



INTERIM REPORT 2008



CHINA SEVEN STAR SHOPPING LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code : 245

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The English text of this Interim Report shall prevail over Chinese text.

CORPORATE INFORMATION

Directors

Executive Directors:

Ni Xinguang (*Chairman*)

Wang Zhiming

(*Managing Director*)

Independent Non-executive Directors:

Chan Wai Sum

Ho Wai Ip

Lu Wei

Audit Committee

Chan Wai Sum

Ho Wai Ip

Lu Wei

Remuneration Committee

Chan Wai Sum

Ho Wai Ip

Lu Wei

Qualified Accountant and Company Secretary

Chen Man Wai, Molly

Bankers

China Merchants Bank

China Construction Bank

Industrial and Commercial Bank of

China (Asia) Limited

The Hongkong and Shanghai Banking

Corporation Limited

UBS

Stock Code

245 HK

Solicitors

Boase Cohen & Collins

ONC Lawyers

Independent Auditor

RSM Nelson Wheeler

Certified Public Accountants

Registered Office

Suite 1206, 12/F

Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

Principal Place of Business in Shanghai

No. 568, Hongxu Road

Minhang District

Shanghai, China

Registrars and Transfer Office

Tricor Tengis Limited

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28 Queen's Road East

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Website

www.sevenstar.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

PRC consumer goods market analysis

The steadily growing PRC economy has presented an environment conducive to the development of the retail industry. The real annual growth rate of retail sales of consumer goods in the PRC has been stable at approximately 12% since 2005 and reaching 13% in the first quarter of 2008, approximately 1 percentage point higher than that of the corresponding period last year. In addition, appreciation of the RMB and the advent of the Olympic Games have also stimulated consumption in the country. Thus, the Group believes the PRC retail industry will continue to maintain high growth this year.

Television Shopping Market Analysis

Television shopping boasts the ability to bring added value to both the consumers and manufacturers. It also agrees with the modern lifestyle that emphasizes speed and convenience, thus has tremendous market potential. In the past few years, the broadcast rate of television shopping channels in the PRC had grown year-on-year from 28,000 hours in 2004 to 93,000 hours in 2007. However, because of lack of monitoring and self-discipline, the relatively low entry barriers and absence of leadership in the industry, the integrity of the television shopping sector was at one point questionable. In May 2006, a ban on promotion of five categories of products (medicines, medical appliances, bust cream, slimming and growth enhancing products) on television shopping channels was enforced and that sparked the transformation of the industry. Currently, television shopping channels and infomercials co-exist and are competing for market share. However, as the broadcast format of television shopping channels becomes more disciplined and focused on serving modern household shoppers, the strategy of teaching consumers about making wise choices instead of pushing sales is becoming the mainstream in television shopping.

Television shopping is regarded as the third revolution in the area of sales after retail and the arrival of the supermarket. It has huge development potential in the PRC and poses high investment value. The sector is also expected to evolve alongside continuous development of electronic commerce and digital technology and on the platform where television broadcasting, telecommunications and the computer technologies converge. Emergence of digital television service system will bring television shopping and the Internet together. In 2007, total transaction value of Internet shopping in the PRC reached RMB56 billion, representing a surge of 117% year-on-year. This provides a sound platform for the television shopping industry to expand.

Business Review

In order to tackle surging media costs since 2007 in the PRC, the problems of restrictive product offerings on television direct sales and over-dependence on media, the Group started to explore ways to reform its business in the first half of the year and began to adjust its business model in the end of second quarter of the year. From running only television direct sales in the past, it aims to gradually transform into an operation with a multi-media platform integrating household television shopping, Internet shopping, direct sale catalogue, membership marketing and print media promotion, creating a new model for household shopping in the PRC. Via a diverse shopping platform to bring about enhanced media efficiency, a consumer-oriented service approach and also offers wider product choices. The Group also stepped up brand building efforts to help boosting consumer confidence.

