七星购物

7-STAR

China Seven Star Shopping Limited

(Incorporated in Hong Kong with limited liability)

Stock Code : 245

Annual Report 2009

CONTENTS

CORPORATE INFORMATION

Board of 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

Principal 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

Registrar and Transfer Office

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Website

www.sevenstar.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

PRC Consumer goods market analysis

The stimulus package implemented by the Chinese government in 2009 took effect gradually, enabling the economy to develop stably with the growth of GDP in China reaching 8.7%, and the annual per capita disposable income of urban residents rose by 9.8%. The strong government supportive policies have boosted consumption demand and spending in the country, translating into a greater scope for development of the retail market. Data from the National Bureau of Statistics of China showed that the annual total retail sales of consumer products in the country increased by 15.5% to RMB 12,534.3 billion in 2009. With the consumption and actual spending power continue to increase, as well as the government's initiatives to launch policies to drive domestic consumption; a prosperous retail sector in 2010 is foreseeable.

Media shopping market analysis and prospects

With the laws governing the television shopping industry lagging behind previously, industry development has been hindered, thereby creating a market where consumer power was often usurped by high selling prices for poor quality products and misleading product descriptions, led to the integrity crisis of the industry which started a few years back. In response to the industry's request to assert control over unregulated operators, the State Administration of Radio Film and Television promulgated a "Notification about Management of Television Shopping Advertisement and Home Shopping Programmes*" (《關於加強電視購物短片廣告和居家購物節目管理的通知》) and "Measures on Regulation of Television Advertisement Broadcasting*" (《廣播電視廣告播出管理辦法》) in September 2009, as well as "Notification about Further Examination and Regulation of Television Advertising*" (《關於進一步加強廣播電視廣告審查和監管工作的通知》) in February 2010. This will effectively safeguard consumer rights and revive consumers' confidence. Starting from 2010, all television shopping advertisement will be placed under the same regulatory framework as other advertisements, in addition to being subject to the provisions of "The PRC Television Shopping Industry Standard*" (《中國電視購物行業標準》) which was launched in 2009. A series of policies that were introduced to standardize industry practices and the lifted entry barrier strengthened the management of television advertisement resources, in turn sparking industry consolidation and eliminating weaker operators. Better regulation in this highly competitive market will yield a system that will safeguard consumer rights and revive consumers' confidence. Advertising operators for their part could advance through a new platform where sustainable and healthy industry growth could be achieved through standardized industry regulations.

Standardization and integration of the industry has formed a firm foundation for the new round of evolution of television shopping industry. The television shopping industry will start to expand rapidly in second, third and fourth tier cities and will accelerate in the future with the market value of the PRC television shopping industry expected to reach RMB300 billion by the end of the "Eleventh Five-Year Plan" period. Presently swelling by more than 20% a year, the PRC television shopping industry only accounted for 0.1% of the entire retail sector when compared with 5% and 7.7% in Korea and the US respectively, underscoring its huge upside potential.

* Management translation

MANAGEMENT DISCUSSION AND ANALYSIS

With the rapid spread of the Internet and the optimization of electronic business, traditional enterprises gradually adjusted their B2C business model and has hastened the rapid migration to online shopping. The integration of television shopping and online shopping is set to become a major future trend. According to data from China Internet Network Information Center, the number of online shoppers in the PRC reached 108 million in 2009, up by 45.9% year-on-year. The penetration of online shopping also increased to 28.1% while its market size is expected to reach RMB250 billion, accounting for approximately 2% of the overall retail sales of consumer goods in the PRC. The Ministry of Commerce is striving to increase the portion to 5% by the end of the "Twelfth Five-Year Plan" period.

The rapid growth of the media shopping industry as well as standardized industry regulations will be favorable to the Group's retail sales business, laying a sound foundation for the Group's development in the long run.

Business review and key data

During the year, the Group stepped up its efforts in transforming its business model and strengthened its various media platforms resources including television and print, as well as online and retail media. With customer needs as its first priority, the Group has provided an abundant product choice and convenient shopping to consumers. The Group has also consolidated the resources of various shopping platforms, actively developing other online shopping media with the objective of realizing the perfect integration between traditional retail business and modern electronic commerce. These efforts have allowed the Group to maximize a return from its resources and substantially enhanced the "China Seven Star" brand.

Financially, for the year ended 31 December 2009, the Group's turnover amounted to HK$469.123 million, up by 57% against the same period in 2008. Gross margin was reported at 43% (2008: 40%). The Group's new business model has become more mature and has started to have an impact on the results, cutting back from a loss situation during the year, profit attributable to owners of the Company was at HK$6.2 million, compared with a loss of HK$165.508 million in 2008.

On financial position and cash flows, for the year ended 31 December 2009, the Group's total assets were HK$380.119 million (2008: HK$371.349 million), an increase of 2% when compared with 2008 and there was no net debt (2008:nil). Net cash inflows/(outflows) from operating activities, investing activities and financing activities were at HK$(76.624) million, HK$20.491 million and HK$2.009 million respectively (2008: HK$(42.833) million, HK$(30.646) million, and HK$Nil). Capital expenditure for the year was HK$5.322 million (2008: HK$5.57 million) with depreciation and amortization for tangible and intangible assets at HK$4.886 million (2008: HK$3.921 million). Strength of the Chinese Yuan also contributed to a favorable currency effect of HK$0.305 million (2008:HK$15.787 million) to the current year's reserves. As at 31 December 2009, the total cash position of the Group was HK$163.681 million (2008: HK$226.412 million).

Sales results and performance review

After scaling down operations in 2008 due to the global downturn, we have reinvented ourselves in equipping to better serve the retail consumers, adapting quickly to the rapidly changing retail shopping landscape including both e-business and the traditional sales mode. Against the backdrop of a recovering domestic economy and thanks to the results of the new business model, the Group registered a 46% growth in retail revenue to HK$433.713 million (2008: HK$ 297.382 million) and a gross margin for merchandise sales of 40% (2008: 41%) in 2009. Increase in gross margin was mainly because of the enhancement of turnover mix, satisfactory performance of the distribution business and the insurance agency business that was reintroduced during the year. There is still room for improvement in view of its current sales strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

The management has deployed a consistent expansion strategy to bring the Group to a new frontier, amidst the rapidly changing and challenging but rewarding mass consumer market. During the year, capitalizing on the resources of its own brand, merchandise products, programmes and logistics, the Group has reinvented its online shopping platform (www.cntvs.com). This solution manages an entire supply chain encompassing product development, sales and delivery, and thus enhances the operating efficiency and marketing reach of its business. Riding on the rapidly rising popularity of the Internet, the new online shopping platform was able to penetrate into the booming second and third tier cities which enlarged its market coverage across the country. In addition, the Group's industry-leading interactive online shopping guide has realized the "distance shopping" mode that enhances customers' trust as well as their purchase rate. Leveraging on its brand advantage and supplier resources base built up over years, the Group has optimized its product mix and is currently offering five major categories namely handsets, digital home appliances, watches, accessories and collectables. Riding on the online platform, by integrating terrestrial television, interactive online channels, print media and retail channels, the Group has prolonged the products' life spans and improved the Group's profitability. Furthermore, the Group has continued to enhance all the complementary supporting activities, including its 24-hour call center, online shopping guide, nationwide delivery service and multiple payment methods, with the aims of creating a more convenient, speedy and secure shopping environment for customers, stepping up its efforts in providing a customer-friendly service platform and building up its image as a quality shopping service enterprise.

We will strive to be innovative, and continue to employ the prudent stance we have adopted in our business to steer the Group from planning to implementation of our new ideas. We will bear in mind the continued tough operating environment, and occasionally chaotic challenges from smaller players that have disrupted the proper evolution of media retail business in the PRC, which is still in a stage of early development, despite its vast potential size.

Outlook and strategy

To sustain the robust growth of the PRC economy, the central government has introduced a series of stimulus policies in 2009 to boost domestic consumption. We expect the measures to continue to drive domestic consumption in 2010 which would continue to spur the development of the retail market. In addition, the advance of urbanization and industrialization will also boost economic development of the PRC. The Group will remain responsive to the changing market environment by implementing necessary innovations and modifications to match with the variegated customers' landscape. We will continue to extend our market presence by focusing on enhancing the value for our customers. We will collaborate with our business partners and invest in building longer-term relationships through making the most of each other's expertise for mutually beneficial solutions. We will continue to seek suitable partners including television stations to further expand the Group's business footprint and enhance its profitability. We will also aim at developing a new B2B2C business model to connect manufacturers and consumers on our platform featuring a variety of value-added services including customer relations management, information feedback, database management and decision support. These features would integrate production, distribution and retail resources more efficiently.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group aims to bring to our customers a shopping platform that is limitless and boundary-less, that could meet the needs of the technology savvy as well as traditional shoppers. Our intention goes beyond just aspirations; we have put ideas into action. Through our commitment to put our seven star concepts into practice in daily interactions with customers we hope to create a distinctive experience for our clients and their customers as well as our own employees. With an average age of approximately 40 we believe our seasoned management team has both the energy and creativity to continue to drive the Group forward to achieve our goal of becoming a leading service oriented shopping platform. Prudent management has allowed the Group to conserve our financial resources during the economic crisis. We believe we are following the right course to cater to the needs of the PRC consumers and plan to emerge in the long run as a dynamic player and form a pillar for the industry.

