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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2012

The Board of Directors (the “Board”) of Buildmore International Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 July 2012 (the “Period”), which have been reviewed by the audit committee of the Company, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *For the six months ended 31 July 2012*

		Six months ended	
	<i>Note</i>	31.7.2012	31.7.2011
		HK\$	HK\$
		(unaudited)	(restated and unaudited)
Turnover	4	20,305,481	12,714,560
Cost of sales		(9,432,188)	(6,899,643)
Gross profit		10,873,293	5,814,917
Other revenue and net income	5	38,209,267	(8,536,649)
Research and development expenses		(855,692)	(2,237,544)
Selling and distribution costs		(1,575,631)	(2,170,823)
General and administrative expenses		(7,514,450)	(8,905,874)
Finance costs		(19,857,719)	(35,628,945)
Profit/(loss) before taxation		19,279,068	(51,664,918)
Taxation	6	–	(103,633)
Profit/(loss) for the period	7	19,279,068	(51,768,551)
Other comprehensive income/(expense)			
for the period			
Exchange difference arising on translation of functional currency to presentation currency		1,405,942	(5,296,128)
Total comprehensive income/(expense) for the period		20,685,010	(57,064,679)

		Six months ended	
		31.7.2012	31.7.2011
		HK\$	HK\$
<i>Note</i>		(unaudited)	(restated and unaudited)
Profit/(loss) for the period attributable to:			
	Equity shareholders of the Company	18,139,870	(50,881,022)
	Non-controlling interests	1,139,198	(887,529)
		19,279,068	(51,768,551)
Total comprehensive income/(expense) for the period attributable to:			
	Equity shareholders of the Company	19,463,910	(55,752,184)
	Non-controlling interests	1,221,100	(1,312,495)
		20,685,010	(57,064,679)
Earnings/(Loss) per share			
		8	
	Basic	0.14	(0.39)
	Diluted	0.004	(0.39)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2012

	Note	31.7.2012 HK\$ (unaudited)	31.1.2012 HK\$ (audited)
Non-current assets			
Investment properties		91,620,023	92,180,969
Property, plant and equipment		6,965,761	6,852,205
Intangible assets		5,093,596	5,138,923
Other financial assets		14,805,549	12,048,193
		<u>118,484,929</u>	<u>116,220,290</u>
Current assets			
Inventories		1,475,926	1,649,925
Trade and other receivables	9	5,192,453	4,010,357
Cash and cash equivalent		6,080,187	6,198,989
		<u>12,748,566</u>	<u>11,859,271</u>
Current liabilities			
Trade and other payables	10	9,762,408	10,195,026
Amounts due to shareholders		228,243,054	226,243,054
Amount due to a director		3,252,239	2,052,239
Borrowings – due within one year		943,560	1,438,220
Obligations under finance leases		80,667	81,951
Convertible bonds	11	–	241,374,113
Tax liabilities		869,032	873,686
		<u>243,150,960</u>	<u>482,258,289</u>
Net current liabilities		<u>(230,402,394)</u>	<u>(470,399,018)</u>
Total assets less current liabilities		<u>(111,917,465)</u>	<u>(354,178,728)</u>
Non-current liabilities			
Borrowings – due after one year		2,115,265	2,647,934
Obligations under finance leases		291,825	340,284
Convertible bonds	11	222,282,522	–
Deferred taxation		14,062,709	14,187,850
		<u>238,752,321</u>	<u>17,176,068</u>
Net liabilities		<u>(350,669,786)</u>	<u>(371,354,796)</u>
Capital and reserves			
Share capital		131,973,638	131,973,638
Share premium and reserves		(482,056,561)	(501,520,471)
Equity attributable to equity shareholders of the Company		<u>(350,082,923)</u>	<u>(369,546,833)</u>
Non-controlling interests		<u>(586,863)</u>	<u>(1,807,963)</u>
Total deficit		<u>(350,669,786)</u>	<u>(371,354,796)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 JULY 2012

1. GENERAL INFORMATION

The interim financial statements have 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 28 September 2012.

In preparing the interim financial statements, 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\$350,669,786 and the Group’s total current liabilities exceeded its total current assets by HK\$230,402,394. 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 with carrying amount of HK\$219,285,077 at 31 July 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;
- (ii) the substantial shareholders of the Company has undertaken to the Company not to demand repayment of the 2nd advance, the 3rd advance and the 4th advance with carrying amounts of HK\$4,000,000, HK\$2,000,000 and HK\$2,000,000, respectively, at 31 July 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 amount due to the director with carrying amount of HK\$3,200,000 at 31 July 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 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 statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 January 2012, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 January 2013.

