

BUILDMORE INTERNATIONAL LIMITED

建懋國際有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 108)

INTERIM FINANCIAL INFORMATION For the six months ended 31 July 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 JULY 2013

	Note	Six months ended	
		31.7.2013 HK\$ (unaudited)	31.7.2012 HK\$ (unaudited)
Turnover	3	19,142,285	20,305,481
Cost of sales		(9,428,367)	(9,432,188)
Gross profit		9,713,918	10,873,293
Other revenue and net (loss)/income	4	(159,567,492)	38,209,267
Research and development expenses		–	(855,692)
Selling and distribution costs		(2,114,874)	(1,575,631)
General and administrative expenses		(7,866,438)	(7,514,450)
Finance costs		(13,129,323)	(19,857,719)
(Loss)/profit before taxation		(172,964,209)	19,279,068
Taxation	5	–	–
(Loss)/profit for the period	6	(172,964,209)	19,279,068
Other comprehensive (expense)/income for the period			
Exchange difference arising on translation of functional currency to presentation currency		(3,287,691)	1,405,942
Total comprehensive (expense)/income for the period		<u>(176,251,900)</u>	<u>20,685,010</u>
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company		(173,406,844)	18,139,870
Non-controlling interests		442,635	1,139,198
		<u>(172,964,209)</u>	<u>19,279,068</u>
Total comprehensive (expense)/income for the period attributable to:			
Equity shareholders of the Company		(176,775,229)	19,463,910
Non-controlling interests		523,329	1,221,100
		<u>(176,251,900)</u>	<u>20,685,010</u>
(Loss)/Earnings per share	7		
Basic		<u>(1.31)</u>	<u>0.14</u>
Diluted		<u>(1.31)</u>	<u>0.004</u>

The notes on pages 4 to 10 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 JULY 2013

	Note	31.7.2013 HK\$ (unaudited)	31.1.2013 HK\$ (audited)
Non-current assets			
Investment properties	8	96,355,260	94,867,854
Property, plant and equipment	8	6,194,575	6,719,311
Intangible assets	9	5,417,893	5,268,362
Other financial assets	10	15,432,540	15,194,531
Deposit for property, plant and equipment		764,341	320,268
		<u>124,164,609</u>	<u>122,370,326</u>
Current assets			
Inventories		2,040,676	1,923,173
Trade and other receivables	11	3,928,366	3,858,882
Cash and cash equivalents		4,470,921	2,837,155
		<u>10,439,963</u>	<u>8,619,210</u>
Current liabilities			
Trade and other payables	12	7,149,773	7,943,468
Amounts due to shareholders	13	231,743,054	229,243,054
Amount due to a director	14	3,252,239	3,252,239
Borrowings – due within one year		733,940	803,115
Obligations under finance leases		253,334	254,589
Tax liabilities		957,017	948,636
		<u>244,089,357</u>	<u>242,445,101</u>
Net current liabilities		<u>(233,649,394)</u>	<u>(233,825,891)</u>
Total assets less current liabilities		<u>(109,484,785)</u>	<u>(111,455,565)</u>
Non-current liabilities			
Borrowings – due after one year		1,904,727	1,398,860
Obligations under finance leases		603,770	786,909
Convertible bonds	15	418,431,178	240,763,836
Deferred taxation		15,082,505	14,849,895
		<u>436,022,180</u>	<u>257,799,500</u>
Net liabilities		<u>(545,506,965)</u>	<u>(369,255,065)</u>
Capital and reserves			
Share capital		131,973,638	131,973,638
Share premium and reserves		(677,150,189)	(500,374,960)
Equity attributable to equity shareholders of the Company		<u>(545,176,551)</u>	<u>(368,401,322)</u>
Non-controlling interests		<u>(330,414)</u>	<u>(853,743)</u>
Total deficit		<u>(545,506,965)</u>	<u>(369,255,065)</u>

The notes on pages 4 to 10 form part of this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 JULY 2013**