As the central government has only launched more specific and far-reaching industry policies at the end of 2009, which effect will be seen in 2010, the Group will hasten development of its online shopping business, optimizes its various shopping platforms, enriches product offerings and works to enhance cost effectiveness to seize opportunities arising within the developing PRC economy and a better regulated media shopping industry.

In late December 2009, a subsidiary of the Group and Guangdong Television signed a media management service agreement in which Guangdong Television agreed to authorize our subsidiary as the exclusive agent for the commercial breaks of its satellite television channels. We believe that our strong track record in media management has provided a boost for the Group in winning this sole agency contract. This transaction not only will provide an additional income source to the Group through commissions, but also will offset the rising advertising costs of other media shopping as a result of the PRC's robust economic growth. With the PRC advertising industry and consumer products advertising booming, we hope that media management service will become the Group's new business highlight.

Financial Resources and Liquidity

As at 31 December 2009, the Group had financial assets (excluding receivables) amounted to approximately HK$175.977 million (2008: HK$250.184 million) of which approximately HK$163.397 million (2008: HK$217.113 million) are liquid cash deposits.

The Directors are of the opinion that there is sufficient cash resources for the Group to meet its financial obligation and business requirements.

Exposure to Exchange Rate Fluctuation and Related Hedging

The Directors considered that the Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars or Renminbi which is the functional currency of the Group entities. The Group does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff and Remuneration Policy

The Group had 665 employees (including Directors) as at 31 December 2009 (2008: 580). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. 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.

Gearing Ratio

As at 31 December 2009, the Group had total assets of approximately HK$380.119 million (2008: HK$371.349 million) and no borrowings (2008: HK$Nil).

Capital Structure

As at 31 December 2009, the Company's issued ordinary share capital was HK$732,428,084 divided into 7,324,280,839 shares of HK$0.10 each (at 31 December 2008: HK$732,428,084 divided into 7,324,280,839 shares of HK$0.10 each).

Charges on Group's Assets

Save for the details of pledged bank deposits as set out in note 27 to the financial statements, as at 31 December 2009, there were no charges on the Group's assets.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2009.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2009.

Material Acquisitions and Disposals of Subsidiaries and Associates

Save for the details of the acquisition of interest in Shanghai Xiangsheng Insurance Agency Co., Ltd. as set out in note 33 to the financial statements, the Group did not have any material acquisitions or disposals of subsidiaries or associates during the year ended 31 December 2009.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and audited financial statements of the Group for the year ended 31 December 2009.

Principal Activities

The Group is principally engaged in the retail and distribution of consumer products in the PRC, and property holding and investment in Hong Kong.

The Group's turnover is mainly derived from business activities in Mainland China. An analysis of the Group's income for the year is set out in note 7 to the financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2009 are set out in note 20 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 27 of this report.

The state of the Group's and the Company's affairs at 31 December 2009 is set out in the consolidated statement of financial position and statement of financial position on pages 29 and 30 of this report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009 (2008: HK$Nil).

Annual General Meeting

The 2010 annual general meeting (the "2010 AGM") will be held on Thursday, 3 June 2010. Shareholders should refer to details regarding the 2010 AGM in the circular of the Company of 30 April 2010 and the notice of meeting and form of proxy accompanying thereto.

Fixed Assets

Details of movements in fixed assets of the Group during the year are set out in note 17 to the financial statements.

Share Capital

Details of the movements in share capital are set out in note 30 to the financial statements.

Reserves

Details of the movements in reserves during the year are set out in note 32 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2009, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$Nil (2008: HK$Nil).

REPORT OF THE DIRECTORS

Group Properties

Details of properties of the Group as at 31 December 2009 are set out on page 78 of this report.

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 77 of this report.

Directors

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

Executive Directors
Mr. Ni Xinguang *(Chairman)*
Mr. Wang Zhiming *(Managing Director)*

Independent Non-executive Directors
Mr. Chan Wai Sum
Mr. Lu Wei
Mr. Ho Wai Ip

In accordance with article 116 of the articles of association of the Company (the "Articles"), Mr. Ni Xinguang and Mr. Ho Wai IP will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Profiles

Directors' profiles are set out on pages 22 to 24 of this report.

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, namely Mr. Chan Wai Sum, Mr. Ho Wai Ip and Mr. Lu Wei, an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers all of the independent non-executive Directors are independent.

Directors' Service Contracts

For the executive Directors, Mr. Ni Xinguang entered into a service contract with the Company for a period of two years commencing 1 April 2008 which has expired on 31 March 2010. Mr. Ni has not entered into any new written service contract with the Company. Mr. Wang Zhiming, as an executive Director, and the other independent non-executive Directors except for Mr. Ho Wai Ip have not entered into any written service contract with the Company and they are not appointed for specific term. Mr. Ho Wai Ip has entered into an appointment letter with the Company without specific term of service. All Directors are subject to retirement by rotation in accordance with the Articles.

REPORT OF THE DIRECTORS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

Directors' Interest in Shares

As at 31 December 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 Part XV of the SFO or 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*

	Number of shares held			**Percentage**
Name of Director	**Personal interests**	**Corporate interests**	**Total**	**of the issued share capital** *(Note (b))*
Ni Xinguang	95,780,000	1,886,680,000 *(Note (a))*	1,982,460,000	27.07%
Wang Zhiming	94,780,000	1,886,680,000 *(Note (a))*	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 31 December 2009.

Save as disclosed above, as at 31 December 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 Part XV of the SFO or 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 31 December 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 Part XV of the SFO or pursuant to the Model Code.

REPORT OF THE DIRECTORS

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	Numer of option shares held as at 01/01/2009	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 held as at 31/12/2009	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		

Further details of share options were stipulated in note 31 to the financial statements.

Apart from the aforesaid, at no time during the year ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangement 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 the Company or any other body corporate.

Directors' Interests in Contracts

Apart from the particulars disclosed in note 38 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.

Related Party Transactions

Details of the related party transactions undertaken in the usual course of business are set out in note 38 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

REPORT OF THE DIRECTORS

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors of the Company and the highest paid individuals of the Group are set out in note 13 to the financial statements.

Substantial Shareholders' Interests

As at 31 December 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** (Note (c))
Group First Limited	Beneficial owner (Note (a))	1,886,680,000	25.76%
Hou Chong Yu ("Ms. Hou")	Beneficial owner	21,530,000	0.29%
	Interests controlled through Corporations (Note (b))	927,158,839	12.66%
Best Idea International Limited (Note (b))	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:

Name of Corporations	**Number of Shares held**
Golden Pioneer Investments Inc	155,500,000
Best Idea International Limited	771,658,839
	927,158,839

(c) The percentage has been calculated based on the total number of 7,324,280,839 ordinary shares of the Company in issue as at 31 December 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 31 December 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.

Purchase, Redemption or Sale of Listed Securities

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

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.

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$64,000 (2008: HK$70,000) and HK$3,510,000 (2008: HK$3,819,000) respectively.

REPORT OF THE DIRECTORS

Competing Interests

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year and up to the date of this report.

Emolument Policy

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 31 to the financial statements.

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:

	2009	2008
The largest customer	**1.6%**	1.9%
Five largest customers in aggregate	**7.1%**	5.8%
The largest supplier	**17.8%**	14.4%
Five largest suppliers in aggregate	**48.0%**	53.6%

At no time during the year, none of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the customers or suppliers disclosed above.

Corporate Governance

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

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 2009, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

Events After the Reporting Period

Details of the events after the reporting period are set out in note 39 to the financial statements.

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Ho Wai Ip (Chairman), Mr. Chan Wai Sum and Mr. Lu Wei. The Audit Committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 31 December 2009.

Auditor

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

By order of the Board
China Seven Star Shopping Limited
Ni Xinguang
Chairman

Hong Kong, 26 April 2010

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board of Directors of the Company (the "Board") and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all shareholders and enhance corporate value. The Board continuously reviews and improves the corporate governance practices and standards of the Group from time to time to ensure that business activities and decision making processes are regulated in a proper manner.

The Board has applied the principles and complied with all the applicable Code provisions and where applicable, the recommended practices of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2009 except for deviation from Code provision A.4.1 of the Code.

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 (the "INEDs") is appointed for a specific term.

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 Code provision A.4.1.

Board of Directors

Functions and role

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Company's operation and financial performance. All the appointed Directors are subject to rotation for re-appointment at the annual general meeting, and each of the Directors is subject to retirement by rotation at least once every three years. Appropriate and sufficient information was provided to each of the Directors to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company.

CORPORATE GOVERNANCE REPORT

The INEDs are expressly identified in all corporate communications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed. Each of the INEDs has filed an annual confirmation to the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs meet the independent guideline set out in Rule 3.13 of the Listing Rules and are independent.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board as at 31 December 2009. All of them are free to exercise their individual judgment.

