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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)

**PROPOSED OPEN OFFER OF
NOT LESS THAN 732,777,083 OFFER SHARES AND
NOT MORE THAN 749,701,083 OFFER SHARES
OF HK\$0.05 EACH TO QUALIFYING SHAREHOLDERS
ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES
HELD ON THE RECORD DATE
AND
CHANGE OF BOARD LOT SIZE**

Financial adviser to the Company



Underwriter of the Open Offer



PROPOSED OPEN OFFER

The Board proposes to raise not less than approximately HK\$36.6 million and not more than approximately HK\$37.5 million, before expenses, by issuing not less than 732,777,083 Offer Shares and not more than 749,701,083 Offer Shares at a price of HK\$0.05 per Offer Share by way of the Open Offer on the basis of one Offer Share for every two existing Shares held on the Record Date and payable in full upon acceptance.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Shares must be lodged for registration with the Registrar by 4:30 p.m. on Thursday, 12 July 2012 and the Shareholders must not be the Prohibited Shareholders. The register of members of the Company is expected to be closed from Friday, 13 July 2012 to Tuesday, 17 July 2012 (both dates inclusive) to determine the eligibility of the Shareholders to the Open Offer.

As at the date of this announcement, save for the outstanding Share Options entitling the holders thereof to subscribe for 33,848,000 new Shares, the Company does not have any pre-existing obligation to issue any Shares or other outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares prior to the completion of the Open Offer.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. Accordingly, the Open Offer is fully underwritten.

The estimated net proceeds from the Open Offer will be not less than approximately HK\$34.9 million and not more than approximately HK\$35.8 million. The Board intends to apply the net proceeds as additional working capital to strengthen the Group's capital base and to enhance the business operations of the Group.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed "Termination of the Underwriting Agreement" below). Accordingly, the Open Offer may or may not proceed.

The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

The Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 11 July 2012 and that dealings in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Tuesday, 7 August 2012) will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed.

CHANGE IN BOARD LOT SIZE

The Board proposes to change the board lot size for trading of the Shares from 20,000 Shares to 40,000 Shares with effect from Wednesday, 15 August 2012. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 20,000 Shares to new share certificates in board lot size of 40,000 Shares is necessary.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, pursuant to the Listing Rules, the Open Offer itself is not subject to the Shareholders' approval.

The Company will despatch the Prospectus Documents to each of the Qualifying Shareholders and, the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders (if any) on Wednesday, 18 July 2012 or such later date as the Underwriter may agree in writing with the Company.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	one Offer Share for every two existing Shares held by Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.05 per Offer Share payable in full upon acceptance
Number of existing Shares in issue as at the date of this announcement	:	1,465,554,167 Shares
Number of Offer Shares	:	not less than 732,777,083 Offer Shares and not more than 749,701,083 Offer Shares
Aggregate nominal value of the Offer Shares	:	not less than HK\$7,327,770.83 and not more than HK\$7,497,010.83
Gross proceeds from the Open Offer	:	not less than approximately HK\$36,638,854.15 and not more than approximately HK\$37,485,054.15
Estimated net proceeds from the Open Offer	:	not less than approximately HK\$34,938,854.15 and not more than approximately HK\$35,785,054.15
Net price to be raised per Offer Share upon completion of the Open Offer	:	not less than approximately HK\$0.04768 and not more than approximately HK\$0.04773

As at the date of this announcement, save for the outstanding Share Options entitling the holders thereof to subscribe for 33,848,000 new Shares, the Company does not have any pre-existing obligation to issue any Shares or other outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Open Offer is not subject to any Shareholders' approval and the Offer Shares are not issued under the general mandate granted to the Directors.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must at the close of business on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be a Prohibited Shareholder.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 12 July 2012.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange and the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements.

Closure of register of members

The register of members of the Company is expected be closed from Friday, 13 July 2012 to Tuesday, 17 July 2012 (both dates inclusive) to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price for the Offer Shares is HK\$0.05 per Offer Share, payable in full upon acceptance. The Subscription Price represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 21.05% to the theoretical ex-entitlement price of HK\$0.063 per Share based on the closing price of HK\$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 34.21% to the average closing price of approximately HK\$0.076 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 36.22% to the average closing price of approximately HK\$0.0784 per Share as quoted on the Stock Exchange on the last ten trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter and after having taken into account the recent price performance, liquidity and performance of the Shares and prevailing market conditions. In order to enhance the attractiveness of the Open Offer, issuance of new shares by way of open offer at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. The Directors consider that the discount would encourage Shareholders to participate in the Open Offer and participate in the future growth of the Group. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its

shareholding in the Company held on the Record Date. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares (when fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Fractions of the Offer Shares

Fractional entitlements to the Offer Shares will not be allotted and will not be issued but will be aggregated and taken up by the Underwriter. The Offer Shares will be issued on the basis of the whole multiple.