During the period under review, countering rising media costs, the Group introduced more household products on its television shopping platform and purchased airtime on provincial and municipal television channels with strong potential to replace advertising on national media. The Group has also inaugurated interactive online sales service where customers can communicate directly with professional sales staff to seek their advice on product choices, making their shopping experience more personal. Also, building on its strong brand equity, the Group has started to launch specific product zones, namely Star Phone Fang, Star Diamond Fang (under planning), Star Kitchen Fang (under planning), Star Charm Fang (under planning) and Star Kid Fang (under planning). Taking Star Phone Fang as an example, more than 20 brands and 500 models of mobile phone products has been offered at its inauguration.

Understanding that brand building is instrumental to winning customer confidence, the Group will continuously fortify the “Seven Star” brand while transforming its business model. Through the introduction of a membership scheme complemented by a score accumulation system, the Group aims to nurture customer loyalty and encourage repeated purchases, thereby achieve higher sales return.

Outlook and Strategies

Currently the business model of the Group is still in the preliminary stage of transformation. It has yet to realize its full effectiveness and its performance is expected to be affected by the intense market competition in the short run. However, given the continuous improvement of the regulatory framework on the PRC television shopping industry as well as the development of the Internet shopping platform, the Group believes the transformed business model will deliver due effectiveness in the long run. Looking ahead, the Group will adopt a pragmatic approach, continue to improve its shopping platform, seek to achieve steady growth in the short run and also prepare itself for the digital era in the mid to long term, in order to capture the enormous opportunities in the PRC television shopping market.

Financial Review

For the six months ended 30 June 2008, the Group’s unaudited consolidated turnover was approximately HK\$155,904,000, a decrease of approximately 62% from the same period of last year. The decrease in turnover was mainly due to the tough market environment continuing from last year, the earthquake in Wen Chuan, Sichuan of the People’s Republic of China and stricter shipping and delivery guidelines implemented for the Beijing Olympics. Unaudited net loss attributable to equity holders was approximately HK\$66,666,000 as compared to net profit of approximately HK\$43,291,000 in the corresponding period last year. The board of directors does not recommend payment of interim dividend for the six months ended 30 June 2008 (2007: HK\$Nil).

The total revenue of the Group recognized in the unaudited consolidated income statement was as follows:

For the six months ended 30 June, in HK\$'000

	2008	2007	Change
Retail and distribution			
of consumer products	155,469	413,579	-62%
Rental income	435	434	0%
Interest income	2,499	4,541	-45%
Other income	6,801	2,692	+1.5 times
Total revenue	165,204	421,246	-61%

During the period under review, the Group's retail and distribution revenue of consumer products was approximately HK\$155,469,000 (2007: HK\$413,579,000), approximately 62% lower than that of the same period last year, mainly attributable to intense market competition. Gross margin for merchandise sales dropped to approximately 44% (2007: 52%) reflecting the impact from the persistently weak market since last year and also a revised business model that started in June 2008.

Employee relations

As of 30 June 2008, the Group has approximately 780 employees. Total remuneration cost for the period under review was approximately HK\$22.6 million (six months ended 30 June 2007: HK\$16.7 million). A total of 3,490,000 share options were granted to eligible persons of the Group during the period under review and the share option cost that was charged to the income statement was approximately HK\$2 million (six months ended 30 June 2007: HK\$6.7 million). Based on existing outstanding number of share options as of 30 June 2008 and assuming that no further share options are to be granted in the six months to 31 December 2008, a further of approximately HK\$1.4 million will be charged to the income statement as share option expense.

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

Liquidity and financial resources

As at 30 June 2008, the Group's cash and bank deposits amounted to approximately HK\$200 million (31 December 2007: approximately HK\$276 million) and financial assets at fair value through profit or loss of approximately HK\$78 million (31 December 2007: HK\$Nil) with no borrowings (31 December 2007: HK\$Nil). The gearing ratio as at 30 June 2008 (total interest bearing liabilities to total assets) was zero (31 December 2007: zero), indicated that the Group's overall financial position remained strong.

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2008.

Material acquisition, disposals and significant investment

During the six months ended 30 June 2008, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Charges on Group assets

As at 30 June 2008, the Group had no charges on Group's assets.

