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# CHINA SEVEN STAR SHOPPING LIMITED

中國七星購物有限公司

(Incorporated and existing under the laws of Hong Kong with limited liability)  
(Stock Code: 245)

## PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES AND RESUMPTION OF TRADING

Placing Agent and Sole Bookrunner



SBI E2-Capital Securities Limited

The Directors are pleased to announce that on 12 February 2007, the Vendor and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent agreed to, on a best-effort basis, place 500,000,000 existing Shares at the Placing Price of HK\$0.68 per Share on behalf of the Vendor and the Vendor has granted the Placing Agent an option to increase the number of Shares for the Placing by a maximum number of 75,000,000 Shares at the Placing Price exercisable any time during the 7-day period after the date of the Placing Agreement. On the same day, the Vendor entered into the conditional Subscription Agreement with the Company for the subscription of up to 575,000,000 new Shares at the Subscription Price. The Placing Shares, assuming that the Vendor Option is not exercised, represented approximately 9.85% of the existing issued share capital of the Company or 11.33% if the Vendor Option is fully exercised, as at the date of this announcement and approximately 8.97% (if the Vendor Option is not exercised) or 10.18% (if the Vendor Option is fully exercised) of the total issued share capital of the Company as enlarged by the Subscription.

Commerzbank is the financial advisor to the Company in respect of the Placing and the Subscription.

The Placing Shares were placed by the Placing Agent to not less than six independent placees which include professional institutional investors and individual investors. Assuming the outstanding share options of the Company are not exercised, upon completion of the Placing but before the Subscription, the shareholding of the Vendor in the issued share capital of the Company will be reduced from approximately 39.50% (if the Vendor Option is not exercised) to approximately 29.65% or 28.17% (if the Vendor Option is fully exercised), as the case may be, the Subscription (if the Vendor Option is not exercised) will increase the shareholding of the Vendor to approximately 35.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares or 35.49% if the Vendor Option is fully exercised. The Subscription Shares will be allotted and issued pursuant to the General Mandate. The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal, in the Subscription Shares.

The Placing and the Subscription are effected to enable the Company to raise funds. Assuming that the Placing Shares are fully placed under the Placing, the proceeds from the Subscription, net of the relevant expenses and the Placing Commission payable to the Placing Agent, will amount to approximately HK\$329.1 million or HK\$378.5 million if the Vendor Option is fully exercised. The Company intends to use the net proceeds from the Subscription for the purpose of the Group's expansion in the area of retailing and wholesaling of consumer products and television shopping in the PRC.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on Friday, 9 February 2007, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 14 February 2007.

### THE PLACING AGREEMENT

On 9 February 2007, the Vendor and the Placing Agent commenced negotiation in respect of the Placing and at 12:45 p.m. on the same day, all key terms of the Placing Agreement (including the terms relating to the Placing Price and the Placing Commission) have been agreed except that certain terms including representations and warranties and termination clause in the Placing Agreement were yet to be finalised. On 12 February 2007, all the terms of the Placing Agreement were finalised and the Vendor and the Placing Agent entered into the Placing Agreement on the same day.

#### Date of agreement

12 February 2007

#### Parties to the Placing Agreement

- (i) The Vendor; and
- (ii) The Placing Agent who is independent of the Company and its connected persons (as defined in the Listing Rules)

#### Placing Agent

The Placing was arranged by the Placing Agent on a best-effort basis. The Placing Agent and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, independent of the Company and its connected persons (as defined in the Listing Rules).

#### Number of Placing Shares

The Placing Agent has agreed to procure, on a best-effort basis, placees for the purchase of up to 500,000,000 existing Shares owned by the Vendor, representing approximately 9.85% of the existing issued share capital of the Company as at the date of this announcement and approximately 8.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription, assuming the Placing Shares are fully placed under the Placing and the outstanding options of the Company are not exercised.

In order to provide greater flexibility to cover over-allocation in the Placing, the Vendor has granted to the Placing Agent an option to increase the number of Shares for the Placing by a maximum number of 75,000,000 Shares, representing approximately 1.48% of the existing issued share capital of the Company as at the date of this announcement, to the Placing Agent at the Placing Price exercisable by the Placing Agent any time during the 7-day period after the date of the Placing Agreement.

#### Placees

The Placing Shares were placed by the Placing Agent to not less than six independent placees which include professional institutional investors and individual investors. To the Directors' best knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and the placees (and their respective ultimate beneficial owners) procured by the Placing Agent as agent of the Vendor are independent of, and not acting in concert with, the Vendor and independent of the Company and its connected persons (as defined in the Listing Rules), and each of the placees are independent of each other. To the Directors' best knowledge, information and belief, having made all reasonable enquiries, the placees (and their ultimate beneficial owners) procured by the Placing Agent as agent of the Vendor are not substantial shareholders of the Company as at the date of this announcement. The Placing Agent will not place the Placing Shares to the placees to the effect that any placee will become a substantial shareholder of the Company. It is not expected that any placee will become a substantial Shareholder as a result of the Placing and the Subscription.

#### Placing Price

The Placing Price of HK\$0.68 per Share represented (i) a discount of approximately 2.85% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange at 12:30 p.m. on 9 February 2007 (being the last trading day prior to the suspension in trading of the Shares on the Stock Exchange pending for the release of this announcement); (ii) a discount of approximately 1.45% to the average closing price of approximately HK\$0.69 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 9 February 2007; (iii) a discount of approximately 1.45% to the average closing price of approximately HK\$0.69 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 9 February 2007; (iv) a premium of approximately 58.14% to the average closing price of approximately HK\$0.43 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 9 February 2007 and (v) approximately 49 times over the consolidated unaudited net asset value per Share of HK\$0.0138 as at 30 June 2006 (based on the total number of 5,074,242,000 Shares in issue as at the date of this announcement). The Placing

Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to the market price of the Shares and the current market condition. After deducting the relevant expenses of the Placing and the Subscription, the net Placing Price is approximately HK\$0.658 per Share.

#### Rights of the Placing Shares

The Placing Shares are sold free from all liens, charges, encumbrances and third-party rights and are ranked pari passu with the Shares in issue, together with all rights attaching thereto as at the date of the Placing Agreement, including the right to receive all dividends and other distributions declared, made or paid on the Placing Shares at any time on or after the date of the Placing Agreement.

#### Conditions of the Placing

The Placing was arranged by the Placing Agent on a best-effort basis. The Placing Agent has right to terminate the Placing Agreement if, prior to 5:00 p.m. on the day immediately before completion of the Placing: (i) in the reasonable opinion of the Placing Agent there have been certain events that would be likely to prejudice materially the consummation of the Placing; (ii) there is any material breach of any of the representations and warranties of the Vendor as set out in the Placing Agreement, which in the reasonable opinion of the Placing Agent, is material in the context of the Placing; (iii) there is any adverse change in the financial position, condition, business and prospect of the Company which in the reasonable opinion of the Placing Agent, is material in the context of the Placing.

#### Completion of the Placing

The Placing (prior to the exercise of the Vendor Option) is expected to be completed on 16 February 2007 or such other date as the parties may mutually agree in writing. No advance notice is required to be given by the parties to the Placing Agreement in this regard.

If the Vendor Option is fully exercised, completion of the transfer of up to 75,000,000 Shares is to take place on or before the second trading day after the date of the exercise.

#### Placing Commission

Pursuant to the Placing Agreement, the Vendor shall pay the Placing Commission equal to 3% of the gross proceeds of the Placing. The Directors (including the independent non-executive Directors) are of the view that the Placing Commission is fair and reasonable.

### THE SUBSCRIPTION AGREEMENT

#### Date of the agreement

12 February 2007

#### Parties to the Subscription Agreement

- (i) The Company; and
- (ii) The Vendor

#### Number of Subscription Shares

The Vendor will subscribe the Subscription Shares, being up to 500,000,000 new Shares and equivalent to the number of the Placing Shares, representing approximately 9.85% of the existing issued share capital of the Company (if the Vendor Option is not exercised) or being up to 575,000,000 new Shares and equivalent to the number of the Placing Shares, representing approximately 11.33% of the existing issued share capital of the Company if the Vendor Option is fully exercised. Assuming the outstanding share options of the Company are not exercised, the Placing will reduce the shareholding of the Vendor from approximately 39.50% to 29.65% (if the Vendor Option is not exercised) or 28.17% (if the Vendor Option is fully exercised) of the existing share capital of the Company, and upon completion of the Subscription, the shareholding of the Vendor in the issued share capital of the Company will increase to approximately 35.96% (if the Vendor Option is not exercised) or 35.49% (if the Vendor Option is fully exercised) as enlarged by the allotment and issued of the Subscription Shares.

