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 2011

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 2011 together with the comparative figures of the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011

		Six months ended	
		30/6/2011	30/6/2010
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'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		**(0.15) cents**	(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

	30/6/2011 (unaudited) *HK$'000*	31/12/2010 (audited) *HK$'000*
Capital and reserves		
Share capital	**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

Notes:

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 as to 60% and by Mr. Wang Zhiming 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
Notional 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 (unaudited) HK$'000	30/6/2010 (unaudited) HK$'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

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).

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.

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 under "Latest Listed Company Information" and on the website of the Company at www.sevenstar.hk respectively.

The interim report of the Company for the six months ended 30 June 2011 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 and executive director

Hong Kong, 29 August 2011

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. Wong Chak Keung and Mr. Lu Wei as independent non-executive directors.