

# BUILDMORE INTERNATIONAL LIMITED

建 懋 國 際 有 限 公 司

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

## INTERIM REPORT 2005

The board of directors (the "Board") of Buildmore International Limited (the "Company") presents the unaudited Interim Report of the Company and its subsidiaries (the "Group") for the six months ended 31st July, 2005 (the "Period").

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31st July	
		2005 (unaudited) HK\$	2004 (unaudited) HK\$
Turnover		96,000	180,000
Cost of sales and direct operating costs		(13,397)	(11,130)
Gross profit		82,603	168,870
Administrative expenses		(693,043)	(834,994)
Loss from operations		(610,440)	(666,124)
Finance costs		(70,797)	(167,516)
Fair value change on investment property		190,000	–
Gain on disposal of associates		–	3,089,612
Share of results of associates		111,632	(1,253,967)
(Loss) profit before taxation	4	(379,605)	1,002,005
Taxation	5	–	–
Net (loss) profit for the period		<u>(379,605)</u>	<u>1,002,005</u>
(Loss) earnings per share	6		
Basic		<u>(0.441) cent</u>	<u>1.163 cents</u>
Diluted		<u>(0.441) cent</u>	<u>1.159 cents</u>

### CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31st July, 2005 (unaudited) HK\$	31st January, 2005 (audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Investment property	7	4,990,000	4,800,000
Property, plant and equipment		1,526	1,659
Interests in associates		13,478,468	15,740,206
		<u>18,469,994</u>	<u>20,541,865</u>
<b>CURRENT ASSETS</b>			
Properties held for resale		41,700,000	41,700,000
Amount due from an associate		1,830,307	–
Sundry receivables		205,191	277,692
Bank balances and cash		1,311	3,261
		<u>43,736,809</u>	<u>41,980,953</u>
<b>CURRENT LIABILITIES</b>			
Sundry payables		637,254	623,973
Amount due to an associate		–	415,267
Borrowings – due within one year		1,111,688	614,758
		<u>1,748,942</u>	<u>1,653,998</u>
<b>NET CURRENT ASSETS</b>		<u>41,987,867</u>	<u>40,326,955</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>60,457,861</u>	<u>60,868,820</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings – due after one year		2,971,563	3,002,917
Deferred taxation		716,677	716,677
		<u>3,688,240</u>	<u>3,719,594</u>
		<u>56,769,621</u>	<u>57,149,226</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		89,173,638	89,173,638
Share premium and reserves		(32,404,017)	(32,024,412)
		<u>56,769,621</u>	<u>57,149,226</u>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
As at 1st February, 2004	89,173,638	197,803,247	(233,128,402)	53,848,483
Net profit for the period	–	–	1,002,005	1,002,005
As at 31st July, 2004	87,173,638	197,803,247	(232,126,397)	54,850,488
Net profit for the period	–	–	2,298,738	2,298,738
As at 31st January, 2005	89,173,638	197,803,247	(229,827,659)	57,149,226
Net loss for the period	–	–	(379,605)	(379,605)
As at 31st July, 2005	<u>89,173,638</u>	<u>197,803,247</u>	<u>(230,207,264)</u>	<u>56,769,621</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st July	
	2005	2004
	(unaudited)	(unaudited)
	HK\$	HK\$
NET CASH USED IN OPERATING ACTIVITIES	(595,329)	(1,332,951)
NET CASH FROM INVESTING ACTIVITIES	–	4,580,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	593,379	(2,924,900)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,950)	322,149
CASH AND CASH EQUIVALENT BROUGHT FORWARD	3,261	1,191
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>1,311</u>	<u>323,340</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, being bank balances and cash	<u>1,311</u>	<u>323,340</u>

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST JULY, 2005

#### 1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

#### 2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment property.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st January, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement. In particular, the presentation of share of tax of associates has been changed. Share of tax of an associate previously included in taxation is now included in share of results of associates. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRS has resulted in changes to the Group's accounting policy in the following areas:

##### Investment property

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment property to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment property under the predecessor standard was measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st February, 2005 onwards.

##### Deferred taxes related to investment property

In previous periods, deferred tax consequences in respect of revalued investment property were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment property is to be recovered through sale. Therefore, the deferred tax consequences of the investment property are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date.

The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

##### Potential impact of new standards not yet adopted

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting for Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 4	Determining whether an Arrangement Contains a Lease
HK (IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment

#### 3. Segment information

The Group is mainly engaged in property development and trading and property investment. This is the basis on which the Group reports its primary segment information.

