



Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2006.

Principal activities

The Group is principally engaged in the manufacture, retail and distribution of consumer products as well as the provision of media management services in the PRC, and property holding and investment in Hong Kong.

The Group's revenue is mainly derived from business activities in Mainland China. An analysis of the Group's income for the year is set out in Note 6 to the financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2006 are set out in Note 19 to the financial statements.

Change of company name

At an extraordinary general meeting of shareholders of the Company held on 5 December 2006, a special resolution was passed to change the name of the Company from "Landune International Limited 藍頓國際有限公司" to "China Seven Star Shopping Limited 中國七星購物有限公司". The name change was effective on 22 December 2006.

Results, financial position and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 27.

The state of the Group's and the Company's affairs at 31 December 2006 is set out in the consolidated balance sheet and balance sheet on pages 28 and 29.

The directors do not recommend the payment of a dividend.

Fixed assets

Details of the movements in fixed assets are set out in Note 17 to the financial statements.

Principal properties

Details of the properties held for resale are set out on page 80.

Borrowings

Details of the borrowings as at 31 December 2006 are set out in Note 27 to the financial statements.

Share capital

Details of the movements in share capital are set out in Note 28 to the financial statements.

Reserves

Details of the movements in reserves during the year are set out in Note 30 to the financial statements.

Distributable reserves

Distributable reserves of the Company as at 31 December 2006, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$Nil (2005: HK\$Nil).

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association ("Articles") or the laws of Hong Kong.

Purchase, sale or redemption of shares

Save for the issue of 1,270,450,000 shares in placement and 70,000,000 shares in share option scheme as set out in Note 28 to the financial statements, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

Five year financial summary

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarised on page 79.

Directors

The directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Ni Xing Guang (*Chairman and Managing Director*)

Mr. Wang Zhiming

(appointed on 18 November 2006)

Mr. Ha Shu Tong (*Managing Director*)

(resigned on 17 January 2006)

Mr. Ng Chun Chuen, David

(resigned on 30 December 2006)

Independent Non-executive Directors

Mr. Chan Wai Sum

Mr. Lu Wei

Mr. Ho Wai Ip

(appointed on 3 April 2007)

Mr. Tang Chi Wing

(resigned on 3 April 2007)

In accordance with article 116 of the Articles, Mr. Chan Wai Sum retires by rotation and Mr. Wang Zhiming and Mr. Ho Wai Ip retire in accordance with articles 99 and 117 of the Articles at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), each independent non-executive directors re-affirmed his independent status with the Company as at 31 December 2006, and the Company considered that they are independent.

Report of the Directors

Directors' profiles

Directors' profiles are set out on page 24.

Directors' service contracts

The appointments of the present independent non-executive directors are not for specific terms. However, they are subject to retirement by rotation in accordance with the Articles.

There are no service contracts, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting of the Company.

Directors' interests and short positions

As at 31 December 2006, the directors and their respective associated corporations had interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

Name of director	Number of shares held		Number of underlying ordinary shares held under equity derivatives	Total	Percentage of the issued share capital*
	Personal interests	Corporate interests			
Ni Xinguang	58,780,000	2,004,670,000 (Note)	37,000,000	2,100,450,000	41.48%
Wang Zhiming	57,780,000	2,004,670,000 (Note)	37,000,000	2,099,450,000	41.46%

Note: 2,004,670,000 shares were owned by Group First Limited, a private company beneficially owned by Mr. Ni Xinguang as to 60% and Mr. Wang Zhiming as to 40%, representing approximately 39.59% of the issued share capital of the Company.

* The percentage has been calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2006 (i.e. 5,063,242,000).

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or his associates of the Company or their respective associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors (including their spouses and children under the age of 18) had, as at 31 December 2006, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.



Share options

On 28 May 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "2004 Share Option Scheme"). The 2004 Share Option Scheme will expire on 27 May 2014.

