



**China Seven Star Shopping Limited**

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

**Interim Report  
2009**

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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**

Ho Wai Ip (*Chairman*)

Chan Wai Sum

Lu Wei

**Remuneration Committee**

Chan Wai Sum (*Chairman*)

Ho Wai Ip

Lu Wei

**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

Trend Associates

**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

26/F Tesbury Centre

28 Queen's Road East

Hong Kong

**Website**

[www.sevenstar.hk](http://www.sevenstar.hk)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

#### *PRC consumer goods market analysis*

In the first half of 2009, the impacts of the financial crisis on the global economy lingered. Under the weakening export, a series of economic stimulus measures launched by the PRC government in the fourth quarter of last year have begun to take effect, boosting the economy of the country and lifting the domestic GDP up by 7.1% in the first half of the year. The strong government supportive policies have driven consumer spending and consumption demand in the country, and in turn presented room for development of the retail industry. According to data from the National Bureau of Statistics of China, total retail sales of consumer products in the PRC in the first half year amounted to RMB5,871.1 billion, a 15% growth against the same period last year.

#### *PRC television shopping market analysis and prospect*

With government policies driving domestic demand, television shopping as a new shopping platform has been gaining prominence. Although the PRC television shopping industry is going through adjustments with the market still shaping up and nurturing, it promises huge growth potential and has stepped into a new growth phase as reflected in the surge in broadcast rate of programs. The market value of the PRC television shopping industry is expected to reach RMB300 billion by the end of the “Eleventh Five-Year Plan” period. To ensure healthy and disciplined growth of the industry, the government will continue to take steps to help boosting the overall quality of the industry and aiding its long-term growth.

As another important platform for home shopping, the Internet has been growing at an astonishing pace in recent years. With the rapid increase in the Internet penetration in the PRC, online shopping has entered into a fast growth period. According to related industry reports, the total number of registered Internet shoppers in the PRC reached 120 million in 2008, up by 185% year-on-year, and the total online shopping transaction value exceeded the RMB100 billion mark for the first time achieving RMB120 billion, representing a surge of 128.5% year-on-year. Currently, there are three evolving trends in the PRC Internet shopping market – the emergence of online brands, mainstream brands tapping into the online platform and mainstream consumption moving online, demonstrating the importance of online shopping as a modern shopping mode. It is forecasted that the number of online shoppers in the PRC will grow steadily in the next few years to over 200 million in 2011 with the market value reaching about RMB570 billion.

## **Business Review**

During the period under review, the Group stepped up efforts in deepening its business model transformation. The Group pushed forward the establishment of home shopping model by consolidating its sales platform and optimizing product structure, to provide consumers with more diverse and convenient shopping channels and product choices that meet their daily needs. To tap the fast growing Internet shopping market in the PRC, the Group actively developed its Internet shopping platform and speeded up the consolidation of resources between the Internet and television shopping platforms. In addition, the Group continued to enhance its brand and customer confidence with the aim of boosting its service-oriented corporate image.

For the six months ended 30 June 2009, the Group's turnover amounted to HK\$206,687,000, up by 33% against the same period in 2008 and 45% against second half year 2008. Gross margin reported at 41% reflecting the result of a revised business model (Second half year 2008: 35%). At persistent hard work of the Group, the new business model has become more mature and started to take effect on the results, cutting back from a significant loss situation during the review period, profit attributable to owners of the Company was at HK\$1,472,000 compared with a loss of HK\$66,666,000 in the corresponding period last year.

The board of directors does not recommend payment of interim dividend for the six months ended 30 June 2009 (2008: HK\$ Nil).

### *Sales results and performance review*

As the new business model gradually taking effect, the Group recorded a higher retail revenue of HK\$206,253,000 for the period (2008: HK\$155,469,000) with gross margin of merchandise sales reported at 41%.

Armed with thorough understanding of consumption trends in the PRC, extensive industry experience and a strong brand and rich supplier resources, the Group has established a comprehensive shopping platform with television, the Internet, the print media and retail channels as integral parts. This has allowed the Group to maximize return from its resources and substantially enhanced the influence of the "China Seven Star" brand.

During the period under review, while continuing to improve the operational efficiency of its television shopping business, the Group stepped up efforts in building its online shopping platform ([www.cntvs.com](http://www.cntvs.com)), capitalizing on the resources of brand, products, programs and logistics from its television shopping business. Being a perfect marriage between traditional retail business and modern electronic commerce, the online platform realized a complete industry chain covering product development, sales and delivery. Riding on the rapid extension of Internet coverage across China, the new platform will be able to bring the Group's stylish products to more markets, especially the booming second and third tier cities. The Group's industry-leading interactive online shopping guide realized the "remote shopping" mode that enhanced customers' trust and purchase rate. The Group has also optimized its product mix and developed five major categories namely handsets, digital home appliances, watches, accessories and collectables. Riding on the online platform, the Group is able to prolong the lifespan of products and improve profitability.

Furthermore, the Group continued to enhance all supportive provisions, including its 24-hour call center, nationwide delivery service and multiple payment methods, with the aims of creating a more convenient, speedy and secure shopping environment for customers and building its image as a quality shopping service enterprise.

#### *Outlook and Strategy*

The global economy has shown signs of recovery with the PRC economy giving it major impetus. We believe as supportive government policies continue to take effect in the second half year, the consumer goods market in the PRC is going to reveal its latent potential.

Online shopping can effectively encourage the domestic sales in the promising PRC market, especially in the fast growing second and third tier cities. To capitalize on the opportunity, the Group will hasten development of online shopping business, aiming at developing a new B2B2C business model to connect manufacturers and consumers on its platform with various value-added services including customer management, information feedback, database management and decision support, which integrate production, distribution and retail resources more efficiently. China Seven Star is striving to become a leading home shopping service provider in the PRC.

## Financial Review

For the six months ended 30 June 2009, the Group's unaudited consolidated turnover was approximately HK\$206,687,000, representing an increase of approximately 33% from the same period of last year and 45% increase against second half year 2008. The increase in turnover was mainly due to the effect of revised business model. Unaudited net profit attributable to owners of the Company was approximately HK\$1,472,000 as compared to loss of approximately HK\$66,666,000 in the corresponding period last year. The board of Directors of the Company (the "Board") does not recommend payment of interim dividend for the six months ended 30 June 2009 (2008: 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

	<b>2009</b>	2008	Change
Retail and distribution			
of consumer products	<b>206,253</b>	155,469	+33%
Rental income	<b>434</b>	435	0%
Interest income	<b>1,332</b>	2,499	-47%
Other income	<b>3,816</b>	6,801	-44%
Total revenue	<b>211,835</b>	165,204	+28%

During the period under review, the Group's retail and distribution revenue of consumer products was approximately HK\$206,253,000 (2008: HK\$155,469,000), approximately 33% higher than that of the same period last year, mainly attributable to the effect of the new business model. Gross margin for merchandise sales came in at approximately 41% (Second half year 2008: 35%) reflecting the result of the new business model.

## **Employee relations**

As of 30 June 2009, the Group has 619 employees (as at 30 June 2008: 780 employees). Total remuneration cost for the period under review was approximately HK\$19.0 million (six months ended 30 June 2008: HK\$22.6 million). A total of 7,000,000 share options were granted to an eligible person of the Group during the period under review and the share option cost that was charged to the income statement was approximately HK\$802,000 (six months ended 30 June 2008: HK\$2 million). Based on the existing outstanding number of share options as of 30 June 2009 and assume that no further share options are to be granted in the six months to 31 December 2009, a further of approximately HK\$695,000 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. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

## **Liquidity and financial resources**

As at 30 June 2009, the Group's cash and bank deposits amounted to approximately HK\$227 million (31 December 2008: approximately HK\$226 million) and financial assets at fair value through profit or loss of approximately HK\$12 million (31 December 2008: HK\$24 million) with no borrowings (31 December 2008: HK\$Nil). The gearing ratio as at 30 June 2009 (total interest bearing liabilities to total assets) was zero (31 December 2008: zero), indicated that the Group's overall financial position remained strong.

