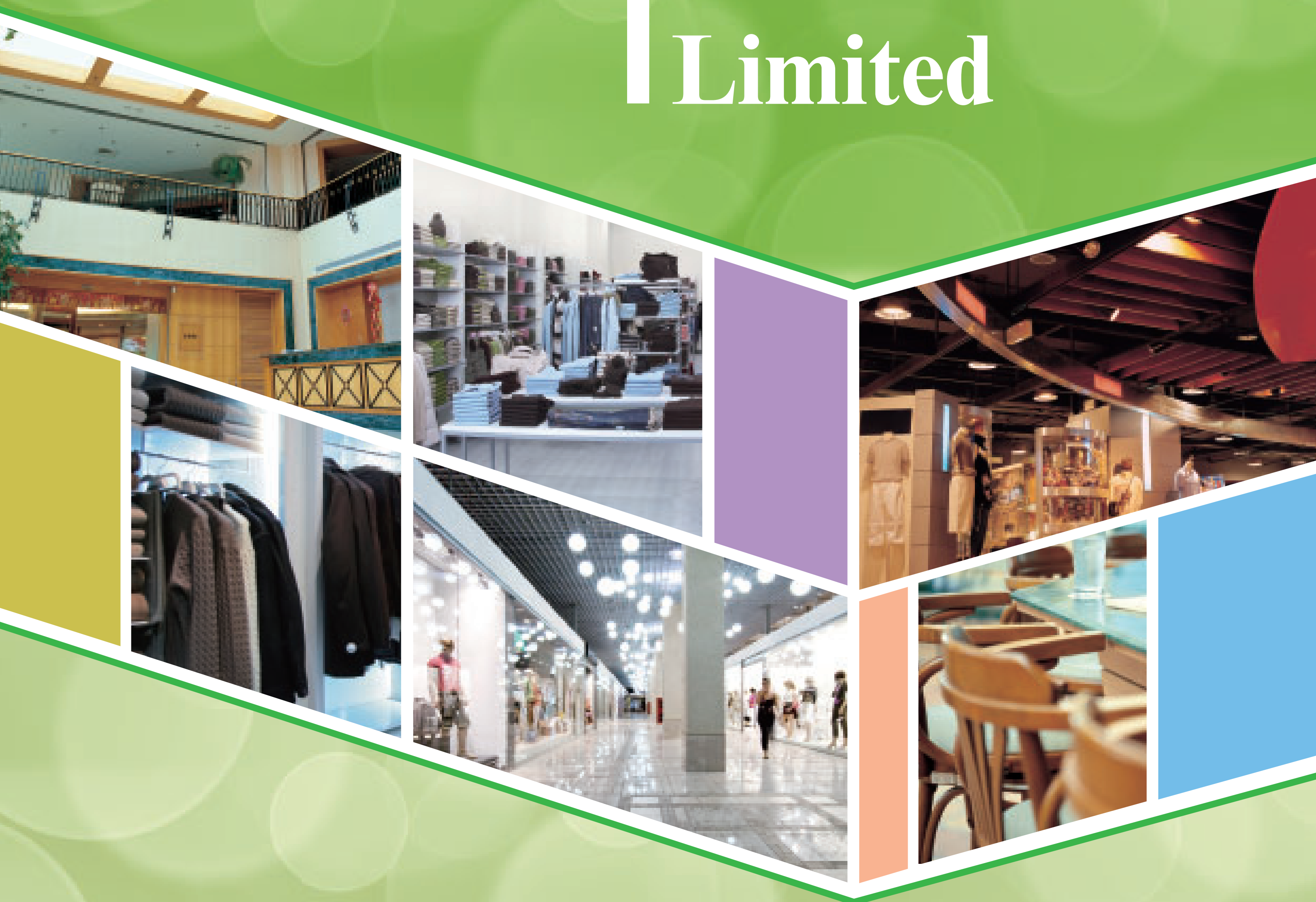
Buildmore International Limited



Annual Report

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Stock Code:108

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See Tak Wah

Chau On Ta Yuen

AUDITOR

Deloitte Touche Tohmatsu

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STOCK CODE

108

WEBSITE

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I am pleased to present to the shareholders the Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31st January, 2010 (the "Year").

FINANCIAL RESULTS

In respect of the results of the Group for the Year, the audited loss attributable to owners of the Company was HK$526,521,501 (2009: HK$8,291,125). Basic loss per share was HK$4.70 (2009: HK$0.08).

BUSINESS REVIEW AND PROSPECTS

The Company has generated its income mainly by leasing out properties held in Fuzhou City, PRC to independent tenants through Jiacheng (Fujian) Investments Co., Ltd. ("Jiacheng Fujian", formerly known as Victorfield (Fujian) Property Development Co., Ltd.) and Faith Stand (China) Limited ("Faith Stand China"), two wholly-owned subsidiaries of the Company, and by managing the construction and decoration of two hotels and the preparation for their opening through Vast Glory (Fujian) Hotel Management Limited ("Vast Glory Fujian"), a wholly-owned subsidiary of the Company.

The property leasing businesses of Jiacheng Fujian and Faith Stand China were previously under the impact of the financial tsunami. With the implementation of central government policies and the gradual recovery of the global economy, the situation is improving. Jiacheng Fujian and Faith Stand China are in negotiation with their tenants with a view to adjust the rent upwards to bring in more revenue. On 9th March, 2010, Jiacheng Fujian terminated its property management of Wenquan Apartment, completely discontinuing its property management business. At the same time, on 23rd April, 2010, Jiacheng Fujian sold Shop Unit Nos. 04 and 07 on the 1st Floor and Shop Unit No. 06 on the 2nd Floor of Block 2, Victorfield Apartment, No. 436 Wusi Road, Gulou District, Fuzhou City, Fujian Province, PRC to Madam 徐玉華 (Xu Yuhua), an independent third party, at the prices of HK$859,545 (RMB756,400), HK$856,943 (RMB754,110) and HK$423,920 (RMB373,050) respectively, which represent a premium of HK$128,932 (RMB113,460), HK$113,676 (RMB100,035) and HK$94,205 (RMB82,900) respectively over the corresponding purchase price.

In addition to the two hotels whose preparation Vast Glory Fujian is managing, Vast Glory Fujian is in negotiation with a guesthouse in Fuzhou City concerning a contract in relation to the investment in decoration and the franchise for long-term operations, and in negotiation with another two hotels for management contracts. For some special reasons, Vast Glory Fujian terminated its contract for the franchise for operating Fujian Lakeside International Travel Service ("Lakeside Travel") on 31st March, 2010. Tourism deposits of RMB1.6 million paid on behalf of Lakeside Travel have been recovered in full.

On 16th May, 2009, Jiacheng Fujian completed the acquisition of 9th Floor, Jia Xin Building, No. 119 Wusi Road, Gulou District, Fuzhou City, Fujian Province, PRC (total gross floor area of approximately 607.99 square metres) from a connected person, Mr. Lam Kung Yam, at a total consideration of HK$3,625,442 (RMB3,191,948). After renovation, the property now serves as the business premises of Jiacheng Fujian, Vast Glory Fujian, Faith Stand China and Lakeside Travel to facilitate the business development of each of these companies.

On 27th September, 2009, Jiacheng Fujian acquired a total of ten garages, namely Garage Nos. 04 to 10, Raised Floor, Block 8 and Garage Nos. 07, 09 and 10, Raised Floor, Block 9, Victorfield Apartment, No. 436 Wusi Road, Gulou District, Fuzhou City, Fujian Province, PRC, from 福建益力房地產開發有限公司 (Victorfield (Fujian) Real Estate Development Limited), an independent third party, at an aggregate consideration of HK$908,142 (RMB800,000). The transaction was completed on 16th October, 2009. Those garages have been commissioned to 益力公寓物業管理公司 (Victorfield Apartment Property Management Company) for short-term rental at a rent of approximately RMB300 per month per garage. On 4th May, 2010, Jiacheng Fujian transferred Garage No. 07, Raised Floor, Block 9 to an independent third party at a price of HK$106,818 (RMB94,000).

On 26th October, 2009, Faith Stand China acquired 13 parking spaces at 1st Floor (Street Front), Block #4, Gentlefolk, 53 Wenquan Park Road, Wenquan Sub-district, Gulou District, Fuzhou City, Fujian Province, PRC from 福州凱華房地產開發有限公司 (Exceland (Fuzhou) Real Estate Co., Ltd.), an independent third party, at an aggregate consideration of HK$3,394,410 (RMB2,990,000). The transaction was completed on 6th November, 2009. In April 2010, the selling price of a basement parking space at Gentlefolk reached RMB320,000 (exclusive of handling charges and taxes). Various clients have contacted Faith Stand China for negotiation to rent all 13 parking spaces as shops or cafes. The properties are expected to bring better returns.

On 11th November, 2009, the Company completed its acquisition of the entire issued capital of United Achieve International Limited ("United Achieve") from Mr. Lui Ming Ho and Mr. Wong Kin Ping, independent third parties, at an aggregate consideration of HK$315,000,000 (HK$42,000,000 by the issue of new shares at a price of HK$1.68 each and HK$273,000,000 by the issue of convertible bonds). United Achieve holds 72.12% issued share capital of Viswell International Limited ("Viswell International"), which is interested in 100% equity interest in Rakupuri Inc. ("Rakupuri"). Rakupuri is a company engaged in the manufacture and sale of dye-sublimation printed products. Rakupuri currently owns various patents for their production of pita clean products, as well as patents for its distinct technology for colour-dyeing on both sides of a zipper, and such technology could be used on zippers, seat belts as well as apparel. The Company's reason for this acquisition is not solely Rakupuri's business in Japan. Its goal is to take advantage of the Company's connections, and to form cooperation bonds with relevant enterprises in the Chinese mainland with the promotion of the use of Rakupuri's patented technologies, actively expanding its businesses and gradually establishing cooperation relationships with world-renowned companies, striving for diversification and the expansion of its scope of operation, thus bringing benefits to the Group. Rakupuri recorded a loss this year; with reorganization, suitable inputs, and strengthened management, however, it is believed that it can return to profitability.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group recorded a loss attributable to owners of the Group of HK$526,521,501, including a one-off impairment of goodwill of HK$509,234,337 which arose from the acquisition of United Achieve.

Goodwill of HK$509,234,337 arose because of the Company's acquisition (the "Acquisition") of United Achieve and its subsidiaries, Viswell International and Rakupuri. As consideration of the Acquisition, the Company issued two convertible bonds with an aggregate principal amount of HK$273,000,000 and issued 25,000,000 ordinary shares in the Company to the vendors. In accordance with Hong Kong accounting standards, the consideration of the Acquisition should be stated at fair value at the date of completion of the Acquisition. The reorganization has only been completed towards the end of the Year. Cooperation projects in the Chinese mainland are still in negotiation, and the management is confident about the prospect of the development. According to applicable Hong Kong accounting standards, the management considered that Rakupuri represents a separate cash generating unit ("CGU") for the purpose of impairment testing. The assumptions on development of Rakupuri's businesses in the Chinese mainland with the effect of the Group after the Acquisition cannot be clearly quantified and supported and therefore have not been included in the value in use calculations to arrive at the recoverable amount of the CGU. Since the carrying amount of the CGU (including goodwill) is significantly above its recoverable amount, the Group fully impaired the amount of goodwill of HK$509,234,337 in the Year. The impairment of goodwill has been included in the financial statements but has had no effect on the Group's cash flow. The management still has confidence that positive cash flow will be generated by Rakupuri in the foreseeable future. The impairment of goodwill will not affect the operation of the Group.

As at 31st January, 2010, the Group had available cash and bank deposit of HK$8,828,744, RMB7,879,698 and JPY22,343,837 (2009: HK$29,429,426 and RMB7,296,082), representing a capital liquidity ratio (cash and bank balance divided by current liabilities) of 2.03 (2009: 18.12).

As at 31st January, 2010, the Group's debts to assets ratio was 3.33 (2009: zero). The debts to assets ratio is calculated by dividing the aggregate amount of debts which included an amount due to a shareholder of HK$160,518,712 (2009: nil), borrowings of HK$5,276,818 (2009: nil), the liability component of the convertible bonds of HK$171,944,533 (2009: nil) over the amount of total assets of HK$101,544,018 (2009: HK$124,598,603).

During the Year, the Group's business operations were chiefly in the PRC and the main operational currencies are HK$ and RMB. The exchange rate between RMB and HK$ has remained stable. Following the acquisition of Rakupuri, the Group runs additional businesses in Japan and the JPY has become our additional operational currency. The Group will closely monitor any exchange rate trend and take corresponding measures in a timely manner to reduce foreign exchange risk and exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 31st January, 2010, the total number of employees of the Group (excluding directors of the Company) was 53 (2009: 38). Thirty-nine of them worked in the PRC, 13 worked in Japan, while one worked in Hong Kong.

During the Year, the Group paid employees' emoluments (including emoluments for directors, company secretary and qualified accountant of the Company) amounting to HK$1,036,000, RMB1,299,269, and JPY12,146,900 (1st November, 2009 to 31st January, 2010) (2009: HK$1,004,000 and RMB1,074,996). The remunerations offered by the Group were determined in accordance with the relevant policies in Hong Kong, Japan and the PRC and with reference to market level, as well as the individual competence and performance of the staff. Other related benefits included contributions to Mandatory Provident Fund schemes, social insurance funds, and medical insurance funds.

APPRECIATION

On behalf of all members of the Board, I would like to express our gratitude to the shareholders for their continuing support and all staff of the Group for their hard work and contribution.

LO CHEUNG KIN
Chairman

26th May, 2010

EXECUTIVE DIRECTORS

Mr. Lo Cheung Kin, 63, was appointed as an executive director of the Company on 30th September, 1998 and he is the Chairman of the Company. He also acts as directors of Faith Stand (China) Limited, Vast Glory Investment Limited and Jiacheng (Fujian) Investments Co., Ltd., all of which are wholly-owned subsidiaries of the Company, and Viswell International Limited, the Company's 72.12% owned subsidiary. Mr. Lo served as an independent non-executive director of China Grand Forestry Green Resources Group Limited (Stock Code: 0910) but has ceased to act as such since 30th September, 2009. Mr. Lo graduated from Fujian Teachers University in the PRC majoring in Foreign Language. He has about 30 years of experience in the property investment and development market. Mr. Lo is a director and the beneficial owner of Mass Honour Investment Limited, a substantial shareholder of the Company. Save as disclosed, Mr. Lo does not have any other relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Madam Huang Haiping, 58, was appointed as an executive director and the Chief Executive Officer of the Company on 1st February, 2007. She also acts as the chairman of the Company's remuneration committee. In addition, Madam Huang acts as directors of Jiacheng (Fujian) Investments Co., Ltd. and Vast Glory (Fujian) Hotel Management Limited, both of which are wholly-owned subsidiaries of the Company. Madam Huang is an engineer and a senior economist. She is vastly experienced in construction design, budgetary estimate, finance and administration. Madam Huang does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Li Jianbo, 49, was appointed as an executive director of the Company on 20th October, 2006. He also acts as the chairman of the Company's nomination committee. In addition, Mr. Li acts as director of Jiacheng (Fujian) Investments Co., Ltd., a wholly-owned subsidiary of the Company. Mr. Li graduated from Fujian Teachers University in the PRC. Mr. Li previously served as secretary of the General Office of Fujian Provincial People's Municipal Government of the PRC and its representative office in Hong Kong, Fujian Enterprises (Holdings) Company Limited. Currently, he is principally engaged in managing a private fund in Hong Kong and is also a director of that private fund company, and he has extensive experience in fund investment. Mr. Li does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Madam Song Xiaoling, 57, was appointed as an executive director of the Company on 24th October, 2008. She also acts as director of Vast Glory (Fujian) Hotel Management Limited, a wholly-owned subsidiary of the Company. Madam Song graduated from the Faculty of Chinese at Xiamen University in the PRC. She is vastly experienced in the management and personnel training of hotels. Madam Song does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. See Tak Wah, 47, was appointed as an independent non-executive director of the Company on 30th September, 2004. He also acts as the chairman of the Company's audit committee and a member of each of the Company's remuneration committee and nomination committee. Mr. See graduated from the Management School of Waikato University in New Zealand with a first class honours in Bachelor of Management Studies and is a member of the Institute of Chartered Accountants of New Zealand and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. See has over 20 years' experience in financial and general management where he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Limited and held key management position in the North Asia office of Philips and Siemens. Mr. See is currently running his own strategic consultancy business. In addition, he currently serves as an independent non-executive director of each of Sun East Technology (Holdings) Limited (Stock Code: 0365) and Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (Stock Code: 1938). He served as an Independent non-executive director of First Mobile Group Holdings Limited (Stock Code: 0865) but has ceased to act as such since 2nd December 2009. Mr. See does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Wong Cheong, 55, was appointed as an independent non-executive director of the Company on 20th October, 2006. He also acts as a member of each of the Company's audit committee and nomination committee. Mr. Wong has been serving as engineer of several companies in Macau for over 15 years. He has extensive experience in the areas of construction engineering and property repair, maintenance and management. Mr. Wong does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Chau On Ta Yuen, 63, was appointed as an independent non-executive director of the Company on 1st December, 2008. He also acts as a member of each of the Company's audit committee and remuneration committee. Mr. Chau graduated from Xiamen University in the PRC majoring in Chinese language and literature. He is currently the chairman and an executive director of China Ocean Shipbuilding Industry Group Limited (formerly known as Wonson International Holdings Limited) (Stock Code: 0651) and is also an independent non-executive director of each of Come Sure Group (Holdings) Limited (Stock Code: 0794) and Wonderful World Holdings Limited (Stock Code: 0109). Mr. Chau served as an independent non-executive director of Hao Wen Holdings Limited (formerly known as Everpride Biopharmaceutical Company Limited) (Stock Code: 8019) but has ceased to act as such since 20 August 2009. Mr. Chau is a member of the Chinese People Political Consultative Conference of the PRC and the vice chairman of Hong Kong Federation of Fujian Associations. Mr. Chau does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Ngai Sai Chuen, 59, was appointed as an independent non-executive director of the Company on 1st February, 2010. Mr. Ngai was awarded an associate degree by a college in the PRC in 1987. He worked for the railway system in Fuzhou for ten years from 1972. He then acted as a deputy section chief of Fujian People's Government General Office until 1989. From 1989 to 1994, he acted as the general manager of a subsidiary company of China Fujian Corp for International Techno-Economic Corporation. He then acted as the department manager of Fujian Economy Consultation Company until 2004. Currently, he is a director of Jadford International Limited and acts as consultant of Space (Fujian) Information Technology Development Limited. Mr. Ngai does not have any relationship with any other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

COMPANY SECRETARY

Madam Cheng Wai Yee Connie, 47, was appointed as the company secretary of the Company on 24th October, 2008. Madam Cheng is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries respectively. She has over twenty years' experience in providing company secretarial and corporate services. Madam Cheng has been working for several solicitors' firms in Hong Kong in their company secretarial departments at supervisory level. Madam Cheng does not have any relationship with the directors, senior managers, substantial shareholders or controlling shareholders of the Company.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance practice. The Company stresses the importance of maintaining the quality of the Board by ensuring that the directors possess a wide range of expertise and the effective implementation of an accountability system, so as to ensure that business activities and decision making processes are regulated in a proper manner.

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

The Company does not fully comply with code provision A.4.1 in the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. See Tak Wah, being an independent non-executive director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

COMPLIANCE WITH 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 to the Listing Rules. Having made specific enquiry to all directors of the Company, the Company is not aware of any non-compliance with the Model Code regarding the trading of the Company's securities for the Year.

BOARD OF DIRECTORS

Currently, the Board comprises four executive directors and four independent non-executive directors. The directors of the Company during the Year and up to the date of this report were:–

Executive directors

Mr. Lo Cheung Kin *(Chairman)*
Madam Huang Haiping *(Chief Executive Officer)*
Mr. Li Jianbo
Madam Song Xiaoling

Independent non-executive directors

Mr. See Tak Wah
Mr. Wong Cheong
Mr. Chau On Ta Yuen
Mr. Ngai Sai Chuen (appointed on 1st February, 2010)

The biographical details of the current directors are set out on pages 7 to 9 of this Annual Report. The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive directors of the Company in the Board meetings facilitate the maintenance of good corporate governance practices. Mr. See Tak Wah, one of the independent non-executive directors, has the appropriate professional qualifications and accounting and related financial management expertise as required by Rule 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and independent non-executive directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the developmental needs of the business of the Group.

