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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)

CAPITAL REORGANISATION

Financial adviser to the Company



CAPITAL REORGANISATION

The Directors propose to (a) reduce the nominal value of each of the issued Shares from HK\$0.10 each to HK\$0.002 each by cancelling the paid-up capital to the extent of HK\$0.098 on each issued Share; (b) diminish the nominal value of each of the authorised but unissued Shares from HK\$0.10 each to HK\$0.002 each by a diminution of HK\$0.098 on each authorised but unissued Share; (c) apply the credit arising from the Reduction of Issued Share Capital in the sum of HK\$718,121,542.222 to eliminate part of the Company's accumulated losses; and (d) effect a consolidation of Reduced Shares whereby every five Reduced Shares of HK\$0.002 each in the issued and unissued share capital of the Company shall be consolidated into one Consolidated Share of HK\$0.01 in the issued and unissued share capital of the Company.

The Capital Reorganisation is conditional upon fulfillment of certain conditions as more particularly described in the paragraphs headed "Conditions" in the section headed "Capital Reorganisation" below.

The Capital Reorganisation, which involves the Company applying the credit arising from the Reduction of Issued Share Capital to eliminate part of the Company's accumulated losses, is proposed to facilitate the payment of dividends as and when the Directors consider it appropriate in the future. The Capital Reorganisation will also allow the Company to issue Consolidated Shares below its existing nominal value per Share of HK\$0.10, and therefore, increase flexibility for the Company to raise funds in the future. As at the date of this announcement, the Company did not have any plan for and was not in any negotiation of any such fund raising activities.

WARNING

Shareholders should also be aware of and take note that the Capital Reorganisation involving the Capital Reduction and the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraphs headed “Conditions” in the section headed “Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

A circular containing further information regarding, among other matters, the Capital Reorganisation involving the Capital Reduction and the Share Consolidation, together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

CAPITAL REORGANISATION

The Directors propose to reorganise the capital of the Company in the following manner:

- (a) the nominal value of each of the issued Shares of HK\$0.10 each be reduced to HK\$0.002 each by cancelling the paid-up capital to the extent of HK\$0.098 on each issued Share;
- (b) the nominal value of each of the authorised but unissued Shares of HK\$0.10 each be diminished to HK\$0.002 each by a diminution of HK\$0.098 on each authorised but unissued Share;
- (c) the credit of HK\$718,121,542.222 arising from the Reduction of Issued Share Capital will be applied to eliminate part of the Company’s accumulated losses, which amounted to approximately HK\$1,739,522,000 as at 30 June 2011; and
- (d) every five Reduced Shares of HK\$0.002 each in the issued and unissued share capital of the Company be consolidated into one Consolidated Share of HK\$0.01 each in the issued and unissued share capital of the Company.

As at the date of this announcement, the Company has an authorised share capital of HK\$1,600,000,000 divided into 16,000,000,000 Shares, of which 7,327,770,839 Shares have been issued and are fully paid or credited as fully paid. Upon completion of the Capital Reduction, the Company will have an authorised share capital of HK\$32,000,000 divided into 16,000,000,000 Reduced Shares, of which 7,327,770,839 Reduced Shares will be issued and fully paid or credited as fully paid, assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction becomes effective. Upon completion of the Capital Reorganisation, the Company will have an authorised share capital of HK\$32,000,000 divided into 3,200,000,000 Consolidated Shares, of which 1,465,554,167 Consolidated Shares will be

issued and fully paid or credited as fully paid, assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reorganisation becomes effective.

The Consolidated Shares will rank *pari passu* in all respect among themselves and the Consolidated Shares will be traded in board lot of 10,000 Consolidated Shares upon completion of the Capital Reorganisation. Fractional Consolidated Shares will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company.