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 statements 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 statements contain 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 2012. 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 statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 January 2012 that is included in the interim financial statements 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 2012 are available from the Company's registered office. The auditors have expressed a modified opinion on those financial statements in their report dated 27 April 2012.

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 2012 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"	
— Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to HKFRS 7 "Financial Instruments: Disclosures"	
— Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
Amendments to HKAS 32 "Financial Instruments: Presentation"	
— Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 1 "Presentation of Financial Statements"	
— Presentation of Items of Other Comprehensive Income	1 July 2012
HKFRS 9 "Financial Instruments"	1 January 2015
HKFRS 10 "Consolidated Financial Statements"	1 January 2013
HKFRS 11 "Joint Arrangements"	1 January 2013
HKFRS 12 "Disclosure of Interests in Other Entities"	1 January 2013
HKFRS 13 "Fair Value Measurement"	1 January 2013
HKAS 19 (as revised in 2011) "Employee Benefits"	1 January 2013
HKAS 27 (as revised in 2011) "Separate Financial Statements"	1 January 2013
HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures"	1 January 2013

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. CORRECTION OF PRIOR PERIOD'S ERRORS

During the course of preparing the Group's financial statements for the six months ended 31 July 2012, it has come to the attention of the directors of the Company that the prior period 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 as previously reported for the six months ended 31 July 2011.

The Group

Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2011

	31.7.2011 (as previously reported) HK\$ (unaudited)	Adjustments in relation to exchange differences HK\$ (unaudited) (Note 3(a))	Reclassification HK\$ (unaudited) (Note 12)	Total adjustments HK\$ (unaudited)	31.7.2011 (as restated) HK\$ (unaudited)
Turnover	12,714,560	–	–	–	12,714,560
Cost of sales	(6,899,643)	–	–	–	(6,899,643)
Gross profit	5,814,917	–	–	–	5,814,917
Other revenue and net income	544,683	8,014,121	(17,095,453)	(9,081,332)	(8,536,649)
Research and development expenses	(2,237,544)	–	–	–	(2,237,544)
Selling and distribution costs	(2,170,823)	–	–	–	(2,170,823)
General and administrative expenses	(9,215,978)	–	310,104	310,104	(8,905,874)
Finance costs	(35,628,945)	–	–	–	(35,628,945)
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	(17,503,505)	–	17,503,505	17,503,505	–
Gain on change in fair value of other financial assets designated as at fair value through profit or loss	718,156	–	(718,156)	(718,156)	–
Loss before taxation	(59,679,039)	8,014,121	–	8,014,121	(51,664,918)
Taxation	(103,633)	–	–	–	(103,633)
Loss for the period	(59,782,672)	8,014,121	–	8,014,121	(51,768,551)
Other comprehensive income					
Exchange difference arising on translation of functional currency to presentation currency	2,717,993	(8,014,121)	–	(8,014,121)	(5,296,128)
Total comprehensive expense for the period	(57,064,679)	–	–	–	(57,064,679)

	31.7.2011 (as previously reported) HK\$	Effect of prior period's adjustments in relation to exchange differences HK\$ (Note 3(a))	31.7.2011 (as restated) HK\$
Loss for the period attributable to:			
Equity shareholders of the Company	(58,895,143)	8,014,121	(50,881,022)
Non-controlling interests	(887,529)	–	(887,529)
	<u>(59,782,672)</u>	<u>8,014,121</u>	<u>(51,768,551)</u>
Total comprehensive expenses for the period attributable to:			
Equity shareholders of the Company	(55,752,184)	–	(55,752,184)
Non-controlling interests	(1,312,495)	–	(1,312,495)
	<u>(57,064,679)</u>	<u>–</u>	<u>(57,064,679)</u>
Loss per share			
Basic	<u>(0.45)</u>	<u>0.06</u>	<u>(0.39)</u>
Diluted	<u>(0.45)</u>	<u>0.06</u>	<u>(0.39)</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 set out in the annual financial statements for the year ended 31 January 2012: 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 six months ended 31 July 2011. Such exchange differences not recognised during the six months ended 31 July 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 set out in the annual financial statements for the year ended 31 January 2012.
- (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 set out in the annual financial statements for the year ended 31 January 2012.