	Attributable to equity shareholders of the Company						Non-controlling interests HK\$	Total HK\$
	Share capital HK\$	Share premium HK\$	Shareholders' contribution HK\$	Translation reserve HK\$	Accumulated losses HK\$	Sub-total HK\$		
As at 1 February 2013 (audited)	131,973,638	250,076,221	4,536,895	(4,106,227)	(750,881,849)	(368,401,322)	(853,743)	(369,255,065)
Exchange difference arising on translation of functional currency	-	-	-	(3,368,385)	-	(3,368,385)	80,694	(3,287,691)
(Loss)/profit for the period	-	-	-	-	(173,406,844)	(173,406,844)	442,635	(172,964,209)
Total comprehensive (expense)/income for the period	-	-	-	(3,368,385)	(173,406,844)	(176,775,229)	523,329	(176,251,900)
As at 31 July 2013 (unaudited)	<u>131,973,638</u>	<u>250,076,221</u>	<u>4,536,895</u>	<u>(7,474,612)</u>	<u>(924,288,693)</u>	<u>(545,176,551)</u>	<u>(330,414)</u>	<u>(545,506,965)</u>
As at 1 February 2012 (audited)	131,973,638	250,076,221	4,536,895	(2,788,273)	(753,345,314)	(369,546,833)	(1,807,963)	(371,354,796)
Exchange difference arising on translation of functional currency	-	-	-	1,324,040	-	1,324,040	81,902	1,405,942
Profit for the period	-	-	-	-	18,139,870	18,139,870	1,139,198	19,279,068
Total comprehensive income for the period	-	-	-	1,324,040	18,139,870	19,463,910	1,221,100	20,685,010
As at 31 July 2012 (unaudited)	<u>131,973,638</u>	<u>250,076,221</u>	<u>4,536,895</u>	<u>(1,464,233)</u>	<u>(735,205,444)</u>	<u>(350,082,923)</u>	<u>(586,863)</u>	<u>(350,669,786)</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 JULY 2013**

	Six months ended	
	31.7.2013 HK\$ (unaudited)	31.7.2012 HK\$ (unaudited)
Net cash (used in)/generated from operating activities	(999,696)	1,914,070
Investing activities		
Purchase of other financial assets	-	(2,869,563)
Purchase of property, plant and equipment	(133,887)	(1,084,702)
Purchase of intangible assets	(95,060)	-
Other investing activities	20,502	10,590
Net cash used in investing activities	(208,445)	(3,943,675)
Financing activities		
Net advance/(repayment) of bank borrowings	574,873	(933,368)
Capital element of finance lease rental paid	(121,747)	(40,033)
Interest element of finance lease rental paid	(7,470)	(3,023)
Advance from a shareholder	2,500,000	2,000,000
Advance from a director	-	1,200,000
Interest paid	(32,229)	(292,845)
Net cash generated from financing activities	2,913,427	1,930,731
Net increase/(decrease) in cash and cash equivalents	1,705,286	(98,874)
Cash and cash equivalents at 1 February	2,837,155	6,198,989
Effect of foreign exchange rate changes	(71,520)	(19,928)
Cash and cash equivalents at 31 July	<u>4,470,921</u>	<u>6,080,187</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>4,470,921</u>	<u>6,080,187</u>

The notes on pages 4 to 10 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 JULY 2013

1. GENERAL INFORMATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 September 2013.

In preparing the interim financial report, the directors have given careful consideration to the future liquidity of the Group in the light of the fact that, as of that date, the Group's total liabilities exceeded its total assets by HK\$545,506,965 and the Group's total current liabilities exceeded its total current assets by HK\$233,649,394. The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group:

- (i) the substantial shareholder of the Company has undertaken to the Company not to demand repayment of the Advance (as defined in note 13) with carrying amount of HK\$219,285,077 at 31 July 2013 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 financial obligations after the repayment;
- (ii) the substantial shareholders of the Company has undertaken to the Company not to demand repayment of the 2nd Advance (as defined in note 13), the 3rd Advance (as defined in note 13), the 4th Advance (as defined in note 13), the 5th Advance (as defined in note 13), the 6th Advance (as defined in note 13) and the 7th Advance (as defined in note 13) with carrying amounts of HK\$4,000,000, HK\$2,000,000, HK\$2,000,000, HK\$1,000,000, HK\$1,500,000 and HK\$1,000,000 and HK\$1,000,000, respectively, at 31 July 2013 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 financial obligations after the repayment;
- (iii) the director has undertaken to the Company not to demand repayment of the amount due to the director with carrying amount of HK\$3,200,000 at 31 July 2013 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 financial obligations after the repayment;
- (iv) the holders of convertible bonds have undertaken to the Company not to demand redemption of any amount of convertible bonds which remains outstanding on the maturity date unless the Group has sufficient funds to redeem the outstanding amount of the convertible bonds and still be able to meet in full its financial obligations after the redemption; and
- (v) Mr. Lui Ming Ho and Mr. Wong Kin Ping (both of them are substantial shareholders of the Company) and Mr. Lo Cheung Kin (the chairman and executive director of the Company) have undertaken to the Company to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Group.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 January 2013, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 January 2014.