Composition

The Board comprises five Directors, of which two are executive Directors and three are INEDs. One of the three INEDs possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. The Directors' respective biographical information is set out in this annual report under the heading "Directors' Profiles" and the names of current Directors on Board and their positions are as follows:

Name of Directors	**Position**
Executive Directors	
Mr. Ni Xinguang	Chairman
Mr. Wang Zhiming	Managing Director
Independent Non-executive Directors	
Mr. Chan Wai Sum	
Mr. Ho Wai Ip	
Mr. Lu Wei	

The Board held 4 regular Board meetings during the financial year ended 31 December 2009. Appropriate and sufficient information was provided to the Board in a timely manner for their review before the meetings. Attendance of individual Directors at Board meetings is set out in the section of "Attendance of Board, Audit Committee and Remuneration Committee Meetings in 2009".

Chairman and Managing Director

The positions and roles of Chairman of the Board and Managing Director (having the same function of chief executive officer) of the Company are held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Ni Xinguang, the Chairman of the Company, is responsible for the leadership of the Board, and oversees the business development of the Company and its subsidiaries including strategic and corporate development. Mr. Wang Zhiming, the Managing Director of the Company is responsible for the management of day-to-day operation of the Group.

CORPORATE GOVERNANCE REPORT

Board Practices

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Four Board meetings were held during the year for facilitating the function of the Board. The Board believes that the Board meetings held during the financial year were adequate to cover all major issues during the year. In any event all Directors were available for consultation by management from time to time during the year.

Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director. The Managing Director, working with the management team is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from the regular Board meetings, the Chairman may hold meetings with the INEDs without the presence of executive Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Board has established and delegated specific responsibilities to the Audit Committee and Remuneration Committee. The details of the committees are stipulated on pages 19 and 20 of this report.

Sufficient formal notice of every regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Draft and final versions of Board minutes have sent to all Directors for their comment and records respectively within a reasonable time after the board meeting.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordnance and other applicable laws, rules and regulations.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. With the assistance of the Company Secretary of the Company, the Directors also ensure the publication of the financial statements of the Group in a timely manner.

The report of the external auditors of the Company, RSM Nelson Wheeler, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 25 and 26 of this report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Director Nomination Procedures

The Company has not set up a nomination committee yet. According to the Articles, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. The current nomination procedures for appointment of new Directors would normally take into consideration of the candidates' past experience, qualifications and any other factors, if any, which are relevant to the Company's business. Then, shortlisted candidates with their profiles would be brought to the Board before meeting for consideration as soon as it is practicable. During the year ended 31 December 2009, no Director was appointed.

Directors' Securities Transactions

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 for securities transactions by Directors of the Company in 2009. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2009.

Audit Committee

Composition

The Company established an Audit Committee in 1999. It has written terms of reference in compliance with the requirements of the Listing Rules. The Audit Committee consists of three INEDs, namely Mr. Ho Wai Ip (Chairman), Mr. Chan Wai Sum and Mr. Lui Wei. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee meets twice a year on a half year basis, or more frequently if required. Three Audit Committee meetings were held during the year and the record of attendance of individual member is listed out on page 21 of this report.

CORPORATE GOVERNANCE REPORT

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditors, and, to review the annual and interim report and other financial information provided by the Company to its shareholders, the public and others and matters within the scope of the terms of reference. The term of reference have been posted on the Company's website.

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2009:

(i) reviewed the effectiveness of audit process in accordance with applicable standards;

(ii) reviewed the financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's financial statements;

(iii) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions; and

(iv) reviewed the external auditor's management letter and ensure the Board will provide a timely response to the issues raised therein.

Remuneration Committee

Composition

The Remuneration Committee had been established with written terms of reference. The Remuneration Committee members consists of Mr. Chan Wai Sum (the Chairman), Mr. Ho Wai Ip and Mr. Lu Wei, all are INEDs. The Remuneration Committee meets at least once a year. The Remuneration Committee held one meeting during the year and reviewed the existing remuneration policy and structure of the Company. The record of attendance of individual member is listed out on page 21 of this report.

Functions and Role

The primary objectives of the Remuneration Committee include determining the remuneration policy, structure and remuneration packages of the Directors and senior management and make recommendations to the Board, and other related matters. The Remuneration Committee is responsible for establishing transparent procedures to develop such remuneration policy and structure which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The terms of reference have been posted on the Company's website.

The executive Directors are responsible for reviewing the market conditions, time commitment, responsibilities, performance of individuals and any other relevant information and propose to the Remuneration Committee for consideration and approval. None of the executive Directors can determine his own remuneration.

During the year, the Remuneration Committee held one meeting to review and approve the remuneration of executive Directors and senior management.

Attendance of Board, Audit Committee and Remuneration Committee Meetings in 2009

	Attendance/Number of Meetings Held		
	Board	**Audit Committee**	**Remuneration Committee**
Directors			
Executive Directors:			
Ni Xinguang	4/4	N/A	N/A
Wang Zhiming	4/4	N/A	N/A
Independent Non-executive Directors:			
Chan Wai Sum	4/4	3/3	1/1
Ho Wai Ip	4/4	3/3	1/1
Lu Wei	3/4	3/3	1/1

Auditor's Remuneration

During the year, the fees paid or payable to external auditor of the Company, RSM Nelson Wheeler were approximately HK$1,450,000 for statutory audit services rendered and for non-audit services rendered were HK$750,000 to the Group respectively.

Internal Controls and Risks Management

The Board has overall responsibilities for introducing and continuously maintaining sound and effective internal control systems of the Group and review its adequacy and effectiveness. It is committed to review and implement effective and sound internal control systems to safeguard shareholders' interests. The Board has delegated to the management with defined structure and limits of authority, to conduct reviews on and maintenance of all material controls including proper financial and accounting records, operational and compliance and risk management functions as well as the implementation of the internal control system to ensure compliance with relevant legislations and regulations.

The Board has conducted a review of the effectiveness of the internal control system of the Group. The internal control systems will be reviewed on an ongoing basis by the Board in order to make it practical and effective.

Investor Relationship and Communication

The Company endeavors to maintain good investor relationship with shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

DIRECTORS' PROFILES

Mr. Ni Xinguang, aged 40, was appointed as chairman and executive Director on 12 March 2004. Mr. Ni has extensive experience in the retail, distribution and printing business in the PRC. Further to a Diploma in Education, Mr. Ni also has a Degree of Master of Business Administration from the Nanyang Technological University in the Republic of Singapore.

Mr. Ni entered into a service contract with the Company for a period of two years commencing 1 April 2008 which has expired on 31 March 2010. Mr. Ni has not entered into any new written service contract with the Company but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Ni is entitled to an annual remuneration of HK$960,000, which is covered by his service contract, with discretionary bonus payment as determined by the remuneration committee of the Company based on Mr. Ni's and the Company's performance. The remuneration package of Mr. Ni is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark.

As at the report date, pursuant to Part XV of the Securities and Futures Ordinance ("SFO"), Mr. Ni has personal interest of 95,780,000 Shares in the Company and has 60% beneficial interest in Group First Limited, in which owned 1,886,680,000 Shares in the Company.

Save as disclosed above, Mr. Ni is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Ni did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. Save as disclosed above, Mr. Ni was not interested or deemed to be interested in any other shares or underlying shares of the Company pursuant to Part XV of the SFO as at the report date.

Mr. Wang Zhiming, aged 39, was appointed as an executive Director on 12 March 2004 and resigned on 11 November 2005 due to personal commitments. Mr. Wang remained thereafter as a business consultant of the Company and director of the operating subsidiaries of the Company and was appointed an executive director of the Company again on 18 November 2006. Mr. Wang was also appointed as managing director of the Company on 15 October 2007. Mr. Wang obtained a Certificate in Law in the PRC and a Degree of Master of Business Administration from the Nanyang Technological University in the Republic of Singapore. Mr. Wang has extensive experience in marketing and management of retail and distribution operations in the PRC.

Mr. Wang has not entered into any written service contract with the Company and is not appointed for a special term but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Wang is entitled to an annual remuneration of HK$780,000 with discretionary bonus payment as determined by the remuneration committee of the Company based on Mr. Wang and the Company's performance. The remuneration of Mr. Wang is not covered by any service contract. The remuneration package of Mr. Wang is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark.

As at the report date, pursuant to Part XV of the SFO, Mr. Wang has personal interest of 94,780,000 Shares in the Company and has 40% beneficial interest in Group First Limited, in which owned 1,886,680,000 Shares in the Company.

Save as disclosed above, Mr. Wang is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Wang did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. Save as disclosed above, Mr. Wang was not interested or deemed to be interested in any other shares or underlying shares of the Company pursuant to Part XV of the SFO as at the report date.

Mr. Ho Wai Ip, aged 46, was appointed as an independent non-executive Director on 3 April 2007. Mr. Ho is also the chairman and member of audit committee and member of remuneration committee of the Company. Mr. Ho possesses over 20 years of experience in financial advisory, taxation and business management. He was a senior manager of PricewaterhouseCoopers. In 2002, he started his public practice by establishing Alliance & Associates, Certified Public Accountants. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Ho has entered into a letter of appointment with the Company without specific term of service but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Ho is entitled to an annual remuneration of HK$180,000 which is covered by his letter of appointment without any bonus payment. The remuneration package of Mr. Ho is determined by reference to his duties, responsibilities and expected time commitment to the Company's affairs.

