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## **BUILDMORE INTERNATIONAL LIMITED**

### **建懋國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

*(Stock Code: 108)*

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JANUARY 2012**

The board of directors (the “Board”) of Buildmore International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 January 2012 (the “Year”), which have been reviewed by the audit committee of the Company, as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 JANUARY 2012*

	<i>Notes</i>	<b>2012</b> <b>HK\$</b>	2011 <i>HK\$</i> <i>(restated)</i>
<b>Continuing operations</b>			
Turnover	4	<b>30,079,684</b>	24,738,265
Cost of sales		<b>(18,250,111)</b>	(15,487,289)
Gross profit		<b>11,829,573</b>	9,250,976
Other revenue	5	<b>2,706,574</b>	407,598
Other net income	5	<b>103,594,057</b>	27,284,951
Selling and distribution costs		<b>(3,258,147)</b>	(3,882,574)
General and administrative expenses		<b>(18,278,652)</b>	(14,984,020)
Finance costs	6(a)	<b>(67,868,822)</b>	(60,578,167)
Profit/(loss) before taxation	6	<b>28,724,583</b>	(42,501,236)
Taxation charge	7	<b>(185,021)</b>	(5,205,610)
Profit/(loss) for the year from continuing operations		<b>28,539,562</b>	(47,706,846)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		—	(45,006)
<b>Profit/(loss) for the year</b>		<b>28,539,562</b>	(47,751,852)
<b>Other comprehensive income</b>			
Exchange difference arising on translation of functional currency to presentation currency		<b>(8,220,985)</b>	(6,560,992)
<b>Total comprehensive income/(expense) for the year</b>		<b>20,318,577</b>	(54,312,844)

	<i>Notes</i>	<b>2012</b> <b>HK\$</b>	2011 <i>HK\$</i> <i>(restated)</i>
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company		<b>29,055,029</b>	(46,724,666)
Non-controlling interests		<b>(515,467)</b>	(1,027,186)
		<u><b>28,539,562</b></u>	<u>(47,751,852)</u>
Total comprehensive income/(expense) for the year attributable to:			
Equity shareholders of the Company		<b>21,227,535</b>	(53,413,839)
Non-controlling interests		<b>(908,958)</b>	(899,005)
		<u><b>20,318,577</b></u>	<u>(54,312,844)</u>
Earnings/(loss) per share	8		
From continuing and discontinued operations			
Basic		<u><b>0.22</b></u>	<u>(0.35)</u>
Diluted		<u><b>(0.13)</b></u>	<u>(0.35)</u>
From continuing operations			
Basic		<u><b>0.22</b></u>	<u>(0.35)</u>
Diluted		<u><b>(0.13)</b></u>	<u>(0.35)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 JANUARY 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
<b>Non-current assets</b>			
Investment properties		<b>92,180,969</b>	88,452,406
Property, plant and equipment		<b>6,852,205</b>	7,150,082
Intangible assets		<b>5,138,923</b>	966,604
Other financial assets		<b>12,048,193</b>	10,853,056
		<b><u>116,220,290</u></b>	<u>107,422,148</u>
<b>Current assets</b>			
Inventories		<b>1,649,925</b>	2,007,896
Trade and other receivables	9	<b>4,010,357</b>	3,729,678
Cash and cash equivalents		<b>6,198,989</b>	13,045,976
		<b><u>11,859,271</u></b>	<u>18,783,550</u>
<b>Current liabilities</b>			
Trade and other payables	10	<b>10,195,026</b>	8,373,056
Amount due to a shareholder		<b>226,243,054</b>	193,574,722
Amount due to a director		<b>2,052,239</b>	52,239
Borrowings – due within one year		<b>1,438,220</b>	1,114,952
Obligations under finance leases		<b>81,951</b>	–
Convertible bonds		<b>241,374,113</b>	–
Tax liabilities		<b>873,686</b>	792,130
		<b><u>482,258,289</u></b>	<u>203,907,099</u>
Net current liabilities		<b><u>(470,399,018)</u></b>	<u>(185,123,549)</u>
Total assets less current liabilities		<b><u>(354,178,728)</u></b>	<u>(77,701,401)</u>
<b>Non-current liabilities</b>			
Borrowings – due after one year		<b>2,647,934</b>	3,418,084
Obligations under finance leases		<b>340,284</b>	–
Convertible bonds		–	297,061,555
Deferred taxation		<b>14,187,850</b>	13,492,333
		<b><u>17,176,068</u></b>	<u>313,971,972</u>
Net liabilities		<b><u>(371,354,796)</u></b>	<u>(391,673,373)</u>
<b>Capital and reserves</b>			
Share capital		<b>131,973,638</b>	131,973,638
Share premium and reserves		<b>(501,520,471)</b>	(522,748,006)
<b>Equity attributable to equity shareholders of the Company</b>			
		<b><u>(369,546,833)</u></b>	<u>(390,774,368)</u>
Non-controlling interests		<b><u>(1,807,963)</u></b>	<u>(899,005)</u>
Total deficit		<b><u>(371,354,796)</u></b>	<u>(391,673,373)</u>