4. TURNOVER AND SEGMENT REPORTING

Turnover represents property rental, hotel management fee 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 amount due to a shareholder, 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 2012

	Property investment HK\$ (unaudited)	Hotel management HK\$ (unaudited)	Sales of dye-sublimation printed products HK\$ (unaudited)	Consolidated HK\$ (unaudited)
Revenue	<u>2,480,092</u>	<u>–</u>	<u>17,825,389</u>	<u>20,305,481</u>
Segment results	<u>544,690</u>	<u>(372,561)</u>	<u>3,203,658</u>	<u>3,375,787</u>
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				<u>36,104,973</u>
Profit before taxation				<u>19,279,068</u>

For the six months ended 31 July 2011 (restated)

	Property investment HK\$ (unaudited)	Hotel management HK\$ (unaudited)	Sales of dye- sublimation printed products HK\$ (unaudited)	Consolidated HK\$ (unaudited)
Revenue	<u>2,351,496</u>	<u>–</u>	<u>10,363,064</u>	<u>12,714,560</u>
Segment results	<u>(1,165,201)</u>	<u>(302,664)</u>	<u>(3,215,060)</u>	<u>(4,682,925)</u>
Unallocated corporate income				205,953
Unallocated corporate expenses				(2,329,182)
Imputed interest expenses on amount due to a shareholder				(17,173,555)
Imputed interest expenses on convertible bonds				(18,354,318)
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds				(17,503,505)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency				2,651,856
Foreign exchange gain on liability component of the convertible bonds				<u>5,520,758</u>
Loss before taxation				<u>(51,664,918)</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 2012 (unaudited)

	Property investment HK\$	Hotel management HK\$	Sales of dye- sublimation printed products HK\$	Consolidated HK\$
SEGMENT ASSETS				
Segment assets	<u>107,107,026</u>	<u>5,526,583</u>	<u>11,791,519</u>	124,425,128
Property, plant and equipment (for corporate)				3,747,879
Other receivables and prepayments (for corporate)				35,240
Bank balances and cash (for corporate)				<u>3,025,248</u>
Consolidated assets				<u>131,233,495</u>
SEGMENT LIABILITIES				
Segment liabilities	<u>17,037,220</u>	<u>199</u>	<u>10,804,503</u>	27,841,922
Other payables and accruals (for corporate)				283,544
Amounts due to shareholders				228,243,054
Amount due to a director				3,252,239
Convertible bonds				<u>222,282,522</u>
Consolidated liabilities				<u>481,903,281</u>

As at 31 January 2012 (audited)

	Property investment HK\$	Hotel management HK\$	Sales of dye- sublimation printed products HK\$	Consolidated HK\$
SEGMENT ASSETS				
Segment assets	<u>104,652,049</u>	<u>5,621,040</u>	<u>8,785,183</u>	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)				<u>5,146,034</u>
Consolidated assets				<u>128,079,561</u>
SEGMENT LIABILITIES				
Segment liabilities	<u>17,169,232</u>	<u>2,435</u>	<u>12,054,740</u>	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				<u>241,374,113</u>
Consolidated liabilities				<u>499,434,357</u>

5. OTHER REVENUE AND NET INCOME

	Six months ended	
	31.7.2012	31.7.2011
	HK\$	HK\$
	(unaudited)	(unaudited)
Other revenue		
Total interest income on financial assets not at fair value through profit or loss:		
Interest income from bank	10,590	74,307
Government grants	543,297	–
Sundry income	880,216	470,376
	<u>1,434,103</u>	<u>544,683</u>
Other net income		
Gain/(loss) on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	2,548,469	(17,503,505)
(Loss)/gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	(318,190)	2,651,856
	<u>2,230,279</u>	<u>(14,851,649)</u>
Gain on change in fair value of other financial assets designated as at fair value through profit or loss	12,263	718,156
Foreign exchange (loss)/gain on liability component of the convertible bonds	(1,696,445)	5,520,758
Other exchange gain/(loss)	124,094	(468,597)
Gain on modification of the terms of convertible bonds	36,104,973	–
	<u>36,775,164</u>	<u>(9,081,332)</u>
Total other revenue and net income	<u><u>38,209,267</u></u>	<u><u>(8,536,649)</u></u>

6. TAXATION

	Six months ended	
	31.7.2012	31.7.2011
	HK\$	HK\$
	(unaudited)	(unaudited)
Current tax – Japan		
Under-provision in prior years	–	41,923
Deferred tax		
Origination and reversal of temporary difference	–	61,710
	<u>–</u>	<u>103,633</u>

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 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 2012, since the Group has cumulative tax losses in Japan for the period. The provision for Japan corporate tax provided in the condensed consolidated statement of comprehensive income for the six months ended 31 July 2011 represents the under-provision of Japan corporate tax in prior years.

7. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended	
	31.7.2012	31.7.2011
	HK\$	HK\$
	(unaudited)	(unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	670,359	692,550
Imputed interest expenses on amount due to a shareholder	–	17,173,555
Imputed interest expenses on convertible bonds	19,561,851	18,354,318

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:

	31.7.2012	31.7.2011
	HK\$	HK\$
	(unaudited)	(restated and unaudited)
The Group's profit/(loss) for the period attributable to equity shareholders of the Company	18,139,870	(50,881,022)
Number of shares		
Weighted average number of shares	131,973,638	131,973,638

(b) Diluted earnings/(loss) per share

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) Loss 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	(36,104,973)
The Group's profit for the period attributable to equity shareholders of the Company (diluted)	1,062,914

(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	162,500,000
Weighted average number of ordinary shares (diluted) at 31 July	294,473,638

Diluted loss per share for the six months ended 31 July 2011 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

	31.7.2012 HK\$ (unaudited)	31.1.2012 HK\$ (audited)
Trade debtors	5,174,636	4,622,787
Less: Allowance for bad and doubtful debts	(1,572,553)	(1,609,565)
Other receivables, deposits and prepayments	3,602,083	3,013,222
	1,590,370	997,135
	5,192,453	4,010,357

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

	31.7.2012	31.1.2012
	HK\$	HK\$
	(unaudited)	(audited)
0 – 90 days	3,211,765	2,648,911
91 – 180 days	261,509	129,592
181 – 365 days	63	30,699
Over 365 days	128,746	204,020
	<u>3,602,083</u>	<u>3,013,222</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.

10. TRADE AND OTHER PAYABLES

	31.7.2012	31.1.2012
	HK\$	HK\$
	(unaudited)	(audited)
Trade payables	3,847,541	3,767,813
Other payables and accruals	3,949,183	5,218,106
Tax payables other than income tax	546,490	1,178,111
Advanced payments from customers	1,419,194	30,996
	<u>9,762,408</u>	<u>10,195,026</u>

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

	31.7.2012	31.1.2012
	HK\$	HK\$
	(unaudited)	(audited)
0 – 90 days	3,712,067	3,351,397
91 – 180 days	26,413	47,295
181 – 365 days	745	258,255
Over 365 days	108,316	110,866
	<u>3,847,541</u>	<u>3,767,813</u>

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

The convertible bonds contain liability component and conversion option and 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 follow:

- (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.

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) gain on change in fair value of derivatives embedded in convertible bonds, (ii) loss on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency, (iii) foreign exchange loss on liability component of the convertible bonds and (iv) gain on modification of the terms of convertible bonds are disclosed in note 5 and the amount of the imputed interest expenses on convertible bonds are disclosed in note 7.

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 31.7.2012	At 31.1.2012
Share price	HK\$1.00	HK\$0.80
Conversion price	HK\$1.68	HK\$1.68
Expected volatility (<i>note a</i>)	67.162%	60.653%
Expected life (<i>note b</i>)	3.28 years	0.78 years
Risk free rate (<i>note c</i>)	0.181%	0.211%
Expected dividend yield (<i>note d</i>)	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.

12. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the six months ended 31 July 2012 (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 (Jiaxin (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. During the Period, an additional investment of approximately HK\$2,870,000 in one of these two private entities is recorded. 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 year, 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. During the Period, the construction of this hotel was in progress, which is expected to be completed by middle of 2013 and will generate 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.

* *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.*

Rakupuri Inc. (“Rakupuri”) is engaged in the manufacturing and sale of dye-sublimation printed products. Rakupuri currently owns various patents for their production of pita clean products in China and Japan, as well as patents for its distinct technology for colour-dyeing on both sides of a zipper, and such technology could be used on zippers, seat belts as well as apparel. During the Period, 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 double-sided printing technology. Regarding this project, Rakupuri incurred approximately HK\$860,000 for research and development for the Period.

Rakupuri turnaround to a profit this Period. This is mainly due to the exploration of overseas market. With reorganization, strengthened management and suitable inputs, the management of Rakupuri intends to drive Rakupuri to a profitable track. The management of the Group will closely monitor the business development of Rakupuri and implement corresponding measures when the appropriate time comes.

In view that the sovereign debt crisis and sluggish economic conditions in Europe, and the slow recovery of the US economy will continue to affect Asia’s economic growth. 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.