In the current interim period, the Group has applied amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are mandatorily effective for the current interim period.

The application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 January 2013. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 January 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 January 2013 are available from the Company's registered office. The auditors have expressed a modified opinion on those financial statements in their report dated 26 April 2013.

2. CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards and interpretations which are not yet effective for the six months ended 31 July 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7 "Financial Instruments: Disclosures"	
– Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
Amendments to HKFRS 10 "Consolidated Financial Statements", HKFRS 12 "Disclosure of Interests in Other Entities" and HKAS 27 (2011) "Separate Financial Statements"	
– Investment Entities	1 January 2014
Amendments to HKAS 32 "Financial Instruments: Presentation"	
– Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 9 "Financial Instruments"	1 January 2015
Amendments to HKAS 36 "Impairment of Assets"	
– Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to HKAS 39 "Financial Instruments: Recognition and Measurement"	
– Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HK(IFRIC) – Int 21 "Levies"	1 January 2014

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. TURNOVER AND SEGMENT REPORTING

Turnover represents property rental and revenue from sales of dye-sublimation printed products received and receivables during the period.

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. No operating segments have been aggregated to form the following reportable segments. The Group has presented the following three reportable segments.

- Property investment: this segment leases premises to generate rental income and to gain from the appreciation in properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the People's Republic of China (the "PRC").
- Hotel management: this segment provides management services to hotels. Currently, the Group's activities in this regard are carried out in the PRC.
- Sales of dye-sublimation printed products: this segment engages in the manufacture and sale of the dye-sublimation printed products. These products are manufactured in Japan and sold to customers mainly located in Japan and USA.

(i) Segment revenue and results

Segment results represent the results generated by each segment without allocation of corporate administrative expenses including directors' salaries, other income, imputed interest expenses on convertible bonds, change in fair value of derivatives embedded in convertible bonds, foreign exchange difference arising from convertible bonds and derivatives, and the gain on modification of the terms of convertible bonds. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's unaudited revenue and results by reportable segment for the period under review:

For the six months ended 31 July 2013

	Property investment HK\$ (unaudited)	Hotel management HK\$ (unaudited)	Sales of dye- sublimation printed products HK\$ (unaudited)	Consolidated HK\$ (unaudited)
Revenue	2,899,202	-	16,243,083	19,142,285
Segment results	418,947	(313,769)	1,517,555	1,622,733
Unallocated corporate income				157,492
Unallocated corporate expenses				(2,109,671)
Imputed interest expenses on convertible bonds				(13,089,624)
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds				(164,577,718)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency				2,055,866
Foreign exchange gain on liability component of the convertible bonds				2,976,713
Loss before taxation				<u>(172,964,209)</u>

For the six months ended 31 July 2012

	Property investment HK\$ (unaudited)	Hotel management HK\$ (unaudited)	Sales of dye- sublimation printed products HK\$ (unaudited)	Consolidated HK\$ (unaudited)
Revenue	2,480,092	-	17,825,389	20,305,481
Segment results	544,690	(372,561)	3,203,658	3,375,787
Unallocated corporate income				1,014,900
Unallocated corporate expenses				(2,188,575)
Imputed interest expenses on convertible bonds				(19,561,851)
Gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds				2,548,469
Loss on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency				(318,190)
Foreign exchange loss on liability component of the convertible bonds				(1,696,445)
Gain on modification of the terms of convertible bonds				36,104,973
Profit before taxation				<u>19,279,068</u>

(ii) Segment assets and liabilities

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, amounts due to shareholders, amount due to a director and convertible bonds.

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

As at 31 July 2013 (unaudited)

	Property investment HK\$	Hotel management HK\$	Sales of dye-sublimation printed products HK\$	Consolidated HK\$
SEGMENT ASSETS				
Segment assets	<u>113,041,233</u>	<u>5,651,826</u>	<u>9,999,825</u>	128,692,884
Property, plant and equipment (for corporate)				3,840,915
Other receivables and prepayments (for corporate)				37,059
Bank balances and cash (for corporate)				<u>2,033,714</u>
Consolidated assets				<u>134,604,572</u>
SEGMENT LIABILITIES				
Segment liabilities	<u>18,377,474</u>	<u>19</u>	<u>8,159,829</u>	26,537,322
Other payables and accruals (for corporate)				147,744
Amounts due to shareholders				231,743,054
Amount due to a director				3,252,239
Convertible bonds				<u>418,431,178</u>
Consolidated liabilities				<u>680,111,537</u>

As at 31 January 2013 (audited)

	Property investment HK\$	Hotel management HK\$	Sales of dye-sublimation printed products HK\$	Consolidated HK\$
SEGMENT ASSETS				
Segment assets	<u>111,572,121</u>	<u>5,620,227</u>	<u>8,501,241</u>	125,693,589
Property, plant and equipment (for corporate)				3,579,836
Other receivables and prepayments (for corporate)				34,725
Bank balances and cash (for corporate)				<u>1,681,386</u>
Consolidated assets				<u>130,989,536</u>
SEGMENT LIABILITIES				
Segment liabilities	<u>18,053,095</u>	<u>37</u>	<u>8,228,796</u>	26,281,928
Other payables and accruals (for corporate)				703,544
Amount due to a shareholder				229,243,054
Amount due to a director				3,252,239
Convertible bonds				<u>240,763,836</u>
Consolidated liabilities				<u>500,244,601</u>

4. OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended	
	31.7.2013 HK\$ (unaudited)	31.7.2012 HK\$ (unaudited)
Other revenue		
Total interest income on financial assets not at fair value through profit or loss:		
Interest income from banks	20,502	10,590
Government grants	-	543,297
Sundry income	<u>136,990</u>	<u>880,216</u>
	<u>157,492</u>	<u>1,434,103</u>
Other net (loss)/income		
(Loss)/gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	<u>(164,577,718)</u>	2,548,469
Gain/(loss) on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	<u>2,055,866</u>	<u>(318,190)</u>
	<u>(162,521,852)</u>	2,230,279
Gain on change in fair value of other financial assets designated as at fair value through profit or loss	-	12,263
Foreign exchange gain/(loss) on liability component of the convertible bonds	2,976,713	(1,696,445)
Other exchange (loss)/gain	<u>(179,845)</u>	<u>124,094</u>
Gain on modification of the terms of convertible bonds	-	36,104,973
	<u>(159,724,984)</u>	<u>36,775,164</u>
Total other revenue and net (loss)/income	<u>(159,567,492)</u>	<u>38,209,267</u>

5. **TAXATION**

No provision for Hong Kong Profits Tax nor PRC Corporate Tax have been made for both periods as the Group has no assessable profit arising in Hong Kong and the PRC.

Income tax arising in Japan is calculated at an effective corporate tax rate of 39.43% (2012: 40.69%), comprising the aggregate of national tax, inhabitants tax and enterprise tax for a corporation with share capital exceeding JPY100 million. No provision for Japan corporate tax is provided in the condensed consolidated statement of comprehensive income for the six months ended 31 July 2013 and the six months ended 31 July 2012, since the Group has cumulative tax losses in Japan for the period.

6. **(LOSS)/PROFIT FOR THE PERIOD**

	Six months ended	
	31.7.2013	31.7.2012
	HK\$	HK\$
	(unaudited)	(unaudited)
(Loss)/profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	590,253	670,359
Imputed interest expenses on convertible bonds	<u>13,089,624</u>	<u>19,561,851</u>

7. **(LOSS)/EARNINGS PER SHARE**

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to the equity shareholders of the Company is based on the following data:

	31.7.2013	31.7.2012
	HK\$	HK\$
	(unaudited)	(unaudited)
The Group's (loss)/profit for the period attributable to equity shareholders of the Company	<u>(173,406,844)</u>	<u>18,139,870</u>
Number of shares		
Weighted average number of shares	<u>131,973,638</u>	<u>131,973,638</u>

(b) Diluted (loss)/earnings per share

Diluted loss per share for the six months ended 31 July 2013 were the same as basic loss per share because the conversion of the Company's outstanding convertible bonds were anti-dilutive.

The calculation of diluted earnings per share for the six months ended 31 July 2012 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,062,914 and the weighted average number of 294,473,638 ordinary shares, calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	Six months ended
	31.7.2012
	HK\$
	(unaudited)
The Group's profit for the period attributable to equity shareholders of the Company	18,139,870
After tax effect of imputed interest expenses on convertible bonds	19,561,851
After tax effect of foreign exchange loss on liability component of the convertible bonds	1,696,445
After tax effect of loss on translation of derivatives embedded in convertible bonds denominated in a foreign currency into functional currency	318,190
After tax effect of gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in the convertible bonds	(2,548,469)
Gain on modification of the terms of convertible bonds	<u>(36,104,973)</u>
The Group's profit for the period attributable to equity shareholders of the Company (diluted)	<u>1,062,914</u>

(ii) Weighted average number of ordinary shares (diluted)

	2012
Weighted average number of ordinary shares (basic) at 31 July	131,973,638
Effect of conversion of convertible notes	<u>162,500,000</u>
Weighted average number of ordinary shares (diluted) at 31 July	<u>294,473,638</u>

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 July 2013, the Group acquired property, plant and equipment at a cost of HK\$133,877 (six months ended 31 July 2012: HK\$1,084,702).

The fair value of the Group's investment properties of HK\$96,355,260 as at 31 July 2013 (as at 31 January 2013: HK\$94,867,854) has been arrived at on the basis of 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. For the six months ended 31 July 2013, no changes in fair value of investment properties (six months ended 31 July 2012: HK\$Nil) has been recognised directly in the condensed consolidated statement of comprehensive income.

9. MOVEMENTS IN INTANGIBLE ASSETS

During the six months ended 31 July 2013, the Group acquired intangible assets at a cost of HK\$95,060 (six months ended 31 July 2012: HK\$Nil) and no disposals of intangible assets (six months ended 31 July 2012: HK\$Nil).

10. OTHER FINANCIAL ASSETS

The carrying amount of other financial assets as at 31 July 2013 represents investments in two private entities incorporated in the PRC which are designated on initial recognition as financial assets at fair value through profit or loss. Under the terms of the investments, the Group is entitled to occupy, use or obtain the income derived from certain properties held by these two private entities. During the six months ended 31 July 2013, the Group had no acquisitions (six months ended 31 July 2012: HK\$2,869,563). The fair value of the investments in these two private entities of HK\$15,432,540 as at 31 July 2013 (as at 31 January 2013: HK\$15,194,931) has been arrived at on the basis of valuation of the properties held by these two private entities carried out on that date by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by direct comparison approach by making reference to comparable sales transactions available in the relevant market of the properties held by these two private entities. For the six months ended 31 July 2013, no changes in fair value of other financial assets (six months ended 31 July 2012: gain on change in fair value of HK\$12,263) has been recognised directly in the condensed consolidated statement of comprehensive income.

11. TRADE AND OTHER RECEIVABLES

	31.7.2013 HK\$ (unaudited)	31.1.2013 HK\$ (audited)
Trade debtors	4,392,861	3,486,724
Less: Allowance for bad and doubtful debts	<u>(1,362,523)</u>	<u>(1,453,292)</u>
	3,030,338	2,033,432
Other receivables, deposits and prepayments	<u>898,028</u>	<u>1,825,450</u>
	<u>3,928,366</u>	<u>3,858,882</u>

Included in trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) with the following ageing analysis presented based on the invoice date as of the end of the reporting period:

	31.7.2013 HK\$ (unaudited)	31.1.2013 HK\$ (audited)
0 – 90 days	3,030,338	1,963,838
91 – 180 days	<u>-</u>	<u>69,594</u>
	<u>3,030,338</u>	<u>2,033,432</u>

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.

12. TRADE AND OTHER PAYABLES

	31.7.2013 HK\$ (unaudited)	31.1.2013 HK\$ (audited)
Trade payables	2,953,158	2,361,322
Other payables and accruals	3,557,481	4,259,547
Tax payables other than income tax	569,713	1,322,599
Advanced payments from customers	<u>69,421</u>	<u>-</u>
	<u>7,149,773</u>	<u>7,943,468</u>

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

	31.7.2013 HK\$ (unaudited)	31.1.2013 HK\$ (audited)
0 – 90 days	2,953,158	2,361,229
91 – 180 days	<u>-</u>	<u>-</u>
181 – 365 days	<u>-</u>	<u>93</u>
	<u>2,953,158</u>	<u>2,361,322</u>

13. AMOUNTS DUE TO SHAREHOLDERS

As at 31 July 2013, the amounts due to shareholders of HK\$231,743,054 (as at 31 January 2013: HK\$229,243,054) included an amount of HK\$220,243,054 (as at 31 January 2013: HK\$220,243,054) due to one of the vendors of United Achieve International Limited (the "Vendor") who became a substantial shareholder of the Company upon the acquisition of United Achieve International Limited. This amount due to the Vendor was part of the identifiable net liabilities of United Achieve International Limited and its subsidiaries at the date of acquisition on 11 November 2009. As at 31 July 2013, the remaining carrying amount of amounts due to shareholders of HK\$4,000,000 ("2nd Advance") (as at 31 January 2013: HK\$4,000,000), HK\$2,000,000 ("3rd Advance") (as at 31 January 2013: HK\$2,000,000) and HK\$2,000,000 ("4th Advance") (as at 31 January 2013: HK\$2,000,000), HK\$1,000,000 ("5th Advance") (as at 31 January 2013: HK\$1,000,000), HK\$1,500,000 ("6th Advance") (as at 31 January 2013: HK\$Nil) and HK\$1,000,000 ("7th Advance") (as at 31 January 2013: HK\$ Nil) were borrowed by the Company in prior years and during the six months ended 31 July 2013 to support the Group's operations. As at 31 July 2013, the amounts due to shareholders are unsecured, non-interest bearing and repayable on demand.

Pursuant to the letter dated 19 May 2010 from the Vendor, the Vendor has undertaken that he would not demand for repayment of the advance of HK\$219,285,077 (the "Advance") to United Achieve International Limited until such time as the Group has sufficient funds to repay the Advance and still be able to meet in full its financial obligations after the repayment.

Pursuant to the letters dated 27 January 2011 and 27 June 2011, the Vendor has undertaken not to demand repayment of the 2nd Advance and the 3rd Advance until such time as the Group has sufficient funds to repay the 2nd Advance and the 3rd Advance and still be able to meet in full its other financial obligations after the repayment.

Pursuant to the letters dated 23 May 2012, 31 October 2012, 14 February 2013 and 18 June 2013, another substantial shareholder has undertaken not to demand for repayment of the 4th Advance, 5th Advance, the 6th Advance and the 7th Advance until such time the Group has sufficient fund to repay the 4th Advance, the 5th Advance, the 6th Advance and the 7th Advance and still be able to meet in full its other financial obligations after the repayment.

14. AMOUNT DUE TO A DIRECTOR

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

Pursuant to the letters dated 20 June 2011 and 13 March 2012 from the director, the director has undertaken that he would not demand for repayment of the advance of HK\$2,000,000 and HK\$1,200,000 respectively 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.

15. CONVERTIBLE BONDS

The Company issued two zero coupon convertible bonds with an aggregate principal amount of HK\$273,000,000 on 11 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 do not accrue 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 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 the issuer's early redemption option components.

The fair value of the liability component on initial recognition was calculated based on 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 bondholders' option to convert the convertible bonds into ordinary shares of the Company. 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 19 May 2010, the Vendors under the Agreement have undertaken not to demand redemption of any amount of the convertible bonds which remains outstanding on the maturity date unless the Group has sufficient funds to redeem the remaining outstanding amount of the convertible bonds and still be able to meet in full its financial obligations after the redemption.

On 18 May 2012, the Company and the Vendors entered into a deed of amendment, pursuant to which the parties thereto have conditionally agreed the modification of the terms of the convertible bonds in the principal amount of HK\$273,000,000 due on 10 November 2012 as follows:

- (a) the maturity date is extended to 10 November 2015 ("the New Maturity Date"); and
- (b) notwithstanding any other provision of the Convertible Bonds, the holders of the Convertible Bonds undertake not to request the Company to redeem any amount of the Convertible Bonds which remains outstanding on the New Maturity Date unless (i) the Company has or has raised funds which are sufficient and (ii) the Company would be able to meet in full the financial obligations of the Company and its subsidiaries after such redemption.

The conditions of the deed of amendment were fulfilled on 29 June 2012 ("Modification Date") and the modification of the terms of the convertible bonds became effective on the same date.

The modification of the terms of the convertible bonds was accounted for as an extinguishment of the original convertible bonds and the recognition of new convertible bonds. The carrying amount of the convertible bonds at the Modification Date was derecognized and the fair values of the liability component and the embedded conversion option were recognised at the Modification Date. The difference between the carrying amount and the fair values was recognised in profit or loss as gain on modification of the terms of convertible bonds.

