七星购物

7-STAR

China Seven Star Shopping Limited

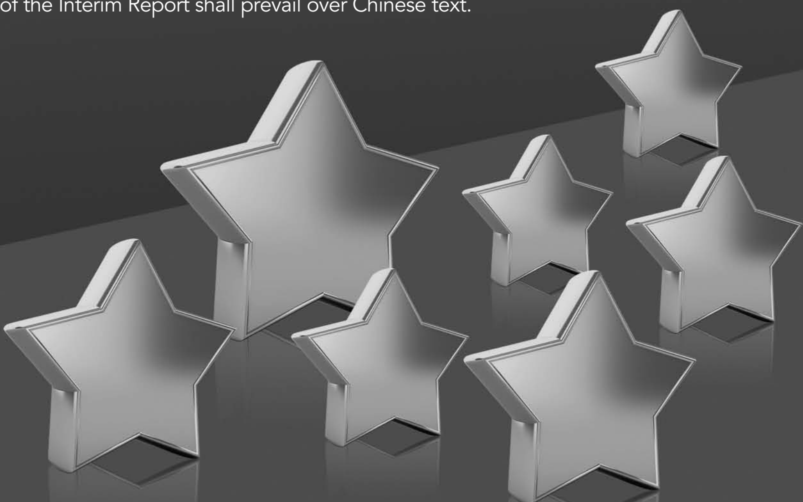
(Incorporated in Hong Kong with limited liability)

Stock Code: 245

Interim Report 2012

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:
Wong Chak Keung
Lu Wei
Ling Yu Zhang

Audit Committee
Wong Chak Keung *(Chairman)*
Lu Wei
Ling Yu Zhang

Nomination Committee
Lu Wei *(Chairman)*
Ling Yu Zhang
Wong Chak Keung

Remuneration Committee
Ling Yu Zhang *(Chairman)*
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

Legal Advisers
Hong Kong Law
Anthony Chiang & Partners
Boase Cohen & Collins
Michael Li & Co

PRC Law
Trend Associates

Independent Auditor
RSM Nelson Wheeler
Certified Public Accountants

Registered Office
Unit A02, 11/F.
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal Place of Business in Shanghai
No. 568 Hongxu Road
Minhang District
Shanghai, China

Share Registrar and Transfer Office
Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code
245 HK

Website
www.sevenstar.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2012, the EUROzone debt crisis and sluggish US economic recovery has led to a slowdown in the growth of China's economy. The National Bureau of Statistics of China stated that the GDP recorded a year-on-year increase of 7.8% to RMB22,709.82 billion during the period. The growth rate dropped 1.8 percentage points as compared to the same period last year. The economic slowdown in China and elsewhere caused the growth in China's advertising market to decrease during the period.

During the period under review, the Chinese Government continued to promote the long-term development of the advertising industry taking into consideration its current condition. The "Development Program of Advertising Industry in the Twelfth Five-Year Plan"* (《廣告產業發展「十二五」規劃》) released by the State Administration for Industry and Commerce of the People's Republic of China in May 2012 stated that the Government will provide more financial support for the advertising industry. The assistance is intended to eliminate barriers to entry and encourage financial institutions to provide financing for advertising enterprises with the aim to provide support to safeguard the integrity of the industry and to achieve long-term steady growth. The Group believes that these favourable policies and stable economic development will create more room for the subsequent development and growth of the advertising industry, therefore we remain confident in the prospects of the industry.

* *Management translation*

Business Review

In recent years, the Group has focused on driving the television advertising agency business, which has become its major income source. In the first half of the year, against the backdrop of economy and industry slowdown, the Group utilised its resources to gain in-depth knowledge on the business model of the television advertising industry and to improve its operations and procedures. It also recruited and trained a group of professionals, and initiated and implemented effective marketing strategies to target this niche market. During the period, the Group not only maintained good working relationships with existing partners and customers, but also secured several new partners, providing a solid foundation for its long-term development. Through its unremitting efforts, the Group's operations in this segment have become more effective and efficient. During the reviewing period, the Group's total turnover increased by 27% to HK$331,871,000 as compared to the same period last year.

Since the Group secured the exclusive agency rights contract with Guangdong Satellite Television Channel ("GSTV") in 2010, the Group has actively cooperated and interacted with GSTV on the programmes, and integrated various resources to accommodate to the upgrade of the quality of its programmes. At the same time, GSTV continued to provided an extensive platform and abundant resources for the Group's business. Covering a population of 800 million, GSTV is the most influential provincial television channel in Guangdong with the highest viewing rate, and stays in the forefront in the ranking of the satellite television coverage in China. It has a potential reach of 2 billion people around the globe, and is also the preferred choice for overseas Chinese in the Asia Pacific region. In May 2012, GSTV optimised its programme content and focused on the key programmes in response to market demand. It has increased advertising charges and strived to enhance the advertising impact. These initiatives have generated greater audience support and attracted more advertising clients, which enabled the Group to boost related revenue and explore prospect clients.

As a result of its ongoing business expansion, the Group's existing advertising clientele comprised several influential domestic advertising agencies in China such as the Guangzhou Branch of Beijing Dentsu Advertising Co. Ltd., the Shanghai Branch of DDB Beijing Advertising Co. Ltd., GroupM (Shanghai) Advertising Co. Ltd., Leo Burnett Worldwide, Niu Hao Si Culture and Communications Shanghai Co. Ltd.* (上海紐豪斯文化傳播有限公司) and Saatchi & Saatchi Great Wall. During the period under review, these agencies accounted for around 17% of the Group's total turnover. The advertisements covered a wide variety of sectors such as food, medicine, household products, healthcare products, medical institutions, schools, and automobiles, placed on behalf of famous global and Chinese brands such as Pepsi, 7.UP, Mead Johnson Nutrition, Yashili, China Unicom and Shanghai Volkswagen.

Outlook and strategy

Currently, China's economy is in the early stages of a transition from investment-led growth to consumption-driven growth. It is expected that consumption will be the greatest driver of economic growth throughout 2012. With a steady expansion in the country's economy and the continued rise in disposable income and spending power, the consumer product market in China will continue to grow vigourously, which will provide a good environment for the development of the advertising industry in the long run.

In addition, China's Government issued the "Notice Relating to the Issues of the Pilot Programme of Support from the Modern Service Industry for the Development of the Advertising Industry in 2012"* (《關於開展2012年現代服務業試點支持廣告業發展有關問題的通知》) in July this year. This notice marked the commencement of financial support from the Central Government to the development of the advertising industry in 2012. Through various channels including Government guidance, centralising capital resources and offering key support, to drive the rapid growth of the advertising industry. This marks the first step forward in implementing the "Development Program of the Advertising Industry in the Twelfth Five-Year Plan"* (《廣告產業發展「十二五」規劃》). At the same time, the "Report on the Investment Analysis and Prospect Forecast of the Advertising Industry in China Between 2012–2016"* (《2012–2016年中國廣告業投資分析及前景預測報告》) issued by CIConsulting (中投顧問產業研究中心) has stated that the advertising industry in China will continue to grow throughout 2012 at an expected rate of around 14%, higher than that in the first half of this year. The Group believes that, driven by the promising economic prospect and favourable Government policies, the advertising industry will be presented with enormous and exciting new development opportunities.

* *Management translation*

Looking ahead, the Group will continue to enhance existing business, leverage its customer relationships and optimise its operating model as well as adjust the marketing and sales strategies according to the program revamp of GSTV. Riding on the Group's competitive advantages and the prominent platform of GSTV, the Group is set to further expand its customer base. It will also engage more professionals within the television advertising industry and provide continued staff training. Under the leadership of a highly effective and energetic management team, the Group is confident to sustain growth and stand out in the competitive market. By seizing the exciting opportunities brought by the development of the industry, the Group aims to become a leading player in the television advertising industry as well as a leading programme planner in China and try its best to maximise returns for shareholders.

Financial Review

For the six months ended 30 June 2012, the Group's unaudited consolidated turnover was approximately HK$331,871,000, represents an increase of approximately 27% from the same period of last year, mainly attributable to the increase of advertising sales in PRC. Excluding the advertising sales contribution of approximately HK$301,539,000 to the turnover, the Group recorded a retail revenue of approximately HK$25,580,000 (first half of 2011: approximately HK$34,324,000), a decrease of 25% year-on-year. The reason for the decline was mainly due to focus of resources in GDTV advertising agency business.