*Notes:*

## **1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 January 2012 comprise the Company and its subsidiaries.

### **(a) Going concern**

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the fact that, as of 31 January 2012, the Group’s total liabilities exceeded its total assets by HK\$371,354,796, the Group’s current liabilities exceeded its current assets by HK\$470,399,018. The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group:

- (i) the substantial shareholder has undertaken to the Company not to demand repayment of the advance with carrying amount of HK\$219,285,077 (as included in the amount due to a shareholder) at 31 January 2012 after its maturity date of 31 December 2011 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 shareholder has undertaken to the Company not to demand repayment of the other advances with carrying amount of HK\$6,000,000 (as included in the amount due to a shareholder) at 31 January 2012 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 advance with carrying amount of HK\$2,000,000 (as included in the amount due to a director) at 31 January 2012 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 the convertible bonds which remains outstanding on the maturity date unless the Group has or has raised 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 banks by pledging the investment properties of the Group, if required, the Group 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.

**(b) Basic of measurement**

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties, financial assets at fair value through profit or loss and derivatives embedded in convertible bonds are stated at their fair value.

**(c) Use of estimates and judgement**

The preparation of financial statements in conformity with HKFRSs issued by the HKICPA requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## **2. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009) "*Related Party Disclosures*"
- Improvements to HKFRSs (2010)
- HK(IFRIC) – Int 19 "*Extinguishing Financial Liabilities with Equity Instruments*"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HK(IFRIC) – Int 19 has not yet had a material impact on the Group’s financial statements as these changes will first be effective as and when the Group enters into a relevant transaction.

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 “*Financial Instruments: Disclosures*”. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

### **3. CORRECTION OF PRIOR YEAR’S ERRORS**

During the course of preparing the Group’s financial statements for the year ended 31 January 2012, it has come to the attention of the directors of the Company that the prior year financial statements of the Group and of the Company contained errors.

The following tables disclose the adjustments that have been made in order to rectify the errors stated in note 3(a) to each of the line items in the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows as previously reported for the year ended 31 January 2011.

**The Group**  
**Consolidated Statement of Comprehensive Income**

For the year ended 31 January 2011

	2011 (as previously reported) HK\$	Adjustments in relation to exchange differences HK\$ (Note 3(a))	Reclassification HK\$ (Note 11)	Total adjustments HK\$	2011 (as restated) HK\$
<b>Continuing operations</b>					
Revenue	24,738,265	–	–	–	24,738,265
Cost of sales	(15,487,289)	–	–	–	(15,487,289)
Gross profit	9,250,976	–	–	–	9,250,976
Other revenue	407,598	–	–	–	407,598
Other net income	–	9,705,573	17,579,378	27,284,951	27,284,951
Selling and distribution costs	(3,882,574)	–	–	–	(3,882,574)
General and administrative expenses	(14,847,553)	–	(136,467)	(136,467)	(14,984,020)
Finance cost	(60,578,167)	–	–	–	(60,578,167)
Valuation gain on investment properties	23,286,404	–	(23,286,404)	(23,286,404)	–
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	(8,103,376)	–	8,103,376	8,103,376	–
Gain on change in fair value of other financial assets designated as at fair value through profit or loss	562,797	–	(562,797)	(562,797)	–
Gain on disposal of investment properties	1,697,086	–	(1,697,086)	(1,697,086)	–
Loss before taxation	(52,206,809)	9,705,573	–	9,705,573	(42,501,236)
Taxation charge	(5,205,610)	–	–	–	(5,205,610)
Loss for the year from continuing operations	(57,412,419)	9,705,573	–	9,705,573	(47,706,846)
<b>Discontinued operation</b>					
Loss for the year from discontinued operation	(45,006)	–	–	–	(45,006)
Loss for the year	(57,457,425)	9,705,573	–	9,705,573	(47,751,852)
<b>Other comprehensive income</b>					
Exchange difference arising on translation of functional currency to presentation currency	3,144,581	(9,705,573)	–	(9,705,573)	(6,560,992)
Total comprehensive expense for the year	(54,312,844)	–	–	–	(54,312,844)

For the year ended 31 January 2011

	2011 (as previously reported) <i>HK\$</i>	Effect of prior year's adjustments in relation to exchange differences <i>HK\$</i> <i>(Note 3(a))</i>	2011 (as restated) <i>HK\$</i>
Loss for the year attributable to:			
Equity shareholders of the Company	(56,430,239)	9,705,573	(46,724,666)
Non-controlling interests	(1,027,186)	–	(1,027,186)
	<u>(57,457,425)</u>	<u>9,705,573</u>	<u>(47,751,852)</u>
Total comprehensive expenses for the year attributable to:			
Equity shareholders of the Company	(53,413,839)	–	(53,413,839)
Non-controlling interests	(899,005)	–	(899,005)
	<u>(54,312,844)</u>	<u>–</u>	<u>(54,312,844)</u>
Loss per share			
From continuing and discontinued operations			
Basic	<u>(0.43)</u>	<u>0.08</u>	<u>(0.35)</u>
Diluted	<u>(0.43)</u>	<u>0.08</u>	<u>(0.35)</u>
From continuing operations			
Basic	<u>(0.43)</u>	<u>0.08</u>	<u>(0.35)</u>
Diluted	<u>(0.43)</u>	<u>0.08</u>	<u>(0.35)</u>



**(a) Adjustments in relation to exchange differences**

- (i) The functional currency of the Company is RMB while the Company keeps books and records in a currency of HKD, which is the presentation currency of the Company and of the Group. It has come to the attention of the directors of the Company that the previous accounting treatments for the translation of monetary assets and liabilities of the Company denominated in foreign currencies were not compliant with HKAS 21 “The Effects of Changes in Foreign Exchange Rates” and the Group’s accounting policy for the translation of foreign currencies: certain monetary assets and liabilities of the Company denominated in currencies other than the functional currency of the Company were not translated into RMB (the functional currency of the Company) at the foreign exchange rates ruling at the end of the reporting period, the exchange differences arising from such monetary assets and liabilities denominated in currencies other than the functional currency of the Company were not recognised in the financial statements of the Company for the year ended 31 January 2011. Such exchange differences not recognised during the year ended 31 January 2011 were mainly arisen from the Company’s convertible bonds, which is denominated in HKD. Accordingly, the Company has made adjustment for the above exchange differences in respect of the translation of these monetary assets and liabilities denominated in other currencies to the functional currency of the Company in accordance with HKAS 21 and the accounting policy of the Group.
- (ii) As a result of the adjustment described in (i) above, the Group has made adjustment for the exchange differences arising from the translation of the Company’s functional currency (RMB) to the presentation currency (HKD) in respect of the results and the statement of financial position items of the Company in accordance with HKAS 21 and the accounting policy of the Group.
- (iii) As a result of the adjustments described in (i) and (ii) above, there was no impact on the statements of financial position of the Group and the Company for the year ended 31 January 2011.
- (iv) The directors of the Company is of the opinion that the effect of the adjustments described in (i) and (ii) above has no significant impact on the statements of financial position of the Group and the Company as at 1 February 2010.

#### 4. TURNOVER AND SEGMENT REPORTING

##### (a) Turnover

The principal activities of the Group are manufacturing and sale of dye-sublimation printed products, property investment, and hotel management.

Turnover represents property rental, hotel management fee and revenue from sales of dye-sublimation printed products received and receivables during the year. The amount of each significant category of revenue recognised in turnover during the year is set out as below.

	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
Gross rentals from investment properties	<b>4,542,170</b>	1,795,853
Sales of dye-sublimation printed products	<b>25,537,514</b>	22,663,204
Hotel management fee income	–	279,208
	<b><u>30,079,684</u></b>	<b><u>24,738,265</u></b>

##### (b) Segment reporting

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.

An operating segment regarding the property management was discontinued in last year. There was no significant net assets of the property management operation at the date of discontinuance of its operation and this segment's revenue and results were insignificant in last year.

(i) **Segment revenue and results**

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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 and imputed interest expenses on convertible bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

*For the year ended 31 January 2012*

*Continuing operations*

	<b>Property investment HK\$</b>	<b>Hotel management HK\$</b>	<b>Sales of dye- sublimation printed products HK\$</b>	<b>Consolidated HK\$</b>
REVENUE				
Segment revenue – external sales	<u>4,542,170</u>	–	<u>25,537,514</u>	<u>30,079,684</u>
RESULTS				
Segment results	<u>(1,095,858)</u>	<u>(819,979)</u>	<u>(2,623,865)</u>	(4,539,702)
Unallocated income				1,262,080
Unallocated corporate expenses				(4,482,594)
Imputed interest expense on amount due to a shareholder				(30,668,332)
Imputed interest expense on convertible bonds				(37,015,174)
Gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds				92,702,616
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency				2,458,294
Foreign exchange gain on liability component of the convertible bonds				<u>9,007,395</u>
Profit before taxation from continuing operations				<u>28,724,583</u>

*For the year ended 31 January 2011 (restated)*  
*Continuing operations*

	Property investment <i>HK\$</i>	Hotel management <i>HK\$</i>	Sales of dye- sublimation printed products <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>REVENUE</b>				
Segment revenue – external sales	1,795,853	279,208	22,663,204	24,738,265
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>RESULTS</b>				
Segment results	25,200,300	(689,576)	(4,025,424)	20,485,300
	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Unallocated corporate expenses				(5,371,904)
Imputed interest expense on amount due to a shareholder				(29,056,010)
Imputed interest expense on convertible bonds				(31,311,099)
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds				(8,103,376)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency				3,513,047
Foreign exchange gain on liability component of the convertible bonds				7,342,806
				<u>                    </u>
Loss before taxation from continuing operations				(42,501,236)
				<u>                    </u>

There was no inter-segment sales for both years.

**(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, amount due to a shareholder, amount due to a director, convertible bonds and liabilities relating to discontinued operation.

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

*As at 31 January 2012*

*Continuing operations*

	<b>Property investment HK\$</b>	<b>Hotel management HK\$</b>	<b>Sales of dye- sublimation printed products HK\$</b>	<b>Consolidated HK\$</b>
<b>SEGMENT ASSETS</b>				
Segment assets	104,652,049	5,621,040	8,785,183	119,058,272
Property, plant and equipment (for corporate)				3,874,590
Other receivables and prepayments (for corporate)				665
Bank balances and cash (for corporate)				5,146,034
Consolidated assets				<u>128,079,561</u>
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	17,169,232	2,435	12,054,740	29,226,407
Other payables and accruals (for corporate)				538,544
Amount due to a shareholder				226,243,054
Amount due to a director				2,052,239
Convertible bonds				241,374,113
Consolidated liabilities				<u>499,434,357</u>

*As at 31 January 2011*  
*Continuing operations*

	Property investment <i>HK\$</i>	Hotel management <i>HK\$</i>	Sales of dye- sublimation printed products <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>SEGMENT ASSETS</b>				
Segment assets	<u>99,799,278</u>	<u>566,865</u>	<u>9,755,209</u>	110,121,352
Property, plant and equipment (for corporate)				4,058,473
Other receivables and prepayments (for corporate)				134,151
Bank balances and cash (for corporate)				<u>11,891,722</u>
Consolidated assets				<u>126,205,698</u>
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	<u>15,775,439</u>	<u>1,107</u>	<u>10,494,439</u>	26,270,985
Other payables and accruals (for corporate)				909,779
Amount due to a shareholder				193,574,722
Amount due to a director				52,239
Convertible bonds				297,061,555
Liabilities relating to discontinued operation				<u>9,791</u>
Consolidated liabilities				<u>517,879,071</u>

(iii) **Other segment information**

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

*For the year ended 31 January 2012*

*Continuing operations*

	Property investment HK\$	Hotel management HK\$	Sales of dye- sublimation printed products HK\$	Total HK\$
Additions of property, plant and equipment	207,815	–	1,166,752	1,374,567
Additions of investment properties	2,214,383	–	–	2,214,383
Additions of intangible asset	–	5,059,388	434,711	5,494,099
Government grants	–	–	(2,332,146)	(2,332,146)
Impairment loss on trade receivables	–	–	2,432	2,432
Impairment loss on intangible assets	–	–	1,212,916	1,212,916
Amortisation of intangible assets	–	–	224,153	224,153
Depreciation of property, plant and equipment	250,964	106,961	1,274,634	1,632,559
Valuation loss on investment properties	2,188,131	–	–	2,188,131
Gain on change in fair value of other financial assets designated as at FVTPL	(726,231)	–	–	(726,231)
Research and development costs	–	–	2,324,197	2,324,197

*For the year ended 31 January 2011*

*Continuing operations*

	Property investment HK\$	Hotel management HK\$	Sales of dye- sublimation printed products HK\$	Total HK\$
Additions of property, plant and equipment	65,773	620,430	379,431	1,065,634
Additions of intangible assets	–	–	312,835	312,835
Additions of other financial assets	9,912,163	–	–	9,912,163
Impairment loss on trade receivables	–	–	564,826	564,826
Amortisation of intangible assets	–	–	90,386	90,386
Depreciation of property, plant and equipment	222,755	60,700	843,514	1,126,969
Valuation gain on investment properties	(23,286,404)	–	–	(23,286,404)
Gain on change in fair value of other financial assets designated as at FVTPL	(562,797)	–	–	(562,797)
Gain on disposal of investment properties	(1,697,086)	–	–	(1,697,086)

(iv) **Geographical information**

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

The Group's revenue from continuing operations 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 (other than financial instruments)	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
PRC	4,542,170	2,075,061	101,878,815	93,255,921
Hong Kong	–	–	186,095	237,276
Japan	22,096,500	22,663,204	2,107,187	3,075,895
USA	3,441,014	–	–	–
	<u>30,079,684</u>	<u>24,738,265</u>	<u>104,172,097</u>	<u>96,569,092</u>

(v) **Information about major customers**

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

	2012 HK\$	2011 HK\$
Customer A – Sales of dye-sublimation printed products	–	3,958,599
Customer B – Sales of dye-sublimation printed products	3,221,639	3,151,183
Customer C – Sales of dye-sublimation printed products	<u>3,441,014</u>	<u>–</u>

5. **OTHER REVENUE AND NET INCOME**

	2012 HK\$	2011 HK\$
<b>Other revenue</b>		
Total interest income on financial assets not at fair value through profit or loss:		
Interest income from bank	110,367	30,293
Government grants ( <i>note</i> )	2,332,146	–
Sundry income	264,061	377,305
	<u>2,706,574</u>	<u>407,598</u>

*Note:*

For the year ended 31 January 2012, the Group successfully applied for funding support from the Ministry of Economy, Trade and Industry of Japan for research and development of anti-counterfeiting technology project. The project was completed during the year and the total research and development cost incurred for this project was approximately HK\$2,324,197.