Save as disclosed above, Mr. Ho is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Ho did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the report date, Mr. Ho was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Chan Wai Sum, aged 53, was appointed as an independent non-executive Director on 5 November 2001. Mr. Chan is also the chairman and member of remuneration committee and member of audit committee of the Company. Mr. Chan is the senior executive in various joint ventures in Hong Kong and China. Mr. Chan obtained a bachelor degree in Social Science from the University of Hong Kong and a Master of Business Administration degree from California State University. Mr. Chan has extensive experience in project evaluation and implementation and in the management of local as well as overseas business operations.

Mr. Chan has not entered into any written service contract with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Chan is entitled to an annual remuneration of HK$180,000 without any bonus payment. The remuneration of Mr. Chan is not covered by any service contract. The remuneration package of Mr. Chan is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark.

DIRECTORS' PROFILES

Save as disclosed above, Mr. Chan is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Chan did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the report date, Mr. Chan was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Lu Wei, aged 46, was appointed as an independent non-executive Director on 15 June 2005. Mr. Lu is also the members of audit committee and remuneration committee of the Company Mr. Lu is currently a professor and vice dean of the Antai College of Economics & Management of Shanghai Jiao Tong University in the PRC. He graduated from the School of Management in Shanghai Fu Dan University with a Ph.D. degree. Mr. Lu is also an independent non-executive director of Lu Jia Zhui Co., Ltd., Shanghai Syp Glass Co. Ltd. and Luo Lan Co., Ltd, all are companies listed on the Shanghai/Shenzhen Stock Exchange.

Mr. Lu has not entered into any written service contract with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Lu is entitled to an annual remuneration of HK$180,000 without any bonus payment. The remuneration of Mr. Lu is not covered by any service contract. The remuneration package of Mr. Lu is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark.

Save as disclosed above, Mr. Lu is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Lu did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the report date, Mr. Lu was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA SEVEN STAR SHOPPING LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Seven Star Shopping Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 76, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 26 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	7	**469,123**	298,296
Cost of sales and services		**(267,899)**	(179,728)
Gross profit		**201,224**	118,568
Other income	8	**10,673**	14,124
Reversal of write down/(write down) of properties held for resale	22	**600**	(1,600)
Impairment loss on goodwill	18	**–**	(6,860)
Income from excess of fair value over cost of acquisition of a subsidiary	33	**581**	–
Distribution costs		**(172,591)**	(195,154)
Administrative expenses		**(44,994)**	(56,897)
Other operating expenses		**(5,283)**	(30,414)
Loss from operations		**(9,790)**	(158,233)
Share of loss of a jointly controlled entity		**–**	(4,019)
Loss before tax		**(9,790)**	(162,252)
Income tax credit/(expense)	10	**14,819**	(5,510)
Profit/(loss) for the year	11	**5,029**	(167,762)
Attributable to:			
Owners of the Company	14	**6,200**	(165,508)
Minority interests		**(1,171)**	(2,254)
		5,029	(167,762)
Earnings/(loss) per share	16		
Basic		**0.08 cents**	(2.26) cents
Diluted		**0.08 cents**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**5,029**	(167,762)
Other comprehensive income		
Exchange differences on translating foreign operations	**305**	15,910
Other comprehensive income for the year, net of tax	**305**	15,910
Total comprehensive income for the year	**5,334**	(151,852)
Attributable to:		
Owners of the Company	**6,505**	(149,721)
Minority interests	**(1,171)**	(2,131)
	5,334	(151,852)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets	17	**19,792**	19,268
Goodwill	18	**–**	–
Intangible assets	19	**1,321**	1,095
Available-for-sale financial assets	21	**–**	–
		21,113	20,363
Current assets			
Properties held for resale	22	**9,300**	8,700
Inventories	23	**40,475**	13,350
Trade receivables	24	**45,002**	40,012
Other receivables, prepayments and deposits	25	**88,252**	38,740
Financial assets at fair value through profit or loss	26	**12,296**	23,772
Pledged bank deposits	27	**284**	9,299
Bank and cash balances	27	**163,397**	217,113
		359,006	350,986
Current liabilities			
Trade and bills payables	28	**25,928**	17,869
Other payables and accruals	29	**25,225**	19,540
Current tax liabilities		**2,147**	17,115
		53,300	54,524
Net current assets		**305,706**	296,462
NET ASSETS		**326,819**	316,825
Capital and reserves			
Share capital	30	**732,428**	732,428
Other reserves	32	**1,279,675**	1,277,872
Accumulated losses		**(1,687,998)**	(1,694,198)
Equity attributable to owners of the Company		**324,105**	316,102
Minority interests		**2,714**	723
TOTAL EQUITY		**326,819**	316,825

Approved by the Board of Directors on 26 April 2010.

Ni Xinguang
Director

Wang Zhiming
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets	17	**59**	73
Interests in subsidiaries	20	**222,242**	119,442
		222,301	119,515
Current assets			
Other receivables, prepayments and deposits	25	**331**	326
Financial assets at fair value through profit or loss	26	**12,266**	23,685
Bank and cash balances		**69,387**	147,105
		81,984	171,116
Current liabilities			
Other payables and accruals	29	**2,780**	2,997
Net current assets		**79,204**	168,119
NET ASSETS		**301,505**	287,634
Capital and reserves			
Share capital	30	**732,428**	732,428
Other reserves	32	**1,242,201**	1,240,703
Accumulated losses		**(1,673,124)**	(1,685,497)
TOTAL EQUITY		**301,505**	287,634

Approved by the Board of Directors on 26 April 2010.

Ni Xinguang	**Wang Zhiming**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	732,428	1,259,389	(1,529,328)	462,489	2,359	464,848
Total comprehensive income for the year	–	15,787	(165,508)	(149,721)	(2,131)	(151,852)
Business combination	–	–	–	–	495	495
Recognition of share-based payments	–	3,334	–	3,334	–	3,334
Transfer	–	(638)	638	–	–	–
Change in equity for the year	–	18,483	(164,870)	(146,387)	(1,636)	(148,023)
At 31 December 2008	732,428	1,277,872	(1,694,198)	316,102	723	316,825
At 1 January 2009	732,428	1,277,872	(1,694,198)	316,102	723	316,825
Total comprehensive income for the year	–	305	6,200	6,505	(1,171)	5,334
Business combination	–	–	–	–	130	130
Capital contribution from minority shareholders	–	–	–	–	2,009	2,009
Deemed disposal of a subsidiary	–	–	–	–	1,023	1,023
Recognition of share-based payments	–	1,498	–	1,498	–	1,498
Change in equity for the year	–	1,803	6,200	8,003	1,991	9,994
At 31 December 2009	732,428	1,279,675	(1,687,998)	324,105	2,714	326,819

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before tax		**(9,790)**	(162,252)
Adjustments for:			
Share of loss of a jointly controlled entity		**–**	4,019
Interest income		**(2,541)**	(4,352)
Depreciation		**4,635**	3,921
Share-based payments		**1,498**	3,334
(Reversal of write-down)/write-down of properties held for resale		**(600)**	1,600
(Reversal of allowance)/allowance for inventories		**(6,609)**	3,607
Allowance for other receivables		**288**	1,074
Allowance for trade receivables		**2,503**	13,770
Amortisation of intangible assets		**251**	–
Fair value loss on financial assets at fair value through profit or loss		**255**	838
Fixed assets written off		**18**	265
Income from excess of fair value over cost of acquisition of a subsidiary		**(581)**	–
Inventories written off		**–**	159
Loss on deemed disposal of a subsidiary		**1,023**	–
Loss on disposals of fixed assets		**16**	–
Write back of other payables and accruals		**(745)**	(10)
Reversal of allowance for trade receivables		**(2,038)**	–
Impairment loss on available-for-sale financial assets		**–**	169
Impairment loss on fixed assets		**203**	3,386
Impairment loss on goodwill		**–**	6,860
Impairment loss on goodwill for investment in a jointly controlled entity		**–**	884
Impairment loss on prepayments and deposits		**129**	5,357
Operating loss before working capital changes		**(12,085)**	(117,371)
(Increase)/decrease in inventories		**(24,271)**	23,029
(Increase)/decrease in trade and bills receivables, other receivables, prepayments and deposits		**(54,079)**	79,512
Increase/(decrease) in trade and bills payables, other payables and accruals		**13,977**	(26,586)
Cash used in operations		**(76,458)**	(41,416)
Tax paid		**(166)**	(1,417)
Net cash used in operating activities		**(76,624)**	(42,833)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Decrease/(increase) in pledged bank deposits		**9,015**	(9,299)
Payment for purchase of fixed assets		**(5,322)**	(5,570)
Proceeds from disposals of fixed assets		**15**	–
Purchase of financial assets at fair value through profit or loss		**(200)**	(79,917)
Proceeds from disposals of financial assets at fair value through profit or loss		**11,421**	55,182
Interest received		**2,541**	4,352
Net cash inflow from acquisition of subsidiaries	33	**3,021**	4,606
Net cash generated from/(used in) investing activities		**20,491**	(30,646)
Cash flows from financing activities			
Capital contribution from minority shareholders		**2,009**	–
Net decrease in cash and cash equivalents		**(54,124)**	(73,479)
Effect of foreign exchange rate changes		**408**	15,063
Cash and cash equivalents at 1 January		**217,113**	275,529
Cash and cash equivalents at 31 December		**163,397**	217,113
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**163,397**	217,113

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

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 "Stock Exchange").