## **Segment Information**

The details of segment information are set out in note 4 to the condensed consolidated financial statements.

## **Capital structure**

There were no changes to the Group's capital structure during the six months ended 30 June 2009.



**Material acquisitions and disposals of subsidiaries and associates**

The Group did not have any material acquisitions or disposals of subsidiaries or associates during the six months ended 30 June 2009.

**Charges on Group assets**

As at 30 June 2009, the Group had no charges on Group's assets (31 December 2008: HK\$Nil).

**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 2009 (31 December 2008: HK\$Nil).

On behalf of the Board

**Ni Xinguang**

*Chairman*

Hong Kong, 25 September 2009

## DIRECTORS' INTEREST IN SHARES

As at 30 June 2009, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of director	Number of shares held		Total	Percentage of the issued share capital <i>(Note (b))</i>
	Personal interests	Corporate interests		
Ni Xinguang	95,780,000	1,886,680,000 <i>(Note (a))</i>	1,982,460,000	27.07%
Wang Zhiming	94,780,000	1,886,680,000 <i>(Note (a))</i>	1,981,460,000	27.05%

*Notes:*

- (a) 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.
- (b) The percentage was calculated based on the total number of 7,324,280,839 ordinary shares of the Company in issue as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2009, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

## **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. A total of 7,000,000 share options were granted to an eligible person of the Group during the period under review and the share option cost that was charged to the income statement was approximately HK\$802,000 (six months ended 30 June 2008: approximately HK\$2 million). Based on the existing outstanding number of share options as of 30 June 2009 and assume that no further share options are to be granted in the six months to 31 December 2009, a further of approximately HK\$695,000 will be charged to the income statement as share option expense.

Movements of the options, which were granted under the 2004 Share Option Scheme, during the period under review were listed below:

Category	Date of grant	Number of option shares held as at 01/01/2009	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 held as at 30/06/2009	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
Consultants	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
	30/04/2009	-	7,000,000	-	-	7,000,000	0.100	05/05/2010 – 04/05/2017
		49,050,000	7,000,000	-	-	56,050,000		

Note: The closing price before the date of grant on 30 April 2009 was HK\$0.080.

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 2009, 7,000,000 share options were granted on 30 April 2009.

The inputs into the Model were as follows:

### Share options granted on 30 April 2009

Closing price on the date of grant	HK\$0.082
Expected volatility	116.74%
Expected life	8 years
Risk free rate	2.01%
Expected dividend yield	0%
Estimated fair values	HK\$555,653

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 398 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2009, so far as was known to the Directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the shares and underlying shares of the Company

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")	Interests controlled through Corporations <i>(Note (b))</i>	1,381,658,839	18.86%
Best Idea International Limited <i>(Note (b))</i>	Beneficial owner	771,658,839	10.54%

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:

<b>Name of Corporations</b>	<b>Number of Shares held</b>
Golden Pioneer Investments Inc	350,000,000
Best Idea International Limited	771,658,839
Talent Sky Group Limited	260,000,000
	<hr/>
	1,381,658,839
	<hr/> <hr/>

- (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 2009.

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

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2009, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **RIGHTS TO ACQUIRE COMPANY'S SECURITIES**

Other than as disclosed under the sections "Share Options" and "Directors' Interest in Shares" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **CORPORATE GOVERNANCE**

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

The Board of Directors of the Company has applied the principles and complied with all the applicable provisions and where applicable, the recommended practices 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 2009 except for deviation from provision A.4.1 of the Code.

Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing independent non-executive Directors ("INEDs") of the Company is appointed for a specific term and this constitutes deviation.