Certificates of the fully-paid Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by Monday, 13 August 2012 to those entitled thereto by ordinary post at their own risks.

Rights of Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not expected to be registered under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

The Company will send the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders (if any).

No application for excess Offer Shares

There is no arrangement for application of Offer Shares by the Qualifying Shareholders in excess of their entitlements. Any Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer will be taken up by the Underwriter or subscribers procured by the Underwriter.

The Directors are of the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

Under the Open Offer, there will not be trading in nil-paid allotment of Offer Shares. The Directors consider that the arrangement of trading in nil-paid entitlements on the Stock Exchange will involve additional administrative work and costs for the Open Offer, which is not considered to be cost-effective.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to be traded in the board lot of 40,000 Shares. Dealings in Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date : 27 June 2012

Issuer : the Company

Underwriter : Oriental Patron Securities Limited

Oriental Patron Securities Limited and its ultimate beneficial owners are third parties independent of and are not connected with the Company or any Connected Persons of the Company

Number of Underwritten Shares : not less than 732,777,083 Offer Shares and not more than 749,701,083 Offer Shares

Commission : 2% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares (i.e. 749,701,083 Offer Shares)

Pursuant to the provisions of the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscribers to subscribe all the Untaken Shares. Accordingly, the Open Offer is fully underwritten.

To the best of the Directors' knowledge and information, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and any Connected Persons of the Company and are not acting in concert with any Shareholder. As at the date of the Underwriting Agreement, the Underwriter did not hold any Shares.

The 2% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter with reference to the market rates for transactions of a similar nature. The Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not, without the prior consent of the Underwriter, repurchase any Shares or issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the Offer Shares) which right is exercisable on or prior to the Record Date from the date of the Underwriting Agreement until after the Latest Time For Acceptance, being at 4:00 p.m. on Thursday, 2 August 2012.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder if at any time prior to the Latest Time for Termination:

- (i) in the sole and absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

- (f) any suspension in the trading of the Shares on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the sole and absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any law or the Listing Rule or any applicable regulation) which has not prior to the date hereof been publicly announced or published by the Company and which in the sole and absolute opinion of the Underwriter is material to the Group as a whole upon completion of the Open Offer and is likely to affect materially and adversely the success of the Open Offer; or
- (iv) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter and which in the sole and absolute opinion of the Underwriter is materially adverse to the success of the Open Offer,

then the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon:

- (a) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (b) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus if required by the Listing Rules, and a letter to the Prohibited Shareholders, if any, for information purpose only, explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the first day of their dealings; and

(d) compliance with and performance of all the undertakings and obligations of the Company under this Agreement.

The above conditions are incapable of being waived. If the above conditions are not satisfied by the Latest Time for Termination, or where appropriate, the times stipulated in the above conditions, or such later date as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and the Open Offer shall not proceed.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below (for illustration purposes only):

(i) assuming no exercise of the outstanding Share Options on or before the Record Date

	As at the date of this announcement		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming no Qualifying Shareholder takes up his/her/its entitlements under the Open Offer) (Note 3)	
	Shares (approx.)	%	Shares (approx.)	%	Shares (approx.)	%
Group First Limited and its associates (Note 1)	415,448,000	28.35	623,172,000	28.35	415,448,000	18.90
Hou Chong Yu (Note 2)	169,737,767	11.58	254,606,650	11.58	169,737,767	7.72
Public						
Underwriter	—	—	—	—	732,777,083	33.33
Other public Shareholders	880,368,400	60.07	1,320,552,600	60.07	880,368,400	40.05
Total	1,465,554,167	100.00	2,198,331,250	100.00	2,198,331,250	100.00

(ii) assuming the exercise of the outstanding Share Options in full on or before the Record Date

	As at the date of this announcement		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming no Qualifying Shareholder takes up his/her/its entitlements under the Open Offer) (Note 3)	
	Shares	%	Shares	%	Shares	%
	(approx.)		(approx.)		(approx.)	
Group First Limited and its associates (Note 1)	415,448,000	28.35	623,172,000	27.71	415,448,000	18.47
Hou Chong Yu (Note 2)	169,737,767	11.58	254,606,650	11.32	169,737,767	7.55
Public						
Underwriter	—	—	—	—	749,701,083	33.33
Other public Shareholders	880,368,400	60.07	1,371,324,600	60.97	914,216,400	40.65
Total	<u>1,465,554,167</u>	<u>100.00</u>	<u>2,249,103,250</u>	<u>100.00</u>	<u>2,249,103,250</u>	<u>100.00</u>