The fair value of the liability component at the Modification Date was calculated based on the present value of the principal amount. The discount rate used in the calculation is 15.11% per annum which represents the cost of debt applicable to the Group at the Modification 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 15.11% per annum.

The amounts of (i) (loss)/gain on change in fair value of derivatives embedded in convertible bonds, (ii) gain/(loss) on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency, (iii) foreign exchange gain/(loss) on liability component of the convertible bonds and (iv) gain on modification of the terms of convertible bonds are disclosed in note 4 and the amount of the imputed interest expenses on convertible bonds are disclosed in note 6.

The fair value of the conversion option is calculated using the Binomial Model. 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. The inputs into the valuation models were as follow:

	At 31.7.2013	At 31.1.2013
Share price	HK\$2.57	HK\$1.33
Conversion price	HK\$1.68	HK\$1.68
Expected volatility (note a)	70.33%	55.80%
Expected life (note b)	2.28 years	2.78 years
Risk free rate (note c)	0.360%	0.267%
Expected dividend yield (note d)	0%	0%

Notes:

- (a) Expected volatility were 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.

16. RELATED PARTY TRANSACTIONS

The balances with related parties are set out on the condensed consolidated statement of financial position.

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	31.7.2013 HK\$ (unaudited)	31.7.2012 HK\$ (unaudited)
Short-term employee benefits	1,530,363	1,954,824
Post-employment benefits	89,640	117,102
Total remuneration	1,620,003	2,071,926

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the six months ended 31 July 2013 (the "Period"), the Group's operations are being categorised into three divisions: property investment; hotel management and sales of dye-sublimation printed products. The Group's property investment and hotel management divisions were mainly located at Fujian Province, the People's Republic of China (the "PRC") and the sales of dye-sublimation printed products division was principally located at Japan.

In respect of the property investment division, the Group has generated its revenue mainly by leasing out properties held in Fuzhou City, PRC to independent tenants through Jiacheng (Fujian) Investments Co., Ltd. ("Jiacheng Fujian") and Faith Stand (China) Limited ("Faith Stand China"), two wholly-owned subsidiaries of the Company. In the past two years, the property leasing business of Jiacheng and Faith Stand China remained stable.

Through Jiacheng Fujian, the Group invested in 福建中青創業投資有限公司 (Fujian Channel Capital Co., Ltd.*) and 佳信(福建)光電科技有限公司 (Jiixin (Fujian) Opto-Electronic Technology Co., Ltd.*) in previous years. Both companies are private entities incorporated in the PRC and engage in property development in 海西高新技術產業園區 (Fuzhou New & High Technology Industry Development Zone*) located at the western side of the Taiwan Strait. As a result of the concrete measures laid down by the Central Government to encourage the construction and development of this economic zone, and its unique development mode and important strategic position, tremendous development potential is expected.

In prior years, Vast Glory (Fujian) Hotel Management Limited ("Vast Glory Fujian"), a wholly-owned subsidiary of the Company, concluded a hotel management contract with an independent third party to provide hotel management service for a hotel located at Pingtan Island, Fujian, the fifth largest island in China. The expected commencement date of operation of the hotel is middle of 2014, it will generate steady revenue for the Group by then.

Looking forward, as the PRC Central Government has laid down concrete development plans for the coastal area in Fujian Province to promote cross-strait economic exchanges and co-operation, Fujian usher in better development opportunities, this will certainly be beneficial to the development of real estate industry and hotel industry, the management of the Group will continue to explore potential business opportunities which may generate greater return to the shareholders.

Rakupuri Inc. ("Rakupuri") is engaged in the manufacturing and sale of dye-sublimation printed products. With reorganization, strengthened management and suitable inputs and exploration into overseas markets in North America, the management of Rakupuri has successfully driven Rakupuri to deliver profitable results for the Period. The management of the Group will closely monitor the business development of Rakupuri and implement corresponding measures when the appropriate time comes.

During the Period, the aftermath of the sovereign debt crisis in Europe continues to cast a shadow on the global economy. The Company will rationalize its business strategies in a proactive yet prudent manner, so as to diversify its business development, strengthen its risk resistance capability and improve profitability.

* English translation of the official Chinese names are included for information purpose only, should not be regarded as the official English translation of such Chinese names or words.