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

	2012	2011	Change
PRC retail and distribution of consumer products	**25,580**	34,324	–25%
Television advertising	**301,539**	225,118	+34%
Insurance agency service	**4,752**	2,458	+93%
Rental income	**—**	400	–100%
Interest income	**158**	296	–47%
Other income	**2,175**	2,367	–8%
Total revenue	**334,204**	264,963	+26%

The Group recorded a gross profit of HK$62,160,000 mainly due to (i) the lower of the amortization of exclusive advertising agency rights charging to the income statement when compared to the actual payment for the related agency right according to an agreement dealing with media management services entered into between Shanghai Seven Star Advertising Co., Ltd, a subsidiary of the Company, and 廣東電視台 (transliterated as Guangdong Television) on 31 December 2009; and (ii) the improvement of gross margin of advertising sales.

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$6,303,000 and 21% respectively. During the period, the Group concentrated in selling the kitchen ware products with a lower gross margin, has resulted in the drop of gross profit margin of the Group's merchandise sales from 26% to 21%.

The Group recorded a profit before tax of approximately HK$22,359,000 (first half of 2011: loss of approximately HK$88,378,000). 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 2011 onwards, the non-controlling interests of the PRC business of the Group shared a portion of the profit for the period of approximately HK$13,830,000 (first half of 2011: loss of approximately HK$77,700,000), resulting in an unaudited profit attributable to owners of the Company of approximately HK$8,528,000 (first half of 2011: loss of approximately HK$10,772,000). The Board did not recommend payment of an interim dividend for the six months ended 30 June 2012 (first half of 2011: HK$Nil).

Employee relations

As of 30 June 2012, the Group has 79 employees (as at 30 June 2011: 354 employees). Total remuneration cost for the period under review was approximately HK$5.7 million (six months ended 30 June 2011: approximately HK$14.9 million). No share options were granted during the period under review and no share option cost that was charged to the income statement (six months ended 30 June 2011: approximately HK$Nil). Based on the existing outstanding number of share options as of 30 June 2012 and assume that no further share options are to be granted in the six months to 31 December 2012, 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 2012, the Group's cash and bank deposits (include pledged bank deposits) amounted to approximately HK$38 million (31 December 2011: approximately HK$66 million). The gearing ratio as at 30 June 2012 (total interest bearing borrowings to total assets) was 2% (31 December 2011: 1%), 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 reorganisation

On 20 January 2012, the shareholders of the Company approved a proposed capital reorganisation (the "Capital Reorganisation") which comprised:

(a) the nominal value of each of the issued Shares of HK$0.10 each be reduced to HK$0.002 each by cancelling the paid-up capital to the extent of HK$0.098 on each issued Share;

(b) the nominal value of each of the authorised but unissued Shares of HK$0.10 each be diminished to HK$0.002 each by a diminution of HK$0.098 on each authorised but unissued Share;

(c) the credit arising from the Reduction of Issued Share Capital in the sum of HK$718,121,542.222 be applied to eliminate part of the Company's accumulated losses, which amounted to approximately HK$1,898,407,000 as at 30 November 2011; and

(d) every five Reduced Shares of HK$0.002 each in the issued and unissued share capital of the Company be consolidated into one Consolidated Share of HK$0.01 each in the issued and unissued share capital of the Company.

Details of the Capital Reorganisation are set out in the circular dated 29 December 2011. The Capital Reorganisation were effective on 20 April 2012 when the authorised and issued capital consisted of 3,200,000,000 and 1,465,554,167 ordinary shares of HK$0.01 each, respectively. The Capital Reduction was approved by the Court on 2 April 2012 and the sealed copy of the Court order has been duly registered by the Registrar of Companies in Hong Kong on 16 April 2012.

Capital structure

Details in the changes of the capital structure of the Company during the six months ended 30 June 2012 are set out in Note 14 to the condensed interim financial statements.

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 2012.

Charges on Group assets

Apart from the deposits of approximately HK$12,330,000 pledged to a bank to secure a standby letter of credit facilities of approximately HK$10,971,000 and the deposits of approximately HK$305,000 pledged to a bank as securities for two corporate cards with credit limit of approximately HK$244,000 in aggregate granted to two executive directors of the Group, as at 30 June 2012, there were no charges on the Group's assets.

Exposure to exchange rate fluctuation and related hedging

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions and assets are denominated in currencies other than the functional currency of respective Group entities such as Renminbi. 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.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2012 (31 December 2011: HK$Nil).