Notes:

1. Group First Limited, currently holds 377,336,000 Shares in the Company, is a private company beneficially owned by Mr. Ni Xinguang, the Chairman and Executive Director, as to 60% and Mr. Wang Zhiming, a Director, as to 40%. Accordingly, the shareholding in the Company held by Group First Limited, Mr. Ni Xinguang and Mr. Wang Zhiming are deemed to be associated with each others. In addition, the personal interests of Mr. Ni Xinguang and Mr. Wang Zhiming of 19,156,000 Shares and 18,956,000 Shares, respectively in the Company has also been included herein.
2. Besides personally holding 4,306,000 shares in the Company, Ms. Hou Chong Yu wholly controls two corporation which hold interests in the company as follows:

Name of Corporations	Number of Share held
Golden Pioneer Investments Inc	11,100,000
Best Idea International Limited	<u>154,331,767</u>
	<u>165,431,767</u>

3. This scenario is for illustrative purpose and will never occur. Pursuant to the Underwriting Agreement,
 - (a) the Underwriter (for itself and on behalf of the sub-underwriter(s)) has undertaken to the Company that the Underwriter and/or the sub-underwriter(s) and parties acting in concert with them will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Codes on the part of the Underwriter and/or the sub-underwriter(s) and parties acting in concert with them in respect of performing its/their obligations under the Underwriting Agreement; and
 - (b) the Underwriter (for itself and on behalf of the sub-underwriter(s)) shall use all reasonable endeavours to ensure that, save for the Underwriter itself and its associates, each of the subscribers of the Untaken Shares procured by them, together with any party acting in concert (within the meaning of the Takeovers Code) with it, shall not hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group incurred an audited consolidated loss of approximately HK\$106.2 million for the year ended 31 December 2011. As at 31 December 2011, the Group had audited consolidated net current liabilities and net liabilities of approximately HK\$553 million and HK\$17.4 million respectively. The Group intends to strengthen its financial position by the Open Offer, which will enable the Company to expand its capital base. In addition, the Open Offer allows the Qualifying Shareholders to maintain their respective *pro rata* shareholdings in the Company and to participate in the future growth and development of the Company. The Directors therefore consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Open Offer will be not less than approximately HK\$36.6 million and not more than approximately HK\$37.5 million. The estimated net proceeds from the Open Offer will be not less than approximately HK\$34.9 million and not more than approximately HK\$35.8 million. The Board intends to apply the net proceeds as additional working capital to strengthen the Group's capital base and to enhance the business operations of the Group.

ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS

The Open Offer may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options. The Company expects to make further announcement on the appropriate adjustment and the date it is to take effect in due course.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST TWELVE MONTHS

The Company did not conduct any fund raising activity during the past 12 months immediately before the date of this announcement.

EXPECTED TIMETABLE

The expected timetable for the Open Offer and the change in board lot size set out below is indicative only and it has been prepared on the assumption that all the conditions of the Underwriting Agreement will be fulfilled and/or waived (where appropriate). The expected timetable for the Open Offer and change in board lot size is set out below:

2012

Hong Kong time

Last day of dealings in the Shares on a cum-entitlement basis	Tuesday, 10 July
Commencement of dealings in the Shares on an ex-entitlement basis	Wednesday, 11 July
Latest time for lodging transfers of Shares in order to qualify for the Open Offer	4:30 p.m. on Thursday, 12 July
Register of members closes (both dates inclusive)	Friday, 13 July to Tuesday, 17 July
Record Date for the Open Offer	Tuesday, 17 July
Register of members re-opens	Wednesday, 18 July
Despatch of the Prospectus Documents	Wednesday, 18 July
Latest time for the payment for and acceptance of the Offer Shares	4:00 p.m. on Thursday, 2 August
Latest time for the Open Offer to become unconditional	4:00 p.m. on Tuesday, 7 August
Announcement of the results of the Open Offer on Stock Exchange website	Friday, 10 August
Despatch of shares certificates for the Offer Shares	Monday, 13 August
Last day for trading of Shares with old board lot size of 20,000 Shares in the original counter	Tuesday, 14 August
Expected first day of dealings in Offer Shares	Wednesday, 15 August
Effective date of change in board lot size from 20,000 Shares to 40,000 Shares	Wednesday, 15 August
Original counter for trading in board lot size of 20,000 Shares becomes counter for trading in board lot of 40,000 Shares	Wednesday, 15 August, at 9:00 a.m.