All independent non-executive directors are free from any business or other relationship with the Company. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the four independent non-executive directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular meetings, Board meetings are also held to approve major issues. At least 14 days' notice of each regular meeting is given to all directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of Board meetings to ensure that the directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to directors for their review and comment while final versions of the said minutes, when duly signed, are sent to all members of the Board for their records. All the said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Lo Cheung Kin while the Chief Executive Officer ("CEO") is Madam Huang Haiping. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the CEO is authorised and responsible for the management of the day-to-day business of the Group as well as the implementation of the strategies approved by the Board.

AUDIT COMMITTEE

The Board set up the Audit Committee in July 1999 with specific written terms of reference (which have been revised subsequently to cope with changes) which clearly deal with its authority and duties. The Audit Committee's role is to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board.

The members of the Audit Committee are as follows:–

Mr. See Tak Wah	Chairman *(independent non-executive director)*
Mr. Wong Cheong	Member *(independent non-executive director)*
Mr. Chau On Ta Yuen	Member *(independent non-executive director)*

In discharging its responsibilities, the Audit Committee had performed the following tasks during the Year:–

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

(ii) reviewed the draft interim and annual financial statements and the related draft results announcements;

(iii) reviewed the change in accounting standards and assessed the potential impacts on the Group's financial statements;

(iv) reviewed the Group's internal control system and discussed with the management the relevant issues including financial, operational and compliance controls and risk management functions and ensured that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget; and

(v) made recommendation on the appointment or reappointment of the external auditor and approved their terms of engagement.

NOMINATION COMMITTEE

The Board set up the Nomination Committee on 9th March, 2007 with specific written terms of reference which clearly deal with its authority and duties. The Nomination Committee's roles are principally to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identify individuals suitably qualified to become Board members and make recommendations to the Board in this regard; and assess the independence of independent non-executive directors.

The members of the Nomination Committee are as follows:–

Mr. Li Jianbo	Chairman *(executive director)*
Mr. See Tak Wah	Member *(independent non-executive director)*
Mr. Wong Cheong	Member *(independent non-executive director)*

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in May 2005 with specific written terms of reference which clearly deal with its authority and duties. The Remuneration Committee's role is to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

The members of the Remuneration Committee are as follows:–

Madam Huang Haiping	Chairman *(executive director)*
Mr. See Tak Wah	Member *(independent non-executive director)*
Mr. Chau On Ta Yuen	Member *(independent non-executive director)*

During the Year, the individual attendance of the directors for Board meetings, Audit Committee meetings, Nomination Committee meetings and Remuneration Committee meetings is set out below:–

		No. of meetings attended/ no. of meetings held		
Directors	**Board meetings**	**Audit Committee meetings**	**Nomination Committee meetings**	**Remuneration Committee meeting**
Executive directors				
Mr. Lo Cheung Kin	7/7	Not applicable	Not applicable	Not applicable
Madam Huang Haiping	7/7	Not applicable	Not applicable	1/1
Mr. Li Jianbo	7/7	Not applicable	1/1	Not applicable
Madam Song Xiaoling	7/7	Not applicable	Not applicable	Not applicable
Independent non-executive directors				
Mr. See Tak Wah	5/7	2/2	1/1	1/1
Mr. Wong Cheong	6/7	2/2	1/1	Not applicable
Mr. Chau On Ta Yuen	5/7	2/2	Not applicable	1/1
Mr. Ngai Sai Chuen (appointed on 1st February, 2010)	0/7	Not applicable	Not applicable	Not applicable

AUDITOR'S REMUNERATION

During the Year, Deloitte Touche Tohmatsu, the external auditor of the Company, provided the following services to the Group and their respective fees charged are set out below:–

	Fees charged for the year ended 31st January	
Type of services	**2010**	2009
	HK$	*HK$*
Audit fee for the Group	**880,000**	490,000
Taxation services	**31,400**	47,800
Agreed upon procedure engagements	**30,000**	30,000
Special engagements	**100,000**	100,000
Total	**1,041,400**	667,800

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditor about their reporting responsibilities is set out on pages 23 to 24 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the Year, the Board reviewed the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board in particular considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. Though Mr. Chiu Wai On has ceased to act as the Company's Qualified Accountant with effect from 18th April, 2010, the Board considers the existing resources, qualifications and experience of staff and their training programmes and budget should be adequate in respect of the Group's accounting and financial reporting function.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st January, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 21 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st January, 2010 are set out in the consolidated statement of comprehensive income on page 25.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out on page 28 and in note 32 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 50% of the Group's revenue. The aggregate purchases, attributable to the Group's five largest suppliers were approximately 76% of total purchases of the Group. The largest customer and supplier accounted for approximately 18% and 34% of the Group's revenue and purchases respectively.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 17 and 16 to the consolidated financial statements, respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Lo Cheung Kin
Madam Huang Haiping
Mr. Li Jianbo
Madam Song Xiaoling

Independent non-executive directors:

Mr. See Tak Wah
Mr. Wong Cheong
Mr. Chau On Ta Yuen
Mr. Ngai Sai Chuen (appointed on 1st February, 2010)

In accordance with Article 81 of the Company's Articles of Association, Mr. Lo Cheung Kin, Mr. Li Jianbo and Mr. See Tak Wah will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 77 of the Company's Articles of Association, Mr. Ngai Sai Chuen will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

At 31st January, 2010, the interests and short positions of the directors and the chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Lo Cheung Kin	Corporate *(Note)*	29,173,638 ordinary shares of HK$1.00 each ("Shares") (L)	22.11%

(L) denotes long position

Note: The Shares are held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin.

Save as disclosed herein, at 31st January, 2010, none of the directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, at 31st January, 2010, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to section 336 of the SFO or who were 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 at general meetings of any member of the Group:

Name of shareholders	**Capacity**	**Number and class of securities**	**Percentage of issued ordinary share capital**
Lui Ming Ho	Beneficial	131,250,000 Shares (L) *(Note a)*	53.41%
Wong Kin Ping	Beneficial	56,250,000 Shares (L) *(Note b)*	31.12%
Mass Honour Investment Limited	Beneficial	29,173,638 Shares (L)	22.11%

(L) denotes long position

Notes:

(a) Among these 131,250,000 Shares, 17,500,000 Shares are beneficially owned by Mr. Lui Ming Ho and 113,750,000 Shares are to be obtained upon the full conversion of the convertible bonds in the principal amount of HK$191,100,000.

(b) Among these 56,250,000 Shares, 7,500,000 Shares are beneficially owned by Mr. Wong Kin Ping and 48,750,000 Shares are to be obtained upon the full conversion of the convertible bonds in the principal amount of HK$81,900,000.

Save as disclosed above, at 31st January, 2010, the directors were not aware of any other person (other than the directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under section 336 of the SFO, or who was 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 at general meetings of any member of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 10 to 16.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public floats as required under the Listing Rules throughout the year ended 31st January, 2010.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

LO CHEUNG KIN
Chairman

26th May, 2010

Deloitte.
德勤

TO THE MEMBERS OF BUILDMORE INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Buildmore International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 93, which comprise the consolidated and Company's statements of financial position as at 31st January, 2010, and the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st January, 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of HK$526,521,501 during the year ended 31st January, 2010 and, as of that date, the Group's total liabilities exceeded its total assets by HK$337,360,529 and the Company's total liabilities exceeded its total assets by HK$162,401,099. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26th May, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st January, 2010

	NOTES	2010 HK$	2009 HK$
Revenue	8	**9,807,983**	4,495,674
Cost of sales		**(5,164,707)**	(598,805)
Gross profit		**4,643,276**	3,896,869
Other income		**103,253**	684,355
Selling and distribution costs		**(993,656)**	–
Administrative expenses		**(10,298,267)**	(4,438,430)
Finance cost	9	**(13,666,171)**	–
Change in fair value of investment properties		**(21,983,884)**	(8,723,681)
Impairment loss on goodwill	19	**(509,234,337)**	–
Change in fair value of derivatives embedded in convertible bonds	29	**22,031,520**	–
Net exchange loss		**(111,256)**	(1,105,244)
Loss before taxation		**(529,509,522)**	(9,686,131)
Taxation	10	**2,988,021**	1,395,006
Loss for the year attributable to owners of the Company	11	**(526,521,501)**	(8,291,125)
Other comprehensive income			
Exchange difference arising on translation from functional currency to presentation currency		**81,872**	4,365,824
Total comprehensive expense for the year attributable to owners of the Company		**(526,439,629)**	(3,925,301)
Loss per share	15		
Basic		**(4.70)**	(0.08)
Diluted		**(4.70)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st January, 2010

	NOTES	2010 HK$	2009 HK$
Non-current assets			
Investment properties	16	**68,153,445**	85,749,294
Property, plant and equipment	17	**7,002,596**	775,386
Goodwill	18	**–**	–
Intangible assets	20	**673,427**	–
		75,829,468	86,524,680
Current assets			
Inventories	22	**1,582,877**	–
Trade and other receivables and prepayments	23	**4,435,310**	372,199
Bank balances and cash	24	**19,696,363**	37,701,724
		25,714,550	38,073,923
Current liabilities			
Trade and other payables and accruals	25	**6,781,562**	1,362,638
Amount due to a shareholder	26	**957,977**	–
Amount due to a director	27	**52,239**	52,239
Borrowings – due within one year	28	**1,180,719**	–
Tax liabilities		**740,959**	665,923
		9,713,456	2,080,800
Net current assets		**16,001,094**	35,993,123
Total assets less current liabilities		**91,830,562**	122,517,803
Non-current liabilities			
Amount due to a shareholder	26	**159,560,735**	–
Borrowings – due after one year	28	**4,096,099**	–
Convertible bonds	29	**257,647,080**	–
Deferred taxation	30	**7,887,177**	10,938,703
		429,191,091	10,938,703
Net (liabilities) assets		**(337,360,529)**	111,579,100
Capital and reserves			
Share capital	31	**131,973,638**	106,973,638
Share premium and reserves		**(469,334,167)**	4,605,462
Equity attributable to owners of the Company		**(337,360,529)**	111,579,100

