七星购物

7-STAR

China Seven Star Shopping Limited

(Incorporated in Hong Kong with limited liability)

Stock Code : 245

Interim Report 2011

Contents

English text of the Interim Report shall prevail over Chinese text.

CORPORATE INFORMATION

Board of Directors

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

Independent Non-executive Directors:
Chan Wai Sum (Resigned on 1 September 2011)
Wong Chak Keung
Lu Wei
Ling Yu Zhang (Appointed on 1 September 2011)

Audit Committee

Wong Chak Keung *(Chairman)*
Chan Wai Sum (Resigned on 1 September 2011)
Lu Wei
Ling Yu Zhang (Appointed on 1 September 2011)

Remuneration Committee

Chan Wai Sum *(Chairman)* (Resigned on 1 September 2011)
Ling Yu Zhang *(Chairman)* (Appointed on 1 September 2011)
Wong Chak Keung
Lu Wei

Company Secretary

Law Gerald Edwin

Principal Bankers

China Merchants Bank
China Construction Bank
Industrial and Commercial Bank of China (Asia) Limited
Industrial Bank Co., Ltd
The Hongkong and Shanghai Banking Corporation Limited
UBS

Stock Code

245 HK

Solicitors

Boase Cohen & Collins
Michael Li & Co
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

In the first half of 2011, the PRC Government continued its prudent fiscal and monetary policies with the aim to strengthen macroeconomic control and the economy remained healthy as a result. The National Bureau of Statistics stated that the GDP in the first half of the year reached RMB20,445.9 billion, a year-on-year increase of 9.6%. The steady growth of the PRC economy has provided a solid foundation to support the prosperous development of the retail market. During the period under review, the total retail sales of consumer products in the country amounted to RMB8,583.3 billion, up 16.8% from the same period last year. Benefiting from rising incomes and stronger spending power of the Chinese citizens, the retail market in the PRC is expected to grow steadily in the second half year.

Media shopping market analysis and prospects

During the period under review, online and television shopping industry still had to overcome serious integrity and security issues. The China Internet Network Information Center ("CNNIC") released a report "The 28th Statistical Report on Internet Development in China" (第28次中國互聯網絡發展狀況統計報告) this July, which stated that the internet security and integrity issue has been improving as the PRC Government has strengthened regulation in recent years. To date, however, the problems have not yet been completely solved. The report further pointed out that 8% of online users involving 38.8 million users in the PRC have experienced online shopping fraud in the first half of 2011 alone.

The Ministry of Commerce of the PRC is now drafting the regulations for online shopping industry to tackle the integrity issue. The "Delivery Service Standards for Online Shopping" (網絡購物商品配送服務規範) has also been promulgated to standardise practices and procedures and provide guidance for online shopping operations. In addition to these policies aimed at regulating television and online shopping industry, it is expected that the implementation of relevant regulatory policies can effectively reduce the disorderliness within the industry, better manage the media shopping market and facilitate the healthy development of online shopping.

Despite these uncertainties in the operating environment, the industry still boasts enormous potential. According to the information shown in iResearch, as at the end of 2010, online shoppers in the US reached 140 million and the penetration rate of online shopping reached 71.2%. On the other hand, from CNNIC, the penetration rate of online shopping in the PRC was far behind the US rate at 35.6%. As the internet is becoming ever more widespread and internet surfers are increasingly familiar with online applications, the penetration rate of online shopping is virtually certain to increase. Importantly, the e-commerce industry has been designated as a strategic emerging industry under the Twelfth Five-Year Plan. Thus, the PRC online shopping industry is presented with huge room for development of its enormous potential through the support of such favourable national policies.

Business Review

During the period under review, the Group continued to consolidate its resources and focused on the expansion of media management and home television shopping businesses, which further consolidated its leadership in the home television shopping industry within the PRC.

The Group has gradually built up the operation model of a television advertising agency targeting exclusive rights and strengthened its relationship with its partners. During the period under review, the Group has expanded the media management business relating to the exclusive agency rights to advertising air time via a satellite television channel of Guangdong TV Station ("GDTV") which covered a 3-year period. In the first half of 2011, the Group has commenced cooperation with many large customers, including GroupM (Shanghai) Advertising Co., Ltd., Leo Burnett Worldwide, Saatchi & Saatchi Great Wall and DDB Beijing Ltd. With more extensive operating experience in related businesses and better established mechanisms for improving profitability, it is expected that the media management business will gradually bring a profit contribution to the Group.

