MIDAS

MIDAS
INTERNATIONAL HOLDINGS LIMITED
ANNUAL REPORT 2008

(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 and Managing Director)
Mr. KWOK Chi Fai
(Deputy Managing Director)
Mr. KWONG Tin Lap
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

COMPANY SECRETARY
Ms. LEE Wai Ching

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. 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
P.O. 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 57, 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 People's Republic of China 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, the Honorary member of Guangzhou Panyu Overseas Exchanges Association, the Vice President of China Federation of Overseas Chinese Entrepreneurs, the Vice President of Hunan Overseas Friendship Association, an economic adviser to Chengdu, Sichuan, an overseas consultant to Sichuan Provincial Overseas Exchanges Association, 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 Digestive Foundation Limited and the Friends of Hong Kong Associated Ltd..

EXECUTIVE DIRECTORS

Mr. HUNG Ting Ho, Richard, aged 55, the Chairman and Managing Director of the Group, is responsible for the overall strategic direction and management of the Group and sales and production functions of the printing division. He has more than 30 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 also a Non-Executive Director of CNT Group Limited, a company listed on the Stock Exchange. He joined the Group in 2007.

Biographical Details of Honorary Chairman, Directors and Senior Management

Mr. KWOK Chi Fai, aged 47, 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 25 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.

Mr. KWONG Tin Lap, aged 44, is involved in the printing business of the Group. He has over 22 years of experience in finance and general management. Mr. KWONG holds a Master degree in Information Systems. 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. WONG Chi Sing, aged 38, is responsible for the corporate finance, treasury, internal audit functions and, in particular, overall management of the cemetery investment operations of the Group. He has over 15 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 28, has over 4 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, and Chuang's China, and a son of Mr. CHUANG Shaw Swee, Alan. He joined the Group in 2007.

NON-EXECUTIVE DIRECTOR

Mr. Dominic LAI, aged 62, 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 of 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.

Biographical Details of Honorary Chairman, Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHEK Lai Him, Abraham, S.B.S., J.P., aged 63, 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 and the Vice Chairman of Independent Police Complaints Council. He holds a Bachelor degree of Arts. He is the Chairman and an Independent Non-Executive Director of Chuang's China, an Independent Non-Executive Director of CCIL, which is the controlling shareholder of the Company, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, Hsin Chong Construction Group Ltd. and SJM Holdings Limited, 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 54, was appointed as an Independent Non-Executive Director of the Company in 2004. He has over 24 years of experience in the manufacturing business. He is a member of the National Committee of The Chinese People's Political Consultative Conference 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 55, 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 24 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 50, the General Manager of Manufacturing of the printing division. He has over 30 years of experience in the printing industry. He joined the Group in 2003.

Mr. LAM Hung Kong, aged 45, the General Manager of the cemetery division, is responsible for the overall management of the cemetery. He has over 18 years of experience in design, development and management of real estates and 7 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.

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, 2008 amounted to HK$115,823,000 (2007: HK$28,328,000). Loss per ordinary share was HK15.9 cents (2007: HK5.1 cents).

MANAGEMENT DISCUSSION ON RESULTS

The continued deterioration in the global market caused by the financial tsunami has adversely affected the Group's operating results in 2008 and the Group experienced the most difficult year in the history of the Group.

Printing business continued to be the major turnover contributor of the Group, accounting for over 99% of the Group's turnover. The global financial crisis has dampened the confidence of the consumer market and as a result of the uncertainty in the outlook of the global economy, most of our printing customers, in particular those in the United States and Europe, have sized down or postponed their orders. This has resulted in a significant drop in turnover of the Group for the year ended 31st December, 2008 by 27.6% to HK$510.5 million (2007: HK$705.4 million) as compared to that of last corresponding year. Turnover of the Group comprised revenue from printing business of HK$509.8 million (2007: HK$703.7 million), revenue from cemetery business of HK$0.5 million (2007: HK$0.02 million) and revenue from property investment business of HK$0.3 million (2007: HK$1.7 million).

In 2008, in view of the adverse market conditions, our printing customers in general have requested for reduction in selling prices which was inevitable. In order to cope with such a situation, our Group has streamlined our operation by cutting direct costs across the board and enforced efficiency by integrating operation functions and improving management system. With these efforts, our Group was able to maintain gross profit margin ratio at 18.5% (2007: 19.2%). However, due to the significant drop in turnover, gross profit for the year ended 31st December, 2008 decreased by 30.6% to HK$94.2 million (2007: HK$135.7 million).

Other income decreased to HK$21.3 million (2007: HK$25.0 million) mainly due to the reduction in profit generated from disposal of investment properties. Selling expenses decreased to HK$61.5 million (2007: HK$65.8 million) mainly due to a reduction in sale revenue. Administrative and general expenses increased to HK$135.3 million (2007: HK$119.5 million) mainly due to the provision for trade receivables amounting to HK$10.6 million (2007: HK$4.7 million) as a result of deteriorating financial positions of certain of our printing customers, loss on exchange amounting to HK$7.7 million (2007: HK$1.4 million) principally as a result of significant depreciation in values of foreign currencies such as Euro and Pound Sterling, payment to lay off redundancy staff and workers of HK$2.8 million (2007: Nil) and amortisation of cemetery assets amounting to HK$13.0 million (2007: HK$0.5 million). Disregarding the above exceptional items, administrative expenses in 2008 would be reduced to HK$101.2 million (2007: HK$112.9 million), representing a decrease of 10.4% compared to that of last corresponding year.

