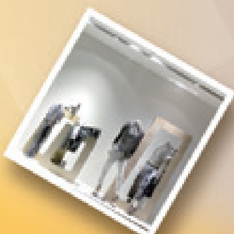
Annual Report

2013

Buildmore International Limited



Stock Code:108

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EXECUTIVE DIRECTORS

Lo Cheung Kin *(Chairman)*

Huang Haiping *(Chief Executive Officer)*

Li Jianbo

Song Xiaoling

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Yiu Por

Wong Cheong

Ngai Sai Chuen

SECRETARY

Tung Wing Yee Winnie

AUDIT COMMITTEE

Lam Yiu Por *(Chairman of the Audit Committee)*

Wong Cheong

Ngai Sai Chuen

NOMINATION COMMITTEE

Lo Cheung Kin
(Chairman of the Nomination Committee)

Lam Yiu Por

Wong Cheong

REMUNERATION COMMITTEE

Wong Cheong
(Chairman of the Remuneration Committee)

Lam Yiu Por

Li Jianbo

AUDITOR

Crowe Horwath (HK) CPA Limited

REGISTRAR

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26th Floor
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REGISTERED OFFICE

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STOCK CODE

108

WEBSITE

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I am pleased to present to the shareholders the Annual Report of Buildmore International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 January 2013.

FINANCIAL RESULTS

In respect of the results of the Group for the year, the audited profit attributable to the equity shareholders of the Company was HK$2,463,000 (2012: Profit of HK$29,055,000). Basic earnings per share was HK$0.02 (2012: HK$0.22).

BUSINESS REVIEW AND PROSPECTS

During the year, the Group's operations are being categorised into three divisions: property investment; hotel management and sales of dye sublimation printed products. The Group's property investment and hotel management divisions were mainly located at Fujian Province, the People's Republic of China (the "PRC") and the sales of dye sublimation printed products division was principally located at Japan.

In respect of the property investment division, the Group has generated its revenue mainly by leasing out properties held in Fuzhou City, PRC to independent tenants through Jiacheng (Fujian) Investments Co., Ltd. ("Jiacheng Fujian") and Faith Stand (China) Limited ("Faith Stand China"), two wholly-owned subsidiaries of the Company. In the past couple of years, as a result of the implementation of government policies, the property leasing business of Jiacheng and Faith Stand China have been improving.

Jiacheng Fujian is also engaged in investment 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.*). 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. The Central Government had laid down concrete measures to promote the construction and encourage the development of this economic zone. During the year, the Group made an additional investment of approximately HK$2,890,000 in one of these two private entities. With this additional investment, the Group is entitled to occupy, use or obtain the income derived from the additional areas of certain property held by this private entity.

Vast Glory (Fujian) Hotel Management Limited ("Vast Glory Fujian"), concluded a hotel management contract with an independent third party to provide hotel management service for a hotel in prior year. This hotel is under construction and is located at Pingtan Island, Fujian, the fifth largest island in China. The expected commencement date of operation of the hotel is middle of 2014, it will generate steady revenue for the Group by then.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

Looking forward, as the PRC Central Government has laid down concrete development plans for the coastal area in Fujian Province, Fujian usher in better development opportunities, this will certainly be beneficial to the development of real estate industry and hotel industry, the management of the Group will continue to explore potential business opportunities which may generate greater return to the shareholders.

Rakupuri Inc. ("Rakupuri") is engaged in the manufacture and sale of dye-sublimation printed products. With reorganization, strengthened management, suitable inputs and exploration into overseas markets in the North America. The management of Rakupuri has successfully driven Rakupuri to deliver profitable results this year. The management of the Group will closely monitor the business development of Rakupuri and implement corresponding measures when the appropriate time comes.

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

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group recorded a profit attributable to equity shareholders of the Company of approximately HK$2,463,000 (2012: approximately HK$29,055,000). The substantial decrease is mainly attributed to recognition of a loss on change in fair value of derivatives embedded in convertible bonds of approximately HK$2,983,000 (2012: gain of HK$92,703,000, approximately).

As at 31 January 2013, the Group had available bank balances and cash of approximately HK$108,000, RMB1,262,000 and JPY13,677,000 (2012: approximately HK$829,000, RMB3,512,000 and JPY10,362,000), representing a capital liquidity ratio (bank balances and cash divided by current liabilities) of 0.01 (2012: 0.01).

As at 31 January 2013, the Group's debts to assets ratio was 3.21 (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$229,243,000 (2012: approximately HK$226,243,000), an amount due to a director of approximately HK$3,252,000 (2012: approximately HK$2,052,000), borrowings of approximately HK$2,202,000 (2012: approximately HK$4,086,000), obligations under finance leases of HK$1,041,000 (2012: HK$422,000) and the liability component of the convertible bonds of approximately HK$185,317,000 (2012: approximately HK$240,271,000) over the amount of total assets of approximately HK$130,990,000 (2012: approximately HK$128,080,000).

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2013, the total number of employees of the Group (excluding directors of the Company) was 43 (2012: 44). 23 of them worked in the PRC, 18 worked in Japan, while 2 worked in Hong Kong (2012: 23 of them worked in the PRC, 19 worked in Japan, while 2 worked in Hong Kong).

During the year, the Group paid employees' emoluments (including emoluments for directors and employees) amounting to HK$2,738,000 (2012: HK$2,877,000), RMB1,660,000 (2012: RMB1,517,000) and JPY71,037,000 (2012: JPY51,510,000). The remunerations offered by the Group were determined in accordance with the relevant policies in Hong Kong, Japan and the PRC and with reference to market trend, as well as individual competence and performance of the staff. Other related benefits included contributions to Mandatory Provident Fund schemes, social insurance, and medical insurance funds.

APPRECIATION

On behalf of all members of the Board, I would like to express our gratitude to the shareholders for their continuing support and all staff of the Group for their hard work and contribution.

LO CHEUNG KIN
Chairman

Hong Kong, 26 April 2013

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Cheung Kin, aged 66, the Chairman of the Company, was appointed as an executive director of the Company on 30 September 1998. He also acts as the chairman of the Company's nomination committee and directors of Faith Stand (China) Limited, Vast Glory Investment Limited and Jiacheng (Fujian) Investments Co., Ltd., all of which are wholly-owned subsidiaries of the Company, and Viswell International Limited, the Company's 72.12% owned subsidiary. Mr. Lo graduated from Fujian Teachers University in the PRC majoring in Foreign Language. He has over 30 years of experience in the property investment and development market. Mr. Lo is a director and the beneficial owner of Mass Honour Investment Limited, a substantial shareholder of the Company. Save as disclosed, Mr. Lo does not have any other relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Madam Huang Haiping, aged 61, was appointed as an executive director and the Chief Executive Officer of the Company on 1 February 2007. Madam Huang acts as directors of Jiacheng (Fujian) Investments Co., Ltd., Vast Glory (Fujian) Hotel Management Limited, Faith Stand (China) Limited and Vast Glory Investment Limited, all of which are wholly-owned subsidiaries of the Company. Madam Huang is an engineer and a senior economist. She is vastly experienced in construction design, budgetary estimate, finance and administration. Madam Huang does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Li Jianbo, aged 52, was appointed as an executive director of the Company on 20 October 2006. He also acts as the member of the Company's remuneration committee. In addition, Mr. Li acts as director of Jiacheng (Fujian) Investments Co., Ltd., a wholly-owned subsidiary of the Company. Mr. Li graduated from Fujian Teachers University in the PRC. Mr. Li previously served as secretary of the General Office of Fujian Provincial People's Municipal Government of the PRC and its representative office in Hong Kong, Fujian Enterprises (Holdings) Company Limited. Currently, he is principally engaged in managing a private fund in Hong Kong and is also a director of that private fund company, and he has extensive experience in fund investment. Mr. Li does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Madam Song Xiaoling, aged 60, was appointed as an executive director of the Company on 24 October 2008. She also acts as director of Vast Glory (Fujian) Hotel Management Limited, Faith Stand (China) Limited and Vast Glory Investment Limited, all of which are wholly-owned subsidiaries of the Company. Madam Song graduated from the Faculty of Chinese at Xiamen University in the PRC. She is vastly experienced in the management and personnel training of hotels. Madam Song does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Yiu Por, aged 36, was appointed as an independent non-executive director of the Company on 29 June 2012. He also acts as the chairman of the audit committee and a member of each of the Company's remuneration committee and nomination committee. Mr. Lam has more than 15 years of experience in the field of finance and accounting. He is the chief financial officer and company secretary of a private company since 2010. Mr. Lam was the chief financial officer and company secretary at Lijun International Pharmaceutical (Holding) Co., Ltd. (HKEx stock code: 2005) from 2005 to 2008. From 2004 to 2005, Mr. Lam was the qualified accountant and financial controller at Zhongtian International Holding Co., Ltd., (HKEx stock code: 2379). Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. Mr. Lam received his bachelor's degree in accountancy from Hong Kong Polytechnic University in November 1997. Mr. Lam does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Wong Cheong, aged 58, was appointed as an independent non-executive director of the Company on 20 October 2006. He also acts as the chairman of the remuneration committee and a member of each of the Company's audit committee and nomination committee. Mr. Wong has been serving as engineer of several companies in Macau for over 15 years. He has extensive experience in the areas of construction engineering and property repair, maintenance and management. Mr. Wong does not have any relationship with the other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

Mr. Ngai Sai Chuen, aged 62, was appointed as an independent non-executive director of the Company on 1 February 2010. He also acts as a member of the audit committee. Mr. Ngai was awarded an associate degree by a college in the PRC in 1987. He worked for the railway system in Fuzhou for ten years from 1972. He then acted as a deputy section chief of Fujian People's Government General Office until 1989. From 1989 to 1994, he acted as the general manager of a subsidiary company of China Fujian Corp for International Techno-Economic Corporation. He then acted as the department manager of Fujian Economy Consultation Company until 2004. Currently, he is a director of Jadford International Limited and acts as consultant of Space (Fujian) Information Technology Development Limited. Mr. Ngai does not have any relationship with any other directors, senior managers, substantial shareholders or controlling shareholders of the Company.

COMPANY SECRETARY

Madam Tung Wing Yee Winnie, aged 41, was appointed as the company secretary of the Company on 28 July 2010. Madam Tung is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She has over 15 years' experience in auditing and accounting. In addition, she holds a Master degree in Business Administration and a Bachelor degree in Commerce. Madam Tung does not have any relationship with the directors, senior managers, substantial shareholders or controlling shareholders of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance practice. The Company stresses the importance of maintaining the quality of the Board by ensuring that the directors possess a wide range of expertise and the effective implementation of an accountability system, so as to ensure that business activities and decision making processes are regulated in a proper manner.

Save 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 "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year.

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 CG code.