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 of associations of the Company (the "Articles"), such practice meets the same objective and is no less exacting than those prescribed under provision A.4.1.

### **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 has 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 2009.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2009 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 2009, 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 REPORTING PERIOD**

There are no significant events occurring after the reporting period.

## **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 17 to 32 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 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 HKICPA. 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 HKAS 34.

### **RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong

25 September 2009

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2009

	Note	Six months ended	
		30/6/2009 (unaudited) HK\$'000	30/6/2008 (unaudited) HK\$'000
<b>Turnover</b>	4	<b>206,687</b>	155,904
Cost of sales		<b>(122,349)</b>	(86,693)
<b>Gross profit</b>		<b>84,338</b>	69,211
Other income		<b>5,148</b>	9,300
Distribution costs		<b>(69,067)</b>	(105,050)
Administrative expenses		<b>(23,597)</b>	(29,967)
Other operating expenses		<b>(4,758)</b>	(5,333)
<b>Loss from operations</b>		<b>(7,936)</b>	(61,839)
Share of loss of a jointly controlled entity		-	(4,216)
<b>Loss before tax</b>		<b>(7,936)</b>	(66,055)
Income tax credit/(expense)	5	<b>9,290</b>	(1,649)
<b>Profit/(loss) for the period</b>	6	<b>1,354</b>	(67,704)
<b>Attributable to:</b>			
Owners of the Company		<b>1,472</b>	(66,666)
Minority interests		<b>(118)</b>	(1,038)
		<b>1,354</b>	(67,704)
<b>Earnings/(loss) per share</b>	7		
Basic		<b>0.02 cents</b>	(0.91) cents
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended	
	30/6/2009 (unaudited) HK\$'000	30/6/2008 (unaudited) HK\$'000
<b>Profit/(loss) for the period</b>	<b>1,354</b>	(67,704)
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	<b>35</b>	16,614
<b>Other comprehensive income for the period, net of tax</b>	<b>35</b>	16,614
<b>Total comprehensive income for the period</b>	<b>1,389</b>	(51,090)
<b>Attributable to:</b>		
Owners of the Company	<b>1,507</b>	(50,180)
Minority interests	<b>(118)</b>	(910)
	<b>1,389</b>	(51,090)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Note	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
<b>Non-current assets</b>			
Fixed assets	9	20,640	19,268
Intangible asset		986	1,095
		<b>21,626</b>	20,363
<b>Current assets</b>			
Properties held for resale		8,700	8,700
Financial assets at fair value through profit or loss		11,843	23,772
Inventories		27,197	13,350
Trade receivables	10	32,217	40,012
Other receivables, prepayments and deposits		42,297	38,740
Pledged bank deposits		6,010	9,299
Bank and cash balances		220,922	217,113
		<b>349,186</b>	350,986
<b>Current liabilities</b>			
Trade and bills payables	11	22,998	17,869
Other payables and accruals		19,079	19,540
Current tax liabilities		7,713	17,115
		<b>49,790</b>	54,524
<b>Net current assets</b>		<b>299,396</b>	296,462
<b>NET ASSETS</b>		<b>321,022</b>	316,825
<b>Capital and reserves</b>			
Share capital	12	732,428	732,428
Other reserves		1,278,709	1,277,872
Accumulated losses		(1,692,726)	(1,694,198)
Equity attributable to owners of the Company		318,411	316,102
Minority interests		2,611	723
<b>TOTAL EQUITY</b>		<b>321,022</b>	316,825

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2008

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated losses	Total	Minority interests	Total equity
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
Total comprehensive income 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	-	-	-
Changes in equity for the period	-	-	1,313	-	16,486	-	(66,028)	(48,229)	(910)	(49,139)
At 30 June 2008	732,428	504,930	7,691	726,699	32,006	5,862	(1,595,356)	414,260	1,449	415,099