Foreign currency risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2008 (31 December 2007: HK\$Nil).

On behalf of the Board

Ni Xinguang

Chairman

Hong Kong, 26 September 2008

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, 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		Total	Percentage of the issued share capital*
	Personal interests	Corporate interests		
Ni Xinguang	95,780,000	1,886,680,000 <i>(Note)</i>	1,982,460,000	27.07%
Wang Zhiming	94,780,000	1,886,680,000 <i>(Note)</i>	1,981,460,000	27.05%

Note: 1,886,680,000 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 25.76% of the issued share capital of the Company.

* The percentage has been calculated based on the total number of 7,324,280,839 ordinary shares of the Company in issue as at 30 June 2008.

Apart from the aforesaid, none of the directors of the Company or any of their spouses or children under the age of 18 or their associated corporations (within the meaning of Part XV of the SFO) has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. Furthermore, save as disclosed in the "Share Options" section below, at no time during the six months period ended 30 June 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, 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 <i>(Note (c))</i>
Group First Limited	Beneficial owner <i>(Note (a))</i>	1,886,680,000	25.76%
Hou Chong Yu ("Ms. Hou")	Beneficial	12,820,000	19.04%
	Interests controlled through Corporations <i>(Note (b))</i>	1,381,658,839	
Best Idea International Limited <i>(Note (b))</i>	Beneficial owner	771,658,839	10.54%
Keywise Capital Management (HK) Limited	Investment Manager	515,688,000	7.04%

Notes:

- (a) 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 1,886,680,000 shares owned by Group First Limited is also deemed to be the corporate interests of each of Mr. Ni Xinguang and Mr. Wang Zhiming.

- (b) The following corporations, which are wholly controlled by Ms. Hou, hold the following interests in the Company:

Name of Corporations	Number of Shares held
Golden Pioneer Investments Inc	350,000,000
Best Idea International Limited	771,658,839
Talent Sky Group Limited	260,000,000

- (c) The percentage had been calculated based on the total number of 7,324,280,839 ordinary shares of the Company in issue as at 30 June 2008.

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

Apart from the aforesaid, as at 30 June 2008, 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.

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 period were listed below:

Category	Date of grant	Number of option shares held as at 01/01/2008	Number of option shares granted during the period (Note)	Number of option shares exercised during the period	Number of option shares lapsed during the period	Number of option shares reclassified during the period	Number of option shares held as at 30/06/2008	Exercise price HK\$	Exercise period
Employees	27/12/2006	12,660,000	-	-	-	-	12,660,000	0.157	27/06/2008 - 26/06/2018
	27/12/2006	12,660,000	-	-	-	-	12,660,000	0.157	27/12/2008 - 26/12/2018
	08/03/2007	5,000,000	-	-	-	-	5,000,000	0.722	08/03/2007 - 07/03/2015
	08/03/2007	5,000,000	-	-	-	-	5,000,000	0.722	08/03/2008 - 07/03/2015
	08/03/2007	5,000,000	-	-	-	-	5,000,000	0.722	08/03/2009 - 07/03/2015
	08/03/2007	5,000,000	-	-	-	-	5,000,000	0.722	08/03/2010 - 07/03/2015
	30/04/2007	240,000	-	-	-	(240,000)	-	1.230	30/04/2008 - 29/04/2015
Consultants	13/06/2006	15,000,000	-	-	(15,000,000)	-	-	0.180	13/12/2006 - 12/06/2008
	30/04/2007	-	-	-	-	240,000	240,000	1.230	30/04/2008 - 29/04/2015
	29/04/2008	-	3,490,000	-	-	-	3,490,000	0.143	29/04/2009 - 28/04/2016
		<u>60,560,000</u>	<u>3,490,000</u>	<u>-</u>	<u>(15,000,000)</u>	<u>-</u>	<u>49,050,000</u>		

Note: The closing price before the date of grant on 29 April 2008 was HK\$0.129.