#### Subscription Price

The Subscription Price is equivalent to the Placing Price, after deducting the relevant expenses of the Placing and the Subscription incurred by the Vendor, and is determined to be HK\$0.658 per Share.

#### Mandate to issue the new Shares

The Subscription Shares are to be issued under the General Mandate. The Company has not issued any new Shares under the General Mandate since the date of grant.

#### Ranking of the Subscription Shares

The Subscription Shares will rank pari passu in all respects with all other Shares in issue on the completion date of the Subscription, including the right to any dividends or distributions after the date of allotment.

**Conditions to the Subscription**

Completion of the Subscription of the 500,000,000 Shares (if the Vendor Option is not exercised) or up to 575,000,000 Shares (if the Vendor Option is fully exercised), in each case, is conditional upon:

- the Stock Exchange granting the listing of and the permission to deal in the Subscription Shares to be subscribed;
- completion of the Placing of the 500,000,000 Shares (if the Vendor Option is not exercised) or up to 575,000,000 Shares (if the Vendor Option is fully exercised), as the case may be, pursuant to the Placing Agreement; and
- the Executive granting the Vendor a waiver from its obligation as a result of the Subscription of the 500,000,000 Shares (if the Vendor Option is not exercised) or the subscription of up to 575,000,000 Shares (if the Vendor Option is fully exercised), as the case may be, to make a general offer under Rule 26 of the Takeovers Code.

None of the above conditions can be waived by the parties to the Subscription Agreement. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Subscription Shares. The Vendor will apply to the Executive for the waiver referred to in (iii) above.

**Completion of the Subscription**

Completion of the Subscription will take place on the next business day after the date upon which the last of the conditions listed above shall have been satisfied. If completion of the Subscription does not take place on or before 26 February 2007, being the fourteenth day from the date of the Subscription Agreement, the exemption under rule 14A.31(3)(d) of the Listing Rules shall not apply and the Company will comply with the relevant requirements for connected transactions under Chapter 14A of the Listing Rules.

Commerzbank is the financial advisor to the Company in respect of the Placing and the Subscription.

**CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE PLACING AND THE SUBSCRIPTION**

The shareholding structure of the Company, (i) before the Placing, the Subscription, the exercise of the Vendor Option and outstanding share options in full; (ii) after the Placing but before the Subscription, the exercise of the Vendor Option and outstanding share options in full; (iii) after the Placing and the exercise of the Vendor Option in full but before the Subscription and exercise of the outstanding share options in full; (iv) after the Placing and the Subscription but before the exercise of the Vendor Option and outstanding share options in full; (v) after the Placing, the Subscription and the full exercise of the Vendor Option but before the exercise of the outstanding share options in full and (vi) after the Placing, the Subscription, the exercise of the Vendor Option and outstanding share options in full is set out as follows:

	Immediately before the Placing, the Subscription, the exercise of the Vendor Option and outstanding share options in full		Immediately after the Placing but before the Subscription, the exercise of the Vendor Option and outstanding share options in full		Immediately after the Placing and exercise of the Vendor Option in full, but before the Subscription, and exercise of the outstanding share options in full		Immediately after the Placing, and before the exercise of the Vendor Option and outstanding share options in full		Immediately after the Placing, the Subscription, and the full exercise of the Vendor Option but before the exercise of the outstanding share options in full		Immediately after the Placing, the Subscription, the exercise of the Vendor Option and outstanding share options in full	
	(Number of Shares)	%	(Number of Shares)	%	(Number of Shares)	%	(Number of Shares)	%	(Number of Shares)	%	(Number of Shares)	%
Vendor (Note 1) and its concert parties including:	2,004,670,000	39.50	1,504,670,000	29.65	1,429,670,000	28.17	2,004,670,000	35.96	2,004,670,000	35.49	2,004,670,000	34.02
(i) Mr. Ni (Note 1)	58,780,000	1.16	58,780,000	1.16	58,780,000	1.16	58,780,000	1.05	58,780,000	1.04	95,780,000	1.62
(ii) Mr. Wang (Note 1)	57,780,000	1.14	57,780,000	1.14	57,780,000	1.14	57,780,000	1.04	57,780,000	1.02	94,780,000	1.61
Sub-total:	2,121,230,000	41.80	1,621,230,000	31.95	1,546,230,000	30.47	2,121,230,000	38.05	2,121,230,000	37.55	2,195,230,000	37.25
Keywise Capital Management (HK) Limited (Note 2)	373,520,000	7.36	373,520,000	7.36	373,520,000	7.36	373,520,000	6.70	373,520,000	6.61	373,520,000	6.34
The Places	-	-	500,000,000	9.85	575,000,000	11.33	500,000,000	8.97	575,000,000	10.18	575,000,000	9.76
Other public shareholders	2,579,492,000	50.84	2,579,492,000	50.84	2,579,492,000	50.84	2,579,492,000	46.28	2,579,492,000	45.66	2,749,122,000	46.65
Sub-total:	2,953,012,000	58.20	3,453,012,000	68.05	3,528,012,000	69.53	3,453,012,000	61.95	3,528,012,000	62.45	3,697,642,000	62.75
Total (Note 3)	5,074,242,000	100.00	5,074,242,000	100.00	5,074,242,000	100.00	5,574,242,000	100.00	5,649,242,000	100.00	5,892,872,000	100.00

**Notes:**

- Group First Limited, being the controlling Shareholder (within the meaning of the Listing Rules), is a private investment company beneficially owned as to 60% by Mr. Ni and 40% by Mr. Wang, which holds 2,004,670,000 Shares as at the date of this announcement. Mr. Ni and Mr. Wang, both are executive Directors, have personal interests in 58,780,000 Shares and 57,780,000 Shares respectively. Accordingly, Mr. Ni, Mr. Wang and the Vendor together held 2,121,230,000 Shares, representing approximately 41.80% of the issued share capital of the Company as of the date of this announcement.
- Keywise Capital Management (HK) Limited is an independent institutional investor who is, to the Directors' best knowledge, information and belief and having made all reasonable enquiries, independent of the Company and its connected persons (as defined in the Listing Rules).
- The above figures are calculated based on a total of 5,074,242,000 Shares currently in issue. It is assumed that other than the Subscription Shares, no new Shares will be issued or no existing Shares are purchased by the Company and no share options of the Company are converted into Shares after the date of this announcement up to the date of the completion of the Subscription. In addition, as at the date of this announcement, the Company has outstanding share options which are convertible into 243,630,000 Shares.

**REASON FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS FROM THE SUBSCRIPTION****Principal business of the Company**

The Group's businesses mainly comprise (i) property holding and investment in Hong Kong; (ii) manufacture and distribution of cosmetic and health products in the PRC; and (iii) retail and distribution of consumer product (particularly, television shopping) and the provision of media management services in the PRC.

The Group did not change its principal business activities during the past twelve months.

**Use of the proceeds from the Subscription**

The proceeds from the Subscription, net of the relevant expenses, and the Placing Commission payable to the Placing Agent, will amount to approximately HK\$329.1 million or HK\$378.5 million if the Vendor Option is fully exercised. The Group intends to use such proceeds for the purpose of its expansion in the area of retailing and wholesaling of consumer products and television shopping in the PRC. The Directors considered that the Placing would not only raise additional capital for the Company, but would also broaden the shareholder and capital bases of the Company. The Directors (including the independent non-executive Directors) are of the view that the terms of the Placing and the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Directors are of the view that retailing and wholesaling of consumer products and television shopping in the PRC constitute one single business segment and the breakdown of the proceeds from the Subscription is not feasible in this regard.

**FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

During the past twelve months prior to the publication of this announcement, the Company has conducted the following fund raising activities:

Date of announcement	20 April 2006	29 September 2006
Fund raising activity	Subscription and Placing of new Shares	Top-up placing
Net proceeds (approximately)	HK\$50 million	HK\$150 million
Number of Shares issued	438,250,000 Shares	832,200,000 Shares
Issue Price	HK\$0.118 per Share	HK\$0.180* per Share
Discount of the issue price to the then market price of the Shares	19.2% over the closing price immediately prior to the publication to the announcement	5.8% over the closing price immediately prior to the publication to the announcement

Intended use of proceeds as stated in the relevant announcement

- General working capital and
- future expansion of the Group in the retail and distribution segment in the PRC