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2009

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payments reserve	Special capital reserve	Foreign	Statutory surplus reserve	Accumulated losses	Total	Minority interests	Total equity
					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 2009	732,428	504,930	9,074	726,699	31,307	5,862	(1,694,198)	316,102	723	316,825
Total comprehensive income for the period	-	-	-	-	35	-	1,472	1,507	(118)	1,389
Recognition of share-based payments	-	-	802	-	-	-	-	802	-	802
Capital injection by minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	2,006	2,006
Changes in equity for the period	-	-	802	-	35	-	1,472	2,309	1,888	4,197
At 30 June 2009	732,428	504,930	9,876	726,699	31,342	5,862	(1,692,726)	318,411	2,611	321,022

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2009

	Six months ended	
	30/6/2009 (unaudited) HK\$'000	30/6/2008 (unaudited) HK\$'000
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>2,285</b>	(78,427)
Purchase of fixed assets	(3,830)	(4,650)
Other investing cash flows (net)	3,304	(8,771)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(526)</b>	(13,421)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>2,006</b>	–
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,765</b>	(91,848)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>217,113</b>	275,529
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>44</b>	15,918
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>220,922</b>	199,599
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	220,922	199,599

## 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 2009 are retail and distribution of consumer products through TV channels.

### 2. Basis of preparation

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

These condensed financial statements should be read in conjunction with the 2008 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008 except as stated below.

### 3. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.



### **3. Adoption of new and revised Hong Kong financial reporting standards (continued)**

#### **(a) Presentation of financial statements**

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed financial statements.

#### **(b) Operating segments**

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 4 to the condensed financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

#### 4. Segment information

The Group has two reportable segments as follows:

PRC retail and distribution	–	retail and distribution of consumer products in the People's Republic of China (the "PRC")
Property investment	–	property holding and investment

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2008. Segment profits or losses do not include interest income, fair value gains or losses in financial assets at fair value through profit or loss and corporate expenses. Segment assets do not include financial assets at fair value through profit or loss and corporate assets.

	(Unaudited)		
	PRC retail and distribution	Property investment	Total
	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2009</b>			
Turnover	206,253	434	206,687
Segment profit/(loss)	(1,718)	207	(1,511)
<b>As at 30 June 2009:</b>			
Segment assets	<u>201,207</u>	<u>8,833</u>	<u>210,040</u>

**4. Segment information (continued)**

	(Unaudited)		
	PRC retail and distribution HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2008</b>			
Turnover	155,469	435	155,904
Segment profit/(loss)	(60,302)	229	(60,073)
<b>As at 31 December 2008:</b>			
Segment assets	214,839	8,833	223,672

	Six months ended	
	30/6/2009 (unaudited) HK\$'000	30/6/2008 (unaudited) HK\$'000
<b>Reconciliations of segment profit or loss:</b>		
Total profit or loss of reportable segments	<b>(1,511)</b>	(60,073)
Corporate expenses	<b>(7,032)</b>	(9,011)
Fair value (losses)/gains in financial assets at fair value through profit or loss	<b>(725)</b>	530
Interest income	<b>1,332</b>	2,499
Loss before tax	<b>(7,936)</b>	(66,055)

**5. Income tax (credit)/expense**

	<b>Six months ended</b>	
	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	30/6/2008 (unaudited) HK\$'000
PRC tax		
– current	<b>2,373</b>	1,583
– (over)/under provision in prior years	<b>(11,663)</b>	66
	<b>(9,290)</b>	1,649

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (2008: HK\$Nil).

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.

No provision for deferred taxation has been made for both periods ended 30 June 2008 and 2009 as the effect of all temporary difference is not material.