The Company used the Black-Scholes option pricing model (the "Model") to value the share options granted during the review period. The value of an option varies with different variable of certain subjective assumptions. Any change in the variables as adopted may materially offset the estimation of the fair value of an option. For the six months ended 30 June 2008, 3,490,000 share options were granted on 29 April 2008.

The inputs into the Model were as follows:

**Share options granted on
29 April
2008**

Closing price on the date of grant	HK\$0.139
Expected volatility	86.56%
Expected life	4.5 years
Risk free rate	2.37%
Expected dividend yield	0%
Estimated fair values	HK\$317,819

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 234 weeks. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The board of directors of the Company has adopted the principles and complied with all the applicable provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the period ended 30 June 2008 except for deviations from provisions A.4.1 and A.4.2 of the Code.

Provisions A.4.1 and A.4.2 stipulate that (a) non-executive directors should be appointed for a specific term, subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

None of the existing Independent Non-executive Directors ("INEDs") of the Company is appointed for a specific term, and, pursuant to the articles of association of the Company ("Articles"), all directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and these both constitutes deviations.

Although the INEDs are not appointed for a specific term, the Company believes that as all directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under provision A.4.1.

The deviation from provision A.4.2 of the Code continued until the passing of a special resolution at the annual general meeting of the Company that held on 26 May 2008 whereby the Articles was amended to align with provision A.4.2 of the Code.

Review of Accounts

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules.

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course have discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2008.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2008 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2008, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding director's securities transactions.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date are set out in Note 17 to the condensed interim financial statements.

OTHER INFORMATION

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RSM Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA SEVEN STAR SHOPPING LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 30 which comprises the condensed consolidated balance sheet of the Company as at 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

26 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended	
		30/6/2008 (unaudited) HK\$'000	30/6/2007 (unaudited) HK\$'000
Turnover	3	155,904	414,013
Cost of sales		(86,693)	(197,202)
Gross profit		69,211	216,811
Other income	4	9,300	7,233
Distribution costs		(105,050)	(117,423)
Administrative expenses		(29,967)	(23,998)
Other operating expenses		(5,333)	(7,935)
(Loss)/profit from operations		(61,839)	74,688
Finance costs		-	(164)
Share of loss of a jointly controlled entity		(4,216)	(89)
(Loss)/profit before tax		(66,055)	74,435
Income tax expense	5	(1,649)	(29,516)
(Loss)/profit for the period	6	(67,704)	44,919
Attributable to:			
Equity holders of the Company		(66,666)	43,291
Minority interests		(1,038)	1,628
		(67,704)	44,919
(Loss)/earnings per share	7		
Basic		(0.91) cents	0.79 cents
Diluted		N/A	0.61 cents
Dividend	8	Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Note	30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
Non-current assets			
Fixed assets	9	21,291	17,394
Investment in a jointly controlled entity		6,164	2,081
Available-for-sale financial assets		284	160
		27,739	19,635
Current assets			
Properties held for resale		10,300	10,300
Financial assets at fair value through profit or loss	10	78,013	–
Inventories		22,357	38,652
Trade and bills receivables	11	64,047	88,422
Other receivables, prepayments and deposits		61,948	91,752
Bank and cash balances		199,599	275,529
		436,264	504,655
Current liabilities			
Trade payables	12	20,203	23,763
Other payables and accruals		14,749	23,449
Current tax liabilities		13,342	12,230
		48,294	59,442
Net current assets			
		387,970	445,213
NET ASSETS			
		415,709	464,848
Capital and reserves			
Share capital	13	732,428	732,428
Other reserves		1,277,188	1,259,389
Accumulated losses		(1,595,356)	(1,529,328)
Equity attributable to equity holders of the Company		414,260	462,489
Minority interests		1,449	2,359
TOTAL EQUITY			
		415,709	464,848

