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## CHINA SEVEN STAR SHOPPING LIMITED

中國七星購物有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### INTERIM RESULTS

The Board of Directors (the “Board”) of China Seven Star Shopping Limited (the “Company”) announces the unaudited interim financial results of the Company and its subsidiaries (hereinafter together referred as the “Group”) for the six months ended 30 June 2009 together with the comparative figures of the corresponding period in 2008, as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

|  |             | <b>Six months ended</b>  |                     |
|--|-------------|--------------------------|---------------------|
|  |             | <b>30/6/2009</b>         | <b>30/6/2008</b>    |
|  |             | <b>(unaudited)</b>       | <b>(unaudited)</b>  |
|  | <i>Note</i> | <b>HK\$'000</b>          | <b>HK\$'000</b>     |
| <b>Turnover</b>                              | 3           | <b>206,687</b>           | 155,904             |
| Cost of sales                                |             | <u>(122,349)</u>         | <u>(86,693)</u>     |
| <b>Gross profit</b>                          |             | <b>84,338</b>            | 69,211              |
| Other income                                 |             | 5,148                    | 9,300               |
| Distribution costs                           |             | (69,067)                 | (105,050)           |
| Administrative expenses                      |             | (23,597)                 | (29,967)            |
| Other operating expenses                     |             | <u>(4,758)</u>           | <u>(5,333)</u>      |
| <b>Loss from operations</b>                  |             | <b>(7,936)</b>           | (61,839)            |
| Share of loss of a jointly controlled entity |             | <u>—</u>                 | <u>(4,216)</u>      |
| <b>Loss before tax</b>                       |             | <b>(7,936)</b>           | (66,055)            |
| Income tax credit/(expense)                  | 4           | <u>9,290</u>             | <u>(1,649)</u>      |
| <b>Profit/(loss) for the period</b>          | 5           | <u><b>1,354</b></u>      | <u>(67,704)</u>     |
| <b>Attributable to:</b>                      |             |                          |                     |
| Owners of the Company                        |             | 1,472                    | (66,666)            |
| Minority interests                           |             | <u>(118)</u>             | <u>(1,038)</u>      |
|  |             | <u><b>1,354</b></u>      | <u>(67,704)</u>     |
| <b>Earnings/(loss) per share</b>             |             |                          |                     |
| Basic  | 6           | <u><b>0.02 cents</b></u> | <u>(0.91) cents</u> |
| Diluted                                      |             | <u>N/A</u>               | <u>N/A</u>          |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

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

*Notes:*

## **1. Basis of preparation**

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

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

## **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 2009. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

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

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

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

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

The segment accounting policies under HKFRS 8 are stated in note 3 below.

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

The Group has two reportable segments as follows:

PRC retail and distribution – retail and distribution of consumer products in the People’s Republic of China (the “PRC”)

Property investment – property holding and investment

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

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

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

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

| Six months ended                            |   |
|---|---|
| 30/6/2009<br>(unaudited)<br><i>HK\$'000</i> | 30/6/2008<br>(unaudited)<br><i>HK\$'000</i> |

**Reconciliations of segment profit or loss:**

|   |                |                 |
|---|----------------|-----------------|
| Total profit or loss of reportable segments   | (1,511)        | (60,073)        |
| Corporate expenses  | (7,032)        | (9,011)         |
| Fair value (losses)/gains in financial assets<br>at fair value through profit or loss | (725)          | 530             |
| Interest income   | <u>1,332</u>   | <u>2,499</u>    |
| Loss before tax   | <u>(7,936)</u> | <u>(66,055)</u> |

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

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

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

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

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

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

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

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

## 6. Earnings/(loss) per share

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

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

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

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

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

## 7. Dividend

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

## 8. Capital expenditure

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

## 9. Trade receivables

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

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

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

## 10. Trade and bills payables

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

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

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



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market Review**

#### *PRC consumer goods market analysis*

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

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

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

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

### **Business Review**

During the period under review, the Group stepped up efforts in deepening its business model transformation. The Group pushed forward the establishment of home shopping model by consolidating its sales platform and optimizing product structure, to provide consumers with more diverse and convenient shopping channels and product choices that meet their daily needs. To tap the fast growing Internet shopping market in the

PRC, the Group actively developed its Internet shopping platform and speeded up the consolidation of resources between the Internet and television shopping platforms. In addition, the Group continued to enhance its brand and customer confidence with the aim of boosting its service-oriented corporate image.

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

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

#### *Sales results and performance review*

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

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

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

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

### *Outlook and Strategy*

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

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

### **Financial Review**

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

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

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

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

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

### **Employee relations**

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

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

### **Liquidity and financial resources**

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

### **Segment Information**

The details of segment information are set out in note 3 above.

### **Capital structure**

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

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

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

### **Charges on Group assets**

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

### **Foreign currency risk**

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

### **Contingent liabilities**

The Group had no material contingent liabilities as at 30 June 2009 (31 December 2008: HK\$Nil).

## **CORPORATE GOVERNANCE**

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

The Board of Directors of the Company has applied the principles and complied with all the applicable provisions and where applicable, the recommended practices of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the period ended 30 June 2009 except for deviation from provision A.4.1 of the Code.

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

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

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

## **Review of Accounts**

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

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course has discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2009.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2009 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2009, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding director’s securities transactions.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no significant events occurring after the reporting period.

## **OTHER INFORMATION**

### **Pre-emptive Rights**

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

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

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

## **PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (“HKEX”) at [www.hkexnews.hk](http://www.hkexnews.hk) under “Latest Listed Companies Information” and on the website of the Company at [www.sevenstar.hk](http://www.sevenstar.hk) respectively.

The interim report of the Company for the six months ended 30 June 2009 will be despatched to the shareholders and published on the websites of the HKEX and the Company in due course.

On behalf of the Board

**Ni Xinguang**

*Chairman*

Hong Kong, 25 September 2009

*As at the date of this announcement, the Board comprises Mr. Ni Xinguang and Mr. Wang Zhiming as executive directors, and Mr. Chan Wai Sum, Mr. Ho Wai Ip and Mr. Lu Wei as independent non-executive directors.*