The Company is an investment holding company. The principal activities of its major subsidiaries are set out in Note 20 to the financial statements.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants 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 substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(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. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(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 9 to the 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.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

(a) Consolidation (Continued)

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (w) below. Impairment losses of goodwill are recognised in the consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

3. Significant Accounting Policies *(Continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	over the lease term
Furniture, fixtures and office equipment	20%
Call centre system	20%
Plant and equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Intangible asset

Internet platform

The internet platform is stated at acquisition cost less accumulated amortisation and impairment loss. It is amortised on a straight line basis over its estimated useful life of 5 years.

Insurance agency licence

The insurance agency licence is stated at acquisition cost less accumulated amortisation and impairment loss. It is amortised on a straight line basis over its estimated useful life of 5 years.

(g) Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

3. Significant Accounting Policies *(Continued)*

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*
   (j) Investments (Continued)
   (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investment are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculate using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3. Significant Accounting Policies *(Continued)*

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from media management services and insurance agency services are recognised when the services are rendered.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

   (r) Employee benefits (Continued)

   (iii) Termination benefits

   Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

   (s) Share-based payments

   The Group issues equity-settled share-based payments to certain directors, key employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

   (t) Government subsidy

   A government subsidy is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the subsidy will be received.

   Government subsidy that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

   (u) Taxation

   Income tax represents the sum of the current tax and deferred tax.

   The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

   Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

   Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant Accounting Policies *(Continued)*

(u) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

(w) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Critical Judgements and Key Estimates

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Fixed assets and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) *Income taxes*

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are occasions that the tax policy currently adopted by an entity may be subject to review based on subsequent interpretations or for administrative reasons with retrospective effect. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

(c) *Impairment of trade and other receivables*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness, the past collection history of each debtor and on management's judgement. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) *Allowance for inventories*

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

4. Critical Judgements and Key Estimates *(Continued)*

(e) Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

The sensitivity analysis below has been determined based on the exposure to debt securities price risk at the end of the reporting period.

At 31 December 2009, if the unit price had been 10% higher/lower with all other variables held constant, consolidated profit after tax for the year would be increased/decreased by approximately HK$1,227,000, arising as a result of the fair value gain/loss of the investments.

At 31 December 2008, if the unit price had been 10% higher/lower with all other variables held constant, consolidated loss after tax for the year would be decreased/increased by approximately HK$2,369,000, arising as a result of the fair value gain/loss of the investments.

5. Financial Risk Management *(Continued)*

(c) *Credit risk*

The Group's credit risk is primarily attributable to its bank and cash balances, trade and other receivables, financial assets at fair value through profit or loss.

In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank and cash balances and financial assets at fair value through profit or loss is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2009				
Trade payables	25,928	–	–	–
Other payables and accruals	25,225	–	–	–
At 31 December 2008				
Trade and bills payables	17,869	–	–	–
Other payables and accruals	19,540	–	–	–

(e) *Interest rate risk*

The Group's significant bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

5. Financial Risk Management *(Continued)*

(f) Categories of financial instruments at 31 December 2009

	2009 HK$'000	2008 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss:	**12,296**	23,772
Loans and receivables (including cash and cash equivalents)	**228,154**	269,067
Financial liabilities:		
Financial liabilities at amortised cost	**51,153**	37,409

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009:

	Fair value measurement using:			Total
Description	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**2009 HK$'000**
Financial assets at fair value through profit or loss				
Debt securities	**12,266**	**-**	**-**	**12,266**
Equity securities	**30**	**-**	**-**	**30**
Total	**12,296**	**-**	**-**	**12,296**

5. Financial Risk Management *(Continued)*

(g) Fair values (Continued)

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2008 HK$'000
Financial assets at fair value through profit or loss				
Debt securities	23,685	–	–	23,685
Equity securities	87	–	–	87
Total	23,772	–	–	23,772

6. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

7. Turnover

The Group's turnover which represents sales of consumer products to customers, media management service fees, insurance agency service income and rental income from properties are as follows:

	2009 HK$'000	2008 HK$'000
Retail and distribution of consumer products	**433,713**	297,382
Media management service fees	**25,297**	–
Insurance agency service income	**9,198**	–
Rental income	**915**	914
	469,123	298,296

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

8. Other Income

	2009 HK$'000	2008 HK$'000
Interest income	**2,541**	4,352
Reversal of allowance for trade receivables	**2,038**	–
Tax subsidy	**3,522**	3,528
Write back of other payables and accruals	**745**	10
Sundry income	**1,827**	6,234
	10,673	14,124

9. Segment Information

The Group has two reportable segments as follows:

PRC retail and distribution	–	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 in Hong Kong

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 Group's other operating segments include the insurance agency service business, which earns insurance agency service income. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The accounting policies of the operating segments are the same as those described in the Note 3 to the financial statements. Segment profits or losses do not include interest income, fair value gains or losses on financial assets at fair value through profit or loss, income from excess of fair value over cost of acquisition of a subsidiary, loss on deemed disposal of a subsidiary, corporate income and corporate expenses. Segment assets do not include financial assets at fair value through profit or loss and corporate assets. Segment liabilities do not include corporate liabilities.

There were no intersegment sales during the year (2008: HK$Nil).

9. Segment Information *(Continued)*

Information about reportable segment profit or loss, assets and liabilities :

	PRC retail and distribution HK$'000	Property investment HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2009				
Revenue from external customers	459,010	915	9,198	469,123
Segment profit/(loss)	(947)	1,067	357	477
Interest revenue	760	–	25	785
Interest expense	–	–	–	–
Income tax credit/(expense)	14,871	–	(52)	14,819
Depreciation and amortisation	4,802	–	49	4,851
Reversal of bad debts/impairment charges	8,647	–	–	8,647
Bad debts/impairment charges	3,123	–	–	3,123
Write back of other payables and accruals	705	–	–	705
Reversal of write down of properties held for resale	–	600	–	600
Loss on disposals of fixed assets	16	–	–	16
Fixed assets written off	18	–	–	18
Capital expenditure	5,294	–	7	5,301
At 31 December 2009				
Segment assets	266,596	9,433	21,847	297,876
Segment liabilities	55,571	309	1,608	57,488

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

9. Segment Information *(Continued)*
Information about reportable segment profit or loss, assets and liabilities: *(Continued)*

	PRC retail and distribution HK$'000	Property investment HK$'000	Total HK$'000
Year ended 31 December 2008			
Revenue from external customers	297,382	914	298,296
Segment loss	(149,458)	(1,109)	(150,567)
Interest revenue	897	–	897
Interest expense	–	–	–
Income tax expense	5,510	–	5,510
Depreciation and amortisation	3,797	–	3,797
Fixed assets written off	265	–	265
Impairment loss on goodwill	6,860	–	6,860
Inventories written off	159	–	159
Bad debts/impairment charges	28,247	–	28,247
Write down of properties held for resale	–	1,600	1,600
Share of loss of a jointly controlled entity	4,019	–	4,019
Capital expenditure	5,565	–	5,565
At 31 December 2008			
Segment assets	191,227	8,833	200,060
Segment liabilities	42,638	309	42,947

9. Segment Information *(Continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2009 HK$'000	2008 HK$'000
Revenue	**469,123**	298,296
Profit or loss		
Total profit or loss of reportable segments	**477**	(150,567)
Fair value loss on financial assets at fair value through profit or loss	**(255)**	(838)
Interest revenue	**2,541**	4,352
Income from excess of fair value over cost of acquisition of a subsidiary	**581**	–
Loss on deemed disposal of a subsidiary	**(1,023)**	–
Unallocated corporate income	**42**	10
Unallocated corporate expenses	**(12,153)**	(15,209)
Loss before tax	**(9,790)**	(162,252)
Assets		
Total assets of reportable segments	**297,876**	200,060
Financial assets at fair value through profit or loss	**12,296**	23,772
Corporate assets	**70,297**	147,517
Elimination of intersegment assets	**(350)**	–
Consolidated total assets	**380,119**	371,349
Liabilities		
Total liabilities of reportable segments	**57,488**	42,947
Corporate liabilities	**4,927**	20,342
Elimination of intersegment liabilities	**(9,115)**	(8,765)
Consolidated total liabilities	**53,300**	54,524

Geographical information:

	Revenue		**Non-current assets**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong	**915**	914	**59**	73
The PRC except Hong Kong	**468,208**	297,382	**21,054**	20,290
Consolidated total	**469,123**	298,296	**21,113**	20,363

In presenting the geographical information, revenue is based on the locations of the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

10. Income Tax (Credit)/Expense

	2009 HK$'000	2008 HK$'000
PRC tax		
– current	**458**	5,443
– (over)/underprovision in prior years	**(15,277)**	67
	(14,819)	5,510

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profits arising in Hong Kong for the year (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.

The reconciliation between the income tax (credit)/expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2009 HK$'000	2008 HK$'000
Loss before tax	**(9,790)**	(162,252)
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**(1,615)**	(26,772)
Tax effect of income that is not taxable	**(4,471)**	–
Tax effect of expenses that are not deductible	**11,515**	31,462
Tax effect of unrecognised temporary differences	**(3,685)**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(65)**	(9,478)
Tax effect of tax losses not recognised	**1,874**	9,568
Tax effect of utilisation of tax losses not previously recognised	**(3,095)**	–
Tax effect of share of result of a jointly controlled entity	**–**	663
Net (over)/underprovision in prior years	**(15,277)**	67
Income tax (credit)/expense	**(14,819)**	5,510

At the end of the reporting period the Group and the Company has unused tax losses of approximately HK$36,441,000 (2008: HK$66,301,000) and HK$3,739,000 (2008: HK$3,739,000) respectively available for offset against future profits. During the year, no deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of approximately HK$1,686,000, HK$14,310,000 and HK$7,244,000 will expire on 31 December 2012, 2013 and 2014 respectively. Other tax losses may be carried forward indefinitely. Included in unused tax losses of the Group are losses of approximately HK$24,978,000 (2008: HK$54,839,000) that have not yet been agreed by respective tax authorities.

No provision for deferred taxation has been made for both years ended 31 December 2008 and 2009 as the effect of all other temporary difference is not material.

11. Profit/(Loss) for the Year

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2009 HK$'000	2008 HK$'000
Advertising costs	**100,949**	138,701
Allowance for trade receivables (included in other operating expenses)	**2,503**	13,770
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold)	**(6,609)**	3,607
Allowance for other receivables (included in other operating expenses)	**288**	1,074
Amortisation of intangible assets (included in other operating expenses)	**251**	–
Auditor's remuneration	**1,450**	1,380
Cost of inventories sold	**253,256**	175,540
Depreciation	**4,635**	3,921
Direct operating expenses that generate rental income	**422**	422
Exchange differences, net	**179**	2,182
Fair value loss on financial assets at fair value through profit or loss	**255**	838
Fixed assets written off	**18**	265
Impairment loss on fixed assets (included in other operating expenses)	**203**	3,386
Impairment loss on available-for-sale financial assets (included in other operating expenses)	**–**	169
Impairment loss on goodwill for investment in a jointly controlled entity (included in other operating expenses)	**–**	884
Impairment loss on prepayments and deposits (included in other operating expenses)	**129**	5,357
Inventories written off (included in cost of inventories sold)	**–**	159
Loss on deemed disposal of a subsidiary (included in other operating expenses)	**1,023**	–
Loss on disposals of fixed assets	**16**	–
Operating lease on land and buildings	**6,568**	9,034
Staff costs (including directors' emoluments) (Note 12)	**38,351**	46,116

12. Staff Costs (Including Directors' Emoluments)

	2009 HK$'000	2008 HK$'000
Salaries and allowances	**33,809**	39,146
Equity-settled share-based payments	**1,033**	3,081
Retirement benefits scheme contributions	**3,509**	3,889
	38,351	46,116

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

13. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments of each director were as follows:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Inducement fees HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Compensation for loss of office as director HK$'000	Share-based payments HK$'000	Total HK$'000
Mr. Ni Xinguang	**-**	**936**	**-**	**-**	**-**	**12**	**-**	**-**	**948**
Mr. Wang Zhiming	**-**	**763**	**-**	**-**	**-**	**12**	**-**	**-**	**775**
Mr. Chan Wai Sum	**176**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**176**
Mr. Ho Wai Ip	**176**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**176**
Mr. Lu Wei	**176**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**176**
Total for 2009	**528**	**1,699**	**-**	**-**	**-**	**24**	**-**	**-**	**2,251**

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Inducement fees HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Compensation for loss of office as director HK$'000	Share-based payments HK$'000	Total HK$'000
Mr. Ni Xinguang	–	952	29	–	–	12	–	–	993
Mr. Wang Zhiming	–	757	17	–	–	12	–	–	786
Mr. Chan Wai Sum	154	–	–	–	–	–	–	–	154
Mr. Ho Wai Ip	154	–	–	–	–	–	–	–	154
Mr. Lu Wei	154	–	–	–	–	–	–	–	154
Total for 2008	462	1,709	46	–	–	24	–	–	2,241

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2008 and 2009.

13. Directors' and Employees' Emoluments *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included 2 (2008: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2008: 3) individuals are set out below:

	2009 **HK$'000**	2008 HK$'000
Salaries and allowances	**2,044**	1,929
Equity-settled share-based payments	**1,033**	3,081
Retirement benefit scheme contributions	**33**	30
	3,110	5,040

The emoluments fell within the following bands:

	Number of individuals **2009**	2008
HK$Nil to HK$ 1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$ 3,000,000	**–**	1
Over HK$3,000,000	**–**	–

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Profit/(Loss) for the Year attributable to Owners of the Company

The profit/(loss) for the year attributable to owners of the Company included a profit of approximately HK$12,373,000 (2008: HK$25,924,000) which has been dealt with in the financial statements of the Company.

15. Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: HK$Nil).

16. Earnings/(Loss) Per Share

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$6,200,000 (2008: loss of approximately HK$165,508,000) and the weighted average number of ordinary shares of 7,324,281,000 (2008: 7,324,281,000) in issue during the year.

Diluted earnings/(loss) per share

For the year ended 31 December 2009, the calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$6,200,000 and the weighted average number of ordinary shares of 7,324,630,000, being the weighted average number of ordinary shares of 7,324,281,000 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 349,000 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

17. Fixed Assets

	The Group					
	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Call centre system HK$'000	Plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2008	6,747	7,480	3,362	51	2,079	19,719
Additions	224	3,335	554	–	1,457	5,570
Acquisition of subsidiaries	890	901	788	–	255	2,834
Write-off	(211)	(195)	–	–	–	(406)
Exchange differences	392	475	213	3	140	1,223
At 31 December 2008 and 1 January 2009	8,042	11,996	4,917	54	3,931	28,940
Additions	387	1,031	189	–	3,715	5,322
Acquisition of a subsidiary	–	18	–	–	36	54
Disposals/write-off	–	(34)	–	–	(69)	(103)
Exchange differences	14	22	9	–	10	55
At 31 December 2009	8,443	13,033	5,115	54	7,623	34,268
Accumulated depreciation and impairment						
At 1 January 2008	677	1,119	137	18	374	2,325
Charge for the year	794	1,833	649	11	634	3,921
Write-off	(53)	(88)	–	–	–	(141)
Impairment loss	–	1,394	1,961	23	8	3,386
Exchange differences	30	88	32	2	29	181
At 31 December 2008 and 1 January 2009	1,448	4,346	2,779	54	1,045	9,672
Charge for the year	961	2,038	504	–	1,132	4,635
Disposals/write-off	–	(16)	–	–	(38)	(54)
Impairment loss	–	174	–	–	29	203
Exchange differences	3	9	5	–	3	20
At 31 December 2009	2,412	6,551	3,288	54	2,171	14,476
Carrying amount						
At 31 December 2009	6,031	6,482	1,827	–	5,452	19,792
At 31 December 2008	6,594	7,650	2,138	–	2,886	19,268

17. Fixed Assets *(Continued)*

The Group carried out reviews of the recoverable amount of its fixed assets in 2009 regard to its closure of an office in the PRC. The reviews led to the recognition of an impairment loss of HK$203,000 (2008: HK$3,386,000), that has been recognised in profit or loss.

		The Company	
	Leasehold improvements HK$'000	**Office equipment HK$'000**	**Total HK$'000**
Cost			
1 January 2008	387	232	619
Additions	–	5	5
At 31 December 2008 and 1 January 2009	387	237	624
Additions	21	–	21
At 31 December 2009	408	237	645
Accumulated depreciation and impairment			
1 January 2008	290	137	427
Charge for the year	97	27	124
At 31 December 2008 and 1 January 2009	387	164	551
Charge for the year	9	26	35
At 31 December 2009	396	190	586
Carrying amount			
At 31 December 2009	12	47	59
At 31 December 2008	–	73	73

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

18. Goodwill

	The Group HK$'000
Cost	
At 1 January 2008	247,663
Arising on acquisition of a subsidiary (Note)	6,860
At 31 December 2008 and 31 December 2009	254,523
Accumulated impairment losses	
At 1 January 2008	247,663
Impairment loss recognised	6,860
At 31 December 2008 and 31 December 2009	254,523
Carrying amount	
At 31 December 2009	–
At 31 December 2008	–

Note:

During the year 2008, the goodwill was arisen on acquisition of Shanghai Seven Star Internet Shopping Co., Ltd and is attributable to the cash-generating unit ("CGU") of retail and distribution of consumer products through Internet in the PRC.