Benefiting from the continuous rise in spending power of Mainland consumers, the business of the Group's 24-hour JIA XI GOU WU shopping channel (家禧購物頻道) in Fuzhou City, Fujian Province continued to grow steadily. Approved by the State Administration of Radio, Film, and Television ("SARFT"), the shopping channel mainly sells household products such as kitchenware, cleaning products, home appliances and healthy food. It aims to enhance the Group's image and brand with excellent product quality and thus restore consumers' confidence in television shopping. Apart from Fuzhou City, the Group is actively looking for collaborative opportunities with local television stations in different cities across the country in order to expand the presence of the home shopping business. Capitalising on the Group's extensive experience in the media shopping segment and its thorough understanding of market trends, we believe that the home shopping business will become another growth driver for the Group in the future.

To further promote shopping operations with a firmer foundation of integrity, the Group has opened a retail store JIA XI XING HUO GUAN (家禧星活館). The retail store not only complements the JIA XI GOU WU shopping channel, but has also demonstrated the Group's ability to expand from the television shopping segment to the retail sales segment. Since the opening of the first JIA XI XING HUO GUAN in November 2010, the Group has expanded its footprint during the period under review by opening three branches in Fuzhou City, namely Fuzhou Jinshan Store, Fuzhou Qunsheng Store and Fuzhou Fuxin Store. Another new store is also at the preparation stage and is expected to commence operation in the second half of this year. At JIA XI XING HUO GUAN, customers can choose products via the internet or TV as well as check out the actual products on display. The staff also provides aftersales service, helping instill customers' confidence in the Group's products and enhancing its image as a trustworthy shopping service enterprise. JIA XI GOU WU (家禧購物) also has a large shopping website called XING HUO GUAN (星活館) that offers a 24-hour call centre and nationwide delivery service providing a convenient, fast and safe shopping platform to consumers.

Outlook and strategy

This year marks the first year of the Twelfth Five-Year Plan, and the Chinese Government has introduced as well as reaffirmed a series of economic stimulus and livelihood protection policies. The ongoing urbanisation together with the rising income and increased spending power of citizens have created an economic environment that will give rise to a golden period of fast growth for the retail sector. The online shopping sector in particular, according to an iResearch's forecast, the transaction size of the PRC online shopping market in the third quarter of 2011 is expected to exceed RMB200 billion and maintain a growth rate of more than 10%.

Recently, the Chinese Government has commenced the research on the second batch of pilot cities for its three-network convergence programme. Looking ahead, with the relevant policies showing solid progress, digital television, mobile phones and the internet are to be effectively converged to create a cross network interactive shopping platform which would bring enormous development opportunities to the TV and online media shopping industry.

Although the media shopping industry is currently facing the integrity issues in operation, the Group believes that the enhancement of Government regulatory policies will create a strong foundation for the healthy development of the industry in the long term. The Group will seize the valuable opportunities created under the Twelfth Five-Year Plan for the retail television shopping market in the PRC. The Group will closely monitor the trends in the media shopping segment in the PRC, continue to expand the home television shopping sector and enlarge its existing home shopping and media management businesses, thereby improving our shareholders' returns on their investment.

Financial Review

For the six months ended 30 June 2011, the Group's unaudited consolidated turnover was approximately HK$262,300,000, represents a decrease of approximately 14% from the same period of last year, mainly attributable to the decrease of retail sales in PRC. Excluding the advertising sales contribution of approximately HK$225,118,000 to the turnover, the Group recorded a retail revenue of approximately HK$34,324,000 (first half of 2010: approximately HK$124,135,000), a decrease of 72% year-on-year. The reason for the decline stemmed from the questionable practices of some television shopping industry players triggering an integrity crisis which led to a decrease in the ratio of television sales to advertising costs, the higher return rate of goods sold as well as the conscious decision to business segment diversification by the Group.

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

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

	2011	2010	Change
PRC retail and distribution of consumer products	34,324	124,135	-72%
Television advertising	225,118	170,223	+32%
Insurance agency service	2,458	9,653	-75%
Rental income	400	460	-13%
Interest income	296	399	-26%
Other income	2,367	1,938	+22%
Total revenue	264,963	306,808	-14%

The Group recorded a loss on the gross profit line during the period, mainly because the Group's commission entitlement from the exclusive television advertising agency contract aforesaid is back-end loaded, whilst the amortization cost of the related agency rights was included in the cost of goods sold during the period. Shanghai Seven Star Advertising Co., Ltd., a subsidiary of the Group, signed an agreement with GDTV for media management service in 2009, and was granted an exclusive agency rights to the advertising air time of a satellite television channel of GDTV. According to the Hong Kong Accounting Standard (HKAS) 38 "Intangible Assets" and HKAS 39 "Financial Instruments: Recognition and Measurement", this right is considered as an intangible asset and its fair value, amortization and deemed finance cost shall be computed accordingly. For the six months ended 30 June 2011, the related amortization and deemed finance cost recognized by the Group amounted to approximately HK$256,464,000 and HK$16,524,000 respectively, and further amortization and deemed finance cost of approximately HK$256,464,000 and HK$12,375,000 will be booked in the second half of 2011. The time-based value of the exclusive agency rights was determined by referring to the combined nominal value of a three-year contract with a discount rate at 3.29%. According to management's estimates, the present value calculation resulted in an acceleration of the charging of the amortization and deemed finance cost to the income statements for years 2010 and 2011 of approximately

HK$83,854,000 and HK$7,215,000 respectively, where such will be reversed in 2012 in the form of lower charges to the income statement, when compared with the outgoing cash flows if they were to be recorded on the contract's face value within the year of occurrence under the common accrual concept.

Excluding the impact of both the turnover and cost of sales and services relating to the exclusive television advertising agency contract, the gross profit and gross margin related to other business segments for the period was approximately HK$9,558,000 and 26% respectively. During the period, lower priced consumer communications products, particularly mobile products, remained the most popular product of the television shopping media due to their homogeneity. However, the market of the related product is nearly saturated, leading to the decline in gross margin of the business segment. This, together with lower gross margin of home shopping retail channels, has resulted in the drop of gross profit margin of the Group's merchandise sales from 31% to 26%.

The Group recorded a loss before tax of approximately HK$88,378,000 (first half of 2010: loss of approximately HK$141,281,000). Based on the legal interpretation of the terms as contained in the structural contracts the Group entered into for the purpose of consolidating the financial results of the television shopping and related businesses, and under the HKAS 27 (revised) "Consolidated and Separate Financial Statements" that became effective for the Company's financial statements from 2010 onwards, the non-controlling interests of the PRC business of the Group shared a portion of the loss for the period of approximately HK$77,700,000 (first half of 2010: loss of approximately HK$121,763,000), resulting in an unaudited loss of approximately HK$10,772,000 (first half of 2010: loss of approximately HK$19,560,000). The Board did not recommend payment of an interim dividend for the six months ended 30 June 2011 (first half of 2010: HK$Nil).

Employee relations

As of 30 June 2011, the Group has 354 employees (as at 30 June 2010: 656 employees). Total remuneration cost for the period under review was approximately HK$14.9 million (six months ended 30 June 2010: approximately HK$22.6 million). No share options were granted during the period under review and no share option cost that was charged to the income statement (six months ended 30 June 2010: approximately HK$345,000). Based on the existing outstanding number of share options as of 30 June 2011 and assume that no further share options are to be granted in the six months to 31 December 2011, no further share option cost will be charged to the income statement.

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

Liquidity and financial resources

As at 30 June 2011, the Group's cash and bank deposits (include pledged bank deposits) amounted to approximately HK$85 million (31 December 2010: approximately HK$118 million). The gearing ratio as at 30 June 2011 (total interest bearing borrowings to total assets) was 1% (31 December 2010: zero), indicated that the Group's overall financial position remained strong.

Segment Information

The details of segment information are set out in note 3 to the condensed interim financial statements.

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2011.

Material acquisitions and disposals of subsidiaries and associates

The Group did not have any material acquisitions or disposals of subsidiaries or associates during the six months ended 30 June 2011.

Charges on Group assets

Apart from the deposits of approximately HK$24,060,000 pledged to a bank to secure a standby letter of credit facilities of approximately HK$22,857,000 and the deposits of approximately HK$301,000 pledged to a bank as securities for two corporate cards with credit limit of approximately HK$241,000 in aggregate granted to two executive directors of the Group, as at 30 June 2011, there were no charges on the Group's assets.

Foreign currency risk

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

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2011 (31 December 2010: HK$Nil).

On behalf of the Board
Ni Xinguang
Chairman and executive director

Hong Kong, 29 August 2011

DIRECTORS' INTEREST IN SHARES

As at 30 June 2011, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

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

	Number of shares held			
Name of director	Personal interests	Corporate interests	Total	Percentage of the issued share capital (Note (b))
Ni Xinguang	95,780,000	1,886,680,000 (Note (a))	1,982,460,000	27.05%
Wang Zhiming	94,780,000	1,886,680,000 (Note (a))	1,981,460,000	27.04%

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 25.75% of the issued share capital of the Company.

(b) The percentage was calculated based on the total number of 7,327,770,839 ordinary shares of the Company in issue as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2011, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

On 28 May 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "2004 Share Option Scheme"). The 2004 Share Option Scheme will expire on 27 May 2014. 25,320,000 share options were lapsed and no share options were granted or exercised during the period under review and no share option cost was charged to the income statement (six months ended 30 June 2010: approximately HK$345,000). Based on the existing outstanding number of share options as of 30 June 2011 and assume that no further share options are to be granted in the six months to 31 December 2011, no further share option cost will be charged to the income statement as share option expense.

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

Category	Date of grant	Number of option shares held as at 01/01/2011	Number of option shares granted during the period	Number of option shares exercised during the period	Number of option shares lapsed during the period	Number of option shares held as at 30/06/2011	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
	30/04/2009	7,000,000	–	–	–	7,000,000	0.100	05/05/2010 – 04/05/2017
	10/09/2010	7,000,000	–	–	–	7,000,000	0.150	10/09/2010 – 09/09/2013
	11/11/2010	135,000,000	–	–	–	135,000,000	0.160	11/11/2010 – 10/11/2013
		194,560,000	–	–	25,320,000	169,240,000		

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2011, 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	25.75%
Hou Chong Yu ("Ms. Hou")	Beneficial owner	21,530,000	0.29%
	Interests controlled through corporations (Note (b))	827,158,839	11.29%
Best Idea International Limited (Note (b))	Beneficial owner	771,658,839	10.53%

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	55,500,000
Best Idea International Limited	771,658,839
	827,158,839

(c) The percentage had been calculated based on the total number of 7,327,770,839 ordinary shares of the Company in issue as at 30 June 2011.

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

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2011, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

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

The Board of Directors of the Company has applied the principles and complied with all the applicable provisions and where applicable, the recommended practices of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the six months ended 30 June 2011 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 ("INEDs") of the Company is appointed for a specific term and this constitutes deviation.

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

Review of Accounts

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

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course has discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2011.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry of all Directors regarding any noncompliance with the Model Code during the six months ended 30 June 2011, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding director's securities transactions.

EVENTS AFTER THE REPORTING PERIOD

On 23 August 2011, a wholly owned subsidiary of the Company entered into a provisional sale and purchase agreement to dispose properties held for resale at a consideration of HK$11,000,000.

On 1 September 2011, Mr. Chan Wai Sum resigned as independent non-executive director of the Company and Mr. Ling Yu Zhang was appointed as independent non-executive director of the Company.

OTHER INFORMATION

Pre-emptive Rights

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

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

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

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

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
CHINA SEVEN STAR SHOPPING LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction
We have reviewed the interim financial information set out on pages 18 to 32 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

29 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30/6/2011 (unaudited) HK$'000	30/6/2010 (unaudited) HK$'000
Turnover	3	**262,300**	304,471
Cost of sales and services		**(281,765)**	(311,872)
Gross loss		**(19,465)**	(7,401)
Other income		**2,663**	2,337
Distribution costs		**(28,814)**	(91,310)
Administrative expenses		**(21,270)**	(25,151)
Other operating expenses		**(4,901)**	(1,073)
Loss from operations		**(71,787)**	(122,598)
Finance costs	4	**(16,591)**	(18,683)
Loss before tax		**(88,378)**	(141,281)
Income tax expense	5	**(94)**	(42)
Loss for the period	6	**(88,472)**	(141,323)
Attributable to:			
Owners of the Company		**(10,772)**	(19,560)
Non-controlling interests		**(77,700)**	(121,763)
		(88,472)	(141,323)
Loss per share	8		
Basic		**HK (0.15) cents**	HK (0.27) cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended	
	30/6/2011	30/6/2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period	**(88,472)**	(141,323)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(525)**	1,403
Other comprehensive income for the period, net of tax	**(525)**	1,403
Total comprehensive income for the period	**(88,997)**	(139,920)
Attributable to:		
Owners of the Company	**(5,619)**	(17,546)
Non-controlling interests	**(83,378)**	(122,374)
	(88,997)	(139,920)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Note	**30/6/2011 (unaudited) HK$'000**	31/12/2010 (audited) HK$'000
Non-current assets			
Fixed assets	9	**11,967**	13,984
Intangible assets	10	**776,811**	1,011,586
		788,778	1,025,570
Current assets			
Properties held for resale		**11,000**	11,000
Inventories		**23,598**	16,204
Trade receivables	11	**39,815**	25,754
Other receivables, prepayments and deposits		**52,771**	57,358
Pledged bank deposits		**24,361**	6,286
Bank and cash balances		**60,539**	112,124
		212,084	228,726
Current liabilities			
Agency fee payables — current portion	10	**608,487**	494,202
Trade and bills payables	12	**17,760**	21,632
Other payables and accruals		**54,817**	51,241
Bank loans		**9,624**	—
Current tax liabilities		**2,214**	2,167
		692,902	569,242
Net current liabilities		**(480,818)**	(340,516)
Total assets less current liabilities		**307,960**	685,054
Non-current liabilities			
Agency fee payables — non-current portion	10	**307,286**	595,383
NET ASSETS		**674**	89,671
Capital and reserves			
Share capital	13	**732,777**	732,777
Other reserves		**1,298,954**	1,295,679
Accumulated losses		**(1,739,522)**	(1,730,628)
Equity attributable to owners of the Company		**292,209**	297,828
Non-controlling interests		**(291,535)**	(208,157)
TOTAL EQUITY		**674**	89,671

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Unaudited									
	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	732,428	504,930	10,572	726,699	31,612	5,862	(1,687,998)	324,105	2,714	326,819
Total comprehensive income for the period	–	–	–	–	2,014	–	(19,560)	(17,546)	(122,374)	(139,920)
Issue of shares on share option scheme	349	150	–	–	–	–	–	499	–	499
Recognition of share-based payments	–	–	345	–	–	–	–	345	–	345
Transfer	–	318	(318)	–	–	–	–	–	–	–
Loss on partial disposal of a subsidiary	–	–	–	–	–	–	(263)	(263)	824	561
Changes in equity for the period	349	468	27	–	2,014	–	(19,823)	(16,965)	(121,550)	(138,515)
At 30 June 2010	732,777	505,398	10,599	726,699	33,626	5,862	(1,707,821)	307,140	(118,836)	188,304

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2011

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	732,777	505,398	18,630	726,699	39,090	5,862	(1,730,628)	297,828	(208,157)	89,671
Total comprehensive income for the period	–	–	–	–	5,153	–	(10,772)	(5,619)	(83,378)	(88,997)
Transfer	–	–	(1,878)	–	–	–	1,878	–	–	–
Changes in equity for the period	–	–	(1,878)	–	5,153	–	(8,894)	(5,619)	(83,378)	(88,997)
At 30 June 2011	732,777	505,398	16,752	726,699	44,243	5,862	(1,739,522)	292,209	(291,535)	674

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended	
	30/6/2011	30/6/2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
NET CASH USED IN OPERATING ACTIVITIES	**(43,937)**	(60,078)
Purchase of fixed assets	**(1,109)**	(219)
Other investing cash flows (net)	**(17,779)**	6,394
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(18,888)**	6,175
Proceeds from issue of shares	**–**	499
Inception of bank loans	**9,624**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**9,624**	499
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(53,201)**	(53,404)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**112,124**	163,397
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,616**	2,075
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**60,539**	112,068
Bank and cash balances	**60,539**	112,068

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

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

In preparing the condensed financial statements, the directors of the Company have given consideration to the future liquidity of the Group. The Group has obtained financial support from a shareholder, Group First Limited (a company beneficially owned by executive directors of the Company, Mr. Ni Xinguang ("Mr. Ni") as to 60% and by Mr. Wang Zhiming ("Mr. Wang") as to 40%), to assist the Group to meet in full its financial obligations as they fall due in the foreseeable future. Also, after taking into account the agency fee payables and TV commercial contracts on hand, the management believed that the Group would have sufficient resources to meet its obligation in the event of default on its part (note 10). The directors also prepared the profit and cashflow forecast and there was no indication of significant doubt on the Group's ability to continue as a going concern. The directors are therefore of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

These condensed financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010.

2. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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. Segment information

	PRC retail and distribution HK$'000 (unaudited)	Television advertising HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Others HK$'000 (unaudited)	Total HK$'000 (unaudited)
Six months ended 30 June 2011					
Revenue from external customers	**34,324**	**225,118**	**400**	**2,458**	**262,300**
Intersegment revenue	**–**	**–**	**–**	**–**	**–**
Segment profit/(loss)	**(29,862)**	**(52,458)**	**174**	**(62)**	**(82,208)**
As at 30 June 2011					
Segment assets	**162,520**	**871,715**	**11,133**	**21,983**	**1,067,351**
Six months ended 30 June 2010					
Revenue from external customers	124,135	170,223	460	9,653	304,471
Intersegment revenue	251	24,018	–	–	24,269
Segment profit/(loss)	(66,292)	(69,752)	210	(23)	(135,857)
	(audited)	(audited)	(audited)	(audited)	(audited)
As at 31 December 2010					
Segment assets	136,628	1,097,886	11,133	21,840	1,267,487

	Six months ended **30/6/2011 (unaudited) HK$'000**	30/6/2010 (unaudited) HK$'000
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	**(82,208)**	(135,857)
Fair value gain on financial assets at fair value through profit or loss	**–**	674
Interest income	**296**	399
Unallocated corporate income	**2**	154
Unallocated corporate expenses	**(6,468)**	(6,651)
Loss before tax	**(88,378)**	(141,281)

4. Finance costs

	Six months ended 30/6/2011 (unaudited) HK$'000	30/6/2010 (unaudited) HK$'000
National non-cash interest accretion on pre-agreed periodic payments on exclusive advertising agency right	**16,524**	18,683
Interest on bank loans	**67**	—
	16,591	18,683

5. Income tax expense

	Six months ended 30/6/2011 (unaudited) HK$'000	30/6/2010 (unaudited) HK$'000
PRC tax		
— current	**2**	42
— underprovision in prior years	**92**	—
	94	42

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (six months ended 30 June 2010: HK$Nil).

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

No provision for deferred taxation has been made for both periods ended 30 June 2010 and 2011 as the effect of all temporary difference is not material.

6. Loss for the period

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

	Six months ended	
	30/6/2011	30/6/2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Advertising costs	**4,785**	50,159
Allowance for inventories	**1,187**	3,428
Allowance for other receivables	**–**	186
Allowance for trade receivables	**790**	703
Amortisation of exclusive advertising agency right	**256,464**	204,397
Amortisation of internet platform and insurance agency licence	**50**	158
Cost of inventories sold	**24,938**	85,417
Depreciation	**3,437**	2,510
Directors' emoluments	**1,168**	1,157
Fair value gain on financial assets at fair value through profit or loss	**–**	(674)
Fixed assets written off	**–**	13
Impairment loss on prepayments and deposits	**2,556**	–
Interest income	**(296)**	(399)
Reversal of allowance for trade receivables	**(1,132)**	(98)

7. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: HK$Nil).

8. Loss per share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK$10,772,000 (six months ended 30 June 2010: approximately HK$19,560,000) and the weighted average number of ordinary shares of 7,327,771,000 (six months ended 30 June 2010: 7,325,245,000) in issue during the period.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the period ended 30 June 2011.

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2010.

9. Capital expenditure

During the period, the Group incurred approximately HK$1,109,000 (six months ended 30 June 2010: approximately HK$219,000) on additions to fixed assets.

10. Intangible assets

During the period ended 30 June 2010, the Group incurred approximately HK$1,428,016,000 on additions to intangible assets. The additions represented the exclusive advertising agency right. No further additions incurred for the period ended 30 June 2011.

The Group considered the exclusive advertising agency right to be an intangible asset representing the right to sell advertising resources. The present value of pre-agreed periodic payments to be made in subsequent years were capitalised and accounted for as intangible assets in the condensed consolidated statement of financial position, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash and hence were considered to be a financial liability. The exclusive advertising agency right is amortised on a straight-line basis from the effective date of the right over the remaining license period and is stated net of accumulated amortisation. Interest accreted on the present value of pre-agreed periodic payments is charged to the condensed consolidated income statement within finance costs.

In the event of termination of the exclusive advertising agency contract by either party to contract, the cancelling or default party will be responsible for a compensation amounted to 10% of the unfulfilled contract sum for the year of default as well as an amount equals to the deposit on account for the contract. As at 30 June 2011, a deposit of approximately HK$36 million relating to the exclusive advertising agency contract has been included in other receivables, prepayments and deposits, and the maximum compensation computed for each of the financial years of 2011 and 2012 were approximately HK$27 million and HK$62 million respectively. The management believes that the Group would have sufficient resources to meet its obligation in the event of default on its part.

11. Trade receivables

The Group's turnover included the invoiced amounts of television advertising, products sold or services rendered and rental income. For television advertising business, the Group generally requires customers to pay in advance, but grants a credit period of 30 to 90 days to some customers. 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 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 as at the statement of financial position date, based on the invoice date, and net of allowance, is as follows:

	30/6/2011 (unaudited) HK$'000	31/12/2010 (audited) HK$'000
0 – 90 days	**32,824**	19,676
91 – 180 days	**3,996**	2,898
181 – 365 days	**2,667**	3,144
Over 365 days	**328**	36
	39,815	25,754

12. Trade and bills payables

At 30 June 2011, included in trade and bills payables are trade payables of approximately HK$17,760,000 (2010: approximately HK$15,757,000) and bills payables of HK$Nil (2010: approximately HK$5,875,000).

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The aging analysis of trade payables as at the statement of financial position date, based on date of receipt of goods, is as follows:

	30/6/2011 (unaudited) HK$'000	31/12/2010 (audited) HK$'000
0 – 90 days	**13,096**	9,590
91 – 180 days	**216**	1,005
181 – 365 days	**513**	1,332
Over 365 days	**3,935**	3,830
	17,760	15,757

13. Share capital

	30/6/2011 (unaudited) HK$'000	31/12/2010 (audited) HK$'000
Authorised:		
16,000,000,000 ordinary shares of HK$0.10 each	**1,600,000**	1,600,000
Issued and fully paid:		
7,327,771,000 (At 31 December 2010: 7,327,771,000) ordinary shares of HK$0.10 each	**732,777**	732,777

13. Share capital (continued)

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued '000	Nominal value of shares issued HK$'000
At 1 January 2010	7,324,281	732,428
Issue of shares on share option scheme (Note)	3,490	349
At 31 December 2010, 1 January 2011 and 30 June 2011	7,327,771	732,777

Note: On 12 May 2010, 3,490,000 shares of the Company were issued upon exercise of share options on 11 May 2010 at an exercise price of HK$0.143 per share, and the premium on the issue of shares, amounting to approximately HK$150,000 was credited to the Company's share premium account.

14. Related party transactions

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

	Six months ended	
	30/6/2011 (unaudited) HK$'000	30/6/2010 (unaudited) HK$'000
Purchases from related companies (Note (i) and (ii))	–	122

Notes:

(i) The abovesaid related party transactions were made under normal commercial terms and conditions that would also be available to unrelated third parties.

(ii) Mr. Ni and Mr. Wang, the executive directors of the Company, have respectively 60% and 40% equity interest in the ultimate parent of these related companies.

14. Related party transactions (continued)

(b) At 30 June 2011, the following balances with related parties included in:

	30/6/2011 (unaudited) HK$'000	31/12/2010 (audited) HK$'000
Trade payables to related companies (Note (i) and (ii))	**(70)**	(73)

Notes:

(i) The above amounts are trade in nature, unsecured, interest free and repayable in normal trading terms.

(ii) Mr. Ni and Mr. Wang have respectively 60% and 40% equity interest in the ultimate parent of these related companies.

15. Pending litigations

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

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

Apart from the aforesaid pending litigation, the Group did not have any significant contingent liabilities at 30 June 2011 (At 31 December 2010: HK$Nil).

16. Capital commitments

	30/6/2011 (unaudited) HK$'000	31/12/2010 (audited) HK$'000
Contracted but not provided for:		
Purchase of fixed assets	**236**	–

17. Events after the reporting period

On 23 August 2011, a wholly owned subsidiary of the Company entered into a provisional sale and purchase agreement to dispose properties held for resale at a consideration of HK$11,000,000.

18. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2011.