On behalf of the Board
Ni Xinguang
Chairman and executive director

Hong Kong, 29 August 2012

DIRECTORS' INTEREST IN SHARES

As at 30 June 2012, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

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

Name of director	Number of shares held Personal interests	Corporate interests	Total	Percentage of the issued share capital (Note (b))
Ni Xinguang	19,156,000	377,336,000 (Note (a))	396,492,000	27.05%
Wang Zhiming	18,956,000	377,336,000 (Note (a))	396,292,000	27.04%

Notes:

(a) 377,336,000 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 1,465,554,167 ordinary shares of the Company in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, 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 2012, 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. No 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 2011: approximately HK$Nil). Based on the existing outstanding number of share options as of 30 June 2012 and assume that no further share options are to be granted in the six months to 31 December 2012, 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 01/01/2012	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 adjusted during the period (Note)	Number of option shares held as at 30/06/2012	Adjusted exercise price (Note) HK$	Exercise period
Employees	08/03/2007	5,000,000	—	—	—	(4,000,000)	1,000,000	3.61	08/03/2007 — 07/03/2015
	08/03/2007	5,000,000	—	—	—	(4,000,000)	1,000,000	3.61	08/03/2008 — 07/03/2015
	08/03/2007	5,000,000	—	—	—	(4,000,000)	1,000,000	3.61	08/03/2009 — 07/03/2015
	08/03/2007	5,000,000	—	—	—	(4,000,000)	1,000,000	3.61	08/03/2010 — 07/03/2015
Consultants	30/04/2007	240,000	—	—	—	(192,000)	48,000	6.15	30/04/2008 — 29/04/2015
	30/04/2009	7,000,000	—	—	—	(5,600,000)	1,400,000	0.50	05/05/2010 — 04/05/2017
	10/09/2010	7,000,000	—	—	—	(5,600,000)	1,400,000	0.75	10/09/2010 — 09/09/2013
	11/11/2010	135,000,000	—	—	—	(108,000,000)	27,000,000	0.80	11/11/2010 — 10/11/2013
		169,240,000	—	—	—	(135,392,000)	33,848,000		

Note:

The number of share options and exercise price were adjusted immediately after the completion of the capital reorganisation on 20 April 2012.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2012, 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))	377,336,000	25.75%
Hou Chong Yu ("Ms. Hou")	Beneficial owner	4,306,000	0.29%
	Interests controlled through corporations (Note (b))	165,431,767	11.29%
Best Idea International Limited (Note (b))	Beneficial owner	154,331,767	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 377,336,000 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	11,100,000
Best Idea International Limited	154,331,767
	165,431,767

(c) The percentage had been calculated based on the total number of 1,465,554,167 ordinary shares of the Company in issue as at 30 June 2012.

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 2012, 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 "Directors' Interest in Shares" and "Share Options" 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.

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 2012 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 2012.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2012 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2012, 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

Details of the events after the reporting period are set out in Note 17 to the condensed interim financial statements.

OTHER INFORMATION

Pre-emptive Rights

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

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

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

RSM
Audit • Tax • Advisory

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 36 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2012 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 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Six months ended 30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited and restated) HK$'000
Continuing operations			
Turnover	3	331,871	261,900
Cost of sales and services		(269,711)	(281,544)
Gross profit/(loss)		62,160	(19,644)
Other income		2,333	2,663
Distribution costs		(16,451)	(28,814)
Administrative expenses		(16,184)	(21,265)
Other operating expenses		(1,054)	(4,901)
Profit/(loss) from operations		30,804	(71,961)
Finance costs	4	(8,445)	(16,591)
Profit/(loss) before tax		22,359	(88,552)
Income tax expense	5	(1)	(94)
Profit/(loss) for the period from continuing operations		22,358	(88,646)
Discontinued operation			
Profit for the period from discontinued operation	6	—	174
Profit/(loss) for the period	7	22,358	(88,472)

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2012

	Note	Six months ended 30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited and restated) HK$'000
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		8,528	(10,946)
Profit from discontinued operation		—	174
Profit/(loss) attributable to owners of the Company		8,528	(10,772)
Non-controlling interests			
Profit/(loss) from continuing operations		13,830	(77,700)
Profit from discontinued operation		—	—
Profit/(loss) attributable to non-controlling interests		13,830	(77,700)
		22,358	(88,472)
Earnings/(loss) per share			
From continuing and discontinued operations			
— basic	9(a)	HK0.58 cent	HK(0.74) cent
— diluted	9(a)	N/A	N/A
From continuing operations			
— basic	9(b)	HK0.58 cent	HK(0.75) cent
— diluted	9(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended	
	30/6/2012	30/6/2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Profit/(loss) for the period	**22,358**	(88,472)
Other comprehensive income:		
Exchange differences on translating foreign operations	**585**	(525)
Other comprehensive income for the period, net of tax	**585**	(525)
Total comprehensive income for the period	**22,943**	(88,997)
Attributable to:		
Owners of the Company	**6,409**	(5,619)
Non-controlling interests	**16,534**	(83,378)
	22,943	(88,997)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Note	30/6/2012 (unaudited) HK$'000	31/12/2011 (audited) HK$'000
Non-current assets			
Fixed assets	10	4,425	4,421
Intangible assets	11	262,494	530,846
		266,919	535,267
Current assets			
Inventories		12,356	11,599
Trade receivables	12	63,356	34,323
Other receivables, prepayments and deposits		49,702	54,078
Pledged bank deposits		12,635	24,981
Bank and cash balances		25,513	40,689
		163,562	165,670
Current liabilities			
Agency fee payables	11	314,382	628,982
Trade payables	13	19,869	23,932
Other payables and accruals		78,730	53,328
Bank loans		9,752	9,864
Current tax liabilities		2,242	2,268
		424,975	718,374
Net current liabilities		(261,413)	(552,704)
NET ASSETS/(LIABILITIES)		5,506	(17,437)
Capital and reserves			
Share capital	14	14,655	732,777
Other reserves		1,302,798	1,304,917
Accumulated losses		(1,098,322)	(1,747,742)
Equity attributable to owners of the Company		219,131	289,952
Non-controlling interests		(213,625)	(307,389)
TOTAL EQUITY		5,506	(17,437)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	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 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 CHANGES IN EQUITY

(continued)

For the six months ended 30 June 2012

	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 2012	732,777	505,398	16,752	726,699	50,206	5,862	(1,747,742)	289,952	(307,389)	(17,437)
Total comprehensive income for the period	—	—	—	—	(2,119)	—	8,528	6,409	16,534	22,943
Reduction in par value of share capital (Notes 14(b) & (c))	(718,122)	—	—	—	—	—	718,122	—	—	—
Purchase of equity interests from non-controlling interests	—	—	—	—	—	—	(77,230)	(77,230)	77,230	—
Changes in equity for the period	(718,122)	—	—	—	(2,119)	—	649,420	(70,821)	93,764	22,943
At 30 June 2012	14,655	505,398	16,752	726,699	48,087	5,862	(1,098,322)	219,131	(213,625)	5,506

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended	
	30/6/2012	30/6/2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
NET CASH USED IN OPERATING ACTIVITIES	**(26,790)**	(43,937)
Purchase of fixed assets	**(490)**	(1,109)
Other investing cash flows (net)	**158**	(17,779)
NET CASH USED IN INVESTING ACTIVITIES	**(332)**	(18,888)
Decrease in pledged bank deposits	**12,342**	—
Inception of bank loans	**—**	9,624
NET CASH GENERATED FROM FINANCING ACTIVITIES	**12,342**	9,624
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,780)**	(53,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**40,689**	112,124
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(396)**	1,616
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**25,513**	60,539
Bank and cash balances	**25,513**	60,539

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 11). 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 2011 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 2011.

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 2012. 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)	(Discontinued operation) Property investment HK$'000 (unaudited)	Others HK$'000 (unaudited)	Total HK$'000 (unaudited)
Six months ended 30 June 2012					
Revenue from external customers	**25,580**	**301,539**	**—**	**4,752**	**331,871**
Intersegment revenue	**—**	**—**	**—**	**—**	**—**
Segment profit/(loss)	**(6,969)**	**36,312**	**—**	**179**	**29,522**
As at 30 June 2012					
Segment assets	**124,415**	**375,229**	**—**	**22,415**	**522,059**
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)
	(audited)	(audited)	(audited)	(audited)	(audited)
As at 31 December 2011					
Segment assets	111,950	614,170	129	22,208	748,457

	Six months ended 30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited) HK$'000
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	**29,522**	(82,208)
Interest income	**158**	296
Unallocated corporate income	**38**	2
Unallocated corporate expenses	**(7,359)**	(6,468)
Elimination of discontinued operation	**—**	(174)
Profit/(loss) before tax from continuing operations	**22,359**	(88,552)

4. Finance costs

	Six months ended 30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited) HK$'000
Notional non-cash interest accretion on pre-agreed periodic payments on exclusive advertising agency right	**8,104**	16,524
Interest on bank loans	**341**	67
	8,445	16,591
Representing:		
Continuing operations	**8,445**	16,591

5. Income tax expense

	Six months ended 30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited) HK$'000
PRC tax		
— current	**—**	2
— underprovision in prior years	**1**	92
	1	94
Representing:		
Continuing operations	**1**	94

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 2011: 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 2011 and 2012 as the effect of all temporary difference is not material.

6. **Discontinued operation**

Pursuant to an agreement dated 16 September 2011 entered into between a subsidiary of the Company, Marson Development Limited ("Marson") and an independent third party (the "Purchaser"), Marson disposed of its properties held for resale to the Purchaser at a consideration of HK$11,000,000.

The disposal was completed in October 2011 and the Group discontinued its property investment business.

The results of the discontinued operation for the period, which have been included in consolidated profit or loss, are as follows:

	Six months ended	
	30/6/2012	30/6/2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Turnover	—	400
Cost of sales	—	(221)
Gross profit	—	179
Administrative expenses	—	(5)
Profit before tax	—	174
Income tax expense	—	—
Profit for the period	—	174

During the period, the discontinued operation received approximately HK$133,000 (six months ended 30 June 2011: approximately HK$167,000) in respect of operating activities.

7. **Profit/(loss) for the period**

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

	Six months ended 30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited) HK$'000
Allowance for inventories	—	1,187
Allowance for other receivables	419	—
Allowance for trade receivables	34	790
Amortisation of exclusive advertising agency right	263,564	256,464
Amortisation of insurance agency licence	51	50
Cost of inventories sold	19,703	24,938
Depreciation	915	3,437
Directors' emoluments	1,162	1,168
Exchange losses	214	—
Fixed assets written off	332	—
Impairment loss on prepayments and deposits	4	2,556
Interest income	(158)	(296)
Reversal of allowance for trade receivables	(372)	(1,132)
Written back of other payables and accruals	(922)	—
Written back of trade payables	(120)	—

8. **Dividend**

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: HK$Nil).

9. Earnings/(loss) per share

(a) *From continuing and discontinued operations*

Basic earnings/(loss) per share

The calculation of basic earnings (six months ended 30 June 2011: loss) per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK$8,528,000 (six months ended 30 June 2011: loss of approximately HK$10,772,000) and the weighted average number of ordinary shares of 1,465,554,000 (six months ended 30 June 2011: 1,465,554,000, as adjusted to reflect the share consolidation in April 2012) in issue during the period.

Diluted earnings/(loss) per share

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

(b) *From continuing operations*

Basic earnings/(loss) per share

The calculation of basic earnings (six months ended 30 June 2011: loss) per share from continuing operations attributable to owners of the Company is based on the profit for the period from continuing operations attributable to owners of the Company of approximately HK$8,528,000 (six months ended 30 June 2011: loss of approximately HK$10,946,000) and the denominator used is the same as that detailed in (a) above.

Diluted earnings/(loss) per share

No diluted earnings (six months ended 30 June 2011: loss) per share from continuing operations is presented as the Company did not have any dilutive potential ordinary shares during the period.

(c) *From discontinued operation*

Basic earnings per share

Basic earnings per share from discontinued operation for the six months ended 30 June 2011 is HK0.01 cent per share, based on the profit for the period from discontinued operation attributable to the owners of the Company of approximately HK$174,000 and the denominators used is the same as that detailed in (a) above.

Diluted earnings per share

No diluted earnings per share from discontinued operation for the six months ended 30 June 2011 is presented as the Company did not have any dilutive potential ordinary shares during the period.

10. Capital expenditure

During the period, the Group incurred approximately HK$1,300,000 (six months ended 30 June 2011: approximately HK$1,109,000) on additions to fixed assets.

11. 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 periods ended 30 June 2011 and 2012.

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 2012, a deposit of approximately HK$36,570,000 relating to the exclusive advertising agency contract has been included in other receivables, prepayments and deposits, and the maximum compensation computed for the remaining period of 2012 was approximately HK$31,000,000. The management believes that the Group would have sufficient resources to meet its obligation in the event of default on its part.

