

BUILDMORE INTERNATIONAL LIMITED

建懋國際有限公司

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT 2002

The directors of Buildmore International Limited (the "Company") present the unaudited Interim Report of the Company and its subsidiaries (the "Group") for the six months ended 31st July, 2002 (the "Period").

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31st July	
		2002 (unaudited) HK\$	2001 (unaudited) HK\$
Turnover		233,750	4,470,086
Cost of sales and direct operating costs		(13,577)	(3,257,150)
Gross profit		220,173	1,212,936
Other operating income		90,912	198,307
Administrative expenses		(806,377)	(1,049,992)
(Loss) profit from operations		(495,292)	361,251
Finance costs		(217,155)	(315,822)
Share of results of associates		(166,680)	(4,290)
(Loss) profit before taxation		(879,127)	41,139
Taxation	5	-	-
(Loss) profit before minority interests		(879,127)	41,139
Minority interests		47,211	(121,402)
Net loss for the period		(831,916)	(80,263)
Loss per share	6	(0.97) cent	(0.10) cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31st July, 2002 (unaudited) HK\$	31st January, 2002 (audited) HK\$
NON-CURRENT ASSETS			
Investment properties	7	7,980,000	7,980,000
Property, plant and equipment		9,913	10,911
Interests in associates		6,063,509	6,230,189
Properties under development		44,491,622	44,455,876
Pledged bank deposits		140,485	96,291
		58,685,529	58,773,267
CURRENT ASSETS			
Sundry receivables	8	6,583,623	6,768,101
Bank balances and cash		3,342,796	4,119,804
		9,926,419	10,887,905
CURRENT LIABILITIES			
Sundry payables	9	7,592,352	7,737,755
Tax liabilities		2,043,252	2,043,252
Borrowings - due within one year		2,746,202	2,673,727
		12,381,806	12,454,734
NET CURRENT LIABILITIES		(2,455,387)	(1,566,829)
TOTAL ASSETS LESS LIABILITIES		56,230,142	57,206,438
MINORITY INTERESTS		(6,727,897)	(6,775,108)
NON-CURRENT LIABILITIES		(6,473,993)	(6,571,162)
Borrowings - due after one year		43,028,252	43,860,168
CAPITAL AND RESERVES			
Share capital		89,173,638	89,173,638
Share premium and reserves		(46,145,386)	(45,313,470)
		43,028,252	43,860,168

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
As at 1st February, 2001	89,173,638	197,803,247	(235,139,462)	51,837,423
Net loss for the period	-	-	(80,263)	(80,263)
As at 31st July, 2001	89,173,638	197,803,247	(235,219,725)	51,757,160
Net loss for the period	-	-	(7,896,992)	(7,896,992)
As at 31st January, 2002	89,173,638	197,803,247	(243,116,717)	43,860,168
Net loss for the period	-	-	(831,916)	(831,916)
As at 31st July, 2002	89,173,638	197,803,247	(243,948,633)	43,028,252

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st July	
	2002 (unaudited) HK\$	2001 (unaudited and restated) HK\$
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(672,374)	2,394,511
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(79,940)	(37,855)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(24,694)	(118,478)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(777,008)	2,238,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,119,804	2,972,618
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,342,796	5,210,796
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as previously reported	—	3,279,627
Effect of reclassification of bank overdrafts	—	1,931,169
Cash and cash equivalents, being bank balances and cash	3,342,796	5,210,796

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST JULY, 2002

1. Basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st January, 2002, except as described below.

In the Period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants as follows:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements

Presentation of financial statements

Under SSAP 1 (Revised) "Presentation of financial statements", the Group has chosen to present a comprehensive equity reconciliation as a primary financial statement, which discloses all movements in equity.

Cash flow statements

In the Period, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as either operating, investing or financing cash activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude bank overdrafts that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required other than the restatement of the amount of cash and cash equivalents as at 31st July, 2001 disclosed in the cash flow statement.

3. Segment information

An analysis of turnover and contribution to (loss) profit before taxation of the Group for the six months ended 31st July, 2002 and 2001 is as follows:

	Contribution to loss before taxation		Contribution to profit before taxation	
	Turnover 2002 HK\$	2002 HK\$	Turnover 2001 HK\$	2001 HK\$
<u>Business Segments</u>				
Property development and trading	—	(257,274)	4,146,586	661,592
Property investment	233,750	(455,173)	323,500	(616,163)
	<u>233,750</u>	<u>(712,447)</u>	<u>4,470,086</u>	<u>45,429</u>
Share of results of associates		(166,680)		(4,290)
(Loss) profit before taxation		<u>(879,127)</u>		<u>41,139</u>
<u>Geographical Segments</u>				
Hong Kong	233,750	(455,173)	323,500	(616,163)
Macau	—	(257,274)	4,146,586	661,592
	<u>233,750</u>	<u>(712,447)</u>	<u>4,470,086</u>	<u>45,429</u>
Share of results of associates		(166,680)		(4,290)
(Loss) profit before taxation		<u>(879,127)</u>		<u>41,139</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST JULY, 2002 – Continued

4. Depreciation

During the Period, depreciation charged to the Group was HK\$998 (2001: HK\$1,234).

5. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as there was no assessable profits for both periods.

6. Loss per share

The calculation of the basic loss per share is based on the net loss for the Period of HK\$831,916 (2001: HK\$80,263) and on the weighted average of number of ordinary shares of 86,141,399 (2001: 80,076,923) in issue during the Period.

The computation of diluted loss per share did not assume the conversion of the Company's convertible preference shares as their conversion would result in a decrease in net loss per share.

7. Investment properties

At 31st July, 2002, the directors have considered the carrying amounts of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from those which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

8. Sundry receivables

The balance comprises:

	31st July, 2002 HK\$	31st January, 2002 HK\$
Other receivables	11,518,082	11,445,965
Deposits and prepayments	565,541	822,136
	<u>12,083,623</u>	<u>12,268,101</u>
Provision for other receivables	(5,500,000)	(5,500,000)
	<u>6,583,623</u>	<u>6,768,101</u>

9. Sundry payables

The balance comprises:

	31st July, 2002 HK\$	31st January, 2002 HK\$
Accruals and deposits received	1,529,348	763,972
Other payables	6,063,004	6,973,783
	<u>7,592,352</u>	<u>7,737,755</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The major financial resources of the Group are derived from the sale and renting of properties. All these activities are based in Hong Kong and Macau.

The unaudited consolidated turnover of the Group amounted to HK\$233,750 (2001: HK\$4,470,086) for the Period. The Group recorded a loss of HK\$831,916 (2001: HK\$80,263) for the Period. Loss per share was 0.97 cent (2001: 0.10 cent) for the Period.

As at 31st July, 2002, the Group's net current liabilities amounted to HK\$2,455,387, representing a liquidity ratio of 1.00:1.25.

Although the Injunction Order had been put aside by the Court of First Instance of Macau SAR, Lune Kin Investment and Development Company Limited had filed an appeal to the Court of Second Instance of Macau SAR. In the meantime, the project for the development of Phases II to V of Lisboa Gardens by Ka Fai Land Investment Company Limited, a 81.65% owned subsidiary of the Company, has been put on hold, subject to the decision from the Court of Second Instance of Macau SAR.

The rounding-off works of the composite building of Hudong Building in Fuzhou, the People's Republic of China, which is developed by Staten (Fujian) Real Estate Co., Ltd. ("Staten"), a 45% owned associate of the Group, have been finished as scheduled. Staten has applied to the departments concerned for the checking and renovating. Staten is now negotiating with a potential purchaser, which intends to buy the whole composite building, with the hope to complete the sale within this financial year.

The investment properties of the Company with a book value of HK\$7,980,000 (31st January, 2002: HK\$7,980,000) were pledged to secure banking facilities to the Group. In addition, the Group had obtained bank overdrafts of HK\$2,000,000. As at 31st July, 2002, the Group has a utilizable fund in cash of HK\$3,342,796.

The gearing ratio of the Group, calculated on total liabilities to shareholders' fund, was 0.44 (31st January, 2002: 0.43).

The Group is not subject to fluctuations in exchange rates as its investment portfolio is based in Hong Kong, Macau and the People's Republic of China only.

During the Period, the total emoluments paid to a director amounted to HK\$60,000. The aggregate emoluments of each of the directors were within the emoluments band of not more than HK\$1,000,000.

The emoluments of the only one individual of the Group, other than the directors' fees paid to an independent non-executive director, during the Period were HK\$48,390.

Save as disclosed above, there has been no material change in the information disclosed in the Company's annual report for the year ended 31st January, 2002 which necessitates additional disclosure to be made in this section.

INTERIM DIVIDEND

In view of the loss of the Company, no interim dividend has been declared by the directors in respect of the year ending 31st January, 2003 (2001: nil).

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31st July, 2002, the interests of the directors in the ordinary share capital of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of ordinary shares held	
	Personal interests	Corporate interests
Mr. Jong Kong Ki	—	21,600,000 (Note a)
Mr. So Yiu Kong	982,000	—
Mr. Chu Kwok Chue	420,000	—
Mr. Lo Cheung Kin	—	14,141,399 (Note b)
Ms. Yin Hoi Yeung	—	14,141,399 (Note b)

Notes:

- 16,650,000 ordinary shares are held in the name of Nordstan Company Limited, 89.5% issued share capital of which is beneficially owned by Mr. Jong Kong Ki. 3,918,000 ordinary shares and 1,032,000 ordinary shares are held in the name of Kik Keung Finance Limited and Benwee Company Limited respectively. Both are beneficially owned by Mr. Jong Kong Ki.
- The ordinary shares are held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung.

In addition, Mr. Jong Kong Ki also holds 3,000,000 ordinary shares on behalf of an independent third party.

Other than as disclosed above, at 31st July, 2002, neither the directors nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

As at 31st July, 2002, the Company has not granted any right to subscribe for shares in the Company to any director of the Company or to the spouse or children under 18 years of age of any such director.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses no person having an interest of 10% or more in the issued share capital of the Company as at 31st July, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the Company's independent non-executive directors were not appointed for a specific term.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the Period.

On behalf of the Board
Jong Kong Ki
Chairman

Hong Kong, 18th October, 2002

INDEPENDENT REVIEW REPORT

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**Deloitte
Touche
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To the Board of Directors of
Buildmore International Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 3.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st July, 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants