Midas International Holdings Limited

Annual Report 07

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1172

This Annual Report is printed by Midas International Holdings Limited

Content

Corporate Information

HONORARY CHAIRMAN
Mr. CHUANG Shaw Swee, Alan

BOARD OF DIRECTORS
Executive Directors
Mr. HUNG Ting Ho, Richard *(Chairman)*
Mr. KWONG Tin Lap *(Managing Director)*
Mr. KWOK Chi Fai
(Deputy Managing Director)
Miss LI Mee Sum, Ann
Mr. WONG Chi Sing
Mr. CHUANG Ka Pun, Albert

Non-Executive Director
Mr. Dominic LAI

Independent Non-Executive Directors
Mr. SHEK Lai Him, Abraham, S.B.S., J.P.
Dr. LI Sau Hung, Eddy
Mr. YAU Chi Ming

AUDIT COMMITTEE
Mr. SHEK Lai Him, Abraham, S.B.S., J.P.
Dr. LI Sau Hung, Eddy
Mr. YAU Chi Ming
Mr. Dominic LAI

NOMINATION COMMITTEE
Mr. SHEK Lai Him, Abraham, S.B.S., J.P.
Dr. LI Sau Hung, Eddy
Mr. Dominic LAI

REMUNERATION COMMITTEE
Mr. SHEK Lai Him, Abraham, S.B.S., J.P.
Mr. YAU Chi Ming
Mr. Dominic LAI

QUALIFIED ACCOUNTANT
Mr. WONG Chi Sing

COMPANY SECRETARY
Ms. LEE Wai Ching

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
1st Floor, 100 Texaco Road
Tsuen Wan
New Territories
Hong Kong
Website: http://www.midasprinting.com

GUANGDONG BOLUO YUANZHOU MIDAS PRINTING LIMITED
Boluo Yuanzhou Town Xianan Administration District
Huizhou
Guangdong
PRC

DONGGUAN MIDAS PRINTING COMPANY LIMITED
Dezheng Zhouglu
Changan
Dongguan
PRC

Corporate Information

REGISTRARS

Principal Registrar

Bank of Bermuda (Cayman) Limited
PO Box 513
Strathvale House
North Church Street
Grand Cayman KY1-1106
Cayman Islands

Registrar in Hong Kong

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1172

Biographical Details of Honorary Chairman, Directors and Senior Management

HONORARY CHAIRMAN

Mr. CHUANG Shaw Swee Alan, aged 56, had been the consultant of the Group since 2002 and was appointed as the Honorary Chairman of the Company in February 2008. Mr. CHUANG is the Chairman of Chuang's Consortium International Limited ("CCIL") and the Honorary Chairman of Chuang's China Investments Limited ("Chuang's China"), both companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has extensive experience in business development and investment in Hong Kong, the PRC and Southeast Asia. With his substantial connections, he has been actively involved in development and management of investments in Hong Kong and Southeast Asia. He was an Adviser of Hong Kong Affairs and a member of the Selection Committee for the Government of the Hong Kong Special Administrative Region. He is a member of the National Committee of The Chinese People's Political Consultative Conference, a member of All-China Federation of Returned Overseas Chinese, a member of China Overseas Friendship Association, the Deputy Chairman of ESE Literature Fund, a standing member of The Chinese People's Political Consultative Conference, Fujian Provincial Committee and The Chinese People's Political Consultative Conference, Xiamen Committee, an economic adviser to Chengdu, Sichuan, an Honorary Citizen of Xiamen City, Guangzhou City and Chia-Yi, Taiwan and a director of the Board of Trustees of Jimei University, Xiamen City. He is also the Vice President of the Hong Kong Factory Owners Association, the Honorary President of the Hong Kong Federation of Overseas Chinese Association, a director of the Chinese General Chamber of Commerce, the Senate of the Democratic Alliance for the Betterment and Progress of Hong Kong, the Life Honorary President and the Vice Director of the General Association of Xiamen (Hong Kong) Limited, the Permanent President of Hong Kong Hui An Natives Association, the Life Honorary President of Chuang & Yen Clansmen's General Association and a director of The Hong Kong Christian Mutual Improvement Society, the Hong Kong Christian Home for the Aged Limited, the Hong Kong Digestive Foundation Limited and the Friends of Hong Kong Associated Ltd..

EXECUTIVE DIRECTORS

Mr. HUNG Ting Ho, Richard, aged 54, the Chairman of the Group, has more than 29 years of experience in corporate development and general administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. HUNG is a Non-Executive Director of CNT Group Limited, a company listed on the Stock Exchange and the directors of certain associated companies of Chuang's China. He joined the Group in 2007.

Biographical Details of Honorary Chairman, Directors and Senior Management

Mr. KWONG Tin Lap, aged 43, the Managing Director of the Group, is responsible for the overall management, in particular sales and production functions of the printing division of the Group. He has over 21 years of experience in finance and general management. Mr. KWONG holds a Master degree in Information System. He is a senior member of the Institute of Print-Media Professionals, the vice-chairman of the Hong Kong Printers Association, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He joined the Group in 2000.

Mr. KWOK Chi Fai, aged 46, the Deputy Managing Director of the Group, is responsible for the finance, cost management, logistic and procurement functions of the printing division of the Group. He has over 24 years of experience in finance and general management. He holds a Master degree in Business Administration and a Master degree in Finance. He is a senior member of the Institute of Print-Media Professionals, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a Certified Management Accountant of Canada. He joined the Group in 2001.

Miss LI Mee Sum, Ann, aged 47, has over 22 years of experience in finance and investment banking. She holds a Master degree in Business Administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. Miss LI is the Managing Director of Chuang's China. She joined the Group in 2000.

Mr. WONG Chi Sing, aged 37, is responsible for the corporate finance, treasury and internal audit functions, in particular financial management of the cemetery investment operations of the Group. He has over 14 years of experience in finance, accounting and auditing. He holds a Bachelor degree in Business Administration and is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He joined the Group in 2004.

Mr. CHUANG Ka Pun, **Albert**, aged 27, has over 3 years of experience in property business and general management. He holds a Bachelor degree of Arts with major in economics. He is an Executive Director of CCIL which is the controlling shareholder of the Company, the son of Mr. CHUANG Shaw Swee, Alan and the nephew of Mrs. SIU CHUANG Siu Suen, Alice, both are the Executive Directors of CCIL. He joined the Group in 2007.

Biographical Details of Honorary Chairman, Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Dominic LAI, aged 61, was an Independent Non-Executive Director of the Company from 20th March, 2000 until his re-designation as a Non-Executive Director of the Company on 5th August, 2004. He is a practising solicitor in Hong Kong and is admitted as a solicitor in England and Wales, the Republic of Singapore and the States for New South Wales and Victoria, Australia. Mr. LAI is currently a Non-Executive Director of NWS Holdings Limited and Oriental Press Group Limited, an Independent Non-Executive Director of Winfoong International Limited, all are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHEK Lai Him, Abraham, S.B.S., J.P., aged 62, was appointed as an Independent Non-Executive Director of the Company in 2001. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region, the Council of The Hong Kong University of Science & Technology and the Court of The University of Hong Kong. He holds a Bachelor degree of Arts. He is also an Independent Non-Executive Director of CCIL, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, See Corporation Limited, Titan Petrochemicals Group Limited and ITC Corporation Limited, Country Garden Holdings Company Limited, Hop Hing Holdings Limited, MTR Corporation Limited and Hsin Chong Construction Group Ltd., all are listed on the Stock Exchange, and a director of The Hong Kong Mortgage Corporation Limited. Mr. SHEK is also an Independent Non-Executive Director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both trusts are listed on the Stock Exchange.

Dr. LI Sau Hung, **Eddy**, aged 53, was appointed as an Independent Non-Executive Director of the Company in 2004. He has over 23 years' experience in the manufacturing business. He is a member of the Chinese People's Political Consultative Committee and the president of Hong Kong Economic & Trade Association. Dr. LI holds a Master degree in Business Administration and a Ph.D. degree in Economics. He was a 1991 awardee of The Ten Outstanding Young Persons and the 1993 awardee of Young Industrialists of Hong Kong. He is currently an Independent Non-Executive Director of Jackin International Holdings Limited, Oriental Watch Holdings Limited and Man Yue International Holdings Limited, all are listed on the Stock Exchange.

Mr. YAU Chi Ming, aged 54, was appointed as an Independent Non-Executive Director of the Company in 2004. He is a practising certified public accountant in Hong Kong with over 23 years of experience. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Certified General Accountants' Association in Canada.

Biographical Details of Honorary Chairman, Directors and Senior Management

SENIOR MANAGEMENT

Mr. HUI Wai Wu, Sam, aged 49, is the Operation Manager of the Group. He joined the Group in 2003 and has over 29 years of experience in the printing industry.

Mr. LAM Hung Kong, aged 44, the General Manager of Si Hui cemetery operations, is responsible for the overall management of the cemetery. He has over 17 years of experience in design, development and management of real estates and 6 years of experience in construction and management of cemetery. He holds a diploma in Business Administration. He is an executive of Civil Affairs Institute of Zhaoqing City. He joined the Group in 2007.

Mr. WONG Kwok Fai, aged 39, the General Sales Manager of cemetery division, is responsible for the marketing and promotion of the cemetery business. He is experienced in marketing of property and cemetery. He holds a diploma in Business Management. He is a member of Diabetes Care Foundation and a member of Hong Kong Giving Foundation. He joined the Group in 2007.

Chairman's Statement

FINANCIAL RESULTS

The board of Directors (the "Board") announces that the audited loss attributable to ordinary shareholders of the Company for the year ended 31st December, 2007 amounted to HK$28,328,000 (2006: profit of HK$17,630,000). Loss per ordinary share was HK5.1 cents (2006: earnings of HK3.3 cents).

MANAGEMENT DISCUSSION ON RESULTS

During the year under review, as a result of appreciation of Renminbi and the increases in materials, energy and labour costs, the trading environment of the Group has been extremely difficult and the results of the Group for the year ended 31st December, 2007 have been very disappointing. Turnover of the Group decreased from HK$737.9 million in last year to HK$705.4 million, representing a decrease of 4.4%. Turnover derived from printing business amounted to HK$703.7 million, accounted for 99.8% of the Group's turnover whereas the remaining turnover represented the revenue from cemetery and property investment operations.

Gross profit, principally derived from our printing business, decreased by 28.8% to HK$135.7 million (2006: HK$190.5 million), which was mainly attributable to the rising materials and production costs. Gross profit margin reduced from 25.8% in last year to 19.2% in this year. Other income increased by 82.0% to HK$25.0 million principally as a result of profit generated on disposals of investment properties. Reflecting the improvement in property prices in the People's Republic of China ("PRC"), the Group recorded an upward revaluation of HK$11.1 million. On the costs side, selling expenses increased by 3.1% to HK$65.8 million, administrative and general expenses increased by 5.5% to HK$119.5 million and finance costs increased by 59.2% to HK$10.9 million. Taking all these into account, the Group recorded a loss attributable to ordinary shareholders of HK$28.3 million (2006: profit of HK$17.6 million). EBITDA of the Group during the year amounted to HK$22.5 million (2006: HK$65.4 million).

DIVIDENDS

In view of the loss incurred by the Group during the year, the Board proposes not to declare a final dividend for the year. An interim dividend of HK0.5 cent (2006: HK1.2 cents) per ordinary share had been paid during the year. Therefore, total dividend per ordinary share during the year amounted to HK0.5 cent (2006: HK2.4 cents).

Chairman's Statement

BUSINESS REVIEW

(A) Printing Business

During the year, printing was still the core business in terms of both turnover and contribution to the Group's gross profit. The printing business comprised book printing and paper product printing. Book printing business focused mainly on multinational publishers and conglomerates in the United States of America, Europe, Australia and New Zealand. Paper product printing business concentrated on a comprehensive range of products including premium packaging products, commercial printing, premium gift products, greeting cards, stationery items and paper bags.

In the sales aspects, turnover of the printing business of the Group during the year amounted to HK$703.7 million, representing a decrease of 4.1% when compared with that of last year. The decrease in turnover mainly resulted from the safety issue of made-in-China consumer products following large-scale recalls in the United States of America, which in turn led to a reduction of orders placed by some of the Group's customers. Moreover, customers were highly cautious in placing orders and strived for more competitive pricing for their new orders. To tackle this situation, the Group has further expanded its customer base by strengthening its sales and marketing team and broadened its product range through the utilization of its strength as a premium quality and reliable printing solution provider.

Innovative pop-up products

Chairman's Statement

In the profit margin aspects, worldwide macro-economic factors, such as high oil and paper prices as well as exchange rate volatility continued to impact the industry as a whole and affected the Group's production costs. With the persistent increase in statutory minimum labour wages in Guangdong, overall labour costs continued to rise and further dampened our profit margin in 2007. In order to alleviate this difficult business environment, the Group has taken proactive measures to mitigate the negative impact of these factors. We have conducted a review of the existing product mix and will substantially reduce low margin orders. We have also applied price increment to all existing and new clients' orders to alleviate the rising cost pressure so as to maintain and improve the profit margin level to the Group. In the meantime we are in the process of redirecting our resources to the higher margin business such as books and premium packaging products while scaling down or cease the production in the traditional low end packaging printing.

In the operating costs aspects, the Group has reviewed its operation flow and organisational structure. Certain operating functions have been streamlined and relocated to lower cost region in the PRC so as to reduce the overall operating costs of the Group.

By adopting all of the above strategies, the Group expects that the benefits will be gradually realised and, hopefully, will generate positive results to the Group by the first half of next fiscal year.

Perspective of the new factory complex in Shatian, Dongguan

Chairman's Statement

Subsequent to the balance sheet date, the Group has completed the acquisition of an industrial land site located at Coastal Industry Zone in Shatian Town, Dongguan, for a consideration of RMB38 million. This site is located nearby a new coastal highway and close to a metro route. It covers an area of approximately 78,000 sq. m. which is capable of being developed into a factory complex with total gross floor area of 120,000 sq. m.. Upon full development, this will provide sufficient space for the long term production demand of the Group. The first phase comprises the development of factory premises and staff dormitory with a gross floor area of about 21,000 sq. m..

One of our factories in Changan, Dongguan, now occupies a site with an area of about 19,000 sq. m. and is located near the town centre of Changan. The surrounding area has been redeveloped as a prestige region with quality residential blocks, commercial centres and hotels. Recently, the relevant government authorities have rezoned the area where the Changan factory site is located for residential and commercial use. In view of the favourable redevelopment potential of this site, the Group has a plan to relocate the production facility to our new Shatian site and eventually vacate the Changan factory site for future development. In this respect, the Group has already commissioned a feasibility study of alternative development possibility of the Changan factory site.

(B) Property Business

(i) Cemetery Investment Operations

On 19th September, 2007, the Group completed the acquisition of a business engaged in the operation of cemetery, namely Fortune Wealth Memorial Park, in Zhaoqing, Guangdong, the PRC. The cemetery comprised a site of 518 mu (the "Existing Area") in which 100 mu has been fully developed and reserved an adjacent site of 4,482 mu (the "Reserved Area") for future development. Upon full development, the whole project will provide a total of 184,000 grave plots and 2,168,000 niches for lease of burial rights.

Before the acquisition of the cemetery, development work on 100 mu within the Existing Area has been completed on which an entrance square with a central fountain and encircled by waterways, a pond, a sales and administrative building, 4 graveyards and a mausoleum which can accommodate niches have been built. In the sales and marketing aspects, there has been set up three sales offices, one in Hong Kong, one in Zhaoqing and one in the Municipality of Sihui, the PRC. Moreover, in order to provide value added service to the clients, an internet website has been developed to provide services such as the establishment of virtual memorial mausoleums, virtual and online broadcasting of ancestors' memorial services and periodic reports on conditions of burial spaces.

Chairman's Statement

Blessing ceremony held in Fortune Wealth Memorial Park

Chairman's Statement

Upon taking over the management of the cemetery business, the Group has strengthened its management team particularly in the area of sales and marketing. Since then, the Group has set up two new sales offices in Guangzhou of Guangdong and is looking for suitable office sites in both Foshan and Sanshui to further expand its publicity and market exposure. We have also established an extensive agency network of more than 130 agents in Hong Kong and will extend to the region of Macau, Taiwan, Singapore and Malaysia for promoting the services of the cemetery to residents of Chinese origin in those areas. In late April of 2008, the Group will participate in the Asia Funeral Expo 2008 in Macau, which is one of Asia's major exhibition and conference in the funeral field. Through this Expo, the Group can extend its sales presence and negotiate with different organisations in the field for joint promotion opportunities. Moreover, our sales team has commenced negotiations with homes for the aged, workers union, insurance companies, charitable organizations and foundations to provide burial consultancy service and cemetery information.

For the sake of expanding our market presence to a larger extent, the Group has designed and structured a series of promotion campaign for our cemetery in both Hong Kong and the PRC region. Up to now, we have conducted about 20 familiarisation tours of the cemetery for both the general public and members of the Funeral Business Association of Hong Kong. In addition, during the Chung Yeung Festival and Ching Ming Festival, we have organized 4 large scale blessing ceremonies and hosted over 3,000 people in our cemetery. Such events and guided tours will be held regularly in the future to boost our publicity. Similar tours will be arranged for participants in the burial related industry for Macau, Taiwan, Singapore and Malaysia in due course. In the year of 2008, we will allocate more resources in placing advertisement in newspaper and different mass media. Through this continuous promotion campaign, we expect that our aim of providing comprehensive caring and burial service can bring to everyone in need and in turn boost our sales in the near future.

In order to strengthen our superiority as a pioneer in website broadcasting service provider in cemetery industry, the Group has improved its internet function and continued to enhance public access to this service. In March of 2008, we have conducted a ceremonial rite in our cemetery and hosted an instant broadcast through the internet. The market response was encouraging and was highly appraised by various divisions of civil affairs. In the future, the Group will focus on promoting this feature so as to get awareness of the new generation.

Chairman's Statement

In the development aspects, the Group has improved the layout of grave plots and accordingly raised the average price per plot by about 30%. Leases for burial rights of the grave plots are now priced within the range from RMB6,800 to RMB398,000 per plot and those for the niches are set within the range from RMB2,800 to RMB8,800 per niche. The entire lease payments for leasing of the grave plots or the niches will be received upfront in one lump sum or by instalments. In the meantime, the Group has commenced detail design work for the development of the remaining 418 mu within the Existing Area and completion is scheduled to be within 3 to 5 years. Upon its completion, approximately 16,200 additional grave plots and approximately 210,700 additional niches will be available for leases. The Group has also commenced the negotiation process of obtaining the land use rights of a further 500 mu within the Reserved Area for future development purposes.

(ii) *Property Investment Operations*

Rental income from the Group's investment properties in the PRC during the year amounted to HK$1.7 million (2006: HK$4.4 million). During the year, the Group has disposed of or agreed to dispose of substantially all of its investment properties in the PRC and accordingly, the Group will cease to hold any material interests in property investment in the PRC.

PROSPECTS

In view of the competitiveness in the printing industry, the trading environment for printing business will continue to be challenging in 2008. Nevertheless, the Group will implement effective measures to mitigate the adverse effect of those negative factors against the Group. With our commitments to provide quality service to our customers and long standing experience in the printing industry, the Group is confident to meet the challenges ahead.

The Group has diversified into the business of development and operation of cemetery in the PRC. We expect that this investment will generate a steady income to the Group and in turn increase the contribution to our shareholders. In the long run, the Group will leverage the experience in developing the existing cemetery to identify similar projects elsewhere in the PRC.

Chairman's Statement

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2007, the Group's bank balances and cash amounted to HK$120.6 million (2006: HK$86.4 million) while bank borrowings amounted to HK$115.3 million (2006: HK$118.2 million). The calculation of net debt to equity ratio is not applicable as the Group has surplus cash of about HK$5.3 million over bank borrowings (2006: net debt to equity ratio of 7%). Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would not be material. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2007 with the code provisions set out in Appendix 14 — Code on Corporate Governance Practices of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The Audit Committee has been established by the Company to review and supervise the Company's financial reporting process, internal controls and review the relationship with the auditors. The Audit Committee has held meetings in accordance with the relevant requirements and has reviewed with the Directors and Auditors, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group, the internal control and financial reporting process and the Company's consolidated financial statements for the year ended 31st December, 2007. The current members of the Audit Committee are three Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming and a Non-Executive Director, Mr. Dominic LAI. The Audit Committee has recommended the re-appointment of the Auditors and approved the remuneration of the Auditors.

The Company has adopted the Model Code (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard set out in the Model Code.

Chairman's Statement

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 31st December, 2007, the Group, including its subcontracting processing plants, employed approximately 3,400 staff and workers, with their remuneration normally reviewed annually. The Group also provides its staff with other benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt thanks to all management and staff for their dedicated contribution. With the support of my colleagues, I am confident that we can look ahead and continue to maximise our resources to bring greatest reward to our shareholders.

HUNG Ting Ho, Richard
Chairman

Hong Kong, 18th April, 2008

Corporate Governance Report

INTRODUCTION

The Company is committed to achieving high standard of corporate governance that properly protects and promotes the interests of its shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

REPORT ON CORPORATE GOVERNANCE PRACTICES

(A) The Board

(i) Board composition

During the year under review, the Board comprised 6 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors. As at 31st December, 2007, the Board members were as follows:

Name	Position
Mr. HUNG Ting Ho, Richard	Chairman
Mr. KWONG Tin Lap	Managing Director
Mr. KWOK Chi Fai	Deputy Managing Director
Miss LI Mee Sum, Ann	Executive Director
Mr. WONG Chi Sing	Executive Director
Mr. CHUANG Ka Pun, Albert	Executive Director
Mr. Dominic LAI	Non-Executive Director
Mr. SHEK Lai Him, Abraham	Independent Non-Executive Director
Dr. LI Sau Hung, Eddy	Independent Non-Executive Director
Mr. YAU Chi Ming	Independent Non-Executive Director

The Board has on a regular basis reviewed the composition of the Board and the skills and experience required for both the Executive and Non-Executive Directors of the Board, in the context of the business and strategies of the Company. If the Board identifies a suitable qualified candidate to become a Board member, it will make recommendation to the Nomination Committee for him/her to be elected as a Director of the Company.

Corporate Governance Report

(ii) *Appointment, re-election and removal of Directors*

There are formal, considered and transparent procedures for the appointment and removal of Directors. All Directors newly appointed to fill a casual vacancy are subject to election at the first general meeting after their appointment. Every Director (including Non-Executive Director) is subject to retirement by rotation at least once every three years. All Non-Executive and Independent Non-Executive Directors are appointed for a term of three years, subject to retirement by rotation as aforesaid.

(iii) *Nomination Committee*

A Nomination Committee was established with clear terms of reference to review the composition of the Board. The Nomination Committee comprises two Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham and Dr. LI Sau Hung, Eddy and a Non-Executive Director, Mr. Dominic LAI. The committee met once during the year to discuss the structure, size and composition of the Board, to assess the independency of each Independent Non-Executive Director. The committee also approved the recommended candidate to become a Board member by resolution in writing.

The attendance record of each committee member is as follows:

Name	**No. of meeting attended/held**
Mr. SHEK Lai Him, Abraham *(Note)*	1/1
Dr. LI Sau Hung, Eddy	1/1
Mr. Dominic LAI	1/1

Note: Chairman of the Nomination Committee

(iv) *Board meetings*

The Board held four meetings during the year. Arrangements were in place to ensure that sufficient notice and adequate information were given to each Director prior to the Board meetings. The Chairman, together with the Managing Director, established the agenda for each Board meeting. Other Directors had been invited to include items in the agenda. Minutes of Board meetings were kept in sufficient details to reflect the decisions made in the relevant meetings.

Corporate Governance Report

During the year under review, the attendance record of each Director in Board meetings was as follows:

Name	Position	No. of meetings attended/held
Mr. HUNG Ting Ho, Richard	Chairman	4/4
Mr. KWONG Tin Lap	Managing Director	4/4
Mr. KWOK Chi Fai	Deputy Managing Director	4/4
Miss LI Mee Sum, Ann	Executive Director	4/4
Mr. WONG Chi Sing	Executive Director	4/4
Mr. CHUANG Ka Pun, Albert	Executive Director	1/1 *(Note)*
Mr. Dominic LAI	Non-Executive Director	4/4
Mr. SHEK Lai Him, Abraham	Independent Non-Executive Director	4/4
Dr. LI Sau Hung, Eddy	Independent Non-Executive Director	4/4
Mr. YAU Chi Ming	Independent Non-Executive Director	3/4

Note: Mr. CHUANG Ka Pun, Albert was appointed Executive Director on 30th October, 2007.

(v) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separated. Mr. HUNG Ting Ho, Richard is the Chairman and Mr. KWONG Tin Lap, the Managing Director, is the Chief Executive Officer.

(vi) Responsibilities of Directors

Each Director of the Company is required to keep abreast of his/her responsibilities as a Director of the Company and each Director is provided in a timely manner with appropriate information of the Group to enable him/her to make an informed decision and to discharge his/her duties and responsibilities as a Director of the Company. On appointment, new Directors will be given a comprehensive introduction to the Group's business.

(vii) Directors' dealings in securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard as set out in the Model Code.

Corporate Governance Report

(viii) *Independency 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 Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

(B) Remuneration of Directors and senior management

(i) *Remuneration policy of Executive Directors and senior management*
The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The Group will set levels of remuneration to ensure comparability and competitiveness with companies competing within a similar talent pool.

(ii) *Fees paid to Non-Executive Directors*
Each Non-Executive Director of the Company received an annual fee of HK$80,000. In determining such fee, the Board has taken into account the current market conditions. Such fee is also subject to shareholders' approval in annual general meetings.

(iii) *Remuneration Committee*
A Remuneration Committee was established with clear terms of reference to review the remuneration of the Executive Directors and senior management. The Remuneration Committee comprises two Independent Non-Executive Directors, Mr. YAU Chi Ming and Mr. SHEK Lai Him, Abraham and a Non-Executive Director, Mr. Dominic LAI. The committee met once during the year to review the remuneration policy of the Group. The committee also approved the remuneration package of Executive Directors and senior management of the Group by resolutions in writing.

The attendance record of each committee member is as follows:

Name	**No. of meeting attended/held**
Mr. YAU Chi Ming *(Note)*	1/1
Mr. SHEK Lai Him, Abraham	1/1
Mr. Dominic LAI	1/1

Note: *Chairman of the Remuneration Committee*

Corporate Governance Report

(C) Accountability and audit

(i) Financial reporting

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment of the performance, position and prospects of the Group in the interim and annual reports of the Company.

(ii) Internal control

The Board acknowledges that it is its responsibility to ensure that the Group maintains an effective internal control system so as to safeguard the Group's assets and thus shareholders' investment.

In this respect, the Group has adopted internal control procedures relating to financial, operational, compliance and risk management. The objectives are to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with the management's authorisation, the accounting records are reliable for preparing financial information within the business and for publication and risk is being identified and managed in an effective manner.

Qualified personnel throughout the Group maintains and monitors these internal control procedures on an ongoing basis. Based on the assessment made by senior management of the Group, the Board, in conjunction with the Audit Committee, is satisfied that the existing internal control procedures of the Group are adequate for its present requirement.

(iii) Audit Committee

An Audit Committee was established with clear terms of reference to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming and a Non-Executive Director, Mr. Dominic LAI. The committee held two meetings during the year to discuss the relationship with the external auditors, to review the Company's interim and annual financial statements and to evaluate the Group's system of internal controls.

Corporate Governance Report

The attendance record of each committee member is as follows:

Name	No. of meetings attended/held
Mr. SHEK Lai Him, Abraham *(Note)*	2/2
Dr. LI Sau Hung, Eddy	2/2
Mr. YAU Chi Ming	2/2
Mr. Dominic LAI	1/2

Note: Chairman of the Audit Committee

(iv) *Auditor's remuneration*

During the year, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable
	HK$'000
Audit services	1,350
Non-audit services	1,080
	2,430

(D) Delegation by the Board

(i) *Board committees*

The Company has established three committees, namely Audit Committee, Nomination Committee and Remuneration Committee. These committees were formed with specific written terms of reference which deal clearly with the committees' authorities and duties.

(ii) *Management function*

The Board has determined which matters are to be retained by the full Board sanction and which matters are to be delegated to the executive management. The executive management has been given clear terms of reference, in particular, circumstances where the executive management should report back and obtain prior approval from the Board. All delegations to the executive management are reviewed periodically to ensure that they remain appropriate.

Corporate Governance Report

(E) Communication with shareholders

(i) Annual general meetings

The Board regards annual general meetings as the principal opportunity to meet shareholders of the Company. The Chairman of the Company and members of respective Board Committee attended the annual general meeting of the Company held in May 2007 to answer questions raised by shareholders.

(ii) Significant issues

The Company has ensured that any significant issue to be dealt with in general meetings will be proposed as a separate resolution.

(iii) Voting by poll

The procedures and requirements for demanding a poll in general meetings are fully disclosed in circulars to shareholders and communicated to shareholders prior to the commencement of general meetings.

CONCLUSION

The Company has complied with the code provisions of the CG Code for the year ended 31st December, 2007.

On behalf of the Board of
Midas International Holdings Limited

HUNG Ting Ho, Richard
Chairman

Hong Kong, 18th April, 2008

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2007 are set out in the consolidated income statement on page 32 of the annual report and in the accompanying notes to the consolidated financial statements.

An interim dividend of HK0.5 cent per share amounting to approximately HK$2,972,000 were paid to the ordinary shareholders during the year.

In view of the loss incurred by the Group during the year, the Board proposes not to declare a final dividend for the year. An interim dividend of HK0.5 cent (2006: HK1.2 cents) per ordinary share had been paid during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 89 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 10% and 33% respectively of the Group's total purchases for the year.

The aggregate sale attributable to the Group's five largest customers were less than 30% of total turnover for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the five largest suppliers or customers.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 15 to the consolidated financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$10,105,000 in aggregate on plant and machinery, furniture and fixtures and other assets to expand and upgrade its production capacity.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

In addition to the accumulated profits of the Company, the ordinary share premium, other reserve and the contributed surplus accounts of the Company are also available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders at 31st December, 2007 amounted to approximately HK$432,966,000.

Detail of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 35 of the annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. HUNG Ting Ho, Richard *(Chairman)*	(appointed on 27th February, 2007)
Mr. KWONG Tin Lap *(Managing Director)*	
Mr. KWOK Chi Fai *(Deputy Managing Director)*	
Miss LI Mee Sum, Ann	
Mr. WONG Chi Sing	
Mr. CHUANG Ka Pun, Albert	(appointed on 30th October, 2007)
Mr. KO Sheung Chi	(resigned on 27th February, 2007)
Mr. TANG Chow Ming, Paul	(resigned on 27th February, 2007)

Non-Executive Director:

Mr. Dominic LAI

Directors' Report

Independent Non-Executive Directors:
Mr. SHEK Lai Him, Abraham
Dr. LI Sau Hung, Eddy
Mr. YAU Chi Ming

In accordance with Articles 99 and 116 of the Company's Articles of Association and Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. KWONG Tin Lap, Mr. WONG Chi Sing, Mr. CHUANG Ka Pun, Albert and Mr. Dominic LAI will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each Non-Executive Director and Independent Non-Executive Director will be three years, subject to retirement by rotation and re-election at least once every 3 years.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and the chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of ordinary shares of the Company held	Capacity	Nature of interest	Approximate % of shareholding in the Company
Mr. SHEK Lai Him, Abraham	10,000	Beneficial owner	Personal interest	0.002%

Directors' Report

Other than as disclosed herein, as at 31st December, 2007, none of the Directors and the chief executive of the Company had any interest or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

During the year, none of the Directors and the chief executive nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 32 to the consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. HUNG Ting Ho, Richard, the Chairman and an Executive Director, is a Non-Executive Director of CNT Group Limited, whose issued shares are listed on the Stock Exchange, the principal activities of which include property investments in the PRC. Miss LI Mee Sum, Ann, an Executive Director, is an Executive Director of Chuang's China Investments Limited, whose issued shares are listed on the Stock Exchange, the principal activities of which include property investments in the PRC. As the properties owned by these companies are of different types and/or in different locations from those of the Group, the Group operates its business independently of, and at arm's length from the businesses of these companies.

CONNECTED/RELATED PARTY TRANSACTIONS

Details of the connected/related party transactions are set out in note 40 to the consolidated financial statements.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company and save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st December, 2007, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name of shareholder	Number of ordinary shares of the Company held	Capacity
Gold Throne Finance Limited ("Gold Throne")	348,800,000 *(note 1)*	Beneficial owner
Chuang's Consortium International Limited ("CCIL")	348,800,000 *(note 1)*	*(note 2)*
Evergain Holdings Limited ("Evergain")	348,800,000 *(note 1)*	*(note 2)*
Chuang Shaw Swee, Alan ("Mr. Chuang")	348,800,000 *(note 1)*	*(note 2)*
Chong Ho Pik Yu	348,800,000 *(note 1)*	*(note 3)*
Great Income Profits Limited ("Great Income")	130,000,000 *(note 4)*	Beneficial owner
Ching Eng Chin ("Mr. Ching")	130,000,000 *(note 4)*	Interest of controlled corporation
Keywise Greater China Master Fund	49,160,000 *(note 5)*	Beneficial owner
Keywise Capital Management (HK) Limited	49,160,000 *(note 5)*	Investment manager
UBS AG	55,360,000 *(note 6)*	Person having a security interest

Notes:

1. Such interests represented 57.25% of the issued ordinary share capital and comprised 283,800,000 shares and 65,000,000 conversion shares to be issued upon the exercise of conversion rights attached to the convertible note held by Gold Throne, a wholly-owned subsidiary of CCIL.

2. Such interests arose through the interests in the relevant shares owned by Gold Throne. Evergain, a company beneficially owned by Mr. Chuang, is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL.

3. Such interests arose by attribution through her spouse, Mr. Chuang.

4. Such interests represented 21.34% of the issued ordinary share capital and comprised 30,000,000 shares and 100,000,000 conversion shares to be issued upon the exercise of conversion rights attached to the convertible note held by Great Income, a company beneficially owned by Mr. Ching.

5. Such interests represented approximately 8.07% of the issued ordinary share capital.

6. Such interests represented approximately 9.09% of the issued ordinary share capital.

Directors' Report

Save as disclosed above, as at 31st December, 2007, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

During the year, the Group had certain banking facilities with an aggregate amount of HK$54.3 million (the "Banking Facilities"), comprising a term loan, an overdraft facility and other trade related facilities, which required CCIL to remain as the single largest shareholder of the Company at all times during the subsistence of the Banking Facilities.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK$13,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2007.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 42 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board of
Midas International Holdings Limited

HUNG Ting Ho, Richard
Chairman

Hong Kong, 18th April, 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF MIDAS INTERNATIONAL HOLDINGS LIMITED
勤達集團國際有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Midas International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 88, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body 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 as to 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 Group's preparation and true and fair presentation of the consolidated financial statements 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 Group'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 audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of its loss 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 disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18th April, 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	NOTES	2007 *HK$'000*	2006 *HK$'000*
Turnover	*5*	**705,443**	737,858
Direct expenses		**(569,790)**	(547,341)
Gross profit		**135,653**	190,517
Other income	*7*	**24,956**	13,710
Increase in fair values of investment properties		**11,145**	4,893
Selling expenses		**(65,836)**	(63,887)
Administrative and general expenses		**(119,525)**	(113,289)
Finance costs	*10*	**(10,863)**	(6,822)
(Loss) profit before taxation	*8*	**(24,470)**	25,122
Income tax expenses	*11*	**(4,019)**	(7,492)
(Loss) profit for the year		**(28,489)**	17,630
Attributable to:			
Ordinary shareholders of the Company		**(28,328)**	17,630
Minority interests		**(161)**	–
		(28,489)	17,630
Dividends	*13*	**9,383**	24,043
Basic (loss) earnings per share	*14*	**HK(5.1) cents**	HK3.3 cents

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**500**	175,500
Prepaid lease payments	16	**11,295**	8,361
Property, plant and equipment	17	**225,809**	220,596
Goodwill	35(b)	**1,956**	–
Deposits paid for acquisition of property, plant and equipment		**305**	703
Deposits paid for acquisition of land use rights		**3,840**	–
Premium on prepaid lease payments	18	**81,383**	–
Other intangible assets	19	**448,664**	–
Contractual reimbursement from related companies	20	**–**	21,019
		773,752	426,179
Current assets			
Inventories	21	**73,761**	98,126
Accounts receivables	22	**209,031**	220,727
Deposits, prepayments and other receivables		**10,749**	12,705
Prepaid lease payments	16	**300**	229
Tax recoverable		**3,495**	2,507
Bank balances and cash	23	**120,611**	86,430
		417,947	420,724
Assets classified as held for sale	12	**27,708**	–
		445,655	420,724
Current liabilities			
Accounts payables	24	**126,734**	152,466
Accrued charges and other payables		**63,711**	59,437
Amount due to a minority shareholder	25	**1,366**	–
Deferred income	26	**13**	–
Tax payable		**6,377**	7,561
Borrowings	27	**115,300**	38,050
		313,501	257,514

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Liabilities associated with assets classified as held for sale	12	**1,963**	–
		315,464	257,514
Net current assets		**130,191**	163,210
Total assets less current liabilities		**903,943**	589,389
Non-current liabilities			
Borrowings	27	**–**	80,113
Loan note	28	**40,922**	–
Convertible notes	29	**110,823**	–
Deferred income	26	**502**	–
Deferred tax	30	**136,254**	29,892
		288,501	110,005
NET ASSETS		**615,442**	479,384
CAPITAL AND RESERVES			
Share capital	31	**60,929**	53,429
Reserves		**477,278**	425,955
Equity attributable to equity holders of the Company		**538,207**	479,384
Minority interests		**77,235**	–
TOTAL EQUITY		**615,442**	479,384

The financial statements on pages 32 to 88 were approved and authorised for issue by the Board of Directors on 18th April, 2008 and are signed on its behalf by:

KWONG Tin Lap	**KWOK Chi Fai**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Attributable to ordinary shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note a)	Merger reserve HK$'000 (Note b)	Translation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January, 2006	53,429	164,773	4,000	24,000	239	–	234,137	480,578	–	480,578
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	5,219	–	–	5,219	–	5,219
Profit for the year	–	–	–	–	–	–	17,630	17,630	–	17,630
Total recognised income and expense for the year	–	–	–	–	5,219	–	17,630	22,849	–	22,849
Dividends	–	–	–	–	–	–	(24,043)	(24,043)	–	(24,043)
At 31st December, 2006	53,429	164,773	4,000	24,000	5,458	–	227,724	479,384	–	479,384
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	8,614	–	–	8,614	148	8,762
Loss for the year	–	–	–	–	–	–	(28,328)	(28,328)	(161)	(28,489)
Total recognised income and expense for the year	–	–	–	–	8,614	–	(28,328)	(19,714)	(13)	(19,727)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	77,248	77,248
Reserve realised upon disposal of subsidiaries	–	–	–	–	(9,878)	–	–	(9,878)	–	(9,878)
Recognition of equity component of convertible notes	–	–	–	–	–	55,712	–	55,712	–	55,712
Conversion of convertible notes	7,500	49,131	–	–	–	(14,545)	–	42,086	–	42,086
Dividends	–	–	–	–	–	–	(9,383)	(9,383)	–	(9,383)
At 31st December, 2007	60,929	213,904	4,000	24,000	4,194	41,167	190,013	538,207	77,235	615,442

Notes:

(a) The other reserve of the Group was contributed by the substantial shareholders of the Company who were also the holders of the preference shares. It represents the excess of the face value of redeemable preference shares over the consideration paid upon redemption in 2004.

(b) The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's ordinary shares issued for the acquisition at the time of a group reorganisation in 1996.

(c) Loss for the year of the Company of HK$17,205,000 (2006: profit of HK$104,433,000) has been included in the consolidated income statement.

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(24,470)**	25,122
Adjustments for:			
Depreciation and amortisation		**39,458**	35,954
Finance costs		**10,863**	6,822
Increase in fair value of investment properties		**(11,145)**	(4,893)
Gain on disposal of subsidiaries	*36*	**(9,878)**	–
Amortisation of premium on prepaid lease payments		**523**	–
Interest income		**(3,580)**	(2,678)
Allowance for bad and doubtful debts		**4,738**	10,945
Release of prepaid lease payments		**250**	229
Loss (gain) on disposal of property, plant and equipment		**263**	(58)
Operating cash flows before movements in working capital		**7,022**	71,443
Decrease (increase) in inventories		**24,365**	(22,963)
Decrease (increase) in accounts receivables		**6,958**	(24,390)
Decrease (increase) in deposits, prepayments and other receivables		**1,805**	(4,241)
(Decrease) increase in accounts payables		**(25,732)**	5,535
Increase in accrued charges and other payables		**453**	1,519
Increase in deferred income		**217**	–
Net cash generated from operations		**15,088**	26,903
Income tax paid		**(3,722)**	(6,700)
Income tax refunded		**232**	1,732
NET CASH FROM OPERATING ACTIVITIES		**11,598**	21,935
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(9,707)**	(18,213)
Purchase of investment properties		**(1,448)**	–
Interest received		**3,580**	2,678
Proceeds from disposal of property, plant and equipment		**924**	188
Acquisition of subsidiaries	*35*	**(556)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(7,207)**	(15,347)

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007 *HK$'000*	2006 *HK$'000*
FINANCING ACTIVITIES		
Repayment of bank loans	**(47,863)**	(40,131)
Dividends paid	**(9,383)**	(24,043)
Proceeds on issue of convertible note	**49,500**	–
Repayment of import loans	**–**	(14,009)
Interest paid	**(6,855)**	(6,822)
New bank loans raised	**45,000**	20,000
New import loans raised	**–**	6,633
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**30,399**	(58,372)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,790**	(51,784)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**86,430**	138,214
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**121,220**	86,430

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands ("Companies Law"). Its ordinary 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" to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

Hong Kong Accounting Standards ("HKAS") 1 (Amendment)	Capital Disclosures
Hong Kong Financial Reporting Standards ("HKFRS") 7	Financial Instruments: Disclosures
HK (IFRIC) Interpretation ("HK(IFRIC)-Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(cont'd)*

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st March, 2007
4 Effective for annual periods beginning on or after 1st January, 2008
5 Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except that investment properties are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses other than investing entities under common control, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Business combinations *(cont'd)*

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue recognition *(cont'd)*

Revenue from conveyance of burial rights for the grave plots and niches for cremation urns is recognised on a straight-line basis over the duration of the rights which have been conveyed, which is the same duration as the remaining lease term of the land. Revenue received in excess of the amounts recognised is accounted for as deferred income.

Sales of tomb sets are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Leasing *(cont'd)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 translation 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 equity in the consolidated financial statements.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are charged as expenses as they fall due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments *(cont'd)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments *(cont'd)*

Impairment of loans and receivables (cont'd)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled 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 classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments *(cont'd)*

Convertible loan notes *(cont'd)*

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. 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 loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including bank borrowings, accounts payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Deferred income

Deferred income represents the portion of the income which has not been earned as revenue in accordance with the revenue recognition policy of revenue from conveyance of burial rights and management fee income.

Impairment losses (other than financial assets and goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment loss on accounts receivables

The impairment loss on trade receivables of the Group arises when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the accounts receivable is impaired. As at 31st December, 2007, the carrying value of accounts receivables (net of impairment loss of approximately HK$15,029,000) is approximately HK$209,031,000. The amount of impairment loss is measured on the difference between the assets' carrying amount and the present value of estimated future cash flows. When the actual cash receipts are less than expected, a material impairment loss may arise.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. TURNOVER

Turnover represents the amounts received and receivable for goods sold, less returns, and services provided to outside customers during the year and property rental and related income. An analysis of the Group's revenue for the year, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**703,745**	733,492
Rental and management fee income generated from property investment	**1,679**	4,366
Revenue from conveyance of burial rights	**5**	–
Sales of tomb sets	**14**	–
	705,443	737,858

6. SEGMENT INFORMATION

Business segments

The Group is currently organised into three operating activities – printing, property investment and cemetery investment. These activities form the basis on which the Group reports its primary segment information.

2007

CONSOLIDATED INCOME STATEMENT

	Printing	**Property investment**	**Cemetery Investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER - external	**703,745**	**1,679**	**19**	**705,443**
SEGMENT RESULTS	**(30,414)**	**20,202**	**(1,921)**	**(12,133)**
Unallocated income				**3,580**
Unallocated expenses				**(5,054)**
Finance costs				**(10,863)**
Loss before taxation				**(24,470)**
Income tax expenses				**(4,019)**
Loss for the year				**(28,489)**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. SEGMENT INFORMATION *(cont'd)*

Business segments *(cont'd)*

2007 *(cont'd)*

CONSOLIDATED BALANCE SHEET

	Printing	Cemetery investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	492,267	573,370	1,065,637
Unallocated assets			153,770
Consolidated total assets			1,219,407
LIABILITIES			
Segment liabilities	187,786	3,174	190,960
Unallocated liabilities			413,005
Consolidated total liabilities			603,965

OTHER INFORMATION

	Printing	Property investment	Cemetery investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	9,816	3,065	34,855	47,736
Depreciation and amortisation	38,788	94	576	39,458
Impairment losses recognised in respect of accounts receivables	4,738	–	–	4,738
Gain on disposal of subsidiaries	–	9,878	–	9,878

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. SEGMENT INFORMATION *(cont'd)*

Business segments *(cont'd)*

2006

CONSOLIDATED INCOME STATEMENT

	Printing	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER - external	733,464	4,394	737,858
SEGMENT RESULTS	25,974	3,818	29,792
Unallocated income			2,678
Unallocated expenses			(526)
Finance costs			(6,822)
Profit before taxation			25,122
Income tax expenses			(7,492)
Profit for the year			17,630

CONSOLIDATED BALANCE SHEET

	Printing	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	561,079	196,887	757,966
Unallocated assets			88,937
Consolidated total assets			846,903
LIABILITIES			
Segment liabilities	202,046	9,857	211,903
Unallocated liabilities			155,616
Consolidated total liabilities			367,519

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. SEGMENT INFORMATION *(cont'd)*

Business segments *(cont'd)*

OTHER INFORMATION

	Printing	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	22,264	–	22,264
Depreciation and amortisation	35,812	142	35,954
Impairment losses recognised in respect of accounts receivables	8,984	1,961	10,945

Geographical segments

The Group's printing business is located in both Hong Kong and the People's Republic of China (the "PRC"), while the cemetery business is located in the PRC.

The following table provides an analysis of the Group's turnover by geographical market, based on the location of customers, irrespective of the origin of the goods and the services:

	Turnover by geographical market	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**196,061**	220,528
North America	**223,804**	221,009
Europe	**203,897**	198,523
Australia and New Zealand	**39,718**	48,868
The PRC	**22,529**	23,206
Others	**19,434**	25,724
	705,443	737,858

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. SEGMENT INFORMATION *(cont'd)*

Geographical segments *(cont'd)*

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**223,196**	257,223	**2,367**	1,895
The PRC	**842,441**	500,743	**45,369**	20,369
	1,065,637	757,966	**47,736**	22,264

7. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Income from sale of scrap	**9,986**	7,964
Gain on disposal of subsidiaries	**9,878**	–
Interest income	**3,580**	2,678
Exchange gain	**12**	1,661
Gain on disposal of property, plant and equipment	**–**	58
Sundry income	**1,500**	1,349
	24,956	13,710

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

8. (LOSS) PROFIT BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments)	**137,473**	108,701
Retirement benefit scheme contribution	**3,056**	2,265
Total staff costs	**140,529**	110,966
Auditor's remuneration	**1,350**	1,100
Cost of inventories recognised as an expense	**568,126**	546,177
Depreciation and amortisation of property, plant and equipment	**39,458**	35,954
Allowance for bad and doubtful debts on accounts receivables	**4,738**	10,945
Release of prepaid lease payments	**250**	229
Rental of premises under operating leases	**7,670**	7,087
Loss (gain) on disposal of property, plant and equipment	**263**	(58)
and after crediting:		
Gross rental income from investment properties	**1,679**	4,306
Less:		
direct operating expenses from investment properties that generated rental income during the year	**(371)**	(799)
direct operating expenses from investment properties that did not generate rental income during the year	**(837)**	(365)
	471	3,142

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of Directors, the five highest paid employees and senior management are as follows:

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2006: 10) Directors were as follows:

2007	Mr. HUNG Ting Ho, Richard	Mr. KWONG Tin Lap	Mr. KWOK Chi Fai	Miss LI Mee Sum, Ann	Mr. WONG Chi Sing	Mr. CHUANG Ka Pun, Albert	Mr. Dominic LAI	Mr. SHEK Lai Him, Abraham	Dr. LI Sau Hung, Eddy	Mr. YAU Chi Ming	Total 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	30	20	20	20	20	20	80	80	80	80	450
Other emoluments:											
Salaries and other benefit	1,050	1,056	930	–	432	–	–	–	–	–	3,468
Bonus	88	88	78	–	36	–	–	–	–	–	290
Retirement benefit scheme contributions	7	24	24	–	22	–	–	–	–	–	77
Total emoluments	1,175	1,188	1,052	20	510	20	80	80	80	80	4,285

2006	Mr. KO Sheung Chi	Mr. KWONG Tin Lap	Mr. KWOK Chi Fai	Miss LI Mee Sum, Ann	Mr. TANG Chow Ming, Paul	Mr. WONG Chi Sing	Mr. Dominic LAI	Mr. SHEK Lai Him, Abraham	Dr. LI Sau Hung, Eddy	Mr. YAU Chi Ming	Total 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	30	20	20	20	20	20	80	80	80	80	450
Other emoluments:											
Salaries and other benefit	–	1,056	930	–	648	432	–	–	–	–	3,066
Bonus	–	88	78	–	56	36	–	–	–	–	258
Retirement benefit scheme contributions	–	24	24	–	24	22	–	–	–	–	94
Total emoluments	30	1,188	1,052	20	748	510	80	80	80	80	3,868

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(cont'd)*

(b) Employees' emoluments

During the year, the five highest paid individuals included three (2006: three) directors, details of whose emoluments are set out in note 9(a) above.

The emoluments of the remaining two (2006: two) individuals are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Salaries and other benefits	1,443	1,224
Bonus	100	293
Retirement benefit scheme contribution	35	48
	1,578	1,565

Emoluments of the employees are within the following bands:

	Number of employees	
	2007	2006
HK$1,000,000 or below	2	2

During each of the two years ended 31st December, 2007, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during each of the two years ended 31st December, 2007, no Director waived any emoluments.

(c) Emoluments of senior management

The emoluments of senior management during the year are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Short-term benefits	990	1,339
Post-employment benefits	32	48
	1,022	1,387

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

10. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on borrowings wholly repayable within five years	**6,855**	6,822
Interest on loan note	**904**	–
Interest on convertible notes	**3,104**	–
	10,863	6,822

11. INCOME TAX EXPENSES

	2007 HK$'000	2006 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**979**	2,330
PRC income tax	**1,109**	2,911
	2,088	5,241
(Over)/underprovision in prior years:		
Hong Kong Profits Tax	**(15)**	211
PRC income tax	**70**	1,080
	55	1,291
Deferred tax *(note 30)*:		
Current year	**2,094**	224
Attributable to change in tax rate	**(218)**	–
Underprovision in prior year	**–**	736
	1,876	960
	4,019	7,492

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

11. INCOME TAX EXPENSES *(cont'd)*

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Certain PRC subsidiaries are regarded as production enterprises located in Dongguan which are subject to Foreign Enterprise Income Tax at a tax rate of 24%. Pursuant to the tax preference to the export-oriented enterprise, they can enjoy a 50% reduction in tax rate which resulted in an applicable tax rate of 12%.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% from 1st January, 2008 onwards. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The income tax expenses for the year can be reconciled to the (loss) profit per consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(24,470)**	25,122
Tax at the domestic income tax rate of 17.5%	**(4,282)**	4,396
Tax effect of expenses not deductible for tax purpose	**3,399**	1,374
Tax effect of income not taxable for tax purpose	**(5,473)**	(1,072)
Underprovision in prior years	**55**	1,291
Tax effect of tax losses not recognised	**5,280**	274
Utilisation of tax losses previously not recognised	**(433)**	(517)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,473**	1,746
Income tax expenses for the year	**4,019**	7,492

12. ASSETS AND LIABILITIES HELD FOR SALE

On 11th May, 2007, the Directors entered into a transfer agreement with Chuang's China Investments Limited ("Chuang's China"), a subsidiary of Chuang's Consortium International Limited ("CCIL"), the substantial shareholder of the Company, pursuant to which the Group would dispose of its entire interest in Chuang's Development (Chengdu) Limited ("CD Chengdu") to Chuang's China in exchange for the entire interest in a company whose sole asset is a piece of land in Dongguan, the PRC. This transaction was completed on 26th March, 2008.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

12. ASSETS AND LIABILITIES HELD FOR SALE *(cont'd)*

CD Chengdu was a property holding subsidiary of the Group. As it was the subject of an agreed disposal, its assets and liabilities were reclassified as a disposal group and presented separately in the balance sheet, as follows:

	At 31st December, 2007
	HK$'000
Investment property	27,000
Other receivables	99
Bank balance	609
Total assets classified as held for sale	27,708
Accrued charges and other payables	679
Tax payable	547
Deferred tax	737
Total liabilities classified as held for sale	1,963

13. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividends paid to ordinary shareholders:		
2006 final dividend of HK1.2 cents per share	**6,411**	–
2007 interim dividend of HK0.5 cent per share	**2,972**	–
2005 final dividend of HK3.3 cents per share	**–**	17,632
2006 interim dividend of HK1.2 cents per share	**–**	6,411
	9,383	24,043

The Board proposes not to declare a final dividend for the year. An interim dividend of HK0.5 cent (2006: HK1.2 cents) per ordinary share had been paid during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

14. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss attributable to equity holders of the Company for the year of HK$28,328,000 (2006: profit of HK$17,630,000) and on the weighted average number of 552,495,548 (2006: 534,290,068) shares in issue during the year.

No diluted loss per share for the year ended 31st December, 2007 is presented as the convertible notes were anti-dilutive.

Diluted earnings per share for the year ended 31st December, 2006 are not applicable as there were no potential ordinary shares in existence for that year.

15. INVESTMENT PROPERTIES

	HK$'000
At 1st January, 2006	163,970
Exchange realignment	6,637
Increase in fair value	4,893
At 1st January, 2007	175,500
Exchange realignment	7,738
Addition	3,065
Increase in fair value	11,145
Disposal of subsidiaries	(169,948)
Reclassified as assets held for sale	(27,000)
At 31st December, 2007	500

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

15. INVESTMENT PROPERTIES *(cont'd)*

	2007	2006
	HK$'000	*HK$'000*
The carrying value of the investment properties held for rental income comprises:		
Leasehold land and buildings situated in:		
– the PRC under long leases	–	175,000
– Hong Kong under long leases	500	500
	500	175,500

The fair value of the investment property of the Group at 31st December, 2007 has been arrived at on the basis of a valuation carried out as of that date by DTZ Debenham Tie Leung Limited, a firm of independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to the comparable recent sales prices in the relevant location.

16. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land use rights in the PRC under a medium-term lease	11,595	8,590
Analysed for reporting purposes as:		
Non-current asset	11,295	8,361
Current asset	300	229
	11,595	8,590

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC under medium–term lease	Leasehold improve–ments	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January, 2006	53,642	6,034	415,076	36,319	6,745	–	517,816
Additions	528	19	16,294	5,215	208	–	22,264
Disposals	–	–	(328)	(330)	(546)	–	(1,204)
At 1st January, 2007	54,170	6,053	431,042	41,204	6,407	–	538,876
Exchange realignment	1,261	85	–	61	26	6	1,439
Additions	363	239	3,483	4,334	1,686	–	10,105
Acquired on acquisition of subsidiaries	32,000	1,166	–	925	359	116	34,566
Disposal of subsidiaries	–	–	–	(708)	–	–	(708)
Disposals	–	(2,075)	(7,330)	(1,709)	(1,282)	–	(12,396)
At 31st December, 2007	87,794	5,468	427,195	44,107	7,196	122	571,882
DEPRECIATION AND AMORTISATION							
At 1st January, 2006	9,964	2,587	239,982	26,037	4,830	–	283,400
Provided for the year	2,287	1,383	26,739	4,680	865	–	35,954
Eliminated on disposals	–	–	(273)	(321)	(480)	–	(1,074)
At 1st January, 2007	12,251	3,970	266,448	30,396	5,215	–	318,280
Exchange realignment	87	24	–	16	7	–	134
Provided for the year	2,894	1,504	29,955	4,342	763	–	39,458
Disposal of subsidiaries	–	–	–	(590)	–	–	(590)
Eliminated on disposals	–	(1,936)	(6,431)	(1,681)	(1,161)	–	(11,209)
At 31st December, 2007	15,232	3,562	289,972	32,483	4,824	–	346,073
CARRYING VALUE							
At 31st December, 2007	72,562	1,906	137,223	11,624	2,372	122	225,809
At 31st December, 2006	41,919	2,083	164,594	10,808	1,192	–	220,596

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

17. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Property, plant and equipment are depreciated at the following rates per annum:

Buildings	20 - 30 years
Leasehold improvements	20% or over the term of the relevant lease, whichever is shorter
Plant and machinery	3 - 15 years
Furniture and fixtures	3 - 5 years
Motor vehicles	3 - 5 years

18. PREMIUM ON PREPAID LEASE PAYMENTS

The amount represents the excess of provisional fair value of the prepaid lease payments of 100 mu of land over its carrying amount upon the acquisition of subsidiaries on 19th September, 2007. The amount is amortised over the remaining lease term of the respective land use rights.

19. OTHER INTANGIBLE ASSETS

	HK$'000
At 1st January, 2006 and 31st December, 2006	–
Acquired on acquisition of subsidiaries	448,664
At 31st December, 2007	448,664

Profitable Industries Limited ("Profitable"), a subsidiary that the Group acquired during the year (see note 35) possesses the right to acquire 418 mu of land in the PRC for further expansion of its cemetery operation. The fair value of 418 mu of land was determined on a provisional basis and upon final determination of fair value of these intangible assets, adjustments may give rise to goodwill or other identifiable intangible assets.

Upon actual acquisition of 418 mu of land, the intangible asset will be amortised over the term of the relevant lease.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

20. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

	Reimbursement of deferred tax liabilities
	HK$'000
At 1st January, 2006 and 31st December, 2006	21,019
Disposal of subsidiaries	(21,019)
At 31st December, 2007	–

Pursuant to a sale and purchase agreement dated 29th October, 2001 entered into with Chuang's China Commercial Limited ("CCC") in respect of the acquisition of the entire issued share capital of, and shareholder's loan to, AsianWisdom.Com Limited ("Acquisition Agreement"), CCC and Chuang's China had agreed and undertaken in favour of the Company to reimburse certain obligations including deferred taxation liabilities arising from the properties of subsidiaries at the date of acquisition by the Group pursuant to the Acquisition Agreement. CCC is a wholly owned subsidiary of Chuang's China, of which Miss LI Mee Sum, Ann is a director.

During the year, the Group has disposed of its interests in the relevant properties. The contractual reimbursement of deferred tax liabilities arising from these properties has been disposed of accordingly.

21. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**50,544**	65,207
Work in progress	**19,439**	29,659
Finished goods	**3,778**	3,260
	73,761	98,126

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

22. ACCOUNTS RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Accounts receivables	**224,060**	234,546
Less: allowance for doubtful debts	**(15,029)**	(13,819)
	209,031	220,727

The Group has a policy of allowing credit periods ranging from 30 days to 180 days (2006: 30 days to 180 days) to its customers.

The aged analysis of accounts receivables prepared on the basis of sales invoice date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**49,476**	57,277
31 to 60 days	**36,263**	43,953
61 to 90 days	**38,389**	39,727
91 to 120 days	**40,846**	34,598
121 to 180 days	**34,560**	36,372
More than 180 days	**9,497**	8,800
	209,031	220,727

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$74,799,000 (2006: HK$87,235,000) which are past due at the reporting date for which the Group has not provided for impairment loss because the management believes in the credit quality and the repayment ability of the relevant customers. The Group does not hold any collateral over these balances. The average age of these receivables is 116 days (2006: 115 days).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

22. ACCOUNTS RECEIVABLES *(cont'd)*

Ageing of accounts receivables which are past due but not impaired:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**–**	1,145
31 to 60 days	**3,368**	9,062
61 to 90 days	**9,016**	11,283
91 to 120 days	**24,526**	26,876
121 to 180 days	**28,422**	30,086
More than 180 days	**9,467**	8,783
	74,799	87,235

Movement in allowance for doubtful debts:

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	**13,819**	4,271
Impairment losses recognised on receivables	**5,919**	10,945
Amounts written off as uncollectible	**(3,528)**	(1,397)
Amounts recovered during the year	**(1,181)**	–
Balance at end of the year	**15,029**	13,819

23. BANK BALANCES

Bank balances carry interest at market rates which range from 1.00% to 6.23% (2006: 0.25% to 5.45%).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

24. ACCOUNTS PAYABLES

The aged analysis of accounts payables prepared on the basis of supplier invoice date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**29,227**	37,764
31 to 60 days	**20,636**	45,016
61 to 90 days	**17,502**	18,952
91 to 120 days	**23,111**	29,279
More than 120 days	**36,258**	21,455
	126,734	152,466

25. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

26. DEFERRED INCOME

	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**–**	–
Acquired on acquisition of subsidiaries	**283**	–
Additions	**217**	–
Exchange realignment	**20**	–
Recognised during the year	**(5)**	–
At end of the year	**515**	–
Less: Amount to be recognised within one year shown under current liabilities	**(13)**	–
	502	–

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

27. BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loans – unsecured	**115,300**	118,163

All the bank loans carry variable interest rates ranging from 3.85% to 6.54% (2006: 4.62% to 6.12%) are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year or on demand	**115,300**	38,050
In more than one year but not more than two years	**–**	38,500
In more than two years but not more than three years	**–**	35,613
In more than three years but not more than four years	**–**	4,000
In more than four year but not more than five years	**–**	2,000
	115,300	118,163
Less: Amount repayable within one year or on demand and shown under current liabilities	**(115,300)**	(38,050)
Amount due after one year	**–**	80,113

During the year, the Group obtained new floating-rate loans in the amount of HK$45,000,000. The proceeds were used to finance the Group's acquisition of property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

28. LOAN NOTE

On 19th September, 2007, the Company issued a loan note, as part of the consideration for the acquisition of subsidiaries (see Note 35(a)) at a principal amount of HK$50,000,000 with fair value at issue date of HK$40,018,000. The loan note is denominated in Hong Kong dollars and will mature on 19th September, 2012. Interest of 3% per annum is payable annually until the settlement date.

The effective interest rate of the loan note is 8% per annum.

The movement of the loan note for the year is set out below:

	2007	2006
	HK$'000	*HK$'000*
At date of issue	**40,018**	–
Interest charge *(note 10)*	**904**	–
At end of the year	**40,922**	–

29. CONVERTIBLE NOTES

The Company issued a convertible note with a principal sum of HK$49,500,000 on 29th June, 2007 ("CN June 2007") and another convertible note with a principal sum of HK$130,000,000 on 19th September, 2007 ("CN Sept 2007"). The CN Sept 2007 was issued as part of the consideration for the acquisition of subsidiaries (see note 35(a)).

Both convertible notes are denominated in Hong Kong dollars and have a nominal interest rate of 1.5% per annum. The effective interest rate for CN June 2007 and CN Sept 2007 are 7.17% and 7.48%, respectively. Other major terms of the convertible notes are as follows:

	Principal amount of convertible notes	**Maturity dates**	**Conversion price**
	HK$'000		
CN June 2007	49,500	29th June, 2011	HK$0.45 per ordinary share
CN Sept 2007	130,000	19th September, 2010	HK$1.00 per ordinary share

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

29. CONVERTIBLE NOTES *(cont'd)*

The notes entitle the holders to convert, in whole or in part, the principal amount into ordinary shares of the Company on any business day prior to five business days before the respective maturity dates. If the convertible notes have not been converted, they will be redeemed on maturity dates at par.

On the above basis, the fair value of the liability portion and the equity portion of CN June 2007 and CN Sept 2007 on the date of issue are as follows:

	CN June 2007	CN Sept 2007	Total
	HK$'000	*HK$'000*	*HK$'000*
Liability portion	40,030	109,776	149,806
Equity portion	9,470	46,242	55,712
	49,500	156,018	205,518

During the year, principal amount of HK$20,250,000 of CN June 2007 was converted into 45,000,000 ordinary shares of HK$0.10 each and a principal amount of HK$30,000,000 of CN Sept 2007 was converted into 30,000,000 ordinary shares of HK$0.10 each as set out in note 31.

The movement of the liability component of the convertible notes for the year is set out below:

	CN June 2007	CN Sept 2007	Total
	HK$'000	*HK$'000*	*HK$'000*
At date of issue	40,030	109,776	149,806
Conversion during the year	(16,701)	(25,386)	(42,087)
Interest charge *(note 10)*	1,189	1,915	3,104
At end of the year	24,518	86,305	110,823

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

30. DEFERRED TAX

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Tax losses	Accelerated tax depreciation	Excess of fair value over historical cost of assets of certain subsidiaries at the date of acquisition by the Group	Revaluation of investment properties	Fair value adjustment on: Property, plant and equipment	Fair value adjustment on: Premium on prepaid lease payment	Fair value adjustment on: Other intangible asset	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January, 2006	(1,787)	3,454	26,228	–	–	–	–	27,895
Exchange realignment	–	–	1,037	–	–	–	–	1,037
(Credit) charge to income statement for the year	(1,768)	1,701	–	1,027	–	–	–	960
Balance at 31st December, 2006	(3,555)	5,155	27,265	1,027	–	–	–	29,892
Exchange realignment	–	–	225	53	–	–	–	278
(Credit) charge to income statement for the year	561	(822)	–	2,355	–	–	–	2,094
Acquired on acquisition of subsidiaries	–	–	–	–	2,273	20,476	112,166	134,915
Change in tax rate	–	–	–	(218)	–	–	–	(218)
Disposal of subsidiaries	–	–	(27,490)	(2,480)	–	–	–	(29,970)
Balance at 31st December, 2007	(2,994)	4,333	–	737	2,273	20,476	112,166	136,991

At 31st December, 2007, the Group had unused tax losses of HK$57.0 million (2006: HK$30.5 million) available for offsetting against future profits. A deferred tax asset of approximately HK$3.0 million (2006: HK$3.6 million) has been recognised in respect of such losses of HK$17.1 million (2006: HK$20.3 million). No deferred tax asset has been recognised in respect of the remaining HK$39.9 million (2006: HK$10.2 million) tax losses due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

31. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2006, 31st December, 2006 and 2007	1,000,000,000	100,000
Preference shares of HK$0.01 each		
Series A Preference Shares		
Balance at 1st January, 2006, 31st December, 2006 and 2007	1,000,000,000	10,000
Series B Preference Shares		
Balance at 1st January, 2006, 31st December, 2006 and 2007	1,000,000,000	10,000
	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2006 and 31st December, 2006	534,290,068	53,429
Conversion of convertible notes *(note 29)*	75,000,000	7,500
Balance at 31st December, 2007	609,290,068	60,929

32. SHARE OPTION SCHEME

The purpose of the 2001 Scheme adopted by the Company on 13th December, 2001 is to recognise the significant contribution of the employees of the Group, including directors of the Company (the "Eligible Persons"), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group's long term prosperity.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

32. SHARE OPTION SCHEME *(cont'd)*

Under the 2001 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the Eligible Persons to subscribe for ordinary shares in the Company at a price to be notified by the directors and to be no less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange (the "Daily Quotation Sheets") on the day of offer; (ii) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued ordinary share capital of the Company at any point in time, without prior approval from the Company's shareholders. The maximum number of ordinary shares in respect of which options may be granted under the 2001 Scheme shall not exceed 10% of the issued ordinary share capital of the Company from time to time.

Options granted under the 2001 Scheme must be taken up within 28 days from the date of grant, upon payment of a nominal price. Options may be exercised at any time after the date of options were accepted (the "Acceptance Date"), but none of them can be exercised later than ten years from the Acceptance Date.

No options have been granted under the 2001 Scheme since its adoption.

33. CAPITAL RISK 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes the borrowings, loan note and convertible notes disclosed in notes 27, 28 and 29, and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 HK$'000	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**332,316**	306,454
Financial liabilities		
Amortised cost	**394,431**	270,714

(b) Financial risk management objectives and polices

The Group's major financial instruments include accounts receivables, other receivables, bank balances, accounts payables, other payables, bank borrowings, a loan note and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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 in a timely and effective manner.

Market risk

(i) Currency risk

The Group determined the selling price based on Hong Kong dollars whereas the sales are primarily denominated in United States dollars ("USD") and pays its costs and expenses in Hong Kong dollars and Renminbi ("RMB"). Exchange rate fluctuations have always been the concern of the Group. The Group currently does not enter into any derivative contracts aimed at minimizing the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and polices *(cont'd)*

Market risk (cont'd)

(i) Currency risk *(cont'd)*

The carrying amounts of the Group's monetary assets and liabilities denominated in currencies other than the functional currency of the relevant group entities at the balance sheet date are as follows:

	Liabilities		Assets	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**24,837**	20,757	**–**	–
USD	**–**	–	**212,236**	162,902
British pound ("GBP")	**–**	–	**15,528**	13,014

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against RMB and GBP and 1% increase and decrease in Hong Kong dollars against USD. 5% or 1% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents the 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 year end for a 5% or 1% change in relevant foreign currency rates. A 5% or 1% strengthening of the Hong Kong dollars against the relevant currencies will give rise to the profit (loss) as follows:

	RMB		USD		GBP	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Impact on profit or loss	**1,242**	1,038 (i)	**(2,122)**	(1,629) (ii)	**(776)**	(651) (ii)

(i) This is mainly attributable to the exposure to outstanding RMB payables at the year end.

(ii) This is mainly attributable to the exposure to outstanding USD and GBP receivables at the year end.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and polices *(cont'd)*

Market risk (cont'd)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 27 for details of these borrowings) and fair value interest rate risk in relation to convertible notes (see note 29) and loan note (see note 28). It is the Group's policy to keep its borrowings at a mixture of floating rate and fixed rate of interests so as to minimise the interest rate risk.

The Group's bank balances are also exposed to cash flow interest rate risks due to the fluctuations of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure is not significant as those interest-bearing bank balances are within a short maturity period.

The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HKD borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings and bank balances, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2007 would decrease/increase by HK$28,000 (profit for the year ended 2006: decrease/increase by HK$167,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and polices *(cont'd)*

Credit risk

As at 31st December, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced and there is no concentration of risk on the accounts receivables which consist of a large number of customers, spread across diverse geographical areas.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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 following table details the Group's remaining contractual maturity for its financial liabilities. For 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 can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and polices *(cont'd)*

Liquidity risk (cont'd)

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007							
Non-derivative financial liabilities							
Trade and other payables	–	34,174	30,498	62,714	–	127,386	127,386
Bank loans	5.3	115,805	–	–	–	115,805	115,300
Loan note	3	–	–	1,125	56,000	57,125	40,922
Convertible notes	1.5	–	–	1,446	147,674	149,120	110,823
		149,979	30,498	65,285	203,674	449,436	394,431
2006							
Non-derivative financial liabilities							
Trade and other payables	–	56,007	54,001	42,543	–	152,551	152,551
Bank loans	5.4	532	1,063	42,836	84,439	128,870	118,163
		56,539	55,064	85,379	84,439	281,421	270,714

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their respective fair values.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

35. ACQUISITION OF SUBSIDIARIES AND GOODWILL

(a) Acquisition of subsidiaries

On 19th September, 2007, the Group acquired 87.5% of the issued share capital of Profitable for a consideration of approximately HK$316 million. This acquisition has been accounted for using the purchase method.

The initial accounting for the acquisition of Profitable has been determined provisionally, subject to final determination of the fair value of the intangible assets or other identifiable intangible assets of Profitable. Hence, goodwill and other intangible assets may be subject to further changes upon finalisation of the initial accounting.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination	Provisional fair value adjustments	Provisional fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	25,475	9,091	34,566
Prepaid lease payments	3,094	–	3,094
Deposit paid for acquisition of land use rights	3,652	–	3,652
Premium on prepaid lease payments	–	81,906	81,906
Other intangible assets	–	448,664	448,664
Inventories	7	–	7
Deposits, prepayments and other receivables	419	–	419
Bank balances and cash	5,847	–	5,847
Accrued charges and other payable	(2,318)	–	(2,318)
Amount due to a minority shareholder	(49,313)	–	(49,313)
Deferred income	(283)	–	(283)
Deferred tax	–	(134,915)	(134,915)
	(13,420)	404,746	391,326
Minority interests			(77,248)
Goodwill			1,956
			316,034

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

35. ACQUISITION OF SUBSIDIARIES AND GOODWILL *(cont'd)*

(a) Acquisition of subsidiaries *(cont'd)*

	Acquiree's carrying amount before combination	Provisional fair value adjustments	Provisional fair value
	HK$'000	*HK$'000*	*HK$'000*
Total consideration satisfied by:			
Shareholder's loan assigned			(47,947)
Cash consideration and transaction costs			6,753
Loan note			40,018
Convertible notes			156,018
Property holding subsidiaries *(note 36)*			161,192
			316,034
Net cash outflow arising on acquisition:			
Cash consideration and transaction costs paid			(6,403)
Bank balances and cash acquired			5,847
			(556)

Profitable contributed a loss of HK$1,872,000 to the Group's results for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January, 2007, total group revenue for the period would have been HK$705,492,000, and loss for the period would have been HK$30,648,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2007, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

35. ACQUISITION OF SUBSIDIARIES AND GOODWILL *(cont'd)*

(b) Goodwill

	2007
	HK$'000
COST	
At 1st January, 2007	–
Arising on acquisition of subsidiaries	1,956
At 31st December, 2007	1,956

The goodwill is related to Profitable which is engaged in the cemetery operation. Its recoverable amount has been assessed based on an evaluation of the cemetery operation as a cash-generating unit ("CGU"), and the major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a ten-year period, and discount rate of 7%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Profitable's past performance and the management's expectations for the market development. The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Profitable to exceed the aggregate recoverable amount of Profitable.

On the basis of the above assessment, the Directors concluded that there was no impairment of goodwill during the year ended 31st December, 2007.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

36. DISPOSAL OF SUBSIDIARIES

As part of the acquisition of Profitable (note 35), the Group transferred its property holding subsidiaries at a consideration of approximately HK$161 million. The net assets of these subsidiaries at the date of the transfer were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	118
Investment properties	169,948
Deposits, prepayments and other receivables	77
Contractual reimbursement from related companies	21,019
Deferred tax	(29,970)
Net assets	161,192
Exchange reserves realised	(9,878)
	151,314
Gain on disposal	9,878
Total consideration	161,192
Satisfied by:	
Set off against the consideration for the acquisition of subsidiaries *(note 35)*	161,192

37. CAPITAL COMMITMENTS

At 31st December, 2007, the Group had commitments of approximately HK$276,000 (2006: HK$1,263,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

38. OPERATING LEASES

(a) Operating lease commitments

At 31st December, 2007, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**3,471**	4,793
More than one year but within two years	**7,919**	1,045
	11,390	5,838

Operating lease payments represent rental payable by the Group for certain of its office and warehouse properties with fixed monthly rentals for an average term of three years.

(b) Operating lease arrangements

Property rental income earned during the year was HK$1,679,000 (2006: HK$4,306,000). All of the properties held have committed tenants for an average term of one year.

At 31st December, 2007, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**306**	1,300
More than one year but within five years	**–**	4,371
More than five years	**–**	888
	306	6,559

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

39. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a MPF Scheme for its qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$2,000 or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the above scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK$3,056,000 (2006: HK$2,265,000) represents contributions payable to the defined contribution plans by the Group in respect of the current accounting period.

40. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following related party transactions:

CCIL is a controlling shareholder of the Company. Chuang's China is a non-wholly owned subsidiary of CCIL. Chuang's China and its subsidiaries are referred to as the Chuang's China Group. During the year, the Group had transactions with CCIL and Chuang's China Group as follows:

	2007	2006
	HK$'000	*HK$'000*
Property rental income received from Chuang's China Group	**662**	994
Building management fee paid to Chuang's China Group	**743**	802
Subscription by CCIL of convertible note	**49,500**	–

In addition, on 11th May, 2007, the Company conditionally agreed to pay RMB13 million together with a transfer to Chuang's China of a subsidiary, the sole asset of which is a property in Chengdu, PRC, in return for the transfer of a subsidiary by Chuang's China to the Company, the sole asset of which is a vacant industrial site in Dongguan, PRC. This transaction was completed on 26th March, 2008. Further details of this transaction are set out in a circular published by the Company on 4th June, 2007.

In addition to the above, the emoluments of directors and senior management during the year and balances with related parties are set out in notes 9, 20 and 25 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

41. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2007 and 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities *(note a)*
東莞勤達印刷有限公司 Dongguan Midas Printing Company Limited	PRC *(note b)*	HK$143,240,000	100%	Manufacturing and trading of packaging printed products
Fortune Wealth Memorial Park Limited ("Fortune Wealth") *(note d)*	Hong Kong	HK$10,000	87.5%	Investment holding
四會聚福寶華僑陵園有限公司 Fortune Wealth Memorial Park (Si Hui) Limited ("Fortune Wealth (Si Hui)") *(note d)*	PRC *(note c)*	HK$34,000,000	80.5%	Development and construction of cemetery and provision of related management services in the PRC
廣東省博羅縣圓州勤達印務有限公司 Guangdong Buluo Yuanzhou Midas Printing Limited	PRC *(note b)*	US$12,503,119	100%	Book binding and printing
Midas Printing (Asia) Limited	Hong Kong	HK$100 ordinary shares	100%	Trading of printed products
Midas Printing (HK) Limited	Hong Kong	HK$2 ordinary shares	100%	Trading of printed products
Midas Printing International Limited	Hong Kong	HK$7,000 ordinary shares	100%	Trading of printed products

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

41. SUBSIDIARIES *(cont'd)*

Notes:

a. All subsidiaries carry out their operations principally in their respective place of incorporation or registration.

b. The company is registered in the form of a wholly owned foreign investment enterprise.

c. The company is a sino-foreign co-operative joint venture company. Pursuant to a joint venture agreement, Fortune Wealth contributes 100% of the registered capital of Fortune Wealth (Si Hui) but shares 92% of its profits and losses.

d. The subsidiaries were acquired on 19th September, 2007.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

42. POST BALANCE SHEET EVENT

The disposal of CD Chengdu as described in note 12 was completed on 26th March, 2008.

Financial Summary

RESULTS

	For the year ended 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**705,443**	737,858	758,303	736,879	675,237
(LOSS) PROFIT BEFORE TAXATION	**(24,470)**	25,122	53,753	68,823	55,872
INCOME TAX EXPENSES	**(4,019)**	(7,492)	(11,140)	(9,399)	(6,704)
(LOSS) PROFIT FOR THE YEAR	**(28,489)**	17,630	42,613	59,424	49,168
ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS OF THE COMPANY	**(28,328)**	17,630	43,014	58,330	48,561
MINORITY INTERESTS	**(161)**	–	(401)	1,094	607
(LOSS) PROFIT FOR THE YEAR	**(28,489)**	17,630	42,613	59,424	49,168

ASSETS AND LIABILITIES

	At 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,219,407**	846,903	860,663	1,055,247	1,085,126
TOTAL LIABILITIES	**(603,965)**	(367,519)	(380,085)	(548,975)	(621,288)
NET ASSETS	**615,442**	479,384	480,578	506,272	463,838
ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	**538,207**	479,384	480,578	461,607	422,938
MINORITY INTERESTS	**77,235**	–	–	44,665	40,900
TOTAL EQUITY	**615,442**	479,384	480,578	506,272	463,838

Particulars of Major Properties held for Investment Purposes

At 31st December, 2007

Location	Lease term	Use	Attributable interest
6th Floor Chengdu Chuang's Centre No. 1 Renmin South Road Section 4, Wuhou District Chengdu, Sichuan Province the PRC	Long lease	Commercial	100%
Carparking Space No. 5 & No.11 Ground Floor Wing Wah Industrial Building 677 King's Road, North Point Hong Kong	Long lease	Commercial	100%

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Monday, 30th June, 2008 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the directors' report and the auditors' report for the year ended 31st December, 2007.

2. To re-elect retiring directors as directors of the Company and to authorise the board of directors to fix the remuneration of the directors.

3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

4. To consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

   A. "**THAT**:

      (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase on the Stock Exchange or any other stock exchange on which securities (including ordinary shares of HK$0.10 each (the "Shares")) in the capital of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the directors of all powers of the Company to purchase such securities, subject to and in accordance with all applicable laws and the requirements of the Listing Rules on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;

      (b) the aggregate nominal amount of securities of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the Shares in the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(c) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of authority given under this Resolution by an ordinary resolution of the shareholders in general meeting."

B. "**THAT**:

(a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of the Shares in the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined); (2) an issue of Shares as scrip dividends pursuant to the Articles of Association or the Bye-laws of the Company; (3) an issue of Shares by the exercise of options granted under the share option scheme of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the Shares in the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of authority given under this Resolution by an ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of Shares open for a period fixed by the directors of the Company to the holders of Shares of the Company on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

C. "**THAT**:

conditional upon the resolution set out in paragraph A of item 4 in the notice convening this meeting being passed, the aggregate nominal amount of Shares in the capital of the Company which are purchased by the Company under the authority granted to the directors of the Company by such resolution (up to a maximum of 10 per cent of the aggregate nominal amount of the Shares in the share capital of the Company in issue at the date of passing of this Resolution) shall be added to the aggregate nominal amount of Shares in the capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the resolution set out in paragraph B of item 4 in the notice convening this meeting."

By order of the Board of
Midas International Holdings Limited
LEE Wai Ching
Company Secretary

Hong Kong, 30th April, 2008

Notice of Annual General Meeting

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the head office and principal place of business of the Company at 1st Floor, 100 Texaco Road, Tsuen Wan, New Territories, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting.

(3) An explanatory statement containing further details regarding the resolutions set out in items 2 and 4 will be sent to shareholders together with the annual report for the year ended 31st December, 2007.