Designated broker starts to stand in the market to
provide matching services for odd lot of Shares Wednesday, 15 August

Last day for the designated broker to
stand in the market to provide
matching services for odd lot of Shares Thursday, 6 September

All times stated above refer to Hong Kong times. Dates stated in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Open Offer will be announced as appropriate.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” above). Accordingly, the Open Offer may or may not proceed.

The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

The Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 11 July 2012 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be on Tuesday, 7 August 2012), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed.

CHANGE OF BOARD LOT SIZE

The Shares are currently traded in board lots of 20,000 Shares each and the market value of each board lot is HK\$1,400 (based on the closing price of HK\$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day) and HK\$1,260 (based on the theoretical ex-entitlement price of HK\$0.063 per Share calculated based on the closing price of HK\$0.07 per Share on the Last Trading Day and the Subscription Price of HK\$0.05 per Offer Share). In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 20,000 Shares to 40,000 Shares with effect from Wednesday, 15 August 2012. The change in board lot size will not

result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

ODD LOTS ARRANGEMENTS

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Oriental Patron Securities Limited as an agent to provide matching services to Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from Wednesday, 15 August 2012 to Thursday, 6 September 2012 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Mr. Joe Ng of Oriental Patron Securities Limited at 27/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong (telephone: (852) 2842 5812 and facsimile: (852) 2842 5815) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

The appointed agent, Oriental Patron Securities Limited, is an independent third party not connected with any of the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

All existing share certificates in board lot of 20,000 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 20,000 Shares to new share certificates in board lot size of 40,000 Shares is necessary. With effect from Wednesday, 15 August 2012, any new certificate of the Shares will be issued in new board lot size of 40,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)). Save and except for the change in the number of Shares for each board lot, new certificates of shares will have the same format and colour as the existing certificates of Shares.

GENERAL

The Company is an investment holding company. The Group is principally engaged in the retail and distribution of consumer products and provision of television advertising services in the PRC.

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, pursuant to the Listing Rules, the Open Offer itself is not subject to the Shareholders' approval.

The Company will despatch the Prospectus Documents to each of the Qualifying Shareholders and, the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders (if any) on Wednesday, 18 July 2012 or such later date as the Underwriter may agree in writing with the Company.

DEFINITIONS

The following defined terms are used in this announcement:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for business other than Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Company”	China Seven Star Shopping Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	Tuesday, 26 June 2012, the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 2 August 2012 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares in the manner set out in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the third Business Day after (but excluding) the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Shares”	not less than 732,777,083 new Shares and not more than 749,701,083 new Shares to be offered to the Qualifying Shareholders for subscription pursuant to the Open Offer

“Open Offer”	the proposed offer of the Offer Shares by the Company to the Shareholders on the terms set out in the Underwriting Agreement, the Prospectus Documents and summarised herein
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not eligible to participate in the Open Offer
“Overseas Shareholders”	the Shareholders whose addresses on the register of members of the Company are outside Hong Kong as at the close of business on the Record Date
“Prohibited Shareholders”	those Overseas Shareholders to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the application form in respect of the assured allotment of the Offer Shares
“Prospectus Posting Date”	Wednesday, 18 July 2012 or such later date as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Prohibited Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 17 July 2012, or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Tengis Limited
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Options”	share options granted by the Company pursuant to the Share Option Scheme, conferring the holders thereof rights to subscribe in cash for new Shares at exercise prices determined in accordance with the Share Option Scheme

“Share Option Scheme”	the share option scheme of the Company adopted on 28 May 2004
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.05 per Offer Share pursuant to the Open Offer
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Oriental Patron Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the conditional underwriting agreement dated 27 June 2012 entered into between the Underwriter and the Company in relation to the Open Offer
“Underwritten Shares”	the total number of Offer Shares which the Underwriter has agreed to underwrite pursuant to the Underwriting Agreement
“Untaken Shares”	the Offer Shares which have not been taken up by the Qualifying Shareholders
“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 and Executive Director

Hong Kong, 27 June 2012

As at the date of this announcement, the Board comprises (1) executive Directors: Mr. Ni Xinguang and Mr. Wang Zhiming; and (2) independent non-executive Directors: Mr. Lu Wei, Mr. Wong Chak Keung and Mr. Ling Yu Zhang.