	<b>2012</b> <b>HK\$</b>	<b>2011</b> <b>HK\$</b> (restated)
<b>Other net income</b>		
Gain/(loss) on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	<b>92,702,616</b>	(8,103,376)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	<b>2,458,294</b>	3,513,047
	<b>95,160,910</b>	(4,590,329)
Valuation (loss)/gain on investment properties	<b>(2,188,131)</b>	23,286,404
Gain on change in fair value of other financial assets designated as at fair value through profit or loss	<b>726,231</b>	562,797
Foreign exchange gain on liability component of the convertible bonds	<b>9,007,395</b>	7,342,806
Other exchange gain/(loss)	<b>887,652</b>	(1,013,813)
Gain on disposal of investment properties	–	1,697,086
	<b>103,594,057</b>	27,284,951

## 6. PROFIT/(LOSS) BEFORE TAXATION

	2012 <i>HK\$</i>	2011 <i>HK\$</i> (restated)
Profit/(loss) before taxation is arrived at after charging/(crediting):		
<b>(a) Finance costs</b>		
Interest expenses on borrowings wholly repayable within five years	161,194	211,058
Finance charges on obligations under finance leases	24,122	–
Imputed interest expense on amount due to a shareholder	30,668,332	29,056,010
Imputed interest expense on convertible bonds	37,015,174	31,311,099
	<u>67,868,822</u>	<u>60,578,167</u>
<b>(b) Staff costs (including directors' emoluments)</b>		
Contribution to defined contribution retirement plans	613,145	894,625
Salaries, wage and other benefits	9,180,013	9,801,217
	<u>9,793,158</u>	<u>10,695,842</u>
<b>(c) Other items</b>		
Auditor's remuneration	645,000	973,500
Cost of inventories recognised as an expense	11,001,918	7,808,556
Depreciation of property, plant and equipment	1,975,292	1,364,166
Amortisation of intangible assets	224,153	90,386
Research and development costs	2,324,197	–
Impairment losses		
– trade receivables	2,432	564,826
– other receivables	132,918	–
– Intangible assets	1,212,916	–
Gross rents from investment properties under operating leases	(4,542,170)	(1,795,853)
Less: direct outgoings	41,468	56,939
Net rental income	(4,500,702)	(1,738,914)
Loss on disposal of property, plant and equipment	588	19,306
Operating lease rentals in respect of:		
Premises	966,565	911,077
Equipment	164,194	375,710
	<u>(4,500,702)</u>	<u>(1,738,914)</u>

## 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
<b>Taxation charged to profit or loss:</b>		
Current tax – the PRC:		
Provision for the year	60,212	31,970
Deferred tax:		
Origination and reversal of temporary differences	124,809	5,173,640
	<u>185,021</u>	<u>5,205,610</u>

Pursuant to the income tax laws and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Corporate Tax at a rate of 25% during the years ended 31 January 2012 and 2011.

No provision for Hong Kong Profits Tax has been made for both years as the Group's income neither arises in, nor is derived from, Hong Kong.

Income tax arising in Japan is calculated at an effective corporate tax rate of 40.69% (2011: 42%), 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 consolidated statement of comprehensive income for both years, since the Group incurred tax losses in Japan for both years.

## 8. EARNINGS/(LOSS) PER SHARE

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

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

#### The Group's profit/(loss) for the year attributable to equity shareholders of the Company

	2012 <i>HK\$</i>	2011 <i>HK\$</i> (restated)
Continuing operations	29,055,029	(46,679,660)
Discontinued operations	–	(45,006)
	<u>29,055,029</u>	<u>(46,724,666)</u>
<b>Number of shares</b>		
Weighted average number of shares	<u>131,973,638</u>	<u>131,973,638</u>

The basic loss per share from discontinued operations for the year ended 31 January 2012 was HK\$nil (2011: HK\$0.03 cents).

