

# BUILDMORE INTERNATIONAL LIMITED

建 懋 國 際 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

## INTERIM REPORT 2007

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 31 July 2007.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31 July	
		2007 HK\$ (unaudited)	2006 HK\$ (unaudited)
Revenue		2,717,862	396,394
Cost of sales		(694,211)	(96,938)
Gross profit		2,023,651	299,456
Other income		540,668	778,310
Administrative expenses		(2,336,644)	(2,549,979)
Finance costs		–	(179,908)
Increase in fair value of investment properties		429,918	–
Impairment loss recognised in respect of goodwill arising on acquisition of a subsidiary	9	–	(11,253,191)
Share of results of associate		–	4,378,061
Profit (loss) before taxation		657,593	(8,527,251)
Taxation	4	(438,562)	–
Profit (loss) for the period	5	219,031	(8,527,251)
Earnings (loss) per share	6		
Basic		HK0.25 cent	HK(9.90) cents
Diluted		N/A	HK(9.90) cents

### CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 July 2007 HK\$ (unaudited)	31 January 2007 HK\$ (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties	7	80,911,255	73,199,281
Property, plant and equipment		406,095	405,453
		81,317,350	73,604,734
<b>CURRENT ASSETS</b>			
Trade and sundry receivables and prepayments	8	1,736,337	1,585,524
Bank balances and cash		25,753,196	30,777,977
		27,489,533	32,363,501
<b>CURRENT LIABILITIES</b>			
Sundry payables, deposits received and accruals		2,276,860	2,394,077
Amount due to a director		59,239	70,209
Preference share dividend payable		1,615,426	1,615,426
Taxation		1,406,172	1,024,647
		5,357,697	5,104,359
NET CURRENT ASSETS		22,131,836	27,259,142
TOTAL ASSETS LESS CURRENT ASSETS		103,449,186	100,863,876
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		14,724,095	14,166,193
		88,725,091	86,697,683
<b>CAPITAL AND RESERVES</b>			
Share capital		89,173,638	89,173,638
Share premium and reserves		(448,547)	(2,475,955)
		88,725,091	86,697,683

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Share premium HK\$	Shareholders' contribution HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
As at 1 February 2007 (audited)	89,173,638	196,187,821	4,536,895	1,966,231	(205,166,902)	86,697,683
Exchange difference arising on translation from functional to presentation currency recognised directly in equity	–	–	–	1,808,377	–	1,808,377
Profit for the period	–	–	–	–	219,031	219,031
Total recognised income for the period	–	–	–	1,808,377	219,031	2,027,408
As at 31 July 2007 (unaudited)	<u>89,173,638</u>	<u>196,187,821</u>	<u>4,536,895</u>	<u>3,774,608</u>	<u>(204,947,871)</u>	<u>88,725,091</u>
As at 1 February 2006 (audited)	89,173,638	196,187,821	–	–	(229,878,060)	55,483,399
Acquisition of a subsidiary (note 9)	–	–	4,536,895	–	–	4,536,895
Loss for the period	–	–	–	–	(8,527,251)	(8,527,251)
As at 31 July 2006 (unaudited)	<u>89,173,638</u>	<u>196,187,821</u>	<u>4,536,895</u>	<u>–</u>	<u>(238,405,311)</u>	<u>51,493,043</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 July	
	2007 HK\$ (unaudited)	006 HK\$ (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(576,224)	(683,854)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of investment properties	(4,961,573)	–
Purchase of subsidiaries, net of cash and cash equivalents	–	(40,850,090)
Other investing cash flows	479,970	142,073
	(4,481,603)	(40,708,017)
NET CASH USED IN FINANCING ACTIVITIES	–	(1,368,974)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,057,827)	(42,760,845)
CASH AND CASH EQUIVALENT AT 1 FEBRUARY	30,777,977	43,853,152
EFFECT OF FOREIGN EXCHANGE DIFFERENCE	33,046	–
CASH AND CASH EQUIVALENTS AT 31 JULY	<u>25,753,196</u>	<u>1,092,307</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>25,753,196</u>	<u>1,092,307</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 JULY 2007

### 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".

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 January 2007.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1 February 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>3</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for accounting periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for accounting periods beginning on or after 1 January 2008.