19. Intangible Assets

	The Group		
	Internet platform HK$'000	Insurance agency licence HK$'000	Total HK$'000
Cost			
Acquired in a business combination and at 31 December 2008	1,095	–	1,095
Acquired in a business combination	–	475	475
Exchange difference	2	–	2
At 31 December 2009	1,097	475	1,572
Accumulated amortisation			
At 31 December 2008	–	–	–
Amortisation for the year	219	32	251
At 31 December 2009	219	32	251
Carrying amount			
At 31 December 2009	878	443	1,321
At 31 December 2008	1,095	–	1,095

The Group's internet platform is used for its distribution of consumer products. The Group's insurance agency licence is for its provision of insurance agency services. The average remaining amortisation period of the abovementioned intangible assets is 4.34 years (2008: 5 years).

20. Interests in Subsidiaries

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted investments, at cost	**277,066**	287,897
Loans to subsidiaries	**1,159,647**	1,156,453
	1,436,713	1,444,350
Less: impairment losses	**(1,214,471)**	(1,324,908)
	222,242	119,442

The loans to subsidiaries are unsecured, interest free and will not be repayable within the next twelve months.

Details of subsidiaries which, in the opinion of the directors of the Company, materially contributed to the results of the Group or held a material portion of assets or liabilities of the Group are set out below. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particular of excessive length.

Name	Place of incorporation/ registration and operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Cheong Wa Limited	Hong Kong, limited liability company	6,100 ordinary shares of HK$1 each	100%	–	Investment holding
Marson Development Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Property Investment
Top Pro Limited	The British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	–	Investment holding
Fuzhou Landun Science of Life Co., Ltd	The PRC, wholly-foreign owned enterprise with limited liability	HK$40,000,000	–	100%	Investment holding
Fuzhou Shenxing Network Information Consultant Service Co., Ltd.^,# 福州盛星網絡信息諮詢服務有限公司	The PRC, limited liability company	RMB500,000	–	100%	Provision of call centre service to group companies

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

20. Interests in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Fuzhou Fuxing Media Co., Ltd.^ 福州福星傳媒有限公司 ("Fuzhou Fuxing")	The PRC, limited liability company	RMB3,000,000	–	46% (Note a)	Investment holding, retail and wholesale of consumer products
Shanghai Jiuhou Trading Co., Ltd.^ 上海玖昊商貿有限公司	The PRC, limited liability company	RMB500,000	–	60%	Retail and wholesale of consumer products
Shanghai Seven Star Internet Shopping Co., Ltd.^,# 上海七星網絡購物有限公司	The PRC, limited liability company	RMB1,000,000	–	60%	Retail and wholesale of consumer products
Seven Star Shopping (China) Co., Ltd.^ 七星購物（中國）有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB360,000,000	–	100%	Investment holding, retail and wholesale of consumer products
Seven Star Shopping Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	–	100%	Investment holding
Shanghai Seven Star Electronic Commence Co., Ltd.^,# 上海七星電子商務有限公司	The PRC, limited liability company	RMB30,000,000	–	96%	Investment holding, retail and wholesale of consumer products
Shanghai Seven Star International Shopping Co., Ltd.^ 上海七星國際購物有限公司 ("Seven Star (Shanghai)")	The PRC, limited liability company	RMB6,000,000	–	100% (Note b)	Investment holding, retail and wholesale of consumer products
Shanghai Seven Star Marketing Co., Ltd.^,# 上海七星營銷有限公司	The PRC, limited liability company	RMB1,000,000	–	99.6%	Retail and wholesale of consumer products
Shanghai Seven Star Trading Co., Ltd.^,# 上海七星商貿有限公司	The PRC, limited liability company	RMB500,000	–	99.6%	Retail and wholesale of consumer products
Shanghai Seven Star Yixi Advertising Co., Ltd.^,# 上海七星益璽廣告有限公司 ("Shanghai Yixi Advertising")	The PRC, limited liability company	RMB1,000,000	–	99.6% (Note 39(b))	Provision of advertising service

20. Interests in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Shanghai Xishiduo Hanying Kitchen Ware Ltd.^,## 上海喜世多漢英廚具有限公司	The PRC, Sino-foreign joint venture with limited liability company	RMB20,000,000	–	92.8%	Retail and wholesale of kitchen wares
Shanghai Xiangsheng Insurance Agency Co., Ltd.^ 上海祥生保險代理有限公司 ("Xiangsheng Insurance")	The PRC, limited liability company	RMB20,000,000	–	96%	Provision of insurance agency service
Shanghai Yihui Trading Co., Ltd.^ 上海逸輝商貿有限公司	The PRC, limited liability company	RMB500,000	–	96%	Retail and wholesale of consumer products

^ For identification purposes only

Directly held by Seven Star (Shanghai)

41.8% is directly held by Seven Star (Shanghai)

Notes:

(a) Although the Group has less than 50% equity interest in Fuzhou Fuxing, Fuzhou Fuxing is treated as a subsidiary of the Group because the Group is able to control the financial and operating policies of Fuzhou Fuxing.

(b) Although the Group does not owned any equity interest in Seven Star (Shanghai), Seven Star (Shanghai) and its subsidiaries ("Seven Star (Shanghai) Group") are treated as subsidiaries because the Group is able to control the financial and operating policies of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

None of the subsidiaries has issued any debt securities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

21. Available-for-sale Financial Assets

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**–**	160
Exchange differences	**–**	9
Impairment loss	**–**	(169)
At 31 December	**–**	–

The available-for-sale financial assets were written off during the year.

22. Properties Held for Resale

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**8,700**	10,300
Reversal of write-down/(write-down)	**600**	(1,600)
At 31 December	**9,300**	8,700

An analysis of the carrying value of properties held for resale is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**9,300**	8,700

At 31 December 2009, the carrying value of properties held for resale that was carried at net realisable value amounted to HK$9,300,000 (2008: HK$8,700,000).

23. Inventories

	The Group	
	2009	2008
	HK$'000	HK$'000
Finished goods	**40,475**	13,350

24. Trade Receivables

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 payment terms of media management services and insurance agency services provided are normally at 30 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 invoice date, and net of allowance, is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**41,179**	28,969
91 – 180 days	**2,830**	11,043
181 – 365 days	**912**	–
Over 365 days	**81**	–
	45,002	40,012

For the year ended 31 December 2009, an allowance was made for estimated irrecoverable trade receivables of approximately HK$2,503,000 (2008: HK$13,770,000).

Reconciliation of the allowance for trade receivables:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**37,363**	22,115
Allowance recognised on receivables	**2,503**	13,770
Amounts reversed	**(2,038)**	–
Exchange differences	**100**	1,478
At 31 December	**37,928**	37,363

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

24. Trade Receivables *(Continued)*

As at 31 December 2009, trade receivables of HK$3,823,000 (2008: HK$11,043,000) were overdue but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Up to 3 months	**2,830**	11,043
3 to 6 months	**912**	–
Over 6 months	**81**	–
	3,823	11,043

Subsequent to 31 December 2009, the Group received cash settlement amount of about HK$1.6 million and HK$0.6 million for balances overdue up to 3 months and 3 to 6 months respectively. For the remaining balances overdue, these relate to a number of independent customers that have good track record with the Group. Base on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

The carrying amounts of the Group's trade receivables are wholly denominated in Renminbi ("RMB").

25. Other Receivables, Prepayments and Deposits

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**19,471**	2,643	**–**	–
Prepayments and deposits (Note a)	**68,781**	36,097	**331**	326
	88,252	38,740	**331**	326

Notes:

(a) At 31 December 2009, included in the Group's prepayments and deposits are deposits paid for setting up of two subsidiaries, amounted to approximately HK$1,136,000. The set up of both subsidiaries have been completed in 2010.

(b) Saved as disclosed above, balances in the other receivables, prepayments and deposits are all related to commercial transactions undertaken in the usual course of business. None of the transactions involved constitutes discloseable, related party or connected transactions as defined under the Listing Rules.

26. Financial Assets at Fair Value through Profit or Loss

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Debt securities, at fair value listed outside Hong Kong	**12,266**	23,685	**12,266**	23,685
Equity securities, at fair value listed outside Hong Kong	**30**	87	**–**	–
Market value of listed securities	**12,296**	23,772	**12,266**	23,685
The carrying amounts of the above financial assets are classified as follows:				
Held for trading	**12,296**	23,772	**12,266**	23,685

The investments included above represent investments in listed debt and equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed securities are based on current bid prices.

27. Pledged Bank Deposits and Bank and Cash Balances

At 31 December 2009, the Group's pledged bank deposits represented deposits pledged to a bank as securities for two corporate cards granted to two executive directors of the Group of approximately HK$284,000. The credit limit of both corporate cards is approximately HK$227,000 in aggregate. The deposits are in RMB and at fixed interest rates of 2.25% per annum and therefore are subject to fair value interest rate risk.