Financial Resources and Current Capital

During the Period, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$173,410,000 (6 months ended 31 July 2012: profit of approximately HK\$18,140,000), including imputed interest expenses on convertible bonds of approximately HK\$13,090,000 (6 months ended 31 July 2012: approximately HK\$19,562,000) and a loss on change in fair value of derivatives embedded in convertible bonds of approximately HK\$164,578,000 (6 months ended 31 July 2012: gain of approximately HK\$2,548,000).

As at 31 July 2013, cash and cash equivalents of the Group amounted to approximately HK\$4,471,000 (31 January 2013: HK\$2,837,000), representing a capital liquidity ratio (cash and cash equivalents divided by current liabilities) of 0.02 (31 January 2013: 0.01).

As at 31 July 2013, the Group's debts to assets ratio was 3.25 (31 January 2013: 3.21). The debts to assets ratio is calculated by dividing the aggregate amount of debts which included amounts due to shareholders of approximately HK\$231,743,000 (31 January 2013: approximately HK\$229,243,000), an amount due to a director of approximately HK\$3,252,000 (31 January 2013: approximately HK\$3,252,000), borrowings of approximately HK\$2,639,000 (31 January 2013: approximately HK\$2,202,000), the liability component of the convertible bonds of approximately HK\$198,407,000 (31 January 2013: approximately HK\$185,317,000) and obligations under finance leases of approximately HK\$857,000 (31 January 2013: approximately HK\$1,041,000) over the amount of total assets of approximately HK\$134,605,000 (31 January 2013: approximately HK\$130,990,000).

Interim Dividend

No interim dividend has been declared by the Board for the six months ended 31 July 2013 (6 months ended 31 July 2012: nil).

Capital Structure

There has not been any change in the capital structure of the Group during the Period.

Pledge of Assets

As at 31 July 2013, the Group did not pledge any of its assets for bank credits. Also, the Group was not subject to any responsibilities in accordance with any bank credit documents.

Capital Commitments and Contingent Liabilities

As at 31 July 2013, the Group had no material capital commitments and contingent liabilities.

Employees and Remuneration Policy

As at 31 July 2013, the total number of employees of the Group (excluding directors of the Company) was 45 (31 January 2013: 43). 23 of them worked in the PRC, 20 worked in Japan, while 2 worked in Hong Kong.

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 trend, as well as individual competence and performance of the staff. Other related benefits included contributions to Mandatory Provident Fund schemes, social insurance, and medical insurance funds.

Share Options

No share option scheme has been adopted by the Group.

Save as disclosed above, there has been no material change to information disclosed in the Company's annual financial statements for the year ended 31 January 2013 which necessitates additional disclosure to be made in this section.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERESTS OF DIRECTORS

As at 31 July 2013, the interests and short positions of the directors and the chief executives 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 Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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 were held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin.

Save as disclosed herein, as at 31 July 2013, none of the directors nor the chief executives 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 July 2013, the following persons (not being directors or chief executives 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, as at 31 July 2013, the directors and the chief executives of the Company were not aware of any other person (other than the directors and the chief executives 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 pursuant to 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.

CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as stated in Appendix 14 of the Listing Rules throughout the six months ended 31 July 2013.

In respect of code provision A.6.7 of the CG Code, one of the independent non-executive directors was not able to attend the annual general meeting of the Company held on 21 June 2013 due to his other business commitments.

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 as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all directors of the Company, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee of the Company is to review and supervise the financial reporting process and internal control procedures of the Group. The Group's interim results for the six months ended 31 July 2013 have been reviewed by the Audit Committee.

The Audit Committee of the Company comprises of three independent non-executive directors, namely, Mr. Lam Yiu Por ("Mr. Lam"), Mr. Wong Cheong and Mr. Ngai Sai Chuen, with Mr. Lam as the Chairman.

PUBLICATION OF RESULTS ON WEBSITES

Pursuant to the discloseable financial information of Appendix 16 to the Listing Rules, the results of the Company will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.capitalfp.com.hk/eng/index.jsp?co=108) in due course.

By order of the Board
Lo Cheung Kin
Chairman

Hong Kong, 19 September 2013

As at the date of this Interim Report, the executive directors of the Company are Mr. Lo Cheung Kin, Madam Huang Haiping, Mr. Li Jianbo and Madam Song Xiaoling; and the independent non-executive directors of the Company are Mr. Lam Yiu Por, Mr. Wong Cheong and Mr. Ngai Sai Chuen.