<sup>4</sup> Effective for accounting periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

The Group is mainly engaged in property investment and property management. 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 31 July 2007 and 2006 is as follows:

#### Business segments

Six months ended 31 July 2007

	Property investment HK\$	Property management HK\$	Consolidated HK\$
Revenue	<u>1,981,329</u>	<u>736,533</u>	<u>2,717,862</u>
Segment results	<u>2,387,643</u>	<u>65,926</u>	2,453,569
Unallocated corporate income			540,668
Unallocated corporate expenses			(2,336,644)
Taxation			<u>(438,562)</u>
Profit for the period			<u>219,031</u>

Six months ended 31 July 2006

	Property investment HK\$	Property management HK\$	Consolidated HK\$
Revenue	<u>293,113</u>	<u>103,281</u>	<u>396,394</u>
Segment results	<u>286,952</u>	<u>12,504</u>	299,456
Unallocated corporate income			778,310
Unallocated corporate expenses			(2,549,979)
Finance costs			(179,908)
Impairment loss recognised in respect of goodwill arising on acquisition of a subsidiary	(11,253,191)	-	(11,253,191)
Share of results of associate			<u>4,378,061</u>
Loss for the period			<u>(8,527,251)</u>

### 4. TAXATION

For the six months ended 31 July	
2007	2006
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The taxation comprises:

Current tax charge:

People's Republic of China ("PRC")

Deferred taxation

309,678	-
<u>128,884</u>	-
<u>438,562</u>	-

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profits for both periods. Taxation arising in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

### 5. PROFIT (LOSS) FOR THE PERIOD

Six months ended

For the six months ended 31 July	
2007	2006
HK\$	HK\$
(unaudited)	(unaudited)

Profit (loss) for the period has been arrived at after charging (crediting):

Bank interest income	(489,350)	(142,073)
Depreciation of property, plant and equipment	19,522	653
Share of tax of an associate (included in share of results of associates)	-	89,798
	<u>          </u>	<u>          </u>

### 6. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the Group's profit for the period attributable to equity holders of the parent of HK\$219,031 (six months ended 31 July 2006: loss of HK\$8,527,251) and the number of ordinary shares of 89,173,638 (six months ended 31 July 2006: 86,141,399).

No computation of diluted earning per share for the six months ended 31 July 2007 is presented as there is no potential ordinary shares for the period.

The computation on diluted loss per share for the six months ended 31 July 2006 was based on the above financial information and did not assume the conversion of convertible preference shares as their conversion would result in reduction in loss per share.

### 7. MOVEMENTS IN INVESTMENT PROPERTIES

During the six months ended 31 July 2007, the Group acquired investment properties at a cost of HK\$4,961,573.

The Group's investment properties were fair-valued by independent professional valuer, DTZ Debenham Tie Leung Limited at 31 July 2007. The resulting increase in fair value of investment properties has been recognised in profit or loss for the period in which they arise.

## 8. TRADE AND SUNDRY RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date.

	31 July 2007 HK\$ (unaudited)	31 January 2007 HK\$ (audited)
0 – 30 days	697,105	683,677
Trade receivables	697,105	683,677
Sundry receivables and prepayments	1,039,232	901,847
	<u>1,736,337</u>	<u>1,585,524</u>

## 9. ACQUISITION OF SUBSIDIARIES

On 15 June 2006, the Group acquired 100% of the issued share capital of Victorfield (Fujian) Property Development Company Limited (in which the directors of the Company, Mr. Lo Cheung Kin ("Mr. Lo") and Madam Yin Hoi Yeung (resigned on 1 February 2007) have beneficial interests) for cash consideration of HK\$41,441,726.

	Acquiree's carrying amount before combination and fair value HK\$
Net assets acquired:	
Investment properties	42,136,101
Property, plant and equipment	27,709
Trade and sundry receivables	1,402,395
Bank balances and cash	585,860
Sundry payables, deposits received and accruals	(1,021,322)
Deferred taxation	(12,942,208)
	<u>30,188,535</u>
Goodwill (note)	11,253,191
Satisfied by cash consideration	41,441,726
Net cash outflow arising on acquisition:	
Cash consideration paid	(41,441,726)
Cash and cash equivalents acquired	585,860
	<u>(40,855,866)</u>

Note: The amount of goodwill is mainly arising from deferred tax effect which was not taken into account in determining the acquisition consideration and is charged to profit or loss.