Chairman's Statement

During the year, in view of the adverse market conditions, the Group has prudently made impairment loss on property, plant and equipment amounting to HK$8.0 million and goodwill on acquisition of cemetery assets amounting to HK$14.6 million. Finance costs increased to HK$18.3 million (2007: HK$10.9 million) mainly due to additional effective interest payable on convertible notes and loan note issued during 2007.

Taking all the above factors into account, the Group recorded a loss attributable to ordinary equity holders of the Company of HK$115.8 million (2007: HK$28.3 million). Loss per share amounted to HK15.9 cents (2007: HK5.1 cents). Since a large portion of the Group's loss was attributable to non-cash flow items, the following analysis illustrates the effect of the loss for the year on the overall cash flow of the Group. It can be seen from the analysis that on a cash flow basis, the Group's loss for the year is narrowed to HK$47.3 million.

	HK$'million
Loss for the year	118.8
Less: Non-cash flow items	
Depreciation and amortisation	(43.9)
Non-cash interest expenses for convertible notes and loan note	(7.2)
Realisation of loss due to early repayment of loan note	(3.6)
Impairment loss on property, plant and equipment	(8.0)
Impairment loss on goodwill on acquisition of subsidiaries	(14.6)
Non-cash flow profit included in other income	5.8
Adjusted cash flow loss	47.3

DIVIDENDS

In view of the loss incurred by the Group during the year, the Board has determined not to recommend the payment of a final dividend for the year ended 31st December, 2008. No interim dividend (2007: HK0.5 cent per ordinary share) was paid during the year.

Chairman's Statement

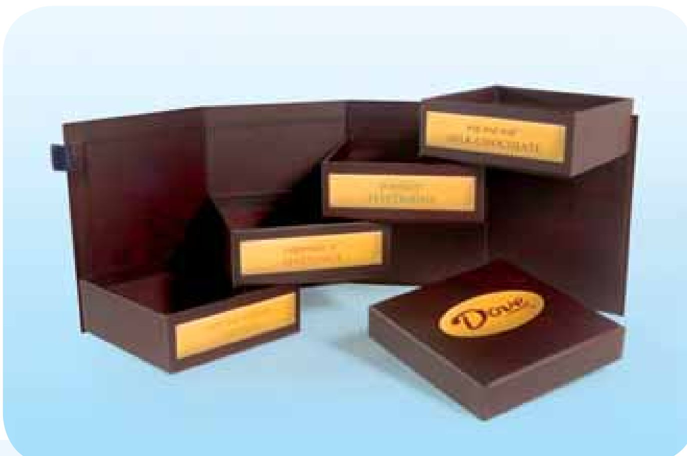
BUSINESS REVIEW

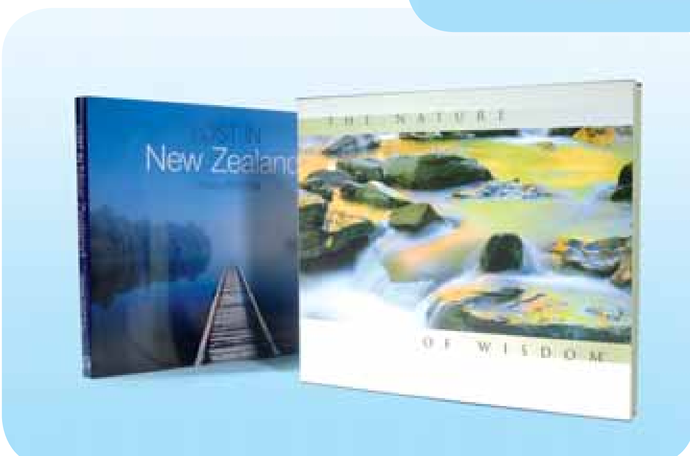
(A) Printing Business

The printing business comprised book printing and paper product printing. Our customers are mainly multinational publishers and conglomerates in the United States, Europe, Australia, New Zealand and Hong Kong. Our products include board books, children books, premium gift products, greeting cards, stationery items and paper bags.

Turnover of the printing business of the Group during the year amounted to HK$509.8 million, representing a decrease of 27.6% when compared with that of last year. The worldwide economic conditions in 2008 had been deteriorating, including our customers' major markets in the United States and Europe. These unfavorable economic conditions dampened our consumers' purchasing sentiment and adversely affected our business and revenue. To tackle this situation, the Group has taken proactive measures including strengthening the marketing effort, tightening cost control and improving operation efficiency.

Packaging box



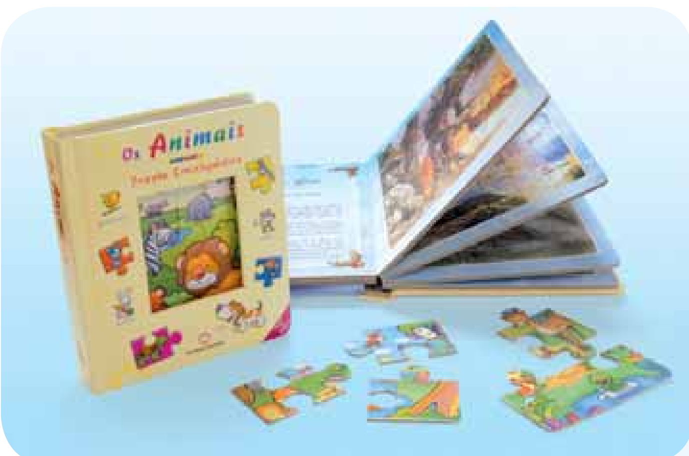


Board book