The consolidated financial statements on pages 25 to 93 were approved and authorised for issue by the Board of Directors on 26th May, 2010 and are signed on its behalf by:

Lo Cheung Kin
DIRECTOR

Li Jianbo
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31st January, 2010

	NOTES	2010 HK$	2009 HK$
Non-current assets			
Property, plant and equipment	17	**244,190**	15,349
Interests in subsidiaries	21	**68,077,415**	66,348,652
Amounts due from subsidiaries	27	**18,609,622**	11,050,420
		86,931,227	77,414,421
Current assets			
Sundry receivables and prepayments		**143,980**	148,160
Amounts due from subsidiaries	27	**368,645**	3,452,451
Bank balances and cash	24	**8,765,823**	29,377,544
		9,278,448	32,978,155
Current liabilities			
Sundry payables and accruals		**963,694**	568,544
Amount due to a subsidiary	27	**–**	2,032,464
		963,694	2,601,008
Net current assets		**8,314,754**	41,427,567
Total assets less current liabilities		**95,245,981**	41,427,567
Non-current liability			
Convertible bonds	29	**257,647,080**	–
Net (liabilities) assets		**(162,401,099)**	107,791,568
Capital and reserves			
Share capital	31	**131,973,638**	106,973,638
Share premium and reserves	32	**(294,374,737)**	817,930
Equity attributable to owners of the Company		**(162,401,099)**	107,791,568

Lo Cheung Kin
DIRECTOR

Li Jianbo
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st January, 2010

	Attributable to owners of the Company					
	Share capital	**Share premium**	**Shareholder's contribution**	**Translation reserve**	**Accumulated losses**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st February, 2008	106,973,638	197,576,221	4,536,895	7,280,698	(200,863,051)	115,504,401
Loss for the year	–	–	–	–	(8,291,125)	(8,291,125)
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	4,365,824	–	4,365,824
Total comprehensive income (expense) for the year	–	–	–	4,365,824	(8,291,125)	(3,925,301)
At 31st January, 2009	106,973,638	197,576,221	4,536,895	11,646,522	(209,154,176)	111,579,100
Loss for the year	–	–	–	–	(526,521,501)	(526,521,501)
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	81,872	–	81,872
Total comprehensive income (expense) for the year	–	–	–	81,872	(526,521,501)	(526,439,629)
Shares issued as consideration for acquisition of subsidiaries *(note 33)*	25,000,000	52,500,000	–	–	–	77,500,000
At 31st January, 2010	131,973,638	250,076,221	4,536,895	11,728,394	(735,675,677)	(337,360,529)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st January, 2010

	NOTE	2010 HK$	2009 HK$
OPERATING ACTIVITIES			
Loss before taxation		**(529,509,522)**	(9,686,131)
Adjustments for:			
Depreciation of property, plant and equipment		**570,109**	142,952
Amortisation of intangible assets		**27,395**	–
Interest income		**(35,741)**	(662,877)
Interest expenses on borrowings wholly repayable within five years		**39,863**	–
Imputed interest expenses on amount due to a shareholder		**6,947,708**	–
Imputed interest expenses on convertible bonds		**6,678,600**	–
Impairment loss on goodwill		**509,234,337**	–
Gain on dissolution of subsidiaries		**–**	(14,800)
Loss on disposal of property, plant and equipment		**2,885**	–
Change in fair value of investment properties		**21,983,884**	8,723,681
Change in fair value of derivatives embedded in convertible bonds		**(22,031,520)**	–
Net exchange loss		**111,256**	1,105,244
Operating cash flows before movements in working capital		**(5,980,746)**	(391,931)
Increase in inventories		**(664,832)**	–
(Increase) decrease in trade and other receivables and prepayments		**(363,194)**	200,619
Decrease in trade and other payables and accruals		**(2,713,889)**	(226,410)
Cash used in operations		**(9,722,661)**	(417,722)
Hong Kong and overseas profits tax paid		**–**	(209,812)
NET CASH USED IN OPERATING ACTIVITIES		**(9,722,661)**	(627,534)
INVESTING ACTIVITIES			
Purchase of investment properties		**(4,302,552)**	(5,413,714)
Purchase of property, plant and equipment		**(4,261,439)**	(45,545)
Acquisition of subsidiaries, net of cash and cash equivalent acquired	33	**713,232**	–
Interest received		**35,741**	662,877
NET CASH USED IN INVESTING ACTIVITIES		**(7,815,018)**	(4,796,382)

	2010	2009
	HK$	*HK$*
FINANCING ACTIVITIES		
Repayment of borrowings	**(326,467)**	–
Interest paid	**(39,863)**	–
Payment of preference share dividend	**–**	(1,615,426)
NET CASH USED IN FINANCING ACTIVITIES	**(366,330)**	(1,615,426)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(17,904,009)**	(7,039,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**37,701,724**	44,669,825
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(101,352)**	71,241
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY		
Bank balances and cash	**19,696,363**	37,701,724

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 21.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). As the Company is listed on the Stock Exchange, the directors consider that it is appropriate to present the consolidated financial statements in HK$.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group and the Company in the light of the fact that the Group incurred a loss of HK$526,521,501 during the year ended 31st January, 2010 and, as of that date, the Group's total liabilities exceeded its total assets by HK$337,360,529 and the Company's total liabilities exceeded its total assets by HK$162,401,099. Subsequent to 31st January, 2010, the directors of the Company have taken the following actions to improve the liquidity position of the Group and the Company:

(i) a shareholder has undertaken not to demand repayment of the Advance (as defined in note 26) until such time as the Group has sufficient funds to repay the amount due by the Group and still be able to meet in full its other financial obligations after the repayment;

(ii) the holders of convertible bonds have undertaken not to redeem any amount of convertible bonds which remains outstanding on the maturity date until such time as the Group has sufficient funds to redeem the remaining outstanding amount of the convertible bonds and still be able to meet in full its other financial obligations after the redemption; and

(iii) the Group disposed of its investment properties with a carrying amount of approximately HK$1,774,000 at 31st January, 2010 at a consideration of approximately HK$2,247,000.

The directors of the Company consider that taking into account of the above, the cash requirements for the next twelve months from the end of the reporting period and the Group's ability to obtain external financing from the banks, if required, the Group and the Company will have sufficient working capital to meet in full their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (continued)

New and revised HKFRSs affecting presentation and disclosure only (continued)

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 8).

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group had an accounting policy that expensed all borrowing costs when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all borrowing costs that are directly attributable to the acquisition, construction on production of a qualifying asset as part of the cost of the qualifying asset. The revised accounting policy does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods as the Group does not have qualifying asset.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (continued)

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[8]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

3 Effective for annual periods beginning on or after 1st January, 2010.

4 Effective for annual periods beginning on or after 1st February, 2010.

5 Effective for annual periods beginning on or after 1st July, 2010.

6 Effective for annual periods beginning on or after 1st January, 2011.

7 Effective for annual periods beginning on or after 1st January, 2013.

8 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (continued)

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st February, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") and by the Hong Kong Companies Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less identified impairment loss. Income from investments in subsidiaries is accounted for on the basis of dividends received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sales of goods are recognised when goods are delivered and the title has passed.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Service income is recognised when services are provided.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are recongised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The costs of such intangible assets are their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Retirement benefits costs

Payments to defined contribution retirement benefits plans and state-managed retirement benefits schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and other observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities including trade and other payables, borrowings and amounts due to a director and a shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds issued by the Group that contain host liability and embedded derivatives (conversion option and early redemption option at the discretion of the issuer that is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and early redemption option are measured at fair values with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives in proportion to their relative fair values. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise. In the current year, the Group recognised on impairment loss of HK$509,234,337 (2009: nil). Details of the value in use calculation are set out in note 19.

Fair value of derivatives embedded in convertible bonds

The management of the Group uses their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives embedded in convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the derivatives (see note 29). If the inputs and estimates applied in the model are different, the carrying amount of these derivatives will change. The carrying value of the derivatives embedded in convertible bonds at 31st January, 2010 was HK$85,702,547 (2009: nil).

Fair value of investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of HK$68,153,445 (2009: HK$85,749,294) based on the valuation performed by an independent qualified professional valuer. The fair value has been determined based on the market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential. In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents, borrowings, convertible bonds, amount due to a shareholder, amount due to a director and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Financial assets				
Loans and receivables (including cash and cash equivalents)	**23,902,209**	37,900,204	**8,765,823**	43,880,415
Financial liabilities				
Amortised cost	**344,573,864**	1,414,877	**172,908,227**	2,601,008
Derivatives embedded in convertible bonds	**85,702,547**	–	**85,702,547**	–

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and accruals, borrowings, convertible bonds and amounts due to a director and a shareholder. The Company's major financial instruments include sundry receivables, amounts due from subsidiaries, bank balances and cash, sundry payables and accruals, amounts due to subsidiaries and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's revenue are denominated and settled in RMB or Japanese Yen ("JPY"). In addition, the Group incurred most of the expenditures for operating purposes as well as capital expenditures in RMB or JPY. Hence, the directors considered that the Group's exposure to foreign currency exchange risk arising from its operating activities is insignificant as the majority of the Group's operating activities are denominated in functional currency of the respective group entities.

The carrying amounts of the Group and Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Assets				
HK$	**8,828,744**	29,429,426	**8,765,823**	29,377,544
Liabilities				
HK$	**171,944,533**	–	**171,944,533**	–

The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% (2009: 5%) increase and decrease in HK$ against the functional currency of the relevant group entities. 5% (2009: 5%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year where relevant currencies strengthen 5% (2009: 5%) against the functional currency of the relevant group entities. For a 5% (2009: 5%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result and the balances below would be negative.

	Profit or loss			
	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
HK$	**(8,156,000)**	1,471,000	**(8,159,000)**	1,469,000

This is mainly attributable to the exposure on HK$ bank balance and the liability component of convertible bonds at year end in the Group and the Company.

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to banks deposits and borrowings that carrying interest at variables rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the non-derivative instruments. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represent management's assessments of the reasonably possible changes in interest rates of variable rate borrowings.

For variable rate borrowings, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$264,000 (2009: nil).

Other price risk

The Group was exposed to equity price risk relating to the derivatives embedded in convertible bonds. The fair values of the derivatives embedded in convertible bonds were calculated using the Binomial Model. Details of these derivatives are set out in note 29.

If the input of share price to the valuation model of the derivatives embedded in the convertible bonds had been 5% higher/lower while all other variables were held constant, there would be no reasonably possible changes on the fair values of the derivatives embedded on convertible bonds.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

The Group's credit risk are primarily attributable to trade and other receivables and bank balances. The Company's credit risk are primarily attributable to sundry receivables, amounts due from subsidiaries and bank balances.

The Group and Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st January, 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In order to minimise the credit risk of the Company on the amounts due from subsidiaries, the management of the Company closely monitored the recoverability of the amounts due. In this regards, the directors of the Company consider that the Company's credit risk on it is significantly reduced.

The Group and Company's bank balances are deposited with banks in Hong Kong, Japan and the People's Republic of China (excluding Hong Kong) ("PRC"). The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has concentration of credit risk as 35% of the total trade debtors as at 31st January, 2010 (2009: nil) was due from the Group's five largest customers within the sales of dye-sublimation printed products operating segment. In order to minimise the credit risk of those receivables, the management of the Group closely monitored the recoverability of the amounts due. In this regards, the management of the Group consider that the Group's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As mentioned in note 2, the directors have given careful consideration to the future liquidity of the Group in the light of its net liabilities as at 31st January, 2010, certain actions have been taken by the directors to ensure that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms as at the reporting date. For financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

THE GROUP

	Weighted average interest rate	Less than 1 month	1-3 months	4-12 months	1-5 years	Total undiscounted cash flows	Total carrying amounts at 31.1.2010
	% per annum	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2010							
Non-derivative financial liabilities							
Trade and other payables and accruals	–	1,592,018	3,228,010	1,961,534	–	6,781,562	6,781,562
Amount due to a shareholder	–	957,977	–	–	–	957,977	957,977
Amount due to a director	–	–	52,239	–	–	52,239	52,239
Borrowings	2.85%	–	328,916	980,610	4,306,665	5,616,191	5,276,818
Amount due to a shareholder	18.21%	–	–	–	219,285,077	219,285,077	159,560,735
Liability component of convertible bonds	18.21%	–	–	–	273,000,000	273,000,000	171,944,533
		2,549,995	3,609,165	2,942,144	496,591,742	505,693,046	344,573,864

	Weighted average interest rate	Less than 1 month	1-3 months	4-12 months	1-5 years	Total undiscounted cash flows	Total carrying amounts at 31.1.2009
	% per annum	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2009							
Non-derivative financial liabilities							
Trade and other payables and accruals	–	–	1,362,638	–	–	1,362,638	1,362,638
Amount due to a director	–	–	52,239	–	–	52,239	52,239
		–	1,414,877	–	–	1,414,877	1,414,877

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

THE COMPANY

	Weighted average interest rate *% per annum*	Less than 1 month *HK$*	1-3 months *HK$*	4-12 months *HK$*	1-5 years *HK$*	Total undiscounted cash flows *HK$*	Total Total carrying amounts at 31.1.2010 *HK$*
2010							
Non-derivative financial liabilities							
Sundry payables and accruals	-	-	963,694	-	-	-	963,694
Liability component of convertible bonds	18.21%	-	-	-	273,000,000	273,000,000	171,944,533
		-	963,694	-	273,000,000	273,000,000	172,908,227

As at 31st January, 2009, the Company had mainly short-term liabilities which are to be repaid within two months from the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities (excluding derivatives embedded convertible bonds) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable market transactions as inputs.

- The fair values of the embedded conversion option and early redemption option embedded in the convertible bonds are estimated using Binomial Model, as set out in note 29.

7. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements and the Company's statement of financial position approximate to their fair values.

Fair value measurement recognised in the consolidated and Company's statement of financial position

Derivatives embedded in convertible bonds are grouped into Level 3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market date (unobservable inputs). The reconciliation of fair value measurements of derivatives embedded in convertible bonds are set out in note 29. The change in fair value of HK$22,031,520 relates to derivatives embedded in convertible bonds held at the end of the reporting period and is included in "Change in fair value of derivatives embedded in convertible bonds" in the consolidated statement of comprehensive income.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents property rental, property management fee, hotel management fee and sales of dye-sublimation printed products received and receivables during the year. An analysis of revenue is set out as below.

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st February, 2009. HKFRS 8 is a disclosure standard that 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 makers, represented by executive directors of the Company, for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The information reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of performance is focused on the business divisions. The Group is currently organised into four operating segments – (i) property investment; (ii) property management; (iii) hotel management and (iv) sales of dye-sublimation printed products.

8. REVENUE AND SEGMENT INFORMATION (continued)

During the year, the Group commenced the business in hotel management, and involved in the business of sales of dye-sublimation printed products after the acquisition of subsidiaries, as set out in note 33.

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31st January, 2010

	Property investment	Property management	Hotel management	Sales of dye-sublimation printed products	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
REVENUE					
Segment revenue – external sales	2,473,790	103,456	621,223	6,609,514	9,807,983
RESULTS					
Segment results	(21,326,109)	(357,127)	30,734	(510,246,833)	(531,899,335)
Other income					103,253
Corporate administrative expenses					(6,007,396)
Imputed interest expenses on amount due to a shareholder					(6,947,708)
Imputed interest expenses on convertible bonds					(6,678,600)
Change in fair value of derivatives embedded in convertible bonds					22,031,520
Exchange loss					(111,256)
Loss before taxation					(529,509,522)

8. REVENUE AND SEGMENT INFORMATION (continued)

For the year ended 31st January, 2009

	Property investment	Property management	Total
	HK$	*HK$*	*HK$*
REVENUE			
Segment revenue – external sales	4,060,684	434,990	4,495,674
RESULTS			
Segment results	(5,798,285)	(310,106)	(6,108,391)
Other income			684,355
Corporate administrative expenses			(3,156,851)
Exchange loss			(1,105,244)
Loss before taxation			(9,686,131)

Segment results represent the results generated by each segment without allocation of corporate administrative expenses including directors' salaries, other income, imputed interest expenses on amount due to a shareholder, imputed interest expenses on convertible bonds and exchange loss. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31st January, 2010

	Property investment	Property management	Hotel management	Sales of dye-sublimation printed products	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
SEGMENT ASSETS					
Segment assets	68,618,559	–	15,602	10,794,055	79,428,216
Property, plant and equipment (for corporate)					4,200,054
Other receivables and prepayments (for corporate)					143,980
Bank balances and cash (for corporate)					17,771,768
Consolidated assets					101,544,018
SEGMENT LIABILITIES					
Segment liabilities	9,759,395	9,420	6,506	9,647,695	19,423,016
Other payables and accruals (for corporate)					1,263,500
Amount due to a shareholder					160,518,712
Amount due to a director					52,239
Convertible bonds					257,647,080
Consolidated liabilities					438,904,547

8. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31st January, 2009

	Property investment *HK$*	Property management *HK$*	Total *HK$*
SEGMENT ASSETS			
Segment assets	86,720,159	13,211	86,733,370
Property, plant and equipment (for corporate)			15,349
Other receivables and prepayments (for corporate)			148,160
Bank balances and cash (for corporate)			37,701,724
Consolidated assets			124,598,603
SEGMENT LIABILITIES			
Segment liabilities	12,376,060	22,660	12,398,720
Other payables and accruals (for corporate)			568,544
Amount due to a director			52,239
Consolidated liabilities			13,019,503

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable segments, other than corporate assets of the Group.
- All liabilities are allocated to reportable segments, other than liabilities not directly related to operation of segments such as other payables and accruals for corporate, amount due to a shareholder, amount due to a director and convertible bonds.

8. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31st January, 2010

	Property investment *HK$*	Property management *HK$*	Hotel management *HK$*	Sales of dye-sublimation printed products *HK$*	Total *HK$*
Additions of property, plant and equipment	**54,749**	**–**	**9,477**	**–**	**64,226**
Amortisation of intangible assets	**–**	**–**	**–**	**27,395**	**27,395**
Depreciation of property, plant and equipment	**145,927**	**–**	**1,819**	**185,477**	**333,223**
Change in fair value of investment properties	**21,983,884**	**–**	**–**	**–**	**21,983,884**
Impairment loss on goodwill	**–**	**–**	**–**	**509,234,337**	**509,234,337**

For the year ended 31st January, 2009

	Property investment *HK$*	Property management *HK$*	Total *HK$*
Additions of property, plant and equipment	45,545	–	45,545
Depreciation of property, plant and equipment	142,952	–	142,952
Change in fair value of investment properties	8,723,681	–	8,723,681

8. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Japan and PRC.

The Group's revenue from external customers by geographic location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 31.1.2010	Year ended 31.1.2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
PRC	**3,198,469**	4,495,674	**72,556,579**	86,509,331
Hong Kong	**–**	–	**244,190**	15,349
Japan	**6,609,514**	–	**3,028,699**	–
	9,807,983	4,495,674	**75,829,468**	86,524,680

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$	*HK$*
Customer A – Sales of dye-sublimation printed products	**1,777,880**	–
Customer B – Sales of dye-sublimation printed products	**1,060,958**	–
Customer C – Property investment	**1,036,547**	–
Customer D – Property investment	**–**	1,596,514

9. FINANCE COSTS

	2010	2009
	HK$	*HK$*
Interest expenses on borrowings wholly repayable within five years	**39,863**	–
Imputed interest expenses on amount due to a shareholder	**6,947,708**	–
Imputed interest expenses on convertible bonds	**6,678,600**	–
	13,666,171	–

10. TAXATION

	2010	2009
	HK$	*HK$*
Current tax charge:		
PRC	**(74,543)**	(212,645)
Deferred tax:		
Current year *(note 30)*	**3,062,564**	1,607,651
Taxation attributable to the Group	**2,988,021**	1,395,006

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. Taxation arising in PRC is calculated at the rates prevailing in the relevant jurisdictions.

10. TAXATION (continued)

Income tax arising in Japan is calculated at an effective corporate tax rate of 42%, comprising the aggregate of national tax, inhabitants tax and enterprise tax for a corporation with share capital exceeding JPY 100 million. No provision for Japan corporate tax is provided in the consolidated statement of comprehensive income for the year ended 31st January, 2010, since there is no assessable profit in Japan for the year.