At 31 December 2009, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to HK$92,927,000 (approximately RMB81,802,000) (2008: HK$69,656,000 (approximately RMB61,425,000)). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

28. Trade and Bills Payables

	The Group	
	2009	2008
	HK$'000	HK$'000
Trade payables (Note)	**25,928**	11,405
Bills payables	**–**	6,464
	25,928	17,869

Note:

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

	The Group	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**15,632**	5,552
91 – 180 days	**959**	265
181 – 365 days	**3,039**	773
Over 365 days	**6,298**	4,815
	25,928	11,405

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**69**	69
RMB	**25,859**	11,336
Total	**25,928**	11,405

29. Other Payables and Accruals

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables and accruals	**24,508**	18,366	**2,780**	2,997
Deposits received	**717**	960	**–**	–
Due to directors	**–**	214	**–**	–
	25,225	19,540	**2,780**	2,997

30. Share Capital

	No. of shares '000	HK$'000
Authorised:		
Ordinary shares of HK$0.1 (2008: HK$0.1) each		
At 31 December 2008 and 2009	16,000,000	1,600,000
Issued and fully paid:		
Ordinary shares of HK$0.1 (2008: HK$0.1) each		
At 31 December 2008 and 2009	7,324,281	732,428

31. Share Options

Equity-settled share option scheme

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.

2004 Share Option Scheme

Under the 2004 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

At 31 December 2009, the following options to subscribe for shares were outstanding under the 2004 Share Option Scheme:

	Date of grant	Exercise price per share HK$	Number of outstanding options	Exercise period
Employees	27 December 2006	0.157	12,660,000	27 June 2008 – 26 June 2018
	27 December 2006	0.157	12,660,000	27 December 2008 – 26 December 2018
	8 March 2007	0.722	5,000,000	8 March 2007 – 7 March 2015
	8 March 2007	0.722	5,000,000	8 March 2008 – 7 March 2015
	8 March 2007	0.722	5,000,000	8 March 2009 – 7 March 2015
	8 March 2007	0.722	5,000,000	8 March 2010 – 7 March 2015
Consultant	30 April 2007	1.230	240,000	30 April 2008 – 29 April 2015
	29 April 2008	0.143	3,490,000	29 April 2009 – 28 April 2016
	30 April 2009	0.100	7,000,000	5 May 2010 – 4 May 2017
			56,050,000	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

31. Share Options *(Continued)*
2004 Share Option Scheme (Continued)

	2009		2008	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**0.392**	**49,050,000**	0.354	60,560,000
Granted during the year	**0.100**	**7,000,000**	0.143	3,490,000
Exercised during the year	**-**	**-**	–	–
Lapsed during the year	**-**	**-**	0.180	(15,000,000)
At 31 December	**0.355**	**56,050,000**	0.392	49,050,000

There were no option cancelled in 2008 and 2009.

The options outstanding at the end of the year have a weighted average remaining contractual life of 7.13 years (2008: 8.10 years) and the exercise prices range from HK$0.10 to HK$1.23 (2008: HK$0.143 to HK$1.23). In 2009, 7,000,000 share options were granted on 30 April 2009. The estimated fair value of the options on that date is approximately HK$556,000. In 2008, 3,490,000 share options were granted on 29 April 2008. The estimated fair value of the options on that date was approximately HK$318,000.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share options granted on	
	30 April 2009	29 April 2008
Weighted average share price	**HK$0.09**	HK$0.14
Weighted average exercise price	**HK$0.100**	HK$0.143
Expected volatility	**116.74%**	86.56%
Expected life	**8 years**	4.5 years
Risk free rate	**2.01%**	2.37%
Expected dividend yield	**0%**	0%

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.

32. Other Reserves

The Group

	Share premium HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Total HK$'000
At 1 January 2008	504,930	6,378	726,699	15,520	5,862	1,259,389
Recognition of share-based payments	–	3,334	–	–	–	3,334
Translation differences	–	–	–	15,787	–	15,787
Transfer to accumulated losses	–	(638)	–	–	–	(638)
At 31 December 2008	504,930	9,074	726,699	31,307	5,862	1,277,872
At 1 January 2009	504,930	9,074	726,699	31,307	5,862	1,277,872
Recognition of share-based payments	–	1,498	–	–	–	1,498
Translation differences	–	–	–	305	–	305
At 31 December 2009	504,930	10,572	726,699	31,612	5,862	1,279,675

The Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Total HK$'000
At 1 January 2008	504,930	6,378	726,699	1,238,007
Recognition of share-based payments	–	3,334	–	3,334
Transfer to accumulated losses	–	(638)	–	(638)
At 31 December 2008	504,930	9,074	726,699	1,240,703
At 1 January 2009	504,930	9,074	726,699	1,240,703
Recognition of share-based payments	–	1,498	–	1,498
At 31 December 2009	504,930	10,572	726,699	1,242,201

Nature and purpose of reserves

(a) *Share premium*

Under section 48B of the Hong Kong Companies Ordinance, the funds in the share premium account of the Company can be applied in paying up unissued shares to be issued to shareholders as fully paid bonus shares; or in writing off the preliminary expenses or the expenses of, or the commission paid or discount allowed on, any issue of shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

32. Other Reserves *(Continued)*

Nature and purpose of reserves (Continued)

(b) Share-based payments reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 3(s) to the financial statements.

(c) Special capital reserve

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance or any statutory re-enactment or modification thereof provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(d) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(c)(iii) to the financial statements.

(e) Statutory surplus reserve

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign-owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

33. Notes to the Consolidated Statement of Cash Flows

Acquisition of a subsidiary

For the year ended 31 December 2009

On 7 September 2009, the Group effectively controlled 96% of the share capital of Xiangsheng Insurance, which is engaged in insurance agency business in the PRC.

The fair value of the identifiable assets and liabilities (including intangible asset) of Xiangsheng Insurance acquired as at its date of acquisition, is as follows:

	HK$'000
Net assets acquired:	
Fixed assets	54
Intangible asset	475
Trade receivables, other receivables, deposits and prepayments	221
Bank and cash balances	3,021
Trade payables, other payables and accruals	(512)
	3,259
Minority interests	(130)
Excess of fair value over cost of acquisition of a subsidiary	(581)
Purchase consideration	2,548
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	3,021

Purchase consideration of HK$2,548,000 has been settled and included in prepayments as at 31 December 2008.

Xiangsheng Insurance contributed approximately HK$9,198,000 to the Group's turnover and approximately HK$67,000 to the Group's loss before tax, for the period between the date of acquisition and the end of the reporting date.

If the acquisition had been completed on 1 January 2009, total Group turnover for the year would have been HK$483,303,000, and profit for the year would have been HK$5,303,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is intended to be a projection of future results.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

34. Pending Litigation
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.

35. Capital Commitments
The Group's capital commitments at the end of the reporting period are as follows:

	2009 HK$'000	2008 HK$'000
Contracted but not provided for:		
Fixed assets	**–**	226

36. Operating Lease Commitments
At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		**The Company**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**4,951**	4,379	**327**	876
In the second to fifth years inclusive	**13,034**	13,377	**–**	324
After five years	**42,509**	45,640	**–**	–
	60,494	63,396	**327**	1,200

Operating lease payments represent rentals payable by the Group for certain of its office and warehouses. Leases are negotiated for terms ranging from one to twenty years and rentals are fixed over the lease terms and do not include contingent rentals.

37. Operating Lease Arrangements

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**60**	914	**–**	–
In the second to fifth years inclusive	**–**	60	**–**	–
	60	974	**–**	–

38. Related Party Transactions

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

	2009 HK$'000	2008 HK$'000
Purchases from:		
– a jointly controlled entity	**–**	1,764
– related companies (Note (i))	**260**	507

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

38. Related Party Transactions (Continued)

(b) At the end of the reporting period, the following balances with related parties included in:

	2009 HK$'000	2008 HK$'000
Trade payables to related companies (Notes (i) and (iii))	**(540)**	(534)
Other payables to related companies (Notes (ii) and (iii))	**(1,831)**	(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 related companies. The amounts due are unsecured, interest free and have 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.

39. Events after the Reporting Period

(a) On 31 December 2009, Shanghai Yixi Advertising, a subsidiary of the Company, signed an exclusive advertising agency right agreement with Guangdong TV Station ("GDTV"). GDTV granted Shanghai Yixi Advertising the exclusive agency right to the advertising time of a satellite channel of GDTV for a term of 3 years. Subsequent to the end of the reporting date, the aforesaid transaction was completed. Details please refer to the Company's announcement dated 4 January 2010.

(b) Subsequent to the end of the reporting date, the Group disposed of 40% effective equity interest in Shanghai Yixi Advertising, a subsidiary of the Company at approximately HK$562,000.

40. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2010.

FIVE YEAR FINANCIAL SUMMARY

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Results					
Turnover	**469,123**	298,296	680,228	92,430	23,090
Profit/(loss) attributable to:					
– Owners of the Company	**6,200**	(165,508)	(385,289)	29,556	(16,572)
– Minority interests	**(1,171)**	(2,254)	(9,250)	2,647	(753)
Assets and liabilities					
Total assets	**380,119**	371,349	524,290	309,384	67,289
Total liabilities	**(53,300)**	(54,524)	(59,442)	(56,001)	(65,528)
Total equity	**326,819**	316,825	464,848	253,383	1,761

GROUP PROPERTIES

Properties held for resale

Location	Lease Term	Existing use
Unit A26 on Ground Floor and Unit A on 2/F, Smiling Plaza, Hung Yu Mansion, Nos. 155-181 Castle Peak Road, Nos. 162-188 Un Chau Street, Nos. 143-147 Camp Street and Nos. 162-164 Pratas Street, Sham Shui Po, Kowloon	Medium term lease	On lease