Conditions

The Capital Reorganisation is conditional upon the followings:

- (i) the passing of the special resolution by the Shareholders at the EGM to approve the Capital Reorganisation involving the Share Consolidation and the Capital Reduction;
- (ii) compliance with the relevant procedures and requirements under the Listing Rules to effect the Capital Reorganisation;
- (iii) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the Consolidated Shares as a result of the Capital Reorganisation; and
- (iv) the confirmation of the Capital Reduction by the High Court and the registration of the Order of the High Court and the minute thereof containing particulars required under section 61 of the Companies Ordinance by the Registrar of Companies in Hong Kong.

The Capital Reorganisation will become effective as soon as the above conditions are all satisfied. As the Capital Reduction, which forms part of the Capital Reorganisation, is subject to the confirmation by the High Court, the date on which the Capital Reorganisation becomes effective is not ascertainable as at the date of this announcement. An application will be made to the High Court as soon as practicable regarding the Capital Reduction after the Capital Reorganisation is approved by the Shareholders at the EGM. Further announcement(s) will be made to inform Shareholders on the expected effective date and, as necessary or appropriate, the progress and results of the application to the High Court.

REASONS FOR THE CAPITAL REORGANISATION AND IMPACT ON THE COMPANY AND THE SHAREHOLDERS

The Capital Reorganisation, which involves the Company applying the credit arising from the Reduction of Issued Share Capital to eliminate part of the Company's accumulated losses as set out above, is proposed to facilitate the payment of dividends as and when the Directors consider it appropriate in the future. The Capital Reorganisation will also allow the Company to issue Consolidated Shares below its existing nominal value per Share of HK\$0.10, and therefore, increase flexibility for the Company to raise funds in the future. As at the date of this announcement, the Company did not have any plan for and was not in any negotiation of any such fund raising activities.

The Directors (including the independent non-executive Directors) are of the view that the Capital Reorganisation will not have a material effect on the financial position of the Group. Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders. Accordingly, the Directors consider that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Application for listing of the Consolidated Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganisation.

WARNING

Shareholders should also be aware of and take note that the Capital Reorganisation involving the Capital Reduction and the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraphs headed “Conditions” in the section headed “Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The Capital Reorganisation involving the Capital Reduction and the Share Consolidation will be conditional upon the passing by the Shareholders of special resolution(s) at the EGM.

The EGM will be held to consider and, if thought fit, approve the resolutions in respect of the Capital Reorganisation. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the resolutions.

A circular containing further information regarding, among other matters, the Capital Reorganisation involving the Capital Reduction and the Share Consolidation, together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following words and expression shall, unless the context otherwise requires, have the same meanings when used herein:

“Board”	the board of Directors of the Company
“Capital Reduction”	the Reduction of Issued Share Capital and the diminution of the authorised share capital of the Company to the extent of HK\$0.098 on each authorised but unissued Share, such that the nominal value of all of the issued and unissued Reduced Shares shall be HK\$0.002 each
“Capital Reorganisation”	the capital reorganisation of the Company involving the Capital Reduction and the Share Consolidation
“Companies Ordinance”	Companies Ordinance (Cap.32) of the laws of Hong Kong
“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
“Consolidated Shares”	shares of nominal value of HK\$0.01 each in the share capital of the Company upon the Share Consolidation taking effect
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Capital Reorganisation
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Reduced Shares”	shares of nominal value of HK\$0.002 each in the share capital of the Company upon the Capital Reduction taking effect
“Reduction of Issued Share Capital”	the proposed reduction of paid up capital of the Company by cancelling the paid-up share capital to the extent of HK\$0.098 on each Share, such that the nominal value of all of the issued Shares shall be reduced from HK\$0.10 each to HK\$0.002 each
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Share Consolidation”	the proposed consolidation of every five Reduced Shares of nominal value of HK\$0.002 each in the issued and unissued share capital of the Company into one Consolidated Share of nominal value of HK\$0.01 each in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

By Order of the Board
China Seven Star Shopping Limited
NI XINGUANG
Chairman

Hong Kong, 7 November 2011

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