Financial Resources and Current Capital

During the Period, the Group recorded a profit attributable to equity shareholders of the Company of approximately HK\$18,140,000 (6 months ended 31 July 2011 (restated): loss of approximately HK\$50,881,000), including zero imputed interest expenses on amount due to a shareholder (6 months ended 31 July 2011: approximately HK\$17,174,000), imputed interest expenses on convertible bonds of approximately HK\$19,562,000 (6 months ended 31 July 2011: approximately HK\$18,354,000), a gain on change in fair value of derivatives embedded in convertible bonds of approximately HK\$2,548,000 (6 months ended 31 July 2011: a loss of approximately HK\$17,504,000) and a gain on modification of the terms of convertible bonds of approximately HK\$36,105,000 (6 months ended 31 July 2011: Nil).

On 18 May 2012, the Company and the bondholders entered into a conditional deed of amendment for modification of the terms of convertible bonds in the principal amount of HK\$273,000,000. Upon fulfilment of the conditions on 29 June 2012, the maturity date of the convertible bonds is extended to 10 November 2015. In accordance with the applicable accounting standards, a gain on modification of the terms of convertible bonds of approximately HK\$36,105,000 was recognised during the Period.

As at 31 July 2012, cash and cash equivalents of the Group amounted to approximately HK\$6,080,000 (31 January 2012: HK\$6,199,000), representing a capital liquidity ratio (cash and cash equivalents divided by current liabilities) of 0.03 (31 January 2012: 0.01).

As at 31 July 2012, the Group's debts to assets ratio was 3.10 (31 January 2012: 3.69). The debts to assets ratio is calculated by dividing the aggregate amount of debts which included amounts due to shareholders of approximately HK\$228,243,000 (31 January 2012: approximately HK\$226,243,000), an amount due to a director of approximately HK\$3,252,000 (31 January 2012: approximately HK\$2,052,000), borrowings of approximately HK\$3,059,000 (31 January 2012: approximately HK\$4,086,000), the liability component of the convertible bonds of approximately HK\$172,367,000 (31 January 2012: approximately HK\$240,271,000) and obligations under finance leases of approximately HK\$372,000 (31 January 2012: approximately HK\$422,000) over the amount of total assets of approximately HK\$131,233,000 (31 January 2012: approximately HK\$128,080,000).

Interim Dividend

No interim dividend has been declared by the Board for the six months ended 31 July 2012 (6 months ended 31 July 2011: 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 2012, 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 2012, the Group had no material capital commitments and contingent liabilities.

Employees and Remuneration Policy

As at 31 July 2012, the total number of employees of the Group (excluding directors of the Company) was 39 (31 January 2012: 44). 21 of them worked in the PRC, 16 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 2012 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 2012, the interests and short positions of the directors and the chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed 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 (<i>Note</i>)	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 2012, none of the directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code 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 2012, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share

capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Lui Ming Ho	Beneficial	131,250,000 Shares (L) <i>(Note a)</i>	53.41%
Wong Kin Ping	Beneficial	56,250,000 Shares (L) <i>(Note b)</i>	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 2012, the directors and the chief executive of the Company were not aware of any other person (other than the directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange 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

Saved as disclosed below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (collectively, the “Code”) as stated in Appendix 14 of the Listing Rules throughout the six months ended 31 July 2012.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Prior to 15 February 2012, none of the Independent Non-executive Directors of the Company was appointed for a specific term but, in accordance with Article 81 of the Company’s Article of Association, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Company considers that this is no less exacting than those provided in the Code.

On 15 February 2012, each Independent Non-executive Director, except for Mr. See Tak Wah who resigned on 29 June 2012, entered into a letter of appointment with the Company in respect of their individual service term, subject to re-election. Mr. Lam Yiu Por (“Mr. Lam”) who was appointed as an Independent Non-executive Director on 29 June 2012 has also entered into a letter of appointment with the Company in respect of his service term, subject to re-election, upon the appointment. Code provision A.4.1 has been complied with effect from 29 June 2012.

In respect of code provision A.6.7, one of the Independent Non-executive Directors did not attend the annual general meeting of the Company held on 29 June 2012 due to his other business commitments.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2012 have been reviewed by the Audit Committee.

The Audit Committee of the Company comprises of three Independent Non-executive Directors, namely, 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, 28 September 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. Lam Yiu Por, Mr. Wong Cheong and Mr. Ngai Sai Chuen.