Movements of the options, which were granted under the 2004 Share Option Scheme, during the year were listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2006	Number of option shares granted during the year	Number of option shares exercised during the year	Number of option shares lapsed during the year	Number of option shares reclassified during the year	Number of option shares held as at 31/12/2006	Exercise price HK\$	Exercise period
Directors										
Ni Xinguang	20/12/2004	I	37,000,000	-	-	-	-	37,000,000	0.113	27/6/2005 - 26/12/2007
Ng Chun Chuen, David*	20/12/2004	I	35,000,000	-	(35,000,000)	-	-	-	0.113	24/6/2005 - 23/12/2007
Ha Shu Tong*	20/12/2004	I	35,000,000	-	(35,000,000)	-	-	-	0.113	24/6/2005 - 23/12/2007
Wang Zhiming**	20/12/2004	I	-	-	-	-	37,000,000	37,000,000	0.113	27/6/2005 - 26/12/2007
Employees										
	20/12/2004**	I	37,000,000	-	-	-	(37,000,000)	-	0.113	27/6/2005 - 26/12/2007
	13/6/2006	I	-	59,000,000	-	-	-	59,000,000	0.180	13/12/2006 - 12/6/2008
	27/12/2006	I	-	6,320,000	-	-	-	6,320,000	0.157	27/3/2007 - 26/3/2017
	27/12/2006	I	-	6,330,000	-	-	-	6,330,000	0.157	27/6/2007 - 26/6/2017
	27/12/2006	I	-	12,660,000	-	-	-	12,660,000	0.157	27/12/2007 - 26/12/2017
	27/12/2006	I	-	12,660,000	-	-	-	12,660,000	0.157	27/6/2008 - 26/6/2018
	27/12/2006	I	-	12,660,000	-	-	-	12,660,000	0.157	27/12/2008 - 26/12/2018
Consultants										
	13/6/2006	I	-	71,000,000	-	-	-	71,000,000	0.180	13/12/2006 - 12/6/2008
			<u>144,000,000</u>	<u>180,630,000</u>	<u>(70,000,000)</u>	<u>-</u>	<u>-</u>	<u>254,630,000</u>		

* Mr. Ng Chun Chuen, David and Mr. Ha Shu Tong resigned as an executive director of the Company on 30 December 2006 and 17 January 2006, respectively.

** Mr. Wang Zhiming was appointed as an executive director of the Company on 18 November 2006 and his share options were reclassified.

Further details of share options were stipulated in Note 29 to the financial statements.



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Directors' interests in contracts

Apart from the particulars disclosed in Note 36 under the heading "Related Party Transactions" to the financial statements there were no other contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries subsisting at the end of the year or at any time during the year in which a director had, whether directly or indirectly, a material interest.

Directors' interests in competing business

None of the directors or the management shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

Substantial interests in the share capital of the Company

As at 31 December 2006, the interests of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital
Group First Limited (<i>Note</i>)	Beneficial owner	2,004,670,000	39.59%

Note: Group First Limited is a private company beneficially owned by Mr. Ni Xinguang as to 60% and by Mr. Wang Zhiming as to 40%. Both Mr. Ni Xinguang and Mr. Wang Zhiming are executive directors of the Company. Accordingly, the 2,004,670,000 shares owned by Group First Limited is also deemed to be the corporate interests each of Mr. Ni Xinguang and Mr. Wang Zhiming.

All the interests disclosed under this section represent long position in the shares of the Company.

Apart from the aforesaid, as at 31 December 2006, the Company had not been notified of any interests and short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Retirement benefits

The Group did not operate any retirement scheme up to 30 November 2000. With effect from 1 December 2000, MPF Scheme has been set up for employees, including executive directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's contributions to the MPF Scheme and PRC pension scheme for PRC staff charged to the consolidated income statement during the year amounted to approximately HK\$69,000 (2005: HK\$79,000) and HK\$238,000 (2005: HK\$61,000) respectively.

Connected transaction

On 31 August 2006, the Company entered into structured contracts through Fuzhou Landun Science of Life Co., Ltd. ("Fuzhou Landun"), an indirect non wholly-owned subsidiary of the Company, expanded into the business of retailing and television shopping of consumer products in the PRC. Pursuant to the structured contracts, Fuzhou Landun acquired full control over Shanghai Seven Star International Shopping Co., Ltd. (上海七星國際購物有限公司).

Major customers and suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

The largest customer	55.5%
Five largest customers in aggregate	93.7%
The largest supplier	64.6%
Five largest suppliers in aggregate	84.5%

Note: Mr. Wang Zhiming, an executive director of the Company, has 90% equity interest in a company which is one of the five largest customers of the Company. The amount of sales to the Company is approximately HK\$1,311,000 as at 31 December 2006. Details of which are disclosed in Note 36 under the heading "Related Party Transactions" to the financial statements.



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Public float

Based on the information that is publicly available to the Company and within the knowledge of the directors throughout the year ended 31 December 2006 there was a sufficiency of public float the Company's securities as required under the Listing Rules.

Events after the balance sheet date

Details of the events after the balance sheet date are set out in Note 37 to the financial statements.

Auditors

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming annual general meeting.

By order of the board
Ni Xinguang
Chairman

Hong Kong, 25 April 2007