12. Trade receivables

The Group's turnover represented television advertising service income, sales of consumer products and insurance agency service income. For television advertising business, the Group generally requires customers to pay in advance, but grants a credit period of 30 to 120 days to some customers. The payment terms of the sales of consumer products are normally from 30 to 180 days. The payment terms of insurance agency services provided are normally at 30 days.

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:

	30/6/2012 (unaudited) HK$'000	31/12/2011 (audited) HK$'000
0 – 90 days	**49,818**	32,235
91 – 180 days	**12,278**	1,782
181 – 365 days	**1,255**	10
Over 365 days	**5**	296
	63,356	34,323

13. Trade payables

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:

	30/6/2012 (unaudited) HK$'000	31/12/2011 (audited) HK$'000
0 – 90 days	**7,172**	15,867
91 – 180 days	**2,380**	1,878
181 – 365 days	**4,826**	813
Over 365 days	**5,491**	5,374
	19,869	23,932

14. **Share capital**

	Note	Number of Shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 (2011: HK$0.1) each			
At 1 January 2011, 31 December 2011 and 1 January 2012		16,000,000	1,600,000
Reduction in par value	(a)	—	(1,568,000)
Share consolidation	(d)	(12,800,000)	—
At 30 June 2012		3,200,000	32,000
Issued and fully paid:			
Ordinary shares of HK$0.01 (2011: HK$0.1) each			
At 1 January 2011, 31 December 2011 and 1 January 2012		7,327,771	732,777
Reduction in par value	(b)	—	(718,122)
Share consolidation	(d)	(5,862,217)	—
At 30 June 2012		1,465,554	14,655

14. Share capital (continued)

Notes:

On 20 January 2012, a special resolution was passed at an extraordinary general meeting to:

(a) reduce the nominal value of the authorised share capital of the Company from HK$0.1 to HK$0.002 per share such that the authorised share capital is reduced from HK$1,600,000,000 to HK$32,000,000.

(b) reduce the nominal value of each of the issued share from HK$0.1 to HK$0.002 by cancelling the paid-up capital to the extent of HK$0.098 on each issued share. The issued share capital of the Company is then reduced from HK$732,777,000 to HK$14,655,000.

(c) apply the credit of HK$718,122,000 arising from the capital reduction as mentioned in Note (b) to eliminate part of the Company's accumulated losses.

(d) consolidate every five reduced shares of HK$0.002 each in the authorised and issued share capital of the Company into one consolidated share of HK$0.01 each following the capital reduction as mentioned in Notes (a) and (b) above.

    The authorised and issued share capital of the Company was consolidated into 3,200,000,000 shares and 1,465,554,000 shares of HK$0.01 each respectively.

The aforesaid capital reduction (Notes (a) and (b)) was approved by the High Court of Hong Kong SAR on 2 April 2012 and duly registered by the Registrar of Companies in Hong Kong on 16 April 2012. The share consolidation (Note (d)) also became effective on 20 April 2012.

15. 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	
	30/6/2012 (unaudited) HK$'000	30/6/2011 (unaudited) HK$'000
Rental income from related companies (Notes (i) and (ii))	**312**	—

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 have beneficial interests in the ultimate parent of these related companies.

(b) At 30 June 2012, the following balances with related parties included in:

	30/6/2012 (unaudited) HK$'000	31/12/2011 (audited) HK$'000
Other receivables from related companies (Notes (i) and (iv))	**393**	—
Trade payables to related companies (Notes (ii) and (iv))	**(70)**	(71)
Fund advanced from a related company (included in other payables) (Notes (iii) and (iv))	**(7,314)**	—

Notes:

(i) The amounts due are unsecured, interest free and have no fixed term of repayment.

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

(iii) The amounts due are unsecured, interest free and repayable on or before 31 August 2012.

(iv) Mr. Ni and Mr. Wang have beneficial interests in the ultimate parent of these related companies.

16. **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 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 2012 (At 31 December 2011: HK$Nil).

17. **Events after the reporting period**

On 21 August 2012, the Company completed the open offer and raised net proceeds of approximately HK$34,796,000 by issuing 732,777,083 offer shares at HK$0.05 each to qualifying shareholders on the basis of one offer share for every two shares. Details of the open offer are set out in the prospectus dated 25 July 2012.

18. **Approval of financial statements**

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2012.