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital	Share premium	Share-based payments reserve	Special capital reserve	Foreign	Statutory surplus reserve	Accumulated losses	Sub-total	Minority interests	Total
					currency translation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2007	506,324	140,853	8,545	726,699	775	2,589	(1,142,167)	243,618	9,765	253,383
Translation differences	-	-	-	-	5,607	-	-	5,607	115	5,722
Shares issue expenses	-	(311)	-	-	-	-	-	(311)	-	(311)
Net income recognised directly in equity	-	(311)	-	-	5,607	-	-	5,296	115	5,411
Profit for the period	-	-	-	-	-	-	43,291	43,291	1,628	44,919
Total recognised income and expense for the period	-	(311)	-	-	5,607	-	43,291	48,587	1,743	50,330
Issue of shares	67,739	329,557	-	-	-	-	-	397,296	-	397,296
Capital injection by minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	975	975
Recognition of share-based payments	-	-	6,728	-	-	-	-	6,728	-	6,728
Exercise of share options	-	4,351	(4,351)	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	1,851	(1,851)	-	-	-
At 30 June 2007	574,063	474,450	10,922	726,699	6,382	4,440	(1,100,727)	696,229	12,483	708,712

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2008

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital	Share premium	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated losses	Sub-total	Minority interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	732,428	504,930	6,378	726,699	15,520	5,862	(1,529,328)	462,489	2,359	464,848
Translation differences	-	-	-	-	16,486	-	-	16,486	128	16,614
Loss for the period	-	-	-	-	-	-	(66,666)	(66,666)	(1,038)	(67,704)
Total recognised income and expense for the period	-	-	-	-	16,486	-	(66,666)	(50,180)	(910)	(51,090)
Recognition of share-based payments	-	-	1,951	-	-	-	-	1,951	-	1,951
Transfer	-	-	(638)	-	-	-	638	-	-	-
At 30 June 2008	732,428	504,930	7,691	726,699	32,006	5,862	(1,595,356)	414,260	1,449	415,709

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2008*

	Six months ended	
	30/6/2008 (unaudited) HK\$'000	30/6/2007 (unaudited) HK\$'000
Net cash used in operating activities	(414)	(83,320)
Net cash used in investing activities	(91,434)	(160,948)
Net cash generated from financing activities	-	397,016
Net (decrease)/increase in cash and cash equivalents	(91,848)	152,748
Exchange differences	15,918	-
Cash and cash equivalents at beginning of period	275,529	141,407
Cash and cash equivalents at end of period	199,599	294,155
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	199,599	294,155

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General Information

The Company was incorporated in Hong Kong as a company with limited liability under the Hong Kong Companies Ordinance. The address of its registered and business office is Suite 1206, 12/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its major subsidiaries as at 30 June 2008 are retail and distribution of consumer products through TV channels.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the 2007 Financial Statements.

3. Segment information

Business segment is the Group's primary basis of segment reporting with classification as follows:

- PRC retail and distribution – manufacture, retail and distribution of consumer products as well as the provision of media management services in the People's Republic of China (the "PRC")
- Property investment – property holding and investment

Primary reporting format – business segments

	(Unaudited)		
	PRC retail and distribution	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2008			
Turnover	155,469	435	155,904
Segment results	(56,086)	229	(55,857)
Six months ended 30 June 2007			
Turnover	413,579	434	414,013
Segment results	81,922	219	82,141

4. Other income

	Six months ended	
	30/6/2008 (unaudited) HK\$'000	30/6/2007 (unaudited) HK\$'000
Interest income	2,499	4,541
Reversal of allowance for trade receivables	-	1,217
Sundry income	6,801	1,475
	9,300	7,233

5. Income tax expense

	Six months ended	
	30/6/2008 (unaudited) HK\$'000	30/6/2007 (unaudited) HK\$'000
PRC tax		
– current	1,583	38,435
– under/(over) provision for prior year	66	(8,919)
	1,649	29,516

No provision for Hong Kong Profits Tax has been made for both periods ended 30 June 2008 and 30 June 2007 since each individual Hong Kong company sustained losses for taxation purposes in each respective period.

