nanning City in Guangxi Province. The home shopping business is still in its initial stage of development and accounted for 16% of the Group merchandise sales in 2010. Looking ahead, the Group will further expand its coverage to other potential areas in order to further expand its customer base. The management remains optimistic that this segment will gradually increase its profit contributions to the Group.

To complement the JIA XI GOU WU shopping channel, the Group opened its first concept store, JIA XI XING HUO GUAN*(家禧星活館), in Fuzhou City, Fujian Province in November 2010. This move demonstrated the Group's ability to expand from the television shopping segment to the retail sales segment, and represented its first step toward enhancing its coverage of the home television shopping business in the country. The new concept store is equipped with computers and TVs, and has actual products on display, including a catalogue for customers' reference. The staff provide after-sale and exchange services, helping eliminate any concerns customers may have as well as instill confidence in the Group's products. JIA XI GOU WU(家禧購物) also has a large shopping website called XIN HUO GUAN(星活館) that offers such products as cosmetics, kitchenware, small home appliances and electronics, providing abundant choices and a convenient shopping experience for customers.

By bolstering complementary support services, such as 24-hour call center, online shopping guide, nationwide delivery service and multiple payment methods, this has enabled the Group to build a one-stop shopping network consisting of JIA XI GOU WU shopping channel, XING HUO GUAN concept store and XING HUO GUAN website. This has in turn created a comprehensive shopping platform comprising TV, print media, online media and retail store for consumers. The Group continued to upgrade the entire supply chain as well; encompassing product development, sales and delivery, with the aim of enhancing operational efficiency and strengthening market influence of its business, thereby effectively meet the increasing demand and elevate the Group's image as a trustworthy shopping service enterprise.

During the year under review, the Group was granted exclusive agency rights to advertising air time via a satellite television channel of Guangdong TV Station ("GDTV"). The rights cover a three-year period and prompted the development of the Group's media management business. Since the business was still in its initial stage, its contribution to the Group was yet to be reflected. In the future, as the operating model further matures and relationship between the Group and related partners strengthens, the media management business is expected to gradually generate revenue to the Group.

Sales results and performance review

For the year ended 31 December 2010, the Group's consolidated turnover was approximately HK$580,085,000, represents an increase of approximately 24% from 2009, mainly attributable to the newly added exclusive television advertising agency contract. The Group recorded a loss on the gross profit line during the year as compared to a profit for the year ended 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 businesses, 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 loss before tax of approximately HK$207,129,000 (2009: loss of HK$1,171,000), resulting in an loss attributable to the owners of the Company of approximately HK$42,367,000 (2009: profit attributable to the owners of the Company of approximately HK$6,200,000).

As a result of the questionable practices of some television shopping industry players triggering an integrity crisis which led to a decrease in the ratio of television sales to advertising costs, the higher return rate of goods sold as well as the conscious decision to business segment diversification by the Group, the retail revenue of the Group dropped 55% to HK$196,912,000 (2009: HK$433,713,000). Gross margin of merchandise sales was 25% (2009:40%).

On financial position and cash flows, for the year ended 31 December 2010, the Group's total assets were HK$1,254,296,000 (2009: HK$380,119,000), an increase of 230% when compared with 2009. Net cash inflows/(outflows) from operating activities, investing activities and financing activities were at HK$(63,628,000), HK$7,133,000 and HK$1,060,000 respectively (2009: HK$(76,624,000), HK$20,491,000 and HK$2,009,000). Capital expenditure for the year was HK$675,000 (2009: HK$5,322,000) with depreciation and amortization for tangible and intangible assets at HK$460,385,000 (2009: HK$4,886,000). Strength of the Chinese Yuan also contributed to a favorable currency effect of HK$7,478,000 (2009: HK$305,000) to the current year's reserves. As at 31 December 2010, the total cash position of the Group was HK$118,410,000 (2009: HK$163,681,000).

Outlook and strategy

According to the Twelfth Five-Year Plan, the PRC will drive domestic consumption and spending power by increasing income of its people in the next five years. Greater spending by rural residents, consumption upgrade by urban residents and urbanization in the PRC will become important drivers for consumption growth, presenting enormous opportunities to the local consumer market. The Group will seek to capture such opportunities in its bid to further expand the home television shopping business, enabling consumers to experience comprehensive and thoughtful shopping services while staying at home.

Currently, the Chinese Government places great emphasis on three-network convergence, which is part of the Twelfth Five-Year Plan. More pilot cities are expected to participate in this development. With the implementation of relevant policies, full convergence of the telecommunications network, broadcast television network and the Internet will help provide more communication channels for China Seven Star to promote its brand. Greater information exchange and transparency as well as growing consumer confidence will create opportunities for the Group to pursue long-term development goals.

In anticipation of steady economic growth and rapid expansion of the retail sector in the PRC, the Group will continue efforts to enlarge its existing home shopping and media management businesses, and at the same time closely observe the trends in the media shopping segment. The management will strive to seize enormous opportunities in the retail sector and deliver satisfactory returns to shareholders.

Financial Resources and Liquidity

As at 31 December 2010, the Group had financial assets (excluding receivables) amounted to approximately HK$118,410,000 (2009: HK$175,977,000) of which approximately HK$112,124,000 (2009: HK$163,397,000) 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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars or Renminbi which is the functional currency of the Group entities. The Group does not have a foreign currency hedging policy in respect of foreign currency debt. 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 402 employees (including Directors) as at 31 December 2010 (2009: 665). 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 2010, the Group had total assets of approximately HK$1,254,296,000 (2009: HK$380,119,000) and no borrowings (2009: HK$Nil).

Capital Structure

As at 31 December 2010, the Company's issued ordinary share capital was HK$732,777,084 divided into 7,327,770,839 shares of HK$0.10 each (at 31 December 2009: HK$732,428,084 divided into 7,324,280,839 shares of HK$0.10 each).

Charges on Group's Assets

Apart from the deposits of approximately HK$294,000 pledged to a bank as securities for two corporate cards with credit limit of HK$235,000 and the deposits of approximately of HK$5,992,000 to a bank for a security for bills payables of approximately HK$5,875,000, as at 31 December 2010, there were no charges on the Group's assets.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2010.

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 2010.

CORPORATE GOVERNANCE

The Board has applied the principles and complied with all the applicable Code provisions and where applicable, the recommended practices of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2010 except for deviation from Code provision A.4.1 of the Code.

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 2010.

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. Chan Wai Sum 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 2010.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement 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. 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, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2010, 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 2010 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, 31 March 2011

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

* *Management translation*