On 15 June 2006, the Group acquired the shareholder's loan and 100% of the issued share capital of Faith Stand (China) Limited ("Faith Stand") for HK\$24,906,925 from Mr. Lo, satisfied by a loan from a director.

	Acquiree's carrying amount before combination and fair value HK\$
Net assets acquired:	
Investment properties	25,000,000
Trade and sundry receivables	1,271,320
Bank balances and cash	5,776
Sundry payables and accruals	(96,555)
Deferred taxation	(54,718)
	<u>26,125,823</u>
Discount on acquisition (note 1)	(4,536,895)
Satisfied by fair value of the loan from a director (note 2)	21,588,928
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	5,776
	<u>5,776</u>

Notes:

- The excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is deemed as a shareholder's contribution from Mr. Lo and credited to equity. The discount on acquisition arising on the acquisition of Faith Stand was mainly due to the off-market interest rate loan granted by Mr. Lo.
- Pursuant to a loan agreement dated 15 June 2006 ("Loan Agreement") entered into between the Company and Mr. Lo, the loan from a director of HK\$24,906,925 bears interest at 3% per annum after a 18-month interest free period starting from 15 June 2006 and is repayable on demand after 18-month from the date of the Loan Agreement.

On application of HKAS 39 "Financial instruments: Recognition and Measurement", the fair value of the loan from a director was determined based on an effective interest rate of 10% and assuming the loan from a director will be repayable after 18-months from the date of the Loan Agreement.

With the surplus of cash held by the Group, the amount was fully repaid in December 2006, which resulted in loss on early repayment of loan from a director amounting to HK\$2,328,504.

The subsidiaries acquired during the period ended 31 July 2006 contributed HK\$396,394 revenue and HK\$889,381 to the Group's loss before tax for the period between the date of acquisition and 31 July 2006.

If the acquisition had been completed on 1 February 2006, total group revenue for the period would have been HK\$2,526,952, and loss for the period would have been HK\$7,254,673. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 February 2006, nor is it intended to be a projection of future results.

## 10. RELATED PARTY TRANSACTIONS

The balances with related party are set out on the consolidated balance sheet.

The Group acquired two subsidiaries from Victorfield Limited (in which the directors of the Company, Mr. Lo and Madam Yin Hoi Yeung, have beneficial interests) and Mr. Lo respectively during the six months ended 31 July 2006 as disclosed in note 9.

The Group's key management comprises of certain executive directors and HK\$309,000 (2006: nil) has been paid as remuneration during the period.

## 11. POST BALANCE SHEET EVENT

On 10 September 2007, the Company entered into the conditional placing agreement with the placing agent for the placing up to an aggregate of 17,800,000 new shares of the Company at par value of HK\$1.00 each at the placing price of HK\$1.10 per placing share. The net proceeds will be applied for the general working capital of the Group and/or investing any suitable investments.

# 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 reviewed the interim financial information set out on pages 1 to 4, which comprises the condensed consolidated balance sheet of Buildmore International Limited as at 31 July 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong  
26 October 2007

## INTERIM DIVIDEND

No interim dividend has been declared by the Board for the six month ended 31 July 2007 (the “Period”) (2006: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

The Company has leased out properties held in the People’s Republic of China (“PRC”) to independent tenants through Victorfield (Fujian) Property Development Co., Ltd. (“Victorfield Fujian”) and Faith Stand (China) Limited, two wholly-owned subsidiaries of the Company, to receive stable and reasonable rental revenue.

The transaction in relation to the acquisition of 5 street-front shops at Commercial Podium of Gentlefolk, No.53 Wenquan Park Road, Gulou District, Fuzhou, Fujian Province, the PRC from 福州凱華房地產開發有限公司, an independent third party, by Victorfield Fujian at a aggregate consideration of HK\$4,961,573 (RMB4,912,950) had been completed on 31 March 2007. The lease contracts of the above 5 street-front shops were entered with two independent third parties respectively on 31 March 2007.

While the Group’s results benefit from the constant flourishing Chinese property market and the increase in national income, the Group has adopted cautious approach and has been actively seeking potential development opportunities on properties investment for the Group, so as to strengthen its property investment portfolio.

Save as disclosed above, there has been no material change to information disclosed in the Company’s annual report for the year ended 31 January 2007 which necessitates additional disclosure to be made in this section.

### Financial Resources and Current Capitals

The major financial resources of the Group are derived from the sale and renting of properties in PRC.

The Group’s unaudited consolidated revenue for the Period was HK\$2,717,862 (2006: HK\$396,394), and the Group recorded a profit for the Period of HK\$219,031 (2006: loss of HK\$8,527,251). Basic earnings per share for the Period was 0.25 HK cent (2006: basic loss per share of 9.90 HK cents).

As at 31 July 2007, the Group had available bank balances and cash of HK\$23,562,507 and RMB2,104,787 (31 January 2007: HK\$29,481,736 and RMB1,296,241).

### Gearing Ratio

As at 31 July 2007, the gearing ratio of the Group was nil (31 January 2007: 0.22). The gearing ratio is calculated by dividing total external borrowings over shareholders’ equity.

### Foreign Exchange Risk

The Group mainly settled its transactions in HK dollar and Renminbi. Although the Group did not entered into any hedge contracts, it only faced minimal foreign exchange risk. As Renminbi appreciated during the Period, the Group will closely monitor the situation and exercise appropriate hedging measures when there is any adverse changes.

### Capital Structure

No change in the capital structure of the Group has been noticed during the Period.

### Pledges of Assets

As at 31 July 2007, the Group did not pledge any of its assets for bank credits, and the Group is not subject to any responsibilities in accordance to any bank credits documents.

### Capital Commitments and Contingent Liabilities

As at 31 July 2007, the Group had no material capital commitments and contingent liabilities.

### Employee and Remuneration Policy

As at 31 July 2007, the total number of Chinese and Hong Kong employees of the Group amounted to 102. Most of them worked in Mainland China, while others worked in Hong Kong. During the Period, costs of employees was HK\$1,294,851 (2006: HK\$196,000. Note: This amount only includes remuneration for three independent non-executive directors and qualified accountant of the Company).

### Share Options

No share option scheme has been adopted by the Group.

## 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 2007, 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 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 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>	17,173,638 ordinary shares of HK\$1.00 each ("Shares") (L)	19.26%
Li Jianbo	Beneficial	904,000 Shares (L)	1.01%

*(L)* denotes long position

Notes:

These 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 31 July 2007, 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 31 July 2007, 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)	18.67%
Mass Honour Investment Limited	Beneficial	17,173,638 Shares (L)	19.26%
Hooi Tak Piu	Beneficial	4,692,000 Shares (L)	5.26%

*(L)* denotes long position

Save as disclosed above, as at 31 July 2007, 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.

## CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Period.

The Company does not fully comply with the code provision A.4.1 and A.4.2 of the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, and are eligible for 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 the 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 reelection. 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 (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.

## POST BALANCE SHEET EVENT

On 10 September 2007, Taiwan Securities (Hong Kong) Company Limited (the "Placing Agent") and the Company entered into a placing agreement (the "Placing Agreement"). Pursuant to the Placing Agreement, the Company agreed to place 17,800,000 new Shares (the "Placing Shares") at a placing price of HK\$1.1 per share to independent investor through the Placing Agent. The Placing Shares representing 19.96% of the issued share capital of the Company on that date. Such transaction had been passed and approved unanimously by the Shareholders at the extraordinary general meeting held on 15 October 2007 and the Stock Exchange has conditionally granted and permitted the listing of and dealing in the Placing Shares on 24 October 2007. It is expected that the share placing will be completed on or before 31 October 2007. It is also passed and approved at the abovesaid extraordinary general meeting that the authorized capital of the Company to be increased from HK\$200,000,000 to HK\$5,000,000,000.

## AUDIT COMMITTEE

At 17 October 2007, the audit committee of the Company (members include Mr. See Tak Wah, Mr. David Gregory Jeaffreson, CBE, JP and Mr. Wong Cheong) has reviewed with the management the accounting principles and practices adopted by the Group and discussed on the internal controls and financial reporting matters, including reviewing the unaudited interim financial statements for the Period.

## PUBLICATION OF RESULTS ON WEBSITES

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

By order of the Board  
**Lo Cheung Kin**  
Chairman

Hong Kong, 26 October 2007

As at the date of this Interim Report, the executive directors of the Company are Mr. Lo Cheung Kin, Ms. Huang Haiping and Mr. Li Jianbo; and the independent non-executive directors of the Company are Mr. David Gregory Jeaffreson, CBE, JP, Mr. See Tak Wah and Mr. Wong Cheong.