- approximately HK\$120 million for the acquisition of air-time from the various television channels and the establishment of home shopping business in the PRC for the retailing of consumer products under the Company's television shopping platform; and

Actual use of proceeds as at the date of this announcement

- approximately HK\$17 million has been used for general working capital; and
- approximately HK\$33 million was used to finance part of expansion and operating usage in the retail and TV shopping business in the PRC

- the remaining balance of approximately HK\$30 million as working capital for the Group's engagement in the business of retailing, whole-sale of consumer products and television home shopping in the PRC under the Seven Star Trademark
- approximately HK\$65.5 million has been used for the acquisition of air-time; and
- approximately HK\$31 million has been used for general working capital for the PRC

\* net of relevant expenses involved in the top-up placing

The Company confirms that there is no change to the intended use of proceeds set out above.

**SUSPENSION AND RESUMPTION OF TRADING IN SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on Friday, 9 February 2007, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m., Wednesday, 14 February 2007.

**DEFINITIONS**

In this announcement, the following words and phrases have the following meanings:

"Commerzbank"	Commerzbank AG, acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, the financial advisor to the Company in respect of the Placing and the Subscription
"Company"	China Seven Star Shopping Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC (or any of its delegates)
"Group"	the Company and its subsidiaries
"General Mandate"	the general mandate granted to the Directors to allot up to 1,012,648,400 Shares pursuant to the resolution of the Shareholders passed at its extraordinary general meeting held on 5 December 2006
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ni"	Mr. Ni Xinguang (倪新光), a Director who is interested in 58,780,000 Shares (representing approximately 1.16% of the issued share capital of the Company as at the date of this announcement) and a 60% shareholder in the Vendor
"Mr. Wang"	Mr. Wang Zhiming (王志明), a Director who is interested in 57,780,000 Shares (representing approximately 1.14% of the issued share capital of the Company as at the date of this announcement) and a 40% shareholder in the Vendor
"Placing"	placement of the Placing Shares by the Placing Agent at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the placing agreement dated 12 February 2007 between the Vendor and the Placing Agent in respect of the Placing
"Placing Commission"	the placing commission payable by the Vendor to the Placing Agent under the Placing Agreement
"Placing Price"	the placing price of HK\$0.68 per Share
"Placing Shares"	500,000,000 existing Shares owned by the Vendor and if the Vendor Option is fully exercised, up to 575,000,000 Shares
"SBI E2-Capital" or "Placing Agent"	SBI E2-Capital Securities Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) of the regulated activities as set out in Schedule 5 to the SFO, the placing agent and the sole bookrunner of the Placing
"PRC"	the People's Republic of China
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK\$0.10 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the 500,000,000 Shares by the Vendor if the Vendor Option is not exercised or if the Vendor Option is fully exercised, the subscription of 575,000,000 Shares by the Vendor, in each case, pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 12 February 2007 between the Company and the Vendor in respect of the Subscription
"Subscription Price"	the subscription price under the Subscription, which is equivalent to the Placing Price, after deducting the relevant expenses of the Placing and the Subscription incurred by the Vendor, and is determined to be HK\$0.658 per Share
"Subscription Shares"	up to 500,000,000 new Shares to be issued pursuant to the Subscription Agreement, and up to 575,000,000 Shares if the Vendor Option is fully exercised
"Takeovers Code"	the Hong Kong Code of Takeovers and Mergers
"trading day"	has the meaning ascribed to it in the Listing Rules
"Vendor"	Group First Limited, a private company ultimately and beneficially owned as to 60% by Mr. Ni and as to 40% by Mr. Wang, being the controlling Shareholder (within the meanings of the Listing Rules) which is interested in approximately 39.50% in the issued share capital of the Company as at the date of this announcement
"Vendor Option"	the option granted by the Vendor to the Placing Agent referred to in the paragraph headed "Number of Placing Shares" in this announcement
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

By Order of the Board  
**China Seven Star Shopping Limited**  
**Ni Xinguang**  
 Chairman

Hong Kong, 13 February 2007

As at the date of this announcement, the Board comprises Messrs. Ni Xinguang and Wang Zhiming who are executive directors and Messrs. Chan Wai Sum, Tang Chi Wing and Lu Wei who are independent non-executive directors.

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