Details of the deferred taxation are set out in note 30.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$	*HK$*
Loss before taxation	**(529,509,522)**	(9,686,131)
Taxation at tax rate of 25% (2009: 25%)	**(132,377,381)**	(2,421,533)
Tax effect of expenses not deductible for tax purpose	**133,316,669**	57,570
Tax effect of income not taxable for tax purpose	**(5,525,795)**	(115,525)
Tax effect of tax losses not recognised	**1,414,519**	641,273
Tax effect of different tax rates of group entities operating in other jurisdiction	**183,967**	443,209
Taxation for the year	**(2,988,021)**	(1,395,006)

11. LOSS FOR THE YEAR

	2010	2009
	HK$	*HK$*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,000,000**	615,680
Cost of inventories that recognised as an expense	**3,031,032**	–
Depreciation of property, plant and equipment	**570,109**	142,952
Amortisation of intangible assets (included in cost of sales)	**27,395**	–
Directors' emoluments *(note 12)*	**1,324,628**	1,187,964
Gross rents from investment properties under operating lease	**(2,473,790)**	(4,060,684)
Less: Outgoings	**270,087**	260,637
Net rental income	**(2,203,703)**	(3,800,047)
Loss on disposal of property, plant and equipment	**2,885**	–
Other staff costs (including contribution to retirement benefits schemes of HK$217,533 (2009: HK$12,800))	**2,982,085**	1,132,174
Operating lease rentals in respect of:		
Premises	**250,192**	87,389
Equipment	**89,221**	–
Interest income	**(35,741)**	(662,877)

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2009: 8) directors were as follows:

For the year ended 31st January, 2010

	Lo Cheung Kin	**Li Jianbo**	**Huang Haiping**	**Song Xiaoling**	**Chau On Ta Yuen**	**See Tak Wah**	**Wong Cheong**	**Total**
	HK$	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***
Fees	**388,338**	**204,290**	**204,000**	**126,000**	**120,000**	**120,000**	**120,000**	**1,282,628**
Other emoluments								
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Contributions to retirement benefits schemes	**7,500**	**–**	**10,200**	**6,300**	**6,000**	**6,000**	**6,000**	**42,000**
Total emoluments	**395,838**	**204,290**	**214,200**	**132,300**	**126,000**	**126,000**	**126,000**	**1,324,628**

For the year ended 31st January, 2009

	Lo Cheung Kin	Li Jianbo	Huang Haiping	Song Xiaoling	Chau On Ta Yuen	See Tak Wah	Wong Cheong	David Gregory Jeaffreson	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Fees	386,208	199,656	204,000	18,000	20,000	120,000	120,000	90,000	1,157,864
Other emoluments									
Salaries and other benefits	–	–	–	–	–	–	–	–	–
Contributions to retirement benefit schemes	6,000	–	10,200	900	1,000	6,000	6,000	–	30,100
Total emoluments	392,208	199,656	214,200	18,900	21,000	126,000	126,000	90,000	1,187,964

12. DIRECTORS' EMOLUMENTS (continued)

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

13. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining (2009: one) individual was as follows:

	2010	2009
	HK$	*HK$*
Salaries and allowances	**196,000**	216,000
Contributions to retirement benefits schemes	**7,800**	8,000
	203,800	224,000

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

14. DIVIDEND

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the statement of financial position date (2009: nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$	*HK$*
Loss for the purposes of basic and diluted loss per share	**(526,521,501)**	(8,291,125)

	Number of shares	
	2010	2009
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	**111,935,426**	106,973,638

The calculation of diluted loss per share for the year ended 31st January, 2010 does not assume the conversion of convertible bonds into ordinary shares of the Company because the assumed conversion would reduce the loss per share.

No diluted loss per share has been presented for the year ended 31st January, 2009 as there were no potential ordinary shares subsisted during the year.

16. INVESTMENT PROPERTIES

	HK$
FAIR VALUE	
At 1st February, 2008	85,379,452
Additions	5,413,714
Decrease in fair value recognised in the consolidated statement of comprehensive income	(8,723,681)
Exchange adjustments	3,679,809
At 31st January, 2009	85,749,294
Additions	4,302,552
Decrease in fair value recognised in the consolidated statement of comprehensive income	(21,983,884)
Exchange adjustments	85,483
At 31st January, 2010	68,153,445

The fair value of the Group's investment properties with carrying amount of HK$68,153,445 at 31st January, 2010 (2009: HK$85,749,294) has been arrived at on the basis of a valuation carried out on that date by Messrs DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Messrs DTZ Debenham Tie Leung Limited are members of the Institute of Valuers. The valuation was arrived at by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the property.

The investment properties were situated outside Hong Kong and held on medium-term lease. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Leasehold improvement	Plant and machinery	Air-conditioning system	Furniture, fixtures and office equipment	Computer system	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
THE GROUP								
COST								
At 1st February, 2008	–	–	–	38,000	140,524	203,590	831,409	1,213,523
Additions	–	–	–	–	45,545	–	–	45,545
Exchange adjustments	–	–	–	–	2,392	–	37,772	40,164
At 31st January, 2009	–	–	–	38,000	188,461	203,590	869,181	1,299,232
Additions	3,625,442	325,242	–	–	74,244	–	236,511	4,261,439
Acquired on acquisition of subsidiaries *(note 33)*	–	132,961	1,755,164	–	222,142	430,482	–	2,540,749
Disposals	–	–	–	–	(28,846)	–	–	(28,846)
Exchange adjustments	(2,757)	–	–	–	102	–	885	(1,770)
At 31st January, 2010	3,622,685	458,203	1,755,164	38,000	456,103	634,072	1,106,577	8,070,804
DEPRECIATION								
At 1st February, 2008	–	–	–	37,115	98,645	198,382	42,554	376,696
Provided for the year	–	–	–	89	15,658	1,042	126,163	142,952
Exchange adjustments	–	–	–	–	1,371	–	2,827	4,198
At 31st January, 2009	–	–	–	37,204	115,674	199,424	171,544	523,846
Provided for the year	122,266	118,498	115,345	89	45,753	37,178	130,980	570,109
Eliminated on disposals	–	–	–	–	(25,961)	–	–	(25,961)
Exchange adjustments	–	–	–	–	39	–	175	214
At 31st January, 2010	122,266	118,498	115,345	37,293	135,505	236,602	302,699	1,068,208
CARRYING VALUES								
At 31st January, 2010	3,500,419	339,705	1,639,819	707	320,598	397,470	803,878	7,002,596
At 31st January, 2009	–	–	–	796	72,787	4,166	697,637	775,386

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Air-conditioning system	Furniture, fixtures and office equipment	Computer system	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
THE COMPANY					
COST					
At 1st February, 2008 and 31st January, 2009	38,000	99,130	203,590	–	340,720
Additions	–	–	–	236,511	236,511
At 31st January, 2010	38,000	99,130	203,590	236,511	577,231
DEPRECIATION					
At 1st February, 2008	37,115	86,146	198,382	–	321,643
Provided for the year	89	2,597	1,042	–	3,728
At 31st January, 2009	37,204	88,743	199,424	–	325,371
Provided for the year	89	2,597	1,042	3,942	7,670
At 31st January, 2010	37,293	91,340	200,466	3,942	333,041
CARRYING VALUES					
At 31st January, 2010	707	7,790	3,124	232,569	244,190
At 31st January, 2009	796	10,387	4,166	–	15,349

The leasehold land and building of the Group with carrying amount of HK$3,500,419 (2009: nil) was situated outside Hong Kong and held on medium-term lease. The directors of the Company considered that the leasehold land and building elements cannot be separately identified.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	Over the shorter of the remaining term of the lease or 50 years
Leasehold improvement	Over the shorter of $33^1/_3$% or the term of the lease
Plant and machinery	20%
Air-conditioning system	10%
Furniture, fixtures and office equipment	20%
Computer system	20%
Motor vehicles	20%

18. GOODWILL

	HK$
COST AND CARRYING VALUES	
At 1st February, 2008 and 2009	–
Acquisition of subsidiaries *(note 33)*	509,234,337
Impairment loss recognised in the year	(509,234,337)
At 31st January, 2010	–

Particulars regarding impairment testing on goodwill are disclosed in note 19.

19. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS

In the current year, the Group acquired 100% equity interest in United Achieve (as defined in note 21). United Achieve is an investment holding company and has 72.12% equity interest in Viswell (as defined in note 21). Viswell is an investment holding company which in turn holds 100% of the registered capital of Rakupuri (as defined in note 21) that is engaged in sale of dye-sublimation printed products. Details of the acquisition are set out in note 33.

19. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Management considered that the subsidiary, Rakupuri, represents a separate cash generating unit ("CGU") for the purpose of impairment testing.

During the year ended 31st January, 2010, the Group recognised an impairment loss of HK$509,234,337 in relation to goodwill allocated to Rakupuri, a subsidiary of United Achieve, for impairment testing purpose.

The goodwill arising from the acquisition of United Achieve and its subsidiaries (the "United Achieve Group") represented the excess of the cost of acquisition over the Group's interest in the provisional fair value of the identifiable assets and liabilities of the United Achieve Group. Two convertible bonds with the aggregate principal amount of HK$273,000,000 were issued and 25,000,000 ordinary shares of the Company were issued and allotted to the vendors to acquire the 100% equity interest in United Achieve. In accordance with HKFRS 3 "Business combinations" issued by the HKICPA, the cost of this business combination was determined using the fair values at the date of the business combination of these instruments issued by the Group. The Group has performed an impairment assessment on the carrying amount of the CGU (including goodwill) based on value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the relevant periods. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the estimates made by the management on the industry. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flows forecasts derived from the most recent financial budgets approved by management for the next four years. The CGU's cashflows beyond the 4-year period are extrapolated using a steady 3% growth rate. The financial budgets and growth rates are estimated according to the stage of operation with reference to the development curve of the industry. The rate used to discount the forecast cash flows for the CGU is 17.7%.

Management expected the operation scale of the CGU after the Acquisition (as defined in note 26) would be further expanded by incorporating the resources of the Group. However, such expectations are not incorporated as assumptions in preparing the cash flow forecasts for impairment testing purpose as they are not clearly supported and therefore not included in the value in use calculations. Since the carrying amount of the CGU (including goodwill) is significantly above its recoverable amount, the Group fully impaired the amount of goodwill of HK$509,234,337 in the current year.

20. INTANGIBLE ASSETS

	Patent	Trademark	License	Total
	HK$	*HK$*	*HK$*	*HK$*
COST				
At 1st February, 2008 and 2009	–	–	–	–
Acquisition of subsidiaries *(note 33)*	604,897	65,295	30,630	700,822
At 31st January, 2010	604,897	65,295	30,630	700,822
AMORTISATION				
At 1st February, 2008 and 2009	–	–	–	–
Charge for the year	25,516	1,879	–	27,395
At 31st January, 2010	25,516	1,879	–	27,395
CARRYING VALUE				
At 31st January, 2010	579,381	63,416	30,630	673,427
At 31st January, 2009	–	–	–	–

Intangible assets have definite useful lives and are amortised on a straight-line basis over eight to ten years.

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$	*HK$*
Unlisted shares, at cost	**418,577,415**	66,348,652
Less: Impairment losses recognised	**(350,500,000)**	–
	68,077,415	66,348,652

21. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31st January, 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital/ registered capital held by the Company				Paid up issued share capital/ registered capital	Principal activities
			Directly		Indirectly			
			2010	2009	**2010**	2009		
Jiacheng (Fujian) Investments Co., Ltd. (formerly known as Victorfield Fujian) Property Development Co., Ltd.) (Wholly foreign-owned Enterprise ("WFOE"))	PRC	Paid in capital	**100%**	100%	**-**	–	US$500,000	Property investment and property management
Vast Glory Investment Limited	Hong Kong	Ordinary	**100%**	100%	**-**	–	HK$1	Investment holding
Vast Glory (Fujian) Hotel Management Limited (WFOE)	PRC	Paid in capital	**-**	–	**100%**	100%	HK$5,600,000	Hotel management
Faith Stand (China) Limited	Hong Kong/ PRC	Ordinary	**100%**	100%	**-**	–	HK$1	Property investment
United Achieve International Limited ("United Achieve")	BVI	Ordinary	**100%**	–	**-**	–	US$50,000	Investment holding
Viswell International Limited ("Viswell")	BVI	Ordinary	**-**	–	**72.12%**	–	US$5,471	Investment holding

21. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital/ registered capital held by the Company				Paid up issued share capital/ registered capital	Principal activities
			Directly		Indirectly			
			2010	2009	**2010**	2009		
Rakupuri Inc. ("Rakupuri")	Japan	Ordinary	**-**	–	**72.12%**	–	JPY187,960,000	Manufacturing and sale of dye-sublimation printed products

The Company recognised an impairment loss of HK$350,500,000 (2009: nil) to fully write down the investment in United Achieve by reference to the financial performance and financial position of the United Achieve Group.

None of the subsidiaries had issued any debt securities during the year or at the end of reporting period.

22. INVENTORIES

	THE GROUP	
	2010	2009
	HK$	*HK$*
Raw materials	**1,130,906**	–
Work in progress	**102,967**	–
Finished goods	**349,004**	–
	1,582,877	–

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP	
	2010	2009
	HK$	*HK$*
Trade receivables	**4,401,045**	198,480
Less: Allowance for bad and doubtful debts	**(939,169)**	–
	3,461,876	198,480
Other receivables and prepayments	**973,434**	173,719
	4,435,310	372,199

The following is an aged analysis of trade debtors net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$	*HK$*
0 – 90 days	**2,794,123**	198,480
91 – 180 days	**223,445**	–
181 – 365 days	**444,308**	–
	3,461,876	198,480

The Group allows a general credit period of one month to its tenants and no specific credit terms granted to the trade customers for sale of dye-sublimation printed products in which invoice is due on presentation.

As at 31st January, 2010, the whole amount of trade debtors (2009: nil) was related to the sale of dye-sublimation printed products and were all past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 80 days as at 31st January, 2010 (2009: not applicable). As at 31st January, 2009, trade receivables were neither past due nor impaired.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Movement in the allowance for bad and doubtful debts for trade receivables

	2010	2009
	HK$	*HK$*
Balance at beginning of the year	**–**	–
Acquisition of subsidiaries	**939,169**	–
Balance at end of the year	**939,169**	–

Included in the allowance for doubtful debts of HK$939,169 (2009: nil) are individually impaired trade debtors, which were long outstanding overdue. The Group has provided fully for these debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade receivable from the date of invoice up to the statement of financial position date. The trade debtors past due but not impaired for were either subsequently settled or with no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

24. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

The bank balances of the Group are mainly denominated in RMB, HKD and JPY, while the bank balances of the Company are denominated in HKD. The balances carried interest at interest rates which range from 0.001% to 0.36% per annum (2009: 0.01% to 0.73% per annum). Included in the bank balances and cash of the Group is amount denominated in RMB of approximately HK$8,943,000 (2009: HK$8,273,000), which is not freely convertible into other currencies.

The bank balances of the Group of approximately HK$8,829,000 (2009: HK$29,429,000) was denominated in HKD, the currency other than the functional currency of the respective group entity.

The bank balances of the Company of approximately HK$8,766,000 (2009: HK$29,378,000) was denominated in HKD, the currency other than the functional currency of the Company.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2010	2009
	HK$	*HK$*
Trade payables	**2,960,637**	–
Other payables and accruals	**2,068,249**	1,137,609
Tax payables other than income tax	**1,663,793**	165,679
Advanced payments from customers	**88,883**	59,350
	6,781,562	1,362,638

The following is an aged analysis of trade payables presented based on the invoice date at the reporting date:

	2010	2009
	HK$	*HK$*
0 – 90 days	**2,857,794**	–
91 – 180 days	**10,322**	–
181 – 365 days	**1,050**	–
> 365 days	**91,471**	–
	2,960,637	–

26. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder of HK$160,518,712 represents an amount due to one of the vendors of United Achieve (the "Vendor") who has become a shareholder of the Company upon the acquisition of United Achieve. This amount due to the Vendor was part of the identifiable net liabilities of the United Achieve Group at the date of acquisition (see note 33).

An amount of HK$957,977 included in the amount due to a shareholder is unsecured, non-interest bearing and repayable on demand and accordingly, it is included in current liabilities in the consolidated statement of financial position as at 31st January, 2010.

The remaining amount of HK$159,560,735 is classified as a non-current liability in the consolidated statement of financial position and recognised based on the effective interest method with an effective interest rate of 18.21% per annum. The principal amount of the non-current portion of amount due to a shareholder is HK$219,285,077 and it is unsecured and non-interest bearing. Pursuant to the letter dated 5th October, 2009 from the Vendor, the Vendor has undertaken that be would not demand for repayment of the advance of HK$219,285,077 (the "Advance") to United Achieve from the date of completion of the acquisition of United Achieve (the "Acquisition") under the sale and purchase agreement dated 14th September, 2009 (the "Agreement") to 31st December, 2011. The Acquisition was completed on 11th November, 2009 (see note 33).

Pursuant to another letter dated 19th May, 2010, the Vendor has further undertaken not to demand repayment of the Advance until such time as the Group has sufficient funds to repay the Advance and still be able to meet in full its other financial obligations after the repayment.

27. AMOUNTS DUE FROM/TO SUBSIDIARIES AND A DIRECTOR

THE GROUP

The amount due to a director is unsecured, non-interest bearing and repayable on demand.

THE COMPANY

The amounts due from subsidiaries are unsecured and bear interest at 1.5% per annum (2009: non-interest bearing). HK$18,609,622 (2009: HK$11,050,420) of the balance is expected to be repayable after one year and shown under non-current assets. The remaining balance is expected to be repayable within twelve months and shown under current assets. The non-current portion is carried at amortised cost using an effective interest rate of 10%. In the current year, an impairment loss of HK$7,294,400 (2009: nil) was recognised by reference to the financial performance and financial position of the relevant subsidiaries.

The amount due to a subsidiary was unsecured, non-interest bearing and repayable on demand.

28. BORROWINGS

	2010	2009
	HK$	*HK$*
Borrowings comprise the following:		
Unsecured bank loans	**5,276,818**	–
Carrying amount repayable:		
Within one year	**1,180,719**	–
More than one year, but not exceeding two years	**1,847,160**	–
More than two years but not more than five years	**2,248,939**	–
	5,276,818	–
Less: Amounts due within one year shown under current liabilities	**1,180,719**	–
	4,096,099	–

The above borrowings bear interests at a ranging from 2.45% to 3.00% per annum.

The above bank loans were granted by the banks under the guarantees given by a minority shareholder of a subsidiary.

29. CONVERTIBLE BONDS

As set out in note 33, the Company issued, as partial settlement for the Acquisition, two zero coupon convertible bonds which have an aggregate principal amount of HK$273,000,000 on 11th November, 2009 to the vendors (the "Vendors"), with maturity date on the third anniversary of the date of the issue of the convertible bonds.

The convertible bonds should accrue no interest and may be assignable or transferable subject to the prior notification to the Company.

The convertible bonds are denominated in Hong Kong dollars and can be converted into ordinary shares of the Company at HK$1.68 per share at any time from the issue date until the maturity date, provided that no conversion of the convertible bonds can take place for a period of six months commencing from the date of issue of the convertible bonds and the number of ordinary shares to be issued and allotted to the Vendors upon the exercise of the conversion rights attached to the convertible bonds and, if applicable, together with any ordinary shares already owned or agreed to be acquired by the Vendors and/or parties acting in concert with it cannot represent 30% or more of the then issued ordinary share capital of the Company.

The conversion price of HK$1.68 is subject to certain anti-dilution adjustments and certain events such as changes in the share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company at substantial discount to market value.

The convertible bonds mature on 10th November, 2012 and can be redeemed at par at the discretion of the issuer in whole or in part anytime before the maturity date by serving at least thirty days' prior written notice to the bondholders. Unless previously converted or lapsed or redeemed by the Company, the Company will redeem the convertible bonds on the maturity date at its then outstanding principal amount.

The convertible bonds contain liability component and conversion option and issuer's early redemption option components.

29. CONVERTIBLE BONDS (continued)

The fair value of the liability component on initial recognition was calculated at the present value of the principal amount. The discount rate used in the calculation is 18.21% per annum which represents the cost of debt applicable to the Group at the issue date. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The effective interest rate of the liability component is 18.21% per annum.

The embedded conversion option represents the fair value of the bondholders' option to convert the convertible bonds into ordinary shares. However, since the conversion will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, the conversion option is treated as a derivative and is measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss. The issuer's early redemption option is not closely related to the host liability and is measured at fair value at the end of each reporting periods with changes in fair value recognised in profit or loss.

Pursuant to the letters dated 19th May, 2010, the Vendors under the Agreement have undertaken not to redeem any amount of convertible bonds which remains outstanding on the maturity date until such time as the Group and the Company have sufficient funds to redeem the remaining outstanding amount of the convertible bonds and still be able to meet in full their other financial obligations after the redemption.

The movement of the liability and derivatives components of the convertible bonds during the year is set out below:

	Liability	**Derivatives embedded in convertible bonds**	**Total**
	HK$	*HK$*	*HK$*
At 1st February, 2008 and 31st January, 2009	–	–	–
Issued during the year, upon the acquisition of subsidiaries *(note 33)*	165,265,933	107,734,067	273,000,000
Change in fair value	–	(22,031,520)	(22,031,520)
Imported interest recognised	6,678,600	–	6,678,600
At 31st January, 2010	171,944,533	85,702,547	257,647,080

29. CONVERTIBLE BONDS (continued)

The fair value of the conversion option is calculated using the Binomial Model. The inputs into the model were as follows:

	At 31.1.2010	At 11.11.2009
Share price	**HK$3.00**	HK$3.10
Conversion price	**HK$1.68**	HK$1.68
Expected volatility *(note a)*	**122.17%**	126.62%
Expected life *(note b)*	**2.78 years**	3 years
Risk free rate *(note c)*	**0.887%**	0.869%
Expected dividend yield *(note d)*	**0%**	0%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the option.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes.

(d) The expected dividend yield was based on the historical dividend payment record of the Company.

The fair value of the issuer's early redemption option held by the Company is determined as the difference between the fair values of the convertible bonds with and without the redemption option under the Binomial Model.

30. DEFERRED TAXATION

THE GROUP

The following is the major deferred tax liability recognised and movement thereon during the current and prior reporting period:

	Investment properties
	HK$
At 31st January, 2008	12,042,263
Exchange adjustments	504,091
Credit to profit or loss	(1,607,651)
At 31st January, 2009	10,938,703
Exchange adjustments	11,038
Credit to profit or loss	(3,062,564)
At 31st January, 2010	7,887,177

At the end of the reporting period, estimated unused tax losses of HK$46,753,000 (2009: HK$18,695,000) are available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to the unpredictability of future profit stream. The estimated tax losses of HK$22,104,000 (2009: nil) will expire after seven years from the years of assessment to which they relate which range from 2011 to 2017. The remaining tax losses may be carried forward indefinitely.

THE COMPANY

At the end of the reporting period, estimated unused tax losses of HK$24,092,000 (2009: HK$18,685,000) are available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Number of shares		Amount of Share capital	
	2010	2009	**2010**	2009
			HK$	*HK$*
Authorised:				
Ordinary shares of HK$1.00 each				
At beginning of year and end of year	**5,000,000,000**	5,000,000,000	**5,000,000,000**	5,000,000,000
Issued and fully paid:				
Ordinary shares of HK$1.00 each				
At beginning of year	**106,973,638**	106,973,638	**106,973,638**	106,973,638
Issue of shares as consideration for acquisition of subsidiaries *(note 33)*	**25,000,000**	–	**25,000,000**	–
At end of year	**131,973,638**	106,973,638	**131,973,638**	106,973,638

Note: On 11th November, 2009, 25,000,000 ordinary shares of the Company with par value of HK$1.00 each were issued as part of the consideration for the acquisition of United Achieve (note 33).

The shares issued during the year rank pari passu in all respects with other shares in issue.

32. SHARE PREMIUM AND RESERVES

	Share premium account	Shareholder's contribution	Translation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
THE COMPANY					
At 1st February, 2008	197,576,221	3,317,997	–	(198,030,358)	2,863,860
Exchange difference arising on translation from functional currency to presentation currency	–	–	1,175,388	–	1,175,388
Loss for the year	–	–	–	(3,221,318)	(3,221,318)
At 31st January, 2009	197,576,221	3,317,997	1,175,388	(201,251,676)	817,930
Shares issued as consideration for acquisition of subsidiaries *(note 33)*	52,500,000	–	–	–	52,500,000
Loss for the year	–	–	–	(347,692,667)	(347,692,667)
At 31st January, 2010	250,076,221	3,317,997	1,175,388	(584,944,343)	(294,374,737)

As at 31st January, 2010 and 2009, the Company has no reserves available for distribution to shareholders.

33. ACQUISITION OF SUBSIDIARIES

On 11th November, 2009, the Group acquired the entire share capital of United Achieve. The total consideration has been settled by (i) allotment and issue of 25,000,000 ordinary shares of the Company and (ii) issue of convertible bonds with principle amount of HK$273 million (see note 29). The transaction has been accounted for using the purchase method of accounting.

33. ACQUISITION OF SUBSIDIARIES (continued)

The net liabilities acquired in the transaction are as follows:

	Acquiree's carrying amount and provisional fair value
	HK$
Net liabilities acquired:	
Property, plant and equipment	2,540,749
Intangible assets	700,822
Inventories	918,045
Trade and other receivables and prepayments	3,699,917
Bank balances and cash	713,232
Trade and other payables and accruals	(8,132,813)
Amount due to a shareholder	(153,571,004)
Borrowings	(5,603,285)
	(158,734,337)
Goodwill	509,234,337
Total consideration	350,500,000
Satisfied by:	
Convertible bonds *(note 29)*	273,000,000
Allotment of ordinary shares of the Company	77,500,000
	350,500,000
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	713,232

33. ACQUISITION OF SUBSIDIARIES (continued)

The Group is in the process of assessing the fair value of intangible assets of the United Achieve Group at the date of completion of the Acquisition. Thus, the amounts of intangible assets and goodwill disclosed above are subject to change once the Company completes its valuation exercise and upon the receipt of professional valuation.

United Achieve is an investment holding company which in turn holds 72.12% of the registered capital of Viswell. Viswell is an investment holding company which in turn holds 100% of the registered capital of Rakupuri. Rakupuri is principally engaged in the manufacture and sale of dye-sublimation printed products.

The goodwill arising on the Acquisition is mainly attributable to the anticipated profitability as expected by management of the Group for the business of manufacture and sale of dye-sublimation printed products after taking into consideration the effects of incorporating the resources of the Group after the Acquisition to further expand the existing business of the United Achieve Group.

United Achieve and its subsidiaries contributed HK$6,609,519 to the revenue and has a loss of HK$969,064 included in to the Group's loss before tax for the period between the date of acquisition and 31st January, 2010.

If the acquisition had been completed on 1st February, 2009, total Group's revenue for the year ended 31st January, 2010 would have been HK$22,119,511, and loss for the year ended 31st January, 2010 attributable to owners of the Company, including an impairment of goodwill of HK$509,234,337, would have been HK$529,299,927. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit for the year of the Group that actually would have been achieved had the acquisition been completed on 1st February, 2009, nor is it intended to be projection of future results.

The basis for determination of the fair value of the convertible bonds is set out in note 29.

34. DISSOLUTION OF SUBSIDIARIES

The net liabilities of the subsidiaries at the date of dissolution were as follows:

	2009
	HK$
Trade and sundry receivables	480,000
Sundry payables, deposits received and accruals	(7,800)
Amount due to a director	(7,000)
Taxation	(480,000)
	(14,800)
Gain on dissolution of subsidiaries	14,800
	–

The subsidiaries dissolved during the year ended 31st January, 2009 had no significant contribution to the Group's operating results and cash flows for the year ended 31st January, 2009.

35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income with a maximum monthly contribution of HK$1,000 per person. Contributions are charged to consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31st January, 2010 and 2009.

35. RETIREMENT BENEFITS SCHEMES (continued)

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Employees in Japan are members of the state-managed retirement benefits scheme operated by the Japan local government. The Group is required to contribute certain pre-fixed amounts of contribution, according to the level of income for each employee to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect of the retirement benefits scheme is the required contributions under the retirement benefits scheme.

During the year, the total amounts contributed by the Group to the schemes and cost charged to the consolidated statement of comprehensive income of HK$259,533 (2009: HK$42,900) represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

36. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment which fall due as follows:

	2010	2009
	HK$	*HK$*
Within one year	**439,914**	85,432
In the second to fifth years inclusive	**476,681**	58,514
	916,595	143,946

Operating lease payments represent rentals payable by the Group for certain of its office premises and equipment. Leases are negotiated for a lease term of 1-2 years with fixed rental at initial recognition.

36. OPERATING LEASES (continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010	2009
	HK$	*HK$*
Within one year	**2,644,288**	4,587,833
In the second to fifth years inclusive	**2,629,893**	2,662,729
Over five years	**658,219**	–
	5,932,400	7,250,562

The properties are expected to generate rental yields of 3.63% (2009: 4.74%) per annum on an ongoing basis. All the properties held have committed tenants for the next 1-7 years.

37. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group disposed of its investment properties with carrying amount of approximately HK$1,774,000 at 31st January, 2010 at a consideration of approximately HK$2,247,000.

38. RELATED PARTY TRANSACTION

Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position on page 26. Details of the terms of the balances are set out in notes 26 and 27.

The Group's key management comprises of an executive director, who is also the shareholder of the Company. The details of remuneration of key management personnel are set out in notes 12 and 13.

	Year ended 31st January,				
	2006	2007	2008	2009	**2010**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Revenue	45,757,333	2,796,661	4,630,522	4,495,674	**9,807,983**
Profit (loss) before taxation	(767,078)	25,957,246	1,441,683	(9,686,131)	**(529,509,522)**
Taxation	716,677	(1,246,088)	2,862,168	1,395,006	**2,988,021**
Profit (loss) for the year attributable to owners of the Company	(50,401)	24,711,158	4,303,851	(8,291,125)	**(526,521,501)**

	At 31st January,				
	2006	2007	2008	2009	**2010**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Total assets	60,000,994	105,968,235	131,938,922	124,598,603	**101,544,018**
Total liabilities	(4,517,595)	(19,270,552)	(16,434,521)	(13,019,503)	**(438,904,547)**
Attributable to owners of the Company	55,483,399	86,697,683	115,504,401	111,579,100	**(337,360,529)**