An analysis of turnover and segment result of the Group for the six months ended 31st July, 2005 and 2004 is as follows:

	2005		2004	
	Turnover HK\$	Segment result HK\$	Turnover HK\$	Segment result HK\$
<b>Business segments</b>				
Property development and trading	–	(5,280)	–	(22,891)
Property investment	96,000	(675,957)	180,000	(810,749)
	<u>96,000</u>	<u>(681,237)</u>	<u>180,000</u>	<u>(833,640)</u>
Fair value change on investment property		190,000		–
Gain on disposal of associates		–		3,089,612
Share of results of associates		111,632		(1,253,967)
(Loss) profit before taxation		<u>(379,605)</u>		<u>1,002,005</u>

#### 4. (Loss) profit before taxation

	For the six months ended 31st July,	
	2005	2004
	(unaudited)	(unaudited)
	HK\$	HK\$

(Loss) profit before taxation has been arrived at after charging the following items:

Depreciation of property, plant and equipment	133	301
Share of tax of an associate (included in share of results of associates)	19,932	–
	<u>19,932</u>	<u>–</u>

#### 5. Taxation

No provision for Hong Kong Profits Tax and overseas tax has been made in the financial statements as there was no assessable profit for the Period.

A deferred tax asset of approximately HK\$1,899,000 (31st January, 2005: HK\$1,770,000) has not been recognised in the financial statements in respect of estimated tax losses available to offset future profits, due to the unpredictability of future profit streams.

## 6. (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	For the six months ended 31st July	
	2005	2004
	HK\$	HK\$
(Loss) earnings for the purposes of basic and diluted earnings per share	(379,605)	1,002,005
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	86,141,399	86,141,399
Effect of dilutive potential ordinary shares for preference shares	—	333,213
Weighted average number of ordinary shares for the purpose of diluted earnings per share	86,141,399	86,474,612

The computation on diluted loss per share for the six months ended 31st July, 2005 does not assume the exercise of potential dilutive ordinary shares as their exercise would result in reduction in loss per share.

## 7. Investment property

The Group's investment property was fair-valued in accordance with the provisional agreement for sale and purchase entered between the Company and an independent third party on 29th September, 2005 for the disposal of the investment property for a cash consideration of HK\$4,990,000. The directors estimated the fair value of the Group's investment property on 31st July, 2005 and the agreement date would be similar. Accordingly, the resulting increase in fair value of investment property of HK\$190,000 has been recognised directly in the consolidated income statement.

## 8. Related party transactions

During the Period, the Group received rental income of HK\$96,000 (2004: HK\$96,000) from a related company, in which the directors of the Company, Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung, have beneficial interests. The above transaction was carried out at price stated on the rental agreement.

In addition, included in borrowings at 31st July, 2005 was an amount of HK\$1,023,140 (31st January, 2005: HK\$505,208), due to a shareholder. The amount is unsecured, non-interest bearing and repayable on demand.

## 9. Post balance sheet event

On 29th September, 2005, the Company entered into a provisional agreement for sale and purchase with an independent third party for the disposal of its investment property for a cash consideration of HK\$4,990,000.

## INDEPENDENT REVIEW REPORT

# Deloitte.

# 德勤

To the Board of Directors of  
**BUILDMORE INTERNATIONAL LIMITED**  
建懋國際有限公司  
(Incorporated in Hong Kong with limited liability)

## INTRODUCTION

We have been instructed by the Company to review the interim financial report set out above.

## DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## 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 Institute of Certified Public Accountants. A review consists principally of making enquires 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, 2005.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong, 20th October, 2005

## MANAGEMENT DISCUSSION AND ANALYSIS

The major financial resources of the Group are derived from the disposing and renting of properties in the People's Republic of China ("PRC") and Hong Kong.

The unaudited consolidated turnover of the Group for the Period amounted to HK\$96,000 (2004: HK\$180,000). The Group recorded a loss for the Period of HK\$379,605 (2004: profit of HK\$1,002,005). Basic loss per share for the Period was HK0.441 cent (2004: basic earnings per share of HK1.163 cents).

As at 31st July, 2005, the Group's liquid assets, being utilizable fund in cash, amounted to HK\$1,311 (31st January, 2005: HK\$3,261) representing a liquidity ratio of 0.00075 (31st January, 2005: 0.00197).

The investment property of the Company with a book value as at 31st July, 2005 of HK\$4,990,000 (31st January, 2005: HK\$4,800,000) was pledged to secure banking facilities to the Group.

As at 31st July, 2005, the gearing ratio of the Group was 0.072 (31st January, 2005: 0.063). The gearing ratio is calculated by dividing total external borrowings over shareholders' equity.

Keen Luck (China) Limited ("Keen Luck"), a wholly owned subsidiary of the Company, entered into an underwriting agreement with Exceland (Fuzhou) Real Estate Co., Ltd. ("Exceland"), being an independent third party, on 10th May, 2005 by which Exceland was appointed the underwriter to sell the property (known as "GENTLEFOLK", situated at No. 53 Wenquan Park Road, Gulou District, Fuzhou, the PRC, and consisting of 51 residential units and 15 car parking spaces) owned by Keen Luck at the price of not less than HK\$4,895 per square metre for the residential units and not less than HK\$218,000 per car parking space. As reported by Exceland, the underwriting has been carrying out satisfactorily. Certain residential units and car parking spaces have been sold and initial deposits thereof have been received subsequent to the end of the Period.

The Company entered into a provisional agreement for sale and purchase with an independent third party on 29th September, 2005 to dispose of the Company's residential unit situated at Flat F, 21st Floor, Tower 21, South Horizons, Ap Lei Chau, Hong Kong (the "Property") for a cash consideration of HK\$4,990,000. The formal agreement for sale and purchase of the Property was signed by both parties on 12th October, 2005. Since the disposal of the Property constitutes a major transaction on the part of the Company, it will be subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened and held. At the request of the Company, trading in ordinary shares in the share capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was suspended from 9:30 a.m. on 30th September, 2005 pending the demonstration by the Company to the satisfaction of the Stock Exchange that Rule 14.82 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") has been complied with. For details of the said major transaction, please refer to the announcement of the Company dated 21st October, 2005. The net proceeds of the disposal of the Property will be used for the repayment of bank indebtedness secured by the Property with the remaining amount used for the Group's general working capital.

Ka Fai Land Investment Company Limited ("Ka Fai"), of which the Company's 36.74% owned associate, Gladiolus Trading Limited, possesses 81.65% shareholding, had on 26th April, 2005 submitted an application to the Macau Government regarding the resumption of construction works within Lisboa Gardens. Ka Fai has been following up the case closely, hoping to obtain approval from the Macau Government by the end of 2005. The Group is actively looking for property development/investment opportunities in Hong Kong and China, which will be suitable for the Group and will bring reasonable return.

The Group is not subject to fluctuations in exchange rates as its investment portfolio is based in Hong Kong and the PRC only.

During the Period, the total emoluments paid by the Group amount to HK\$156,000 (2004: HK\$60,000), of which HK\$108,000 was paid to two independent non-executive directors of the Company and HK\$48,000 was paid to the qualified accountant of the Company.

Other than the said fees paid to two independent non-executive directors and the qualified accountant, no emolument was paid to any other director of the Company or employee of the Group during the Period (2004: nil).

Save as disclosed above, there has been no material change to information disclosed in the Company's annual report for the year ended 31st January, 2005 which necessitates additional disclosure to be made in this section.

#### INTERIM DIVIDEND

No interim dividend has been declared by the Board for the Period (2004: nil).

#### INTERESTS OF DIRECTORS

As at 31st July, 2005, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures 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 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, were as follows:

Name of director	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Jong Kong Ki	Corporate (Note 1)	21,600,000 ordinary shares of HK\$1.00 each ("Shares") (L)	25.08%
Lo Cheung Kin	Corporate (Note 2)	14,141,399 Shares (L) 3,032,239 convertible preference shares of HK\$1.00 each ("CP Shares") (L)	16.42%
So Yiu Kong	Beneficial	982,000 Shares (L)	1.14%
Chu Kwok Chue	Beneficial	420,000 Shares (L)	0.49%

(L) denotes long position

Notes:

1. 16,650,000 Shares were held in the name of Nordstan Company Limited, 89.50% of the issued shares of which was beneficially owned by Mr. Jong Kong Ki, 3,918,000 Shares and 1,032,000 Shares were held in the name of Kik Keung Finance Limited and Benwee Company Limited respectively, both of which were beneficially owned by Mr. Jong Kong Ki.

2. These Shares and CP Shares were held in the name of Mass Honour Investment Limited which was controlled by Mr. Lo Cheung Kin.

Save as disclosed herein, as at 31st July, 2005, 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, underlying shares or debentures 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 and the chief executive of the Company, as at 31st July, 2005, 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 under the provisions of Divisions 2 and 3 of Part XV 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 shareholder	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Nordstan Company Limited	Beneficial	16,650,000 Shares (L)	19.33%
Mass Honour Investment Limited	Beneficial	14,141,399 Shares (L) 3,032,239 CP Shares (L)	16.42%
Hooi Tak Piu	Beneficial	4,692,000 Shares (L)	5.45%
Li Jian Bo	Beneficial	4,594,000 Shares (L)	5.33%

(L) denotes long position

Save as disclosed above, as at 31st July, 2005, 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 under the provisions of Divisions 2 and 3 of Part XV 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.

#### 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

In the opinion of the directors of the Company, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("Appendix 14") throughout the Period.

The Company does not fully comply with the code provision A.4.1 and A.4.2 in Appendix 14. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company (the "Articles"). Under code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles, any director of the Company appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. At each annual general meeting of the Company, one-third of the directors of the Company for the time being shall retire from office by rotation. In exceptional circumstances, a director may hold office for more than 3 years before retirement.

#### COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry of 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, which comprises the three independent non-executive directors of the Company, 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.

By order of the Board  
**Jong Kong Ki**  
 Chairman

Hong Kong, 20th October, 2005

As at the date of this Interim Report, the executive directors of the Company are Mr. Jong Kong Ki, Mr. Lo Cheung Kin, Mr. So Yiu Kong, Mr. Jong Tat Fung and Ms. Yin Hoi Yeung; the non-executive directors of the Company are Mr. Chu Kwok Chue and Ms. Jong Lai Ching; and the independent non-executive directors of the Company are Mr. Siu Wing Keung, Mr. David Gregory Jeaffreson, CBE, JP and Mr. See Tak Wah.