## 6. Profit/(loss) for the period

Profit/(loss) for the period is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	30/6/2008 (unaudited) HK\$'000
Interest income	<b>(1,332)</b>	(2,499)
Advertising expenses	<b>40,872</b>	77,392
(Reversal of allowance)/allowance for inventories	<b>(4,063)</b>	426
Allowance for other receivables	<b>40</b>	2,103
Allowance for trade receivables	<b>3,750</b>	–
Cost of inventories sold	<b>123,142</b>	86,487
Depreciation and amortisation	<b>2,331</b>	1,819
Directors' emoluments	<b>1,030</b>	1,075
Impairment on goodwill for investment in a jointly controlled entity (the "JCE")	<b>–</b>	884
Impairment loss on prepayments and deposits	<b>11</b>	–
Loss on disposals of fixed assets	<b>17</b>	–
	<b>=====</b>	<b>=====</b>

## 7. Earnings/(loss) per share

### *Basic earnings/(loss) per share*

The calculation of basic earnings (2008: loss) per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$1,472,000 (2008: loss attributable to owners of the Company of approximately HK\$66,666,000) and the weighted average number of ordinary shares of 7,324,281,000 (2008: 7,324,281,000) in issue during the period.

### *Diluted earnings/(loss) per share*

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

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 June 2009.

## 8. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$Nil).

## 9. Capital expenditure

During the period, the Group incurred HK\$3,830,000 (six months ended 30 June 2008: HK\$4,650,000) on additions to fixed assets.

## 10. Trade receivables

The Group's turnover included the invoiced amounts of products sold 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.

The aging analysis of trade receivables, based on the date of recognition of the goods sold, and net of allowance, is as follows:

	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2008 (audited) HK\$'000
0 – 90 days	<b>29,380</b>	28,969
91 – 180 days	<b>2,169</b>	11,043
181 – 365 days	<b>668</b>	–
	<b>32,217</b>	40,012

### 11. Trade and bills payables

At 30 June 2009, included in trade and bills payables are trade payables of approximately HK\$19,029,000 (2008: HK\$11,405,000) and bills payables of approximately HK\$3,969,000 (2008: HK\$6,464,000).

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

	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2008 (audited) HK\$'000
0 – 90 days	<b>9,552</b>	5,552
91 – 180 days	<b>2,533</b>	265
181 – 365 days	<b>1,357</b>	773
Over 365 days	<b>5,587</b>	4,815
	<b>19,029</b>	11,405

### 12. Share capital

	<b>Number of</b> <b>shares</b> <b>'000</b>	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 (2008: HK\$0.10) each		
At 31 December 2008 and 30 June 2009	16,000,000	1,600,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 (2008: HK\$0.10) each		
At 31 December 2008 and 30 June 2009	7,324,281	732,428

### 13. 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.

### 14. Capital commitments

At 30 June 2009, the capital commitments of the Group are as follows:

	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2008 (audited) HK\$'000
Contracted but not provided for:		
Fixed assets	-	226
	<u>          </u>	<u>          </u>

### 15. 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:

	<b>Six months ended</b>	
	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	30/6/2008 (unaudited) HK\$'000
Purchases from:		
– the JCE	-	711
– related companies (Note (i))	<b>309</b>	321
	<u>          </u>	<u>          </u>



## 15. Related party transactions (continued)

(a) (continued)

Notes:

- (i) Mr. Ni Xinguang ("Mr. Ni") and Mr. Wang Zhiming ("Mr. Wang"), the executive directors of the Company, 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.
- (b) At 30 June 2009, the following balances with related parties included in:

	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2008 (audited) HK\$'000
Trade payables to related companies <i>(Note (i) and (iii))</i>	<b>(556)</b>	(534)
Other payables to a related company <i>(Note (ii) and (iii))</i>	<b>(1,828)</b>	(1,828)

Notes:

- (i) The above amounts are trade in nature, unsecured, interest free and repayable in normal trading terms.
- (ii) The other payables mostly included expenses paid on behalf of the Group by a related company. The amount due is unsecured, interest free and has no fixed repayment terms.
- (iii) Mr. Ni and Mr. Wang have respectively 60% and 40% equity interest in the ultimate parent of these related companies.

## 16. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 25 September 2009.