**(b) Diluted loss per share**

The calculation of diluted loss per share for the year ended 31 January 2012 is based on the loss attributable to ordinary equity shareholders of the Company of HK\$38,098,102 and the weighted average number of 294,473,638 ordinary shares, calculated as follows:

*(i) Loss attributable to equity shareholders of the Company (diluted)*

	<b>2012</b>
	<i>HK\$</i>
Continuing operation:	
The Group's profit for the year attributable to equity shareholders of the Company	<b>29,055,029</b>
After tax effect of imputed interest expense on convertible bonds	<b>37,015,174</b>
After tax effect of foreign exchange gain on liability component of the convertible bonds	<b>(9,007,395)</b>
After tax effect of gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into financial currency	<b>(2,458,294)</b>
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	<b>(92,702,616)</b>
The Group's loss for the year attributable to equity shareholders of the Company (diluted)	<b><u>(38,098,102)</u></b>

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

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

Diluted loss per share for the year ended 31 January 2011 from continuing and discontinued operations were the same as basic loss per share because the conversion of the Company's outstanding convertible bonds were anti-dilutive.

## 9. TRADE AND OTHER RECEIVABLES

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

	<b>2012</b>	2011
	<b><i>HK\$</i></b>	<i>HK\$</i>
0 – 90 days	<b>2,648,911</b>	2,023,749
91 – 180 days	<b>129,592</b>	76,841
181 – 365 days	<b>30,699</b>	537,615
Over 365 days	<b>204,020</b>	–
	<u><b>3,013,222</b></u>	<u>2,638,205</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 for payment on presentation.

As at 31 January 2012 and 2011, the whole amount of trade debtors 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.

## 10. TRADE AND OTHER PAYABLES

Included in the trade and other payables are trade payables with the following ageing analysis presented based on the invoice date at the reporting date:

	<b>2012</b>	2011
	<b><i>HK\$</i></b>	<i>HK\$</i>
0 – 90 days	<b>3,351,397</b>	2,158,454
91 – 180 days	<b>47,295</b>	–
181 -365 days	<b>258,255</b>	–
Over 365 days	<b>110,866</b>	49,794
	<u><b>3,767,813</b></u>	<u>2,208,248</u>

As at 31 January 2012 and 2011, the whole amount of trade payables was related to the sale of dye-sublimation printed products. There is no specific credit terms for payment granted by the suppliers in which invoice is due on presentation.

## 11. COMPARATIVE FIGURES

As a result of the correction of prior years' errors, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed. Further details of these corrections are disclosed in note 3.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The auditors of the Company will issue a qualified opinion on the consolidated financial statements for the year under review. An extract of the auditors’ report is as below.

### **“Basis for Qualified Opinion**

We were appointed as auditors of the Company on 17 June 2011 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 January 2011. Since opening inventories enter into the determination of the result and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the result for the year reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

## **OPINION**

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 January 2012, and of the Group’s profit 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(b)(i) to the consolidated financial statements which indicates that, as of 31 January 2012, the Group’s total liabilities exceeded its total assets by HK\$371,354,796, the Group’s current liabilities exceeded its current assets by HK\$470,399,018, the Company’s total liabilities exceeded its total assets by HK\$155,765,197 and the Company’s current liabilities exceeded its current assets by HK\$248,120,855. These conditions, along with other matters as set forth in note 2(b) 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.”

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year (2011: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECTS**

During the Year, 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 couple of years, as a result of the implementation of government policies, the property leasing business of Jiacheng and Faith Stand China have been improving.

Last year, Jiacheng Fujian 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.\*). 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. Owing to the concrete measures laid down by the Central Government to promote the construction and development of this economic zone, fair value gain of approximately HK\$726,000 from these investments has been recorded for the Year.

Thanks to the efforts of the hotel management team, during the Year, Vast Glory (Fujian) Hotel Management Limited (“Vast Glory Fujian”), concluded a hotel management contract with an independent third party to provide hotel management service for a hotel. This hotel is under construction and is located at Pingtan Island, Fujian, the fifth largest island in China. It is expected that the construction will be completed by mid 2013 and 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, 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 manufacture and sale of dye-sublimation printed products. During the Year, Rakupuri was honoured to obtain the approval from the Ministry of Economy, Trade and Industry of Japan for a research and development project in respect of counterfeiting technology.

Rakupuri recorded a loss for the Year. Due to the devastating disasters which swept through the Northeast region of Japan in March 2011, the local economy of Japan remains in a tough environment. With reorganization, strengthened management and suitable inputs, the management of Rakupuri intends to drive Rakupuri to deliver better results. The management of the Group will closely monitor the business development of Rakupuri and implement corresponding measures when the appropriate time comes.

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

The Company will continue to expand its business scope and identify all kinds of investment opportunities in a proactive yet prudent manner, so as to diversify its business development, strengthen its risk resistance capability and improve profitability.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the Year, the Group recorded a profit attributable to owners of the Company of approximately HK\$29,055,000 (2011: loss of approximately HK\$46,725,000 (revised)). This is mainly attributed to a gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds of approximately HK\$92,703,000 (2011: loss of HK\$8,103,000, approximately), imputed interest expenses on amount due to a shareholder of approximately HK\$30,668,000 (2011: approximately HK\$29,056,000) and imputed interest expenses on convertible bonds of approximately HK\$37,015,000 (2011: approximately HK\$31,311,000). All of the above are non-cash items, no material effect to the Group's cash flow position is expected.

As at 31 January 2012, the Group had available bank balances and cash of approximately HK\$829,000, RMB3,512,000 and JPY10,362,000 (2011: approximately HK\$2,809,000, RMB7,745,000 and JPY12,137,000), representing a capital liquidity ratio (bank balances and cash divided by current liabilities) of 0.01 (2011: 0.06).

As at 31 January 2012, the Group's debts to assets ratio was 3.68 (2011: 3.18). The debts to assets ratio is calculated by dividing the aggregate amount of debts which included an amount due to a shareholder of approximately HK\$226,243,000 (2011: approximately HK\$193,575,000), an amount due to a director of approximately HK\$2,052,000 (2011: approximately HK\$52,000), borrowings of approximately HK\$4,086,000 (2011: approximately HK\$4,533,000), the liability component of the convertible bonds of approximately HK\$240,271,000 (2011: approximately HK\$203,256,000) and obligations under finance leases of approximately HK\$422,000 (2011: nil) over the amount of total assets of approximately HK\$128,080,000 (2011: approximately HK\$126,206,000).

During the Year, the Group's business operations were principally in the PRC and Japan, and the main operational currencies are HK\$, RMB and JPY. The exchange rate fluctuation between RMB and HK\$ and JPY and HK\$ has no material adverse impact to the Group throughout the Year. The Group will closely monitor the exchange rate trend and take corresponding measures in a timely manner to reduce foreign currency exchange risk and exposure.

## **RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS**

The details of restatements due to correction of prior year errors are set out in note 3 to this announcement.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 January 2012, the total number of employees of the Group (excluding directors of the Company) was 44 (2011: 40). 23 of them worked in the PRC, 19 worked in Japan, while 2 worked in Hong Kong (2011: 25 of them worked in the PRC, 13 worked in Japan, while 2 worked in Hong Kong).

During the Year, the Group paid employees' emoluments (including emoluments for directors and employees) amounting to HK\$2,877,000 (2011: HK\$2,984,000), RMB1,517,000 (2011: RMB992,000) and JPY51,510,000 (2011: JPY72,898,000). 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE PRACTICES**

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Year.

The Company does not fully comply with code provision A4.1 in the CG Code. Under code provision 4.1, non-executive directors should be appointed for a specific term, subject to re-election. One of the independent non-executive directors 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. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## **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.

## **AUDIT COMMITTEE**

The audit committee has reviewed with the Group's management the accounting principles and practices adopted by the Group and discussed on the financial, operational and compliance controls and risk management functions and in particular, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The audit committee has no dissenting view on the accounting policies adopted by the Group and on the Group's internal controls and risk management, accounting and financial reporting functions.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The annual results announcement of the Company will be posted at the website of the Company (<http://www.capitalfp.com.hk/eng/index.jsp?=108>) and the website of the Stock Exchange (<http://www.hkexnews.hk>). Annual Report 2012 of the Company containing all information as required by the Listing Rules will be despatched to the shareholders of the Company later and posted at the above websites.

By order of the Board  
**Buildmore International Limited**  
**Lo Cheung Kin**  
*Chairman*

Hong Kong, 27 April 2012

*As at the date of this announcement, 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. See Tak Wah, Mr. Wong Cheong, and Mr. Ngai Sai Chuen.*