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

5. Income tax expense (continued)

The subsidiary, Fuzhou Landun Science of Life Co., Ltd. ("Fuzhou Landun") operating in the PRC, is subject to enterprise income tax rate in accordance with Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法). Fuzhou Landun is located in Fuzhou Economic and Technological Development District (福州經濟技術開發區) and is therefore entitled to a reduced tax rate of 15%. However, pursuant to a notice issued by Fuzhou Economic and Technological Development District State Tax Bureau (福州經濟技術開發區國家稅務局), Fuzhou Landun is exempted from enterprise income tax for two years starting from the first year of profitable operation in 2004, followed by a 50% reduction for the next three years.

The subsidiary, Fuzhou Shenxing Network Information Consultant Service Co., Ltd. ("Fuzhou Shenxing") operating in the PRC, is currently subject to enterprise income tax calculated at the rate determined by the local tax authority at effective tax rate of 3% on the turnover. Such locally determined tax rate may in certain area inconsistent with the national tax law and may subject to a subsequent review when new interpretation of tax law or guidance note is being released or executed. Based on the local determined tax rate, the enterprise income tax of approximately HK\$52,000 for Fuzhou Shenxing has been provided during the period. If the national tax law was applied, there was no assessable profit for current period.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law is effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements has been reflected in the current period's condensed consolidated income statement.

No provision for deferred taxation has been made for both periods ended 30 June 2008 and 30 June 2007 as the effect of all temporary difference is not material.

6. (Loss)/profit for the period

(Loss)/profit for the period is stated after charging/(crediting) the following:

	Six months ended	
	30/6/2008 (unaudited) HK\$'000	30/6/2007 (unaudited) HK\$'000
Allowance for inventories	426	134
Allowance for other receivables	2,103	–
Allowance for trade receivables	–	7,800
Cost of inventories sold	86,487	193,959
Depreciation	1,819	619
Directors' emoluments	1,075	919
Impairment on goodwill for investment in a jointly controlled entity (the "JCE")	884	–
Reversal of allowance for trade receivables	–	(1,217)
	=====	=====

7. (Loss)/earnings per share*Basic (loss)/earnings per share*

The calculation of basic loss (2007: earnings) per share attributable to equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of approximately HK\$66,666,000 (2007: profit attributable to equity holders of the Company of approximately HK\$43,291,000) and the weighted average number of ordinary shares of 7,324,281,000 (2007: 5,490,622,000) in issue during the period.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2008.

For the period ended 30 June 2007, the calculation of diluted earnings per share attributable to equity holders of the Company was based on the profit for the period attributable to equity holders of the Company of approximately HK\$43,291,000 and the weighted average number of ordinary shares of 7,154,544,000, being the weighted average number of ordinary shares of 5,490,622,000 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 192,263,000 assumed to have been issued at no consideration on the deemed exercise of the share option and consideration shares of 1,471,659,000 issuable for the acquisition of Top Pro Group respectively outstanding at the balance sheet date.

8. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$Nil).

9. Capital expenditure

During the period, the Group incurred HK\$4,650,000 (six months ended 30 June 2007: HK\$12,191,000) on additions to fixed assets.

10. Financial assets at fair value through profit or loss

At 30 June 2008, the balance mainly represented investment in a fund of Asian bonds.

11. Trade and bills receivables

At 30 June 2008, included in trade and bills receivables are trade receivables of approximately HK\$64,047,000 (2007: HK\$85,641,000) and bills receivables of approximately HK\$Nil (2007: HK\$2,781,000).

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

	30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
0 – 90 days	37,991	66,124
91 – 180 days	17,687	18,836
181 – 365 days	7,976	681
Over 365 days	393	–
	64,047	85,641

The Group's turnover included the invoiced amounts of products sold or services rendered and rental income. The payment terms of the sales to retail customers in the PRC retail and distribution segment are on cash-on-delivery basis to the logistic providers who received on the Group's behalf upon delivery of goods and reimburse the fund so collected within 15 to 60 days. The payment terms of the sales to distributors in the PRC retail and distribution segment are normally from 30 to 180 days. The rental income is paid in accordance with the terms of the respective agreements, which is normally due on the first day of the month.

12. Trade payables

The aging analysis of trade payables, based on date of receipt of goods, is as follows:

	30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
0 – 90 days	9,014	6,756
91 – 180 days	4,384	6,156
181 – 365 days	3,216	10,220
Over 365 days	3,589	631
	20,203	23,763

13. Share capital

	Number of shares '000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 (2007: HK\$0.10) each		
At 1 January and 30 June 2008	16,000,000	1,600,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 (2007: HK\$0.10) each		
At 1 January and 30 June 2008	7,324,281	732,428

14. Pending litigations

The Group is pursuing a legal proceeding against the vendor, a director of the vendor and two ex-directors of the Company in connection with the acquisition of a PRC hotel at a consideration of HK\$120 million undertaken by the Group in September 2000. The Group is claiming for the costs and expenses associated with the acquisition and as at the reporting date, the parties of the case are still attending to interlocutory matters and no hearing date has yet been fixed.

The Company is currently seeking legal advice on the litigations mentioned above. The directors believe that appropriate provisions have been made in the financial statements of the Group and the Group has valid claim/defence regarding the above litigations and consider that these outstanding litigations would not have material impact on the Group.

15. Capital commitments

At 30 June 2008, the capital commitments of the Group are as follows:

	30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
Contracted but not provided for:		
Fixed assets	603	2,008
Capital contribution to the JCE	8,336	7,830

16. Related party transactions

(a) In addition to those related party transactions and balances disclosed elsewhere in the interim financial statements, the Group had the following transactions with its related parties during the period ended:

	Six months ended	
	30/6/2008 (unaudited) HK\$'000	30/6/2007 (unaudited) HK\$'000
Interests paid to Group First	-	32
Purchases from:		
– the JCE	711	-
– related companies (Note (i))	321	-
Sales to 上海力星生化科技有限公司	-	396
Rental paid to a related company	-	125

Notes:

- (i) Mr. Ni Xinguang and Mr. Wang Zhiming have respectively 60% and 40% equity interest in the ultimate parent of these related companies.
- (ii) The abovesaid related party transactions were made under normal commercial terms and conditions that would also be available to unrelated third parties.

16. Related party transactions (continued)

(b) At balance sheet date, the following balances with related parties included in:

	30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
Trade receivables from the JCE (<i>Note (i)</i>)	138	–
Prepayments to:		
– the JCE (<i>Note (ii)</i>)	3,411	5,018
– a related company (<i>Note (iii)</i>)	26	38
Trade payables to:		
– the JCE (<i>Note (i)</i>)	(783)	(2,067)
– a related company (<i>Note (i)</i>)	(477)	(443)
Other payables to related companies (<i>Note (iv)</i>)	(1,994)	(1,883)
	=====	=====

Notes:

- (i) The above amounts are trade in nature, unsecured, interest free and repayable in normal trading terms.
- (ii) The prepayments are for purchases of merchandise in subsequent period.
- (iii) The prepayments included advertising fee prepaid through and deposits paid for purchases to a related company.
- (iv) The other payables mostly included expenses paid on behalf of the Group by related companies. The amounts due are unsecured, interest free and have no fixed repayment terms.

17. Events after the balance sheet date

- (a) Subsequent to the balance sheet date, a subsidiary of the Company entered into a sales and purchase agreement to acquire 30% equity interest in a company at a consideration of RMB2,500,000. The aforesaid company would become an associate of the Company.
- (b) Subsequent to the balance sheet date, the change in composition of the board of directors of the JCE of the Group was approved by the Shanghai Administration of Industry and Commerce (上海市工商行政管理局) which effectively provided the Group with control in the finance matter and operation of the aforesaid JCE, which became a subsidiary of the Company accordingly.

The financial information of the aforesaid investment at the date of completion was not yet been available and therefore the effect of changes in the composition of the entity under business combination is not disclosed.

- (c) Subsequent to the balance sheet date, a subsidiary of the Company entered into a sales and purchase agreement to acquire additional 50% of an investment at a consideration of RMB500,000. At 30 June 2008, the Group had 10% equity interest in the aforesaid investment which was classified as available-for-sale financial assets.

The financial information of the aforesaid investment at the date of completion was not available and therefore the effect of changes in the composition of the entity under business combination is not disclosed.