On 15 February 2012, each Independent Non-executive Director, except Mr. See Tak Wah who retired 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 his appointment. Code provision of 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.

The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors of the Company, the Company is not aware of any non-compliance with the Model Code regarding the trading of the Company's securities for the year.

BOARD OF DIRECTORS

Currently, the Board comprises four executive directors and three independent non-executive directors. The directors of the Company during the year and up to the date of this report were:–

Executive directors

Mr. Lo Cheung Kin *(Chairman)*
Madam Huang Haiping *(Chief Executive Officer)*
Mr. Li Jianbo
Madam Song Xiaoling

Independent non-executive directors

Mr. Lam Yiu Por	(appointed on 29 June 2012)
Mr. Ngai Sai Chuen	
Mr. Wong Cheong	
Mr. See Tak Wah	(retired on 29 June 2012)

The biographical details of the current directors are set out on pages 6 to 7 of this Annual Report. The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive directors of the Company in the Board meetings facilitate the maintenance of good corporate governance practices. Mr. Lam Yiu Por, one of the independent non-executive directors, has the appropriate professional qualifications and accounting and related financial management expertise as required by Rule 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and independent non-executive directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the developmental needs of the business of the Group.

All independent non-executive directors are free from any business or other relationship with the Company. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the three independent non-executive directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve the annual and interim results, and to review the business operation and the internal control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular meetings, Board meetings are also held to approve major issues. At least 14 days' notice of each regular meeting is given to all directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of Board meetings to ensure that the directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to directors for their review and comment while final versions of the said minutes, when duly signed, are sent to all members of the Board for their records. All the said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of the chairman and the chief executive of an issuer should be separate and should not be performed by the same individual.

The Chairman is Mr. Lo Cheung Kin and the Chief Executive Officer ("CEO") is Madam Huang Haiping. The chief executives of the Company include all executive directors of the Company. Thus, Mr. Lo, Chairman and executive director of the Company, also acts as one of the chief executives of the Company.

There is a clear division of responsibilities between the Chairman and the chief executives, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the chief executives are authorised and responsible for the management of the day-to-day business of the Group as well as the implementation of the strategies approved by the Board. In view of the clear segregation of duties, the Board considers that the balance of power is sufficient and effective.

AUDIT COMMITTEE

The Board set up the Audit Committee in July 1999 with specific written terms of reference (which have been revised subsequently to cope with changes) which clearly deals with its authority and duties. The Audit Committee's role is to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board.

During the year, the Audit Committee consisted of 3 independent non-executive Directors. Chairman of the Audit Committee, Mr. See Tak Wah resigned as an independent non-executive Director on 29 June 2012 and Mr. Lam Yiu Por was appointed as an independent non-executive Director and the Chairman of the Audit Committee to replace Mr. See Tak Wah on the same date.

The members of the Audit Committee are as follows:

Mr. Lam Yiu Por	Chairman (independent non-executive director)
Mr. Wong Cheong	Member (independent non-executive director)
Mr. Ngai Sai Chuen	Member (independent non-executive director)

In discharging its responsibilities, the Audit Committee had performed the following tasks during the year:–

(i) reviewed the effectiveness of the audit process in accordance with the applicable standards;

(ii) reviewed the draft interim and annual financial statements and the related draft results announcements;

(iii) reviewed the change in accounting standards and assessed the potential impacts on the Group's financial statements;

(iv) reviewed the Group's internal control system and discussed with the management the relevant issues including financial, operational and compliance controls and risk management functions and ensured that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget; and

(v) made recommendation on the appointment or reappointment of the external auditor and approved their terms of engagement.

NOMINATION COMMITTEE

The Board set up the Nomination Committee in March, 2007 with specific written terms of reference (which have been revised subsequently to cope with changes) which clearly deals with its authority and duties. The Nomination Committee's roles are principally to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identify individuals suitably qualified to become Board members and make recommendations to the Board in this regard; and assess the independence of independent non-executive directors.

In respect of code provisions A.5.1, the Nomination Committee of the Company is chaired by the chairman of the board and comprises a majority of independent non-executive directors.

The members of the nomination committee are as follows:

Mr. Lo Cheung Kin	Chairman (executive director)
Mr. Lam Yiu Por	Member (independent non-executive director)
Mr. Wong Cheong	Member (independent non-executive director)

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in May 2005 with specific written terms of reference (which have been revised subsequently to cope with changes) which clearly deals with its authority and duties. The Remuneration Committee's role is to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

In accordance with Rule 3.25 of the Listing Rules, the Remuneration Committee is chaired by an independent non-executive Director and comprising a majority of independent non-executive directors.

The members of the remuneration committee are as follows:

Mr. Wong Cheong	Chairman (independent non-executive director)
Mr. Lam Yiu Por	Member (independent non-executive director)
Mr. Li Jianbo	Member (executive director)

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

A record of the members' attendance of the Board meetings, Audit Committee meetings, Nomination Committee meeting, Remuneration Committee meeting and General meetings during the year are set out as follows:

	No. of meetings attended/No. of meetings held				
Directors	**Board meetings**	**Audit Committee meetings**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**General meetings**
Executive directors					
Mr. Lo Cheung Kin	8/8	N/A	1/1	N/A	2/2
Madam Huang Haiping	8/8	N/A	N/A	N/A	2/2
Mr. Li Jianbo	8/8	N/A	N/A	1/1	2/2
Madam Song Xiaoling	8/8	N/A	N/A	N/A	2/2
Independed non-executive directors					
Mr. Lam Yiu Por	2/2 *(Note)*	1/1 *(Note)*	0/0 *(Note)*	0/0 *(Note)*	0/0 *(Note)*
Mr. Wong Cheong	8/8	2/2	1/1	1/1	2/2
Mr. Ngai Sai Chuen	7/8	2/2	N/A	N/A	0/2
Mr. See Tak Wah	6/6 *(Note)*	1/1 *(Note)*	1/1 *(Note)*	1/1 *(Note)*	2/2 *(Note)*

Note: Number of meetings held during the tenure of the Directors.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code which has come into effect from 1 April 2012, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Reading materials on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses. The Company organized seminar conducted by external professionals for the directors on insider information and market misconduct, also provided reading materials on regulatory update to the directors for their reference and studying.

During the year, all directors and company secretary confirmed that they have complied with the CG Code.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

AUDITOR'S REMUNERATION

The Company's external auditor is Crowe Horwath (HK) CPA Limited. The remuneration paid/payable to Crowe Horwath (HK) CPA Limited in respect of audit services and non-audit services for the year ended 31 January 2013 amounted to approximately HK$660,000 (2012: HK$645,000) and HK$50,000 (2012: HK$20,000) respectively.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditor about their reporting responsibilities is set out on pages 23 to 24 of this Annual Report.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the year, the Board reviewed the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board in particular considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board considers the existing resources, qualifications and experience of staff and their training programmes and budget should be adequate in respect of the Group's accounting and financial reporting function.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's constitutional documents. Details of such rights to demand a poll and the poll procedures are included in all related circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the website of the Company and the Stock Exchange on the same day of the shareholders' meeting.

The general meeting of the Company provides a forum for communication between the shareholders and the Board. The Chairman of the Board, as well as the Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee or in their absence, other members of the respective committees, normally attend the annual general meeting and other relevant shareholders' meetings to answer at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including election of individual directors.

The Company continues to enhance communication and relations with its investors. Enquiries from investors are dealt with in an informative and timely manner.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 January 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 January 2013 are set out in the consolidated statement of comprehensive income on page 25.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out on page 30 and in note 27 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 59% of the Group's revenue. The aggregate purchases, attributable to the Group's five largest suppliers were approximately 81% of total purchases of the Group. The largest customer and supplier accounted for approximately 38% and 20% of the Group's revenue and purchases, respectively.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 13 and 12 to the consolidated financial statements, respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Lo Cheung Kin
Madam Huang Haiping
Mr. Li Jianbo
Madam Song Xiaoling

Independent non-executive directors:

Mr. Lam Yiu Por	(appointed on 29 June 2012)
Mr. Wong Cheong	
Mr. Ngai Sai Chuen	
Mr. See Tak Wah	(retired on 29 June 2012)

In accordance with Article 81 of the Company's Articles of Association, Madam Huang Haiping, Madam Song Xiaoling and Mr. Ngai Sai Chuen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 77 of the Company's Articles of Association, Mr. Lam Yiu Por will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The chief executives of the Company include all executive directors of the Company.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

At 31 January 2013, the interests and short positions of the directors and the chief executives 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, were as follows:

Name of director	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Lo Cheung Kin	Corporate *(Note)*	29,173,638 Shares (L)	22.11%

(L) denotes long position

Note: The ordinary shares are held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin.

Save as disclosed herein, at 31 January 2013, none of the directors nor the chief executives 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 of Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, at 31 January 2013, the following persons (not being directors or chief executives 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 shareholder	Capacity	Number and class of securities		Percentage of issued ordinary share capital
Lui Ming Ho	Beneficial	131,250,000 Shares (L)	*(Note a)*	53.41%
Wong Kin Ping	Beneficial	56,250,000 Shares (L)	*(Note b)*	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 to be obtained upon the fully 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 to be obtained upon the fully conversion of the convertible bonds in the principal amount of HK$81,900,000.

Save as disclosed above, at 31 January 2013, the directors were not aware of any other person (other than the directors and the chief executives 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 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 9 to 16.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public floats as required under the Listing Rules throughout the year ended 31 January 2013.

AUDITOR

A resolution to re-appoint Messrs. Crowe Horwath (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

LO CHEUNG KIN
Chairman

26 April 2013

INDEPENDENT AUDITOR'S REPORT

Crowe Horwath™

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF BUILDMORE INTERNATIONAL LIMITED

建懋國際有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Buildmore International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 113, which comprise the consolidated and Company's statements of financial position as at 31 January 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Because we were appointed as auditors of the Company on 17 June 2011, we were not able to observe the counting of the physical inventories at the beginning of the year ended 31 January 2012 or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening accumulated losses might be necessary for the year ended 31 January 2012. Our audit opinion on the consolidated financial statements for the year ended 31 January 2012 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 January 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2(b)(i) to the consolidated financial statements which indicates that, as of 31 January 2013, the Group's total liabilities exceeded its total assets by HK$369,255,065, the Group's current liabilities exceeded its current assets by HK$233,825,891, the Company's total liabilities exceeded its total assets by HK$148,840,295 and the Company's current liabilities exceeded its current assets by HK$10,811,785. These conditions, along with other matters as set forth in note 2(b)(i) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 April 2013

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2013

	NOTE	**2013**	2012
		HK$	*HK$*
Turnover	4(a)	**40,458,354**	30,079,684
Cost of sales		**(20,354,453)**	(18,250,111)
Gross profit		**20,103,901**	11,829,573
Other revenue	5	**225,452**	2,706,574
Other net income	5	**36,785,273**	103,594,057
Selling and distribution costs		**(3,768,639)**	(3,258,147)
General and administrative expenses		**(16,830,125)**	(18,278,652)
Finance costs	6(a)	**(32,902,523)**	(67,868,822)
Profit before taxation	6	**3,613,339**	28,724,583
Income tax	7	**(527,461)**	(185,021)
Profit for the year		**3,085,878**	28,539,562
Other comprehensive income			
Exchange difference arising on translation of functional currency to presentation currency		**(986,147)**	(8,220,985)
Total comprehensive income for the year, net of tax		**2,099,731**	20,318,577
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company	10	**2,463,465**	29,055,029
Non-controlling interests		**622,413**	(515,467)
		3,085,878	28,539,562

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2013

	NOTE	**2013** HK$	2012 HK$
Total comprehensive income/(expense) for the year attributable to:			
Equity shareholders of the Company		**1,145,511**	21,227,535
Non-controlling interests		**954,220**	(908,958)
		2,099,731	20,318,577
Earnings/(loss) per share	11		
Basic		**0.02**	0.22
Diluted		**(0.005)**	(0.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2013

	NOTE	2013 HK$	2012 HK$
Non-current assets			
Investment properties	12	**94,867,854**	92,180,969
Property, plant and equipment	13	**6,719,311**	6,852,205
Intangible assets	14	**5,268,362**	5,138,923
Other financial assets	15	**15,194,531**	12,048,193
Deposit for property, plant and equipment		**320,268**	–
		122,370,326	116,220,290
Current assets			
Inventories	17	**1,923,173**	1,649,925
Trade and other receivables	18	**3,858,882**	4,010,357
Cash and cash equivalents	19	**2,837,155**	6,198,989
		8,619,210	11,859,271
Current liabilities			
Trade and other payables	20	**7,943,468**	10,195,026
Amounts due to shareholders	22	**229,243,054**	226,243,054
Amount due to a director	23	**3,252,239**	2,052,239
Borrowings – due within one year	24	**803,115**	1,438,220
Obligations under finance leases	21	**254,589**	81,951
Convertible bonds	25	**–**	241,374,113
Tax liabilities		**948,636**	873,686
		242,445,101	482,258,289
Net current liabilities		**(233,825,891)**	(470,399,018)
Total assets less current liabilities		**(111,455,565)**	(354,178,728)

	NOTE	2013 HK$	2012 HK$
Non-current liabilities			
Borrowings – due after one year	24	**1,398,860**	2,647,934
Obligations under finance leases	21	**786,909**	340,284
Convertible bonds	25	**240,763,836**	–
Deferred taxation	26	**14,849,895**	14,187,850
		257,799,500	17,176,068
Net liabilities		**(369,255,065)**	(371,354,796)
Capital and reserves			
Share capital	27(c)	**131,973,638**	131,973,638
Share premium and reserves		**(500,374,960)**	(501,520,471)
Equity attributable to equity shareholders of the Company		**(368,401,322)**	(369,546,833)
Non-controlling interests		**(853,743)**	(1,807,963)
Total deficit		**(369,255,065)**	(371,354,796)

The consolidated financial statements on pages 25 to 113 were approved and authorised for issue by the Board of Directors on 26 April 2013 and are signed on its behalf by:

Lo Cheung Kin	**Li Jianbo**
DIRECTOR	*DIRECTOR*

STATEMENT OF FINANCIAL POSITION

At 31 January 2013

	NOTE	2013 HK$	2012 HK$
Non-current assets			
Property, plant and equipment	13	**137,993**	186,095
Investments in subsidiaries	16	**81,482,823**	70,259,941
Amounts due from subsidiaries	23	**21,114,510**	21,909,622
		102,735,326	92,355,658
Current assets			
Sundry receivables and prepayments		**34,724**	665
Amounts due from subsidiaries	23	**2,010,081**	1,414,812
Cash and cash equivalents	19	**46,954**	376,325
		2,091,759	1,791,802
Current liabilities			
Sundry payables and accruals		**703,544**	538,544
Amounts due to shareholders	22	**9,000,000**	6,000,000
Amount due to a director	23	**3,200,000**	2,000,000
Convertible bonds	25	**–**	241,374,113
		12,903,544	249,912,657
Net current liabilities		**(10,811,785)**	(248,120,855)
Total assets less current liabilities		**91,923,541**	(155,765,197)
Non-current liability			
Convertible bonds	25	**240,763,836**	–
Net liabilities		**(148,840,295)**	(155,765,197)
Capital and reserves	27(a)		
Share capital		**131,973,638**	131,973,638
Share premium and reserves		**(280,813,933)**	(287,738,835)
Total deficit		**(148,840,295)**	(155,765,197)

Lo Cheung Kin
DIRECTOR

Li Jianbo
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2013

	Attributable to equity shareholders of the Company							
	Share capital	**Share premium**	**Shareholder's contribution**	**Translation reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance at 1 February 2011	131,973,638	250,076,221	4,536,895	5,039,221	(782,400,343)	(390,774,368)	(899,005)	(391,673,373)
Change in equity for 2011/12:								
Profit for the year	–	–	–	–	29,055,029	29,055,029	(515,467)	28,539,562
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	(7,827,494)	–	(7,827,494)	(393,491)	(8,220,985)
Total comprehensive income/ (expense) for the year	–	–	–	(7,827,494)	29,055,029	21,227,535	(908,958)	20,318,577
Balance at 31 January 2012	131,973,638	250,076,221	4,536,895	(2,788,273)	(753,345,314)	(369,546,833)	(1,807,963)	(371,354,796)
Change in equity for 2012/13:								
Profit for the year	–	–	–	–	2,463,465	2,463,465	622,413	3,085,878
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	(1,317,954)	–	(1,317,954)	331,807	(986,147)
Total comprehensive income/(expense) for the year	–	–	–	(1,317,954)	2,463,465	1,145,511	954,220	2,099,731
Balance at 31 January 2013	131,973,638	250,076,221	4,536,895	(4,106,227)	(750,881,849)	(368,401,322)	(853,743)	(369,255,065)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 January 2013

	2013	2012
	HK$	*HK$*
OPERATING ACTIVITIES		
Profit for the year	**3,085,878**	28,539,562
Adjustments for:		
Income tax	**527,461**	185,021
Depreciation of property, plant and equipment	**1,513,738**	1,975,292
Amortisation of intangible assets	**29,830**	224,153
Impairment loss on trade receivables	**129,687**	2,432
Impairment loss of other receivables, deposits and prepayments	**–**	132,918
Impairment loss of intangible assets	**–**	1,212,916
Interest income	**(14,009)**	(110,367)
Interest expense on borrowings wholly repayable within five years	**368,877**	161,194
Finance charges on obligations under finance leases	**21,897**	24,122
Imputed interest expense on amount due to a shareholder	**–**	30,668,332
Imputed interest expense on convertible bonds	**32,511,749**	37,015,174
Loss on disposal of property, plant and equipment	**378,569**	588
Gain on modification of the terms of convertible bonds	**(36,104,973)**	–
Valuation (gain)/loss on investment properties	**(1,392,645)**	2,188,131
Write down of inventories	**135,908**	–
Gain on change in fair value of other financial assets designated as at fair value through profit and loss	**(61,621)**	(726,231)
Loss/(gain) on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	**2,982,947**	(92,702,616)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	**(627,489)**	(2,458,294)
Foreign exchange gain on liability component of the convertible bonds	**(2,678,828)**	(9,007,395)
Foreign exchange loss/(gain)	**499,765**	(874,393)
Operating cash flows before movements in working capital	**1,306,741**	(3,549,461)
(Increase)/decrease in inventories	**(687,033)**	495,567
Increase in trade and other receivables and prepayments	**(647,461)**	(172,492)
(Decrease)/increase in trade and other payables and accruals	**(994,009)**	1,377,037
NET CASH USED IN OPERATING ACTIVITIES	**(1,021,762)**	(1,849,349)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 January 2013

	2013	2012
	HK$	*HK$*
INVESTING ACTIVITIES		
Payment of deposit for property, plant and equipment	**(320,268)**	–
Payment for additions of investment properties	**–**	(2,214,383)
Purchase of property, plant and equipment	**(1,046,607)**	(566,980)
Payment for additions of other financial assets	**(2,883,886)**	–
Purchase of intangible assets	**(95,456)**	(5,494,099)
Interest received	**14,009**	110,367
NET CASH USED IN INVESTING ACTIVITIES	**(4,332,208)**	(8,165,095)
FINANCING ACTIVITIES		
Advance from shareholders	**3,000,000**	2,000,000
Advance from a director	**1,200,000**	2,000,000
Capital element of finance lease rentals paid	**(283,338)**	(410,207)
Interest element of finance lease rentals paid	**(21,897)**	(24,122)
Repayment of borrowings	**(1,351,020)**	(757,519)
Interest paid	**(368,877)**	(161,194)
NET CASH FROM FINANCING ACTIVITIES	**2,174,868**	2,646,958
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,179,102)**	(7,367,486)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**6,198,989**	13,045,976
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(182,732)**	520,499
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY		
Bank balances and cash	**2,837,155**	6,198,989

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). As the Company is listed on the Stock Exchange, the directors consider that it is appropriate to present the consolidated financial statements in HK$.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statements of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 January 2013 comprise the Company and its subsidiaries.

(i) Going concern

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group and the Company in light of the fact that, as of 31 January 2013, the Group's total liabilities exceeded its total assets by HK$369,255,065, the Group's current liabilities exceeded its current assets by HK$233,825,891, the Company's total liabilities exceeded its total assets by HK$148,840,295 and the Company's current liabilities exceeded its current assets by HK$10,811,785. The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

(i) the substantial shareholder of the Company has undertaken to the Company not to demand repayment of the Advance (as defined in note 22) with carrying amount of HK$219,285,077 at 31 January 2013 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 have undertaken to the Company not to demand repayment of the 2nd Advance (as defined in note 22), the 3rd Advance (as defined in note 22), the 4th Advance (as defined in note 22) and the 5th Advance (as defined in note 22) with carrying amounts of HK$4,000,000, HK$2,000,000, HK$2,000,000 and HK$1,000,000, respectively, at 31 January 2013 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) a director of the Company 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 January 2013 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;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation of the consolidated financial statements (continued)

(i) Going concern (continued)

(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 banks by pledging the investment properties of the Group, if required, the Group and the Company will have sufficient working capital to meet in full their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(ii) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– investment property (see note 2(f));

– financial assets at fair value through profit or loss ("FVTPL") (see note 2(m)); and

– derivatives embedded in convertible bonds (see note 2(n)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation of the consolidated financial statements (continued)

(iii) Use of estimates and judgements

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

As a result of adopting the amendments to HKAS 12, the Group has determined that each of the investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result. the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties (continued)

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(g) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold land and building	Over the shorter of the remaining term of the lease or 20 years
Leasehold improvements	Over the shorter of $33\frac{1}{3}\%$ or the term of the lease
Plant and machinery	20%
Air-conditioning system	10%
Furniture, fixtures and office equipment	20%
Computer system	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives as follows:

Hotel management right	10 years
Patent, trademark and license	3 to 10 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

Investments in subsidiaries and current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events.

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in subsidiaries and trade and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in subsidiaries and trade and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the effect of discounting would be immaterial in which case the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Financial assets at fair value through profit or loss

A financial asset is designated as at fair value through profit or loss ("FVTPL") upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Convertible bonds

Convertible bonds issued by the Group that contain both liability and embedded derivatives (conversion option and early redemption option at the discretion of the issuer that is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that 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 is a conversion option derivative. At the date of issue, both the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and early redemption option are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives in proportion to their relative fair values. Transaction costs relating to the embedded derivatives is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the transaction dates. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Translation of foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations denominated in a currency other than the presentation currency are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the translation reserve.

On disposal of an operation denominated in a currency other than the presentation currency, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of non-current assets

If circumstances indicate that the carrying amount of non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair values because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and the amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and the amount of operating costs. Any changes in these estimates and assumptions could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in the future periods.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Fair value of investment properties and financial assets designated as at FVTPL

At the end of the reporting period, the Group's investment properties and financial assets designated as at FVTPL are stated at fair value of HK$94,867,854 and HK$15,194,531, respectively (2012: HK$92,180,969 and HK$12,048,193), based on the valuation performed by an independent qualified professional valuer. The fair value has been determined based on the market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates, reversionary income potential and comparable sales transactions. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

(c) Fair value of derivatives embedded in convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives embedded in convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the derivatives (see note 25). If the inputs and estimates applied in the model are different, the carrying amount of these derivatives will change. The carrying value of the derivatives embedded in convertible bonds at 31 January 2013 was HK$55,446,680 (2012: HK$1,103,307).

(d) Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(d) Income tax (continued)

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amount of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and required significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the result in future years.

4. TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

	2013	2012
	HK$	*HK$*
Gross rentals from investment properties	**5,141,085**	4,542,170
Sales of dye-sublimation printed products	**35,317,269**	25,537,514
	40,458,354	30,079,684

Further details regarding the Group's principal activities are disclosed in note 4(b).

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. No operating segments have been aggregated to form the following reportable segments. The Group has presented the following three reportable segments.

– Property investment: this segment leases premises to generate rental income and to gain from the appreciation in properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the People's Republic of China (the "PRC").

– Hotel management: this segment provides management services to hotels. Currently, the Group's activities in this regard are carried out in the PRC.

– Sales of dye-sublimation printed products: this segment engages in the manufacture and sale of the dye-sublimation printed products. These products are manufactured in Japan and sold to customers mainly located in Japan and USA.

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment results represent the results generated by each segment without allocation of corporate administrative expenses including directors' salaries, other income, imputed interest expenses on amount due to a shareholder and imputed interest expenses on convertible bonds. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocations and performance assessment.

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

For the year ended 31 January 2013

	Property investment *HK$*	Hotel management *HK$*	Sales of dye-sublimation printed products *HK$*	Consolidated *HK$*
REVENUE				
Segment revenue – external sales	5,141,085	-	35,317,269	40,458,354
RESULTS				
Segment results	2,554,397	(850,732)	3,164,624	4,868,289
Unallocated income				225,452
Unallocated corporate expenses				(5,396,996)
Imputed interest expense on convertible bonds				(32,511,749)
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds				(2,982,947)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency				627,489
Foreign exchange gain on liability component of the convertible bonds				2,678,828
Gain on modification of the terms of convertible bonds				36,104,973
Profit before taxation				3,613,339

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment revenue and results (continued)

For the year ended 31 January 2012

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

There was no inter-segment sales for both years.

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(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 segments:

As at 31 January 2013

	Property investment *HK$*	Hotel management *HK$*	Sales of dye-sublimation printed products *HK$*	Consolidated *HK$*
SEGMENT ASSETS				
Segment assets	111,572,121	5,620,227	8,501,241	125,693,589
Property, plant and equipment (for corporate)				3,579,836
Other receivables and prepayments (for corporate)				34,725
Bank balances and cash (for corporate)				1,681,386
Consolidated assets				130,989,536
SEGMENT LIABILITIES				
Segment liabilities	18,053,095	37	8,228,796	26,281,928
Other payables and accruals (for corporate)				703,544
Amounts due to shareholders				229,243,054
Amount due to a director				3,252,239
Convertible bonds				240,763,836
Consolidated liabilities				500,244,601

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Segment assets and liabilities (continued)

As at 31 January 2012

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

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(iii) Other segment information

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

For the year ended 31 January 2013

	Property investment *HK$*	Hotel management *HK$*	Sales of dye-sublimation printed products *HK$*	Total *HK$*
Additions of property, plant and equipment	394,129	33,659	1,678,716	2,106,504
Additions of intangible assets	–	–	95,456	95,456
Additions of other financial assets	2,883,886	–	–	2,883,886
Loss on disposal of property, plant and equipment	5,643	1,029	371,897	378,569
Impairment loss on trade receivables	–	–	129,687	129,687
Write down of inventories	–	–	135,908	135,908
Amortisation of intangible assets	–	–	29,830	29,830
Depreciation of property, plant and equipment	241,643	110,591	815,599	1,167,833
Valuation gain on investment properties	(1,392,645)	–	–	(1,392,645)
Gain on change in fair value of other financial assets designated as at FVTPL	(61,621)	–	–	(61,621)

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(iii) Other segment information (continued)

For the year ended 31 January 2012

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

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(iv) Geographical information

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

The Group's revenue from external customers by geographical location of customers and information about its non-current assets (excluding other financial assets) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets (other than financial instruments)	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
PRC	**6,210,190**	4,542,170	**104,793,370**	101,878,815
Hong Kong	**–**	–	**137,993**	186,095
Japan	**20,690,703**	22,096,500	**2,244,432**	2,107,187
USA	**13,461,167**	3,441,014	**–**	–
Others	**96,294**	–	**–**	–
	40,458,354	30,079,684	**107,175,795**	104,172,097

(v) Information about major customers

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

	2013	2012
	HK$	*HK$*
Customer A – Sales of dye-sublimation printed products	**13,402,853**	3,221,639
Customer B – Sales of dye-sublimation printed products	**–**	3,441,014

5. OTHER REVENUE AND NET INCOME

	2013	2012
	HK$	*HK$*
Other revenue		
Total interest income on financial assets not at fair value through profit or loss:		
Interest income from bank	**14,009**	110,367
Government grants (note)	**–**	2,332,146
Sundry income	**211,443**	264,061
	225,452	2,706,574

Note: For the year ended 31 January 2012, the Group successfully applied for funding support from the Ministry of Economy, Trade and Industry of Japan for research and development of anti-counterfeiting technology project. The project was completed during the year ended 31 January 2012, and the total research and development costs incurred for this project was approximately HK$2,324,197 and included in "General and administrative expenses" in the consolidated statement of comprehensive income.

	Note	2013	2012
		HK$	*HK$*
Other net income			
(Loss)/gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	25	**(2,982,947)**	92,702,616
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	25	**627,489**	2,458,294
		(2,355,458)	95,160,910
Gain on modification of the terms of convertible bonds	25	**36,104,973**	–
Valuation gain/(loss) on investment properties	12	**1,392,645**	(2,188,131)
Gain on change in fair value of other financial assets designated as at fair value through profit or loss	15	**61,621**	726,231
Foreign exchange gain on liability component of the convertible bonds	25	**2,678,828**	9,007,395
Other exchange (loss)/gain		**(718,767)**	887,652
Loss on disposal of property, plant and equipment		**(378,569)**	–
		36,785,273	103,594,057

6. PROFIT BEFORE TAXATION

	2013 HK$	2012 HK$
Profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest expenses on borrowings wholly repayable within five years	**368,877**	161,194
Finance charges on obligations under finance leases	**21,897**	24,122
Imputed interest expense on amount due to a shareholder	**–**	30,668,332
Imputed interest expense on convertible bonds	**32,511,749**	37,015,174
Total interest expenses on financial liabilities not at fair value through profit or loss	**32,902,523**	67,868,822
(b) Staff costs (including directors' emoluments)		
Contribution to defined contribution retirement plans	**816,925**	613,145
Salaries, wage and other benefits	**10,904,380**	9,180,013
	11,721,305	9,793,158
(c) Other items		
Auditor's remuneration		
- Audit Services	**660,000**	645,000
- Other Services	**50,000**	20,000
Cost of inventories recognised as an expense (see note 17(b))	**9,507,902**	11,001,918
Depreciation of property, plant and equipment	**1,513,738**	1,975,292
Amortisation of intangible assets	**29,830**	224,153
Impairment loss		
- trade receivables	**129,687**	2,432
- other receivables, deposits and prepayments	**–**	132,918
- intangible assets (see note 14)	**–**	1,212,916
Gross rents from investment properties under operating leases	**(5,141,085)**	(4,542,170)
Less: direct outgoings	**–**	41,468
Net rental income	**(5,141,085)**	(4,500,702)
Operating lease rentals in respect of:		
Premises	**1,012,220**	966,565
Equipment	**13,860**	164,194

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013	2012
	HK$	*HK$*
(a) Taxation charged to profit or loss:		
Current tax – the PRC:		
Provision for the year	**67,624**	60,212
Deferred tax:		
Origination and reversal of temporary differences	**459,837**	124,809
	527,461	185,021

Pursuant to the income tax laws and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Corporate Tax at a rate of 25% during the years ended 31 January 2013 and 2012.

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

Income tax arising in Japan is calculated at an effective corporate tax rate of 39.43% (2012: 40.69%), comprising the aggregate of national tax, inhabitants tax and enterprise tax for a corporation with share capital below or equal to JPY100 million. No provision for Japan corporate tax is provided in the consolidated statement of comprehensive income for the year ended 31 January 2013, since the Group has accumulated tax losses brought forward which exceeds the estimated assessable profits arising in Japan for that year (2012: the Group has no estimated assessable profits in Japan).

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

(b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rates:

	2013	2012
	HK$	*HK$*
Profit before taxation	**3,613,339**	28,724,583
Taxation at tax rate of 25% (2012: 25%)	**903,335**	7,181,146
Tax effect of expenses not deductible for tax purpose	**9,170,282**	18,537,933
Tax effect of income not taxable for tax purpose	**(10,092,303)**	(27,029,110)
Tax effect of tax losses not recognised	**721,857**	1,355,398
Tax effect of different tax rates of group entities operating in other jurisdiction	**755,304**	139,654
Tax effect of utilization of tax loss not recognised	**(931,014)**	–
Actual tax expense charged to profit or loss	**527,461**	185,021

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 January 2013

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Retirement scheme contributions HK$	2013 Total HK$
Executive directors				
Lo Cheung Kin (Chairman)	646,378	–	11,758	658,136
Li Jianbo	286,378	–	6,000	292,378
Huang Haiping (Chief Executive Officer)	360,000	–	14,000	374,000
Song Xiaoling	300,000	–	14,000	314,000
Independent non-executive directors				
See Tak Wah*	50,000	–	2,500	52,500
Wong Cheong	120,000	–	6,000	126,000
Ngai Sai Chuen	120,000	–	6,000	126,000
Lam Yiu Por*	70,000	–	3,500	73,500
	1,952,756	–	63,758	2,016,514

For the year ended 31 January 2012

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Retirement scheme contributions HK$	2012 Total HK$
Executive directors				
Lo Cheung Kin (Chairman)	625,246	–	12,000	637,246
Li Jianbo	265,246	–	6,000	271,246
Huang Haiping (Chief Executive Officer)	360,000	–	12,000	372,000
Song Xiaoling	300,000	–	12,000	312,000
Independent non-executive directors				
See Tak Wah	120,000	–	6,000	126,000
Wong Cheong	120,000	–	6,000	126,000
Ngai Sai Chuen	120,000	–	6,000	126,000
	1,910,492	–	60,000	1,970,492

All of the Company's executive directors are also the Chief Executives of the Company and their emoluments disclosed above include those services rendered by them as the Chief Executives.

During the year, no remuneration were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the year.

* Mr. See Tak Wah retired and Mr. Lam Yiu Por was appointed as an independent non-executive director with effect from 29 June 2012.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: one) was a director of the Company whose emolument is disclosed in note 8. The aggregate of the emoluments of the remaining four (2012: four) individuals were as follows:

	2013	2012
	HK$	*HK$*
Salaries and allowances	**2,103,257**	2,168,557
Contributions to retirement benefits schemes	**144,718**	144,541
	2,247,975	2,313,098

Their emoluments were within HK$1,000,000 for both years.

During the year, no emoluments were paid by the Group to the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$124,107 (2012: profit of HK$61,182,842) which has been dealt with in the financial statements of the Company.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

The Group's profit for the year attributable to equity shareholders of the Company

	2013	2012
	HK$	*HK$*
Profit for the year attributable to equity shareholders of the Company	**2,463,465**	29,055,029
Number of shares		
Weighted average number of shares	**131,973,638**	131,973,638

11. EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted loss per share

The calculation of diluted loss per share for the year ended 31 January 2013 is based on the loss attributable to ordinary equity shareholders of the Company of HK$1,453,129 and the weighted average number of 294,473,638 ordinary shares, calculated as follows:

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

	2013	2012
	HK$	*HK$*
The Group's profit for the year attributable to equity shareholders of the Company	**2,463,465**	29,055,029
After tax effect of imputed interest expense on convertible bonds	**32,511,749**	37,015,174
After tax effect of foreign exchange gain on liability component of the convertible bonds	**(2,678,828)**	(9,007,395)
After tax effect of gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into functional currency	**(627,489)**	(2,458,294)
After tax effect of loss/(gain) on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in the convertible bonds	**2,982,947**	(92,702,616)
After tax effect of gain on modification of the terms of convertible bonds	**(36,104,973)**	–
The Group's loss for the year attributable to equity shareholders of the Company (diluted)	**(1,453,129)**	(38,098,102)

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

	2013	2012
Weighted average number of ordinary shares (basic) at 31 January	**131,973,638**	131,973,638
Effect of conversion of convertible notes	**162,500,000**	162,500,000
Weighted average number of ordinary shares (diluted) at 31 January	**294,473,638**	294,473,638

12. INVESTMENT PROPERTIES

	THE GROUP
	HK$
FAIR VALUE	
At 1 February 2011	88,452,406
Additions	2,214,383
Decrease in fair value recognised in profit or loss	(2,188,131)
Exchange adjustments	3,702,311
At 31 January 2012	92,180,969
Increase in fair value recognised in profit or loss	1,392,645
Exchange adjustments	1,294,240
At 31 January 2013	94,867,854

The fair value of the Group's investment properties with carrying amount of HK$94,867,854 at 31 January 2013 (2012: HK$92,180,969) has been arrived at on the basis of a valuation carried out as at that date by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Messrs DTZ Debenham Tie Leung Limited are members of the Institute of Valuers. The valuation was arrived at by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the property.

The investment properties were situated outside Hong Kong and held on medium-term lease.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Leasehold improvements	Plant and machinery	Air-conditioning system	Furniture, fixtures and office equipment	Computer system	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
THE GROUP								
COST								
At 1 February 2011	3,855,486	485,564	2,227,960	38,000	674,730	742,365	1,651,054	9,675,159
Additions	–	–	1,050,451	–	324,116	–	–	1,374,567
Disposals	–	–	–	–	(5,884)	–	–	(5,884)
Exchange adjustments	162,525	23,916	152,676	–	32,309	36,869	70,601	478,896
At 31 January 2012	4,018,011	509,480	3,431,087	38,000	1,025,271	779,234	1,721,655	11,522,738
Additions	–	361,113	1,620,661	–	109,487	18,542	–	2,109,803
Disposals	–	(350,622)	(420,887)	–	(154,379)	(29,367)	–	(955,255)
Exchange adjustments	55,781	(26,034)	(715,522)	–	(51,256)	(96,019)	20,636	(812,414)
At 31 January 2013	4,073,792	493,937	3,915,339	38,000	929,123	672,390	1,742,291	11,864,872
DEPRECIATION								
At 1 February 2011	319,490	291,107	696,667	37,382	275,373	409,409	495,649	2,525,077
Provided for the year	197,792	136,792	993,440	89	151,401	180,202	315,576	1,975,292
Eliminated on disposals	–	–	–	–	(5,296)	–	–	(5,296)
Exchange adjustments	16,570	16,429	77,955	–	14,749	19,691	30,066	175,460
At 31 January 2012	533,852	444,328	1,768,062	37,471	436,227	609,302	841,291	4,670,533
Provided for the year	201,394	107,170	602,316	89	172,755	118,050	311,964	1,513,738
Eliminated on disposals	–	(345,686)	(126,865)	–	(89,799)	(14,336)	–	(576,686)
Exchange adjustments	9,707	(19,924)	(352,327)	–	(32,198)	(80,217)	12,935	(462,024)
At 31 January 2013	744,953	185,888	1,891,186	37,560	486,985	632,799	1,166,190	5,145,561
CARRYING VALUES								
At 31 January 2013	3,328,839	308,049	2,024,153	440	442,138	39,591	576,101	6,719,311
At 31 January 2012	3,484,159	65,152	1,663,025	529	589,044	169,932	880,364	6,852,205

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Air-conditioning system	Furniture, fixtures and office equipment	Computer system	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
THE COMPANY					
COST					
At 1 February 2011 and 1 February 2012	38,000	99,130	204,350	236,511	577,991
Additions	–	–	3,299	–	3,299
At 31 January 2013	38,000	99,130	207,649	236,511	581,290
DEPRECIATION					
At 1 February 2011	37,382	93,937	201,512	7,884	340,715
Provided for the year	89	2,597	1,194	47,301	51,181
At 31 January 2012	37,471	96,534	202,706	55,185	391,896
Provided for the year	89	2,596	1,413	47,303	51,401
At 31 January 2013	37,560	99,130	204,119	102,488	443,297
CARRYING VALUES					
At 31 January 2013	440	–	3,530	134,023	137,993
At 31 January 2012	529	2,596	1,644	181,326	186,095

The leasehold land and building of the Group with carrying amount of HK$3,328,839 (2012: HK$3,484,159) was situated outside Hong Kong and held on medium-term lease. The directors of the Company considered that the leasehold land and building elements cannot be separately identified.

During the year, additions to plant and machinery of the Group financed by new finance leases were HK$1,281,177 (2012: HK$807,587). At the end of the reporting period, the net book value of plant and machinery held under finance leases of the Group was HK$1,378,265 (2012: HK$417,076).

14. INTANGIBLE ASSETS

	THE GROUP				
	Hotel management right	**Patent**	**Trademark**	**License**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(note (i))				
COST					
At 1 February 2011	–	979,818	105,435	36,142	1,121,395
Additions	5,059,388	283,490	151,221	–	5,494,099
Exchange adjustments	79,535	90,267	13,678	3,737	187,217
At 31 January 2012	5,138,923	1,353,575	270,334	39,879	6,802,711
Additions	–	95,456	–	–	95,456
Exchange adjustments	71,343	(272,128)	(49,775)	(9,600)	(260,160)
At 31 January 2013	5,210,266	1,176,903	220,559	30,279	6,638,007
AMORTISATION AND ACCUMULATED IMPAIRMENT LOSS					
At 1 February 2011	–	136,550	16,174	2,067	154,791
Charge for the year	–	203,647	20,506	–	224,153
Impairment loss recognised for the year *(see note (ii) below)*	–	954,303	223,276	35,337	1,212,916
Exchange adjustments	–	59,075	10,378	2,475	71,928
At 31 January 2012	–	1,353,575	270,334	39,879	1,663,788
Charge for the year	–	29,830	–	–	29,830
Exchange adjustments	–	(264,598)	(49,775)	(9,600)	(323,973)
At 31 January 2013	–	1,118,807	220,559	30,279	1,369,645
CARRYING VALUES					
At 31 January 2013	5,210,266	58,096	–	–	5,268,362
At 31 January 2012	5,138,923	–	–	–	5,138,923

The amortisation charge for the year is included in "General and administrative expenses" in the consolidated statement of comprehensive income.

14. INTANGIBLE ASSETS (continued)

Notes:

(i) During the year ended 31 January 2012, the Group entered into a hotel management contract with an independent third party (the "Grantor") to acquire a 10-years hotel management right with a consideration of RMB4,180,000 (equivalent to approximately HK$5,059,388). Pursuant to the hotel management contract, the Grantor granted a 10-years hotel management right in a hotel (the "Hotel"), which is under construction as at 31 January 2013 and owned by the Grantor, to the Group and the Group is entitled to receive 2% of the turnover generated by the Hotel as management income for 10 years from the date of commencement of operation of the hotel. This Hotel is under construction and located at Pingtan Island, Fujian, the PRC. It is expected that the construction of the Hotel will be completed in the first half of 2014 and will generate revenue for the Group afterward. As the hotel management right was not available for use during the year ended and as at 31 January 2013, the right was not amortised during the year.

(ii) During the year ended 31 January 2012, the management of the Group considered that the Group was not able to utilise the patent, trademark and license to penetrate into foreign markets as planned. The Group assessed the recoverable amounts of those patent, trademark and license, and as a result the recoverable amounts of the patent, trademark and license became insignificant and the carrying amount of the patent, trademark and license was written down by HK$1,212,916 (included in "General and administrative expenses"). The estimates of recoverable amount was based on the value in use of these intangible assets.

15. OTHER FINANCIAL ASSETS

	THE GROUP
	HK$
FAIR VALUE	
At 1 February 2011	10,853,056
Increase in fair value	726,231
Exchange adjustments	468,906
At 31 January 2012	12,048,193
Addition	2,883,886
Increase in fair value	61,621
Exchange adjustments	200,831
At 31 January 2013	15,194,531

The amount at 31 January 2013 and 2012 represents investments in two private entities incorporated in the PRC which are designated on initial recognition as financial assets at FVTPL. Under the terms of the investments, the Group is entitled to occupy, use or obtain the income derived from certain properties located in the PRC held by these two private entities. During the year ended 31 January 2013, the Group had made an additional investment of HK$2,883,886 (2012: HK$Nil) in one of these two private entities incorporated in the PRC. Under the supplemental agreement of the additional investment, the Group is entitled to occupy, use or obtain the income derived from the additional areas of the certain properties held by a private entity.

The fair value of the investments in these two private entities of HK$15,194,531 at 31 January 2013 (2012: HK$12,048,193) has been arrived at on the basis of valuation of the properties held by these two private entities carried out on that date by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by direct comparison approach by making reference to comparable sales transactions available in the relevant market of the properties held by these two private entities. The resulting increase in fair value of the investments of HK$61,621 (2012: HK$726,231) is included directly in “Other net income” in the consolidated statement of comprehensive income.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$	*HK$*
Unlisted shares, at cost	**434,260,823**	423,037,941
Less: Impairment losses	**(352,778,000)**	(352,778,000)
	81,482,823	70,259,941

Details of the Company's subsidiaries at 31 January 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares/ capital held	Proportion of nominal value of issued share capital/ registered capital held by the Company				Paid up issued share capital/ registered capital	Principal activities
			Directly		Indirectly			
			2013	2012	**2013**	2012		
Jiacheng (Fujian) Investments Co., Ltd. (Wholly foreign-owned Enterprise ("WFOE"))	PRC	Paid in capital	**100%**	100%	**-**	–	US$500,000	Property investment
Vast Glory Investment Limited	Hong Kong	Ordinary	**100%**	100%	**-**	–	HK$1	Investment holding
Vast Glory (Fujian) Hotel Management Limited ("WFOE")	PRC	Paid in capital	**-**	–	**100%**	100%	HK$5,600,000	Hotel management
Faith Stand (China) Limited	Hong Kong/ PRC	Ordinary	**100%**	100%	**-**	–	HK$1	Property investment
United Achieve International Limited ("United Achieve")	BVI	Ordinary	**100%**	100%	**-**	–	US$10	Investment holding
Viswell International Limited ("Viswell")	BVI	Ordinary	**-**	–	**72.12%**	72.12%	US$5,471	Investment holding
Rakupuri Inc. ("Rakupuri")	Japan	Ordinary	**-**	–	**72.12%**	72.12%	JPY100,000,000	Manufacturing and sale of dye-sublimation printed products

16. INVESTMENTS IN SUBSIDIARIES (continued)

Certain subsidiaries sustained losses this and prior years which caused the Company to perform an assessment of the recoverable amounts of investments in subsidiaries. The estimates of recoverable amounts were based on the net assets of the subsidiaries, determined by reference to the financial performance and financial position of the subsidiaries. Based on this assessment, no impairment loss (2012: HK$2,278,000) was recognised in the profit or loss for the year and the carrying amount of the investments in subsidiaries was written down by HK$352,778,000 (2012: HK$352,778,000) at the end of the reporting period.

None of the subsidiaries had issued any debt securities during the year or at the end of reporting period.

17. INVENTORIES

(a) Inventories in the statement of financial position comprise:

	THE GROUP	
	2013	2012
	HK$	*HK$*
Raw materials	**1,724,091**	1,231,411
Finished goods	**199,082**	418,514
	1,923,173	1,649,925

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	THE GROUP	
	2013	2012
	HK$	*HK$*
Carrying amount of inventories sold	**9,371,994**	11,001,918
Write down of inventories	**135,908**	–
	9,507,902	11,001,918

18. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$	*HK$*
Trade debtors	**3,486,724**	4,622,787
Less: Allowance for bad and doubtful debts	**(1,453,292)**	(1,609,565)
	2,033,432	3,013,222
Other receivables, deposits and prepayments	**1,825,450**	997,135
	3,858,882	4,010,357

(a) Ageing analysis

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

	2013	2012
	HK$	*HK$*
0 – 90 days	**1,963,838**	2,648,911
91 – 180 days	**69,594**	129,592
181 – 365 days	**–**	30,699
Over 365 days	**–**	204,020
	2,033,432	3,013,222

The Group allows a general credit period of one month to its tenants and no specific credit terms granted to the trade customers for sale of dye-sublimation printed products in which invoice is due for payment on presentation.

As at 31 January 2013 and 2012, the whole amount of trade debtors was related to the sale of dye-sublimation printed products.

18. TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follow:

	2013	2012
	HK$	*HK$*
Balance at beginning of the year	**1,609,565**	1,503,995
Impairment loss recognised	**129,687**	2,432
Exchange adjustments	**(285,960)**	103,138
Balance at end of the year	**1,453,292**	1,609,565

Included in the allowance for doubtful debts of HK$1,453,292 (2012: HK$1,609,565) are individually impaired trade debtors, which were long outstanding and overdue and management assessed that these balances are expected to be not recoverable. The Group has provided fully for these debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date of invoice up to the statement of financial position date. The trade debtors past due but not impaired for were either subsequently settled or with no historical default of payments by the respective customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

18. TRADE AND OTHER RECEIVABLES (continued)

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	THE GROUP	
	2013	2012
	HK$	*HK$*
Neither past due nor impaired	**–**	–
Less than 1 month past due	**1,714,154**	1,853,103
1 to 3 months past due	**249,684**	795,808
Over 3 months past due	**69,594**	364,311
	2,033,432	3,013,222
	2,033,432	3,013,222

The whole amount of trade debtors that were past due but not impaired relate to a number of independent customers that were subsequently settled and/or have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Cash and cash equivalents comprise:				
Bank balances and cash	**2,837,155**	6,198,989	**46,954**	376,325

The bank balances of the Group are mainly denominated in RMB, HK$ and JPY, while the bank balances of the Company are denominated in HK$. The balances carried interest at interest rates which range from 0.01% to 2.86% per annum (2012: 0.01% to 0.40% per annum). Included in the bank balances and cash of the Group is amount denominated in RMB of HK$1,572,853 (2012: HK$4,316,763), which is not freely convertible into other currencies.

19. CASH AND CASH EQUIVALENTS (continued)

The bank balances of the Group of HK$58,119 (2012: HK$778,962) was denominated in HK$, the currency other than the functional currency of the respective group entity.

The bank balances of the Company of HK$46,954 (2012: HK$376,325) was denominated in HK$, the currency other than the functional currency of the Company.

20. TRADE AND OTHER PAYABLES

	THE GROUP	
	2013	2012
	HK$	*HK$*
Trade payables	**2,361,322**	3,767,813
Other payables and accruals	**4,259,547**	5,218,106
Tax payables other than income tax	**1,322,599**	1,178,111
Advance payments from customers	**–**	30,996
	7,943,468	10,195,026

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

	2013	2012
	HK$	*HK$*
0 – 90 days	**2,361,229**	3,351,397
91 – 180 days	**–**	47,295
181 – 365 days	**93**	258,255
Over 365 days	**–**	110,866
	2,361,322	3,767,813

As at 31 January 2013 and 2012, the whole amount of trade payables was related to the sale of dye-sublimation printed products. There is no specific credit terms for payment granted by the suppliers in which invoice is due on presentation. The Group has financial risk management policies in place to ensure that all payables are settled to meet the terms for payment.

21. OBLIGATIONS UNDER FINANCE LEASES

At 31 January 2013, the Group had obligations under finance leases repayable as follows:

	THE GROUP 2013		THE GROUP 2012	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$	***HK$***	*HK$*	*HK$*
Within one year	**254,589**	**270,211**	81,951	88,285
More than one year, but not exceeding two years	**258,408**	**270,211**	83,181	88,285
More than two years but not more than five years	**528,501**	**540,423**	257,103	264,854
	786,909	**810,634**	340,284	353,139
	1,041,498	**1,080,845**	422,235	441,424
Less: Total future interest expenses		**(39,347)**		(19,189)
Present value of lease obligations		**1,041,498**		442,235

22. AMOUNTS DUE TO SHAREHOLDERS

THE GROUP

As at 31 January 2013, the amounts due to shareholders of HK$229,243,054 (2012: HK$226,243,054) included an amount of HK$220,243,054 (2012: HK$220,243,054) due to one of the vendors of United Achieve (the "Vendor") who became a substantial shareholder of the Company upon the acquisition of United Achieve. This amount due to the Vendor was part of the identifiable net liabilities of United Achieve and its subsidiaries at the date of acquisition on 11 November 2009. As at 31 January 2013, the remaining carrying amount of amounts due to shareholders of HK$4,000,000 ("2nd Advance") (2012: HK$4,000,000), HK$2,000,000 ("3rd Advance") (2012: HK$2,000,000), HK$2,000,000 ("4th Advance") (2012: HK$Nil) and HK$1,000,000 ("5th Advance") (2012: HK$ Nil) were borrowed by the Company in prior years and during the year to support the Group's operations.

As at 31 January 2013, the amounts due to shareholders are unsecured, non-interest bearing and repayable on demand.

Pursuant to the letter dated 19 May 2010 from the Vendor, the Vendor has undertaken that he would not demand for repayment of the advance of HK$219,285,077 (the "Advance") to United Achieve until such time as the Group has sufficient funds to repay the Advance and still be able to meet in full its other financial obligations after the repayment.

Pursuant to letters dated 27 January 2011 and 27 June 2011, the Vendor has undertaken not to demand for repayment of the 2nd Advance and the 3rd Advance until such time as the Group has sufficient funds to repay the 2nd Advance and the 3rd Advance and still be able to meet in full its other financial obligations after the repayment.

Pursuant to the letters dated 23 May 2012 and 31 October 2012, another substantial shareholder has undertaken not to demand for repayment of the 4th Advance and the 5th Advance until such time as the Group has sufficient fund to repay the 4th Advance and the 5th Advance and still be able to meet in full its other financial obligations after the repayment.

The 2nd Advance, the 3rd Advance, the 4th Advance and the 5th Advance with carrying amounts of HK$4,000,000, HK$2,000,000, HK$2,000,000 and HK$1,000,000 respectively, at 31 January 2013 was denominated in HK$, the currency other than the functional currency of the respective group entity.

22. AMOUNTS DUE TO SHAREHOLDERS (continued)

THE COMPANY

The amounts due to shareholders were the carrying amount of the 2nd Advance, the 3rd Advance, the 4th Advance and the 5th Advance with the terms and conditions as described above and denominated in HK$, the currency other than the functional currency of the Company.

23. AMOUNTS DUE FROM/TO SUBSIDIARIES AND A DIRECTOR

THE GROUP AND THE COMPANY

The amount due to a director is unsecured, non-interest bearing and repayable on demand.

Pursuant to the letter dated 20 June 2011 and 13 March 2012 from the director, the director has undertaken that he would not demand for repayment of the advance of HK$2,000,000 and HK$1,200,000, respectively, 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 other financial obligations after the repayment.

THE COMPANY

The amounts due from subsidiaries are unsecured and bear interest at 1.5% per annum (2012: bear interest at 1.5% per annum). HK$21,114,510 (2012: HK$21,909,622) of the amount is expected to be repayable after one year and shown under non-current assets. The remaining balance is expected to be repayable within twelve months and shown under current assets. The non-current portion is carried at amortised cost using an effective interest rate of 10%. In the current year, the directors of the Company assessed the recoverable amounts of the amounts due from subsidiaries. They considered that certain subsidiaries incurred losses for the years and there were indication of impairment on the carrying amounts of the amounts due from subsidiaries and an impairment loss of HK$909,000 (2012: HK$1,122,000) was recognised in the profit or loss for the current year and the carrying amounts of the amounts due from subsidiaries were written down by HK$11,125,400 (2012: HK$10,216,400) at the end of the reporting period, which were determined by reference to the financial performance and financial position of the relevant subsidiaries.

24. BORROWINGS

	THE GROUP	
	2013	2012
	HK$	*HK$*
Borrowings comprise the following:		
Unsecured bank loans	**2,201,975**	4,086,154
Carrying amount repayable:*		
Within one year	**803,115**	1,438,220
More than one year, but not exceeding two years	**300,323**	965,767
More than two years but not more than five years	**760,526**	970,848
After five years	**338,011**	711,319
	2,201,975	4,086,154
Less: Amounts due within one year shown under current liabilities	**(803,115)**	(1,438,220)
	1,398,860	2,647,934

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above are fixed-rate borrowings, bear interests ranging from 1.50% to 3.05% (2012: 1.50% to 3.00%) per annum.

The above bank loans were granted by the banks under the guarantees given by a non-controlling shareholder of a subsidiary.

25. CONVERTIBLE BONDS

THE GROUP AND THE COMPANY

The Company issued two zero coupon convertible bonds which have 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 any 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 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 was 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 was 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.

25. CONVERTIBLE BONDS (continued)

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 as the Group and the Company have sufficient funds to redeem the remaining outstanding amount of the convertible bonds and still be able to meet in full their other 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 of convertible bonds.

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.

25. CONVERTIBLE BONDS (continued)

The movement of the liability and derivatives components of the convertible bonds during the year is set out below:

	Liability	Derivatives embedded in convertible bonds	Total
	HK$	*HK$*	*HK$*
At 31 January 2011	203,255,632	93,805,923	297,061,555
Gain on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	–	(92,702,616)	(92,702,616)
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	–	(2,458,294)	(2,458,294)
Imputed interest recognised	37,015,174	–	37,015,174
Foreign exchange gain on liability component of the convertible bonds	(9,007,395)	–	(9,007,395)
Exchange adjustments arising on translation of functional currency to presentation currency and charged to translation reserve	9,007,395	2,458,294	11,465,689
At 31 January 2012	240,270,806	1,103,307	241,374,113
Gain on modification of terms of convertible bonds	(87,465,399)	51,360,426	(36,104,973)
Loss on change in fair value of derivatives (which is measured at fair value in a foreign currency) embedded in convertible bonds	–	2,982,947	2,982,947
Gain on translation of derivatives embedded in convertible bonds denominated in a foreign currency into the functional currency	–	(627,489)	(627,489)
Imputed interest recognised	32,511,749	–	32,511,749
Foreign exchange gain on liability component of the convertible bonds	(2,678,828)	–	(2,678,828)
Exchange adjustments arising on translation of functional currency to presentation currency and charged to translation reserve	2,678,828	627,489	3,306,317
At 31 January 2013	185,317,156	55,446,680	240,763,836

25. CONVERTIBLE BONDS (continued)

The fair value of the conversion option is calculated using the Binomial Model. The inputs into the model were as follows:

	At 31.1.2013	At 31.1.2012
Share price	**HK$1.33**	HK$0.80
Conversion price	**HK$1.68**	HK$1.68
Expected volatility *(note a)*	**55.80%**	60.65%
Expected life *(note b)*	**2.78 years**	0.78 years
Risk free rate *(note c)*	**0.267%**	0.211%
Expected dividend yield *(note d)*	**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.

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.

26. DEFERRED TAXATION

THE GROUP

The following is the major deferred tax liability recognised and movement thereon during the current and prior reporting period:

	Investment properties
	HK$
At 1 February 2011	13,492,333
Exchange differences	570,708
Charged to profit or loss	124,809
At 31 January 2012	14,187,850
Exchange differences	202,208
Charged to profit or loss	459,837
At 31 January 2013	14,849,895

At the end of the reporting period, estimated unused tax losses of approximately HK$58,560,285 (2012: HK$56,546,386) are available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to the unpredictability of future profit stream. The estimated tax losses of approximately HK$24,964,133 (2012: HK$27,325,124) will expire after seven years from the years of assessment to which they relate which range from 2013 to 2019. The remaining tax losses may be carried forward indefinitely.

THE COMPANY

At the end of the reporting period, estimated unused tax losses of approximately HK$33,248,929 (2012: HK$28,874,039) are available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely.

27. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	Share premium account	Shareholder's contribution	Translation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
THE COMPANY						
At 1 February 2011	131,973,638	250,076,221	3,317,997	(8,003,035)	(583,624,082)	(206,259,261)
Profit for the year	–	–	–	–	61,182,842	61,182,842
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	(10,688,778)	–	(10,688,778)
At 31 January 2012	131,973,638	250,076,221	3,317,997	(18,691,813)	(522,441,240)	(155,765,197)
Loss for the year	–	–	–	–	(124,107)	(124,107)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	7,049,009	–	7,049,009
At 31 January 2013	131,973,638	250,076,221	3,317,997	(11,642,804)	(522,565,347)	(148,840,295)

As at 31 January 2013 and 2012, the Company has no reserves available for distribution to shareholders.

(b) Dividend

No dividend was paid or proposed during the year ended 31 January 2013 (2012: nil), nor has any dividend been proposed since the end of the reporting period (2012: nil).

27. CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

	Number of shares		Amount of Share capital	
	2013	2012	**2013**	2012
			HK$	*HK$*
Authorised:				
Ordinary shares of HK$1.00 each				
At beginning of year and end of year	**5,000,000,000**	5,000,000,000	**5,000,000,000**	5,000,000,000
Issued and fully paid:				
Ordinary shares of HK$1.00 each				
At beginning of year and end of year	**131,973,638**	131,973,638	**131,973,638**	131,973,638

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 48B of Hong Kong Companies Ordinance.

(ii) Translation reserve

The translation reserve comprises all exchange differences arising from the translation of the financial statements of the entities within the Group to the presentation currency. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(iii) Shareholder's contribution

The shareholder's contribution represented the shortfall of the cost of acquisitions of subsidiaries from a substantial shareholder of the Company below the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities measured as at the acquisition date.

27. CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of:

	2013	2012
	HK$	*HK$*
ASSETS		
Cash and cash equivalents	**2,837,155**	6,198,989
LIABILITIES		
Borrowings		
– due within one year	**803,115**	1,438,220
– due after one year	**1,398,860**	2,647,934
Obligations under finance leases		
– current	**254,589**	81,951
– non-current	**786,909**	340,284
Convertible bonds	**240,763,836**	241,374,113
Amounts due to shareholders	**229,243,054**	226,243,054
Amount due to a director	**3,252,239**	2,052,239
EQUITY		
Equity attributable to equity shareholders of the Company		
– Share capital	**131,973,638**	131,973,638
– Reserves	**(500,374,960)**	(501,520,471)

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issuance of new shares as well as the addition of new borrowings.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
Financial assets				
(a) Financial assets designated as at FVTPL	**15,194,531**	12,048,193	**–**	–
(b) Loans and receivables:				
Trade and other receivables (excluding prepayments)	**3,447,416**	3,644,845	**34,353**	243
Amounts due from subsidiaries				
– current	**–**	–	**2,010,081**	1,414,812
– non-current	**–**	–	**21,114,510**	21,909,622
Cash and cash equivalents	**2,837,155**	6,198,989	**46,954**	376,325
Financial liabilities				
(a) At amortised costs:				
Trade and other payables	**7,943,468**	10,195,026	**703,544**	538,544
Amounts due to shareholders	**229,243,054**	226,243,054	**9,000,000**	6,000,000
Amount due to a director	**3,252,239**	2,052,239	**3,200,000**	2,000,000
Borrowings				
– due within one year	**803,115**	1,438,220	**–**	–
– due after one year	**1,398,860**	2,647,934	**–**	–
Obligations under finance leases				
– current	**254,589**	81,951	**–**	–
– non-current	**786,909**	340,284	**–**	–
Liability component of convertible bonds	**185,317,156**	240,270,806	**185,317,156**	240,270,806
(b) At fair value:				
Derivatives embedded in convertible bonds	**55,446,680**	1,103,307	**55,446,680**	1,103,307

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies

The Group's major financial instruments include other financial assets, trade and other receivables, bank balances and cash, trade and other payables and accruals, borrowings, obligations under finance leases, convertible bonds and amounts due to a director and shareholders. The Company's major financial instruments include sundry receivables, amounts due from subsidiaries, bank balances and cash, sundry payables and accruals, amounts due to shareholders, amount due to a director and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's revenue are denominated and settled in RMB or Japanese Yen ("JPY"). In addition, the Group incurred most of the expenditures for operating purposes as well as capital expenditures in RMB or JPY. Hence, the directors of the Company considered that the Group's exposure to foreign currency exchange risk arising from its operating activities is insignificant as majority of the Group's operating activities are denominated in functional currency of the respective group entities.

The carrying amounts of the Group and Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
Assets				
HK$	**92,471**	779,205	**23,205,897**	23,701,002
Liabilities				
HK$	**198,220,700**	248,809,350	**198,220,700**	248,809,350

The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% (2012: 5%) increase and decrease in HK$ against the functional currency of the relevant group entities. 5% (2012: 5%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% (2012: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year where relevant currencies strengthen 5% (2012: 5%) against the functional currency of the relevant group entities. For a 5% (2012: 5%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result and the balances below would be positive.

	Profit or loss			
	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
HK$	**(9,906,411)**	(12,401,507)	**(8,705,740)**	(11,255,417)

This is mainly attributable to the exposure on HK$ bank balances, amounts due from subsidiaries, trade and other receivables, trade and other payables, the liability component of convertible bonds, amount due to a director and certain amounts due to shareholders at year end in the Group and the Company.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group's fair value interest rate risk relates primary to fixed-rate bank borrowings (see note 24 for details). The Group has not used any derivatives to hedge against the risk as the directors consider the Group's exposure to fair value interest rate risk is not significant.

The Group is exposed to cash flow interest rate risk in relation to bank deposits that carrying interest at variables rates. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The directors consider the Group's exposure to cash flow interest rate risk of bank deposits is not significant, hence no sensitivity analysis is presented for the year ended 31 January 2012 and 2013.

Other price risk

During the year ended 31 January 2013, the Group was required to estimate the fair value of the conversion option embedded in convertible bonds (see note 25) at the end of the reporting period with changes in fair value to be recognised in the profit or loss as long as the convertible bonds were outstanding. The fair value adjustment would be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

Sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to the Company's share price risk at the reporting date only. If the Company's share price had been 5% higher and all other variables were held constant, the Group's post-tax profit for the year (as a result of changes in fair value of conversion option component of convertible bonds) would decrease by approximately HK$2,540,000 during the year ended 31 January 2013. If the input of share price to the valuation model of the derivatives embedded in the convertible bonds had been 5% lower while all other variables were held constant, the Group's post-tax profit for the year would decrease by approximately HK$2,550,000 during the year ended 31 January 2013.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Other price risk (continued)

Sensitivity analysis (continued)

The sensitivity analyses below had been determined based on the exposure to the Company's share price risk at the reporting date only. If the Company's share price had been 5% higher and all other variables were held constant, the Group's post-tax profit for the year (as a result of changes in fair value of conversion option component of convertible bonds) would decrease by approximately HK$2,240,000 during the year ended 31 January 2012. If the input of share price to the valuation model of the derivatives embedded in the convertible bonds had been 5% lower while all other variables were held constant, there would be no material change on the fair values of the derivatives embedded in convertible bonds during the year ended 31 January 2012.

In the directors' opinion, the sensitivity analyses are unrepresentative of the inherent price risk as the pricing model used in the fair value valuation of the derivates embedded in convertible bonds involve multiple variables. The variables used to estimate the fair value of the derivates embedded in convertible bonds are interdependent.

Credit risk

The Group's credit risk are primarily attributable to trade and other receivables and bank balances. The Company's credit risk are primarily attributable to sundry receivables, amounts due from subsidiaries and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from its customers.

In order to minimise the credit risk of the Company on the amounts due from subsidiaries, the management of the Company closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Company's credit risk on it is significantly reduced.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group and Company's bank balances are deposited with banks in Hong Kong, Japan and the PRC. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has concentration of credit risk as 42% of the total trade debtors as at 31 January 2013 (2012: 28%) was due from the Group's five largest customers within the sales of dye-sublimation printed products operating segment. In order to minimise the credit risk of those receivables, the management of the Group closely monitored the recoverability of the amounts due. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Other than the concentration of credit risk on the amounts due from subsidiaries, the Company does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on amounts due to shareholders and convertible bonds as significant sources of liquidity.

As mentioned in note 2(b)(i), the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities and net liabilities as at 31 January 2013 and certain actions have been taken by the directors to ensure that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

THE GROUP

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but within 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amounts at 31.1.2013
	% per annum	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2013							
Non-derivative financial liabilities							
Trade and other payables	–	7,943,468	–	–	–	7,943,468	7,943,468
Amounts due to shareholders	–	229,243,054	–	–	–	229,243,054	229,243,054
Amount due to a director	–	3,252,239	–	–	–	3,252,239	3,252,239
Borrowings	2.91%	856,035	337,029	824,214	344,392	2,361,670	2,201,975
Obligations under finance leases	1.5%	270,211	270,211	540,423	–	1,080,845	1,041,498
Liability component of convertible bonds	15.11%	–	–	273,000,000	–	273,000,000	185,317,156
		241,565,007	607,240	274,364,637	344,392	516,881,276	428,999,390

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but within 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amounts at 31.1.2012
	% per annum	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2012							
Non-derivative financial liabilities							
Trade and other payables	–	10,195,026	–	–	–	10,195,026	10,195,026
Amount due to a shareholder	–	226,243,054	–	–	–	226,243,054	226,243,054
Amount due to a director	–	2,052,239	–	–	–	2,052,239	2,052,239
Borrowings	2.91%	1,529,592	1,029,405	1,075,148	735,417	4,369,562	4,086,154
Obligations under finance leases	1.5%	88,285	88,285	264,854	–	441,424	422,235
Liability component of convertible bonds	18.21%	273,000,000	–	–	–	273,000,000	240,270,806
		513,108,196	1,117,690	1,340,002	735,417	516,301,305	483,269,514

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

THE COMPANY

	Weighted average effective interest rate % per annum	Within 1 year or on demand *HK$*	More than 1 year but less than 2 years *HK$*	Two to five years *HK$*	Total undiscounted cash flows *HK$*	Total carrying amounts at 31.1.2013 *HK$*
2013						
Non-derivative financial liabilities						
Sundry payables and accruals	–	703,544	–	–	703,544	703,544
Amounts due to shareholders	–	9,000,000	–	–	9,000,000	9,000,000
Amount due to a director	–	3,200,000	–	–	3,200,000	3,200,000
Liability component of convertible bonds	15.11%	–	–	273,000,000	273,000,000	185,317,156
		12,903,544	–	273,000,000	285,903,544	198,220,700

	Weighted average effective interest rate % per annum	Within 1 year or an demand *HK$*	More than 1 year but less than 2 years *HK$*	Total undiscounted cash flows *HK$*	Total carrying amounts at 31.1.2012 *HK$*
2012					
Non-derivative financial liabilities					
Sundry payables and accruals	–	538,544	–	538,544	538,544
Amount due to a shareholder	–	6,000,000	–	6,000,000	6,000,000
Amount due to a director	–	2,000,000	–	2,000,000	2,000,000
Liability component of convertible bonds	18.21%	273,000,000	–	273,000,000	240,270,806
		281,538,544	–	281,538,544	248,809,350

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities (excluding derivatives embedded in convertible bonds) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable market transactions as inputs.

- The fair values of the conversion option and early redemption option embedded in the convertible bonds are estimated using Binomial Model, as set out in note 25.

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i. e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Fair value (continued)

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
	Level 3	Level 3	**Level 3**	Level 3
Assets				
Other financial assets designated as at FVTPL	**15,194,531**	12,048,193	**–**	–
Liabilities				
Derivatives embedded in convertible bonds	**55,446,680**	1,103,307	**55,446,680**	1,103,307

Derivatives embedded in convertible bonds and other financial assets designated at FVTPL are grouped into Level 3. The reconciliation of fair value measurements of derivatives embedded in convertible bonds and other financial assets designated as at FVTPL are set out in notes 25 and 15, respectively. During the years ended 31 January 2013 and 2012, there were no transfers into or out of Level 3 category. The gains or losses arising from the remeasurement of the derivates embedded in convertible bonds and other financial assets designated as at FVTPL are included in "Other net income" in the consolidated statement of comprehensive income.

Fair value of financial instruments carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements and the Company's statement of financial position approximate their fair values.

29. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income with a maximum monthly contribution of HK$1,250 (HK$1,000 prior to June 2012) per person. Contributions are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 January 2013 and 2012.

29. RETIREMENT BENEFITS SCHEMES (continued)

The subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Employees in Japan are members of the state-managed retirement benefits scheme operated by the Japan local government. The Group is required to contribute certain pre-fixed amounts of contribution, according to the level of income for each employee to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect of the retirement benefits scheme is the required contributions under the retirement benefits scheme.

During the year, the total amounts contributed by the Group to the schemes and cost charged to profit or loss of HK$816,925 (2012: HK$613,145) represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

30. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment which fall due as follows:

	2013	2012
	HK$	*HK$*
Within one year	**11,665**	24,516
In the second to fifth years inclusive	**716**	13,180
	12,381	37,696

Operating lease payments represent rentals payable by the Group for certain of its office premises and equipment. Leases are negotiated for a lease term of 1-2 years with fixed rental at initial recognition.

30. OPERATING LEASES (continued)

The Group as lessor (continued)

At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2013	2012
	HK$	*HK$*
Within one year	**822,272**	761,904
In the second to fifth year inclusive	**370,699**	547,787
	1,192,971	1,309,691

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

31. RELATED PARTY TRANSACTION

Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position. Details of the terms of the balances are set out in notes 22 and 23.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013	2012
	HK$	*HK$*
Short-term benefits	**4,019,267**	4,160,911
Post-employment benefits	**243,455**	249,345
	4,262,722	4,410,256

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JANUARY 2013

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 year ended 31 January 2013 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 HKAS 1, Presentation of Financial Statements — Presentation of Items of other comprehensive income	1 July 2012
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 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
HKAS 19 (as revised in 2011), Employee Benefits	1 January 2013
Annual Improvements to HKFRSs 2009-2011 cycle	1 January 2013
Amendments to HKFRS 7, Financial Instruments: Disclosures — Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKFRS 32, Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) – Investment Entities	1 January 2014
HKFRS 9, Financial Instruments	1 January 2015

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.

FINANCIAL SUMMARY

	Year ended 31 January,				
	2009	2010	2011	2012	**2013**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Revenue	4,495,674	9,807,983	24,738,265	30,079,684	**40,458,354**
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	(8,291,125)	(526,521,501)	(46,724,666)	29,055,029	**2,463,465**
Non-controlling interests	–	–	(1,027,186)	(515,467)	**622,413**
	(8,291,125)	(526,521,501)	(47,751,852)	28,539,562	**3,085,878**

	At 31 January,				
	2009	2010	2011	2012	**2013**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Total assets	124,598,603	101,544,018	126,205,698	128,079,561	**130,989,536**
Total liabilities	(13,019,503)	(438,904,547)	(517,879,071)	(499,434,357)	**(500,244,601)**
Non-controlling interests	–	–	899,005	1,807,963	**853,743**
Equity attributable to equity shareholders of the Company	111,579,100	(337,360,529)	(390,774,368)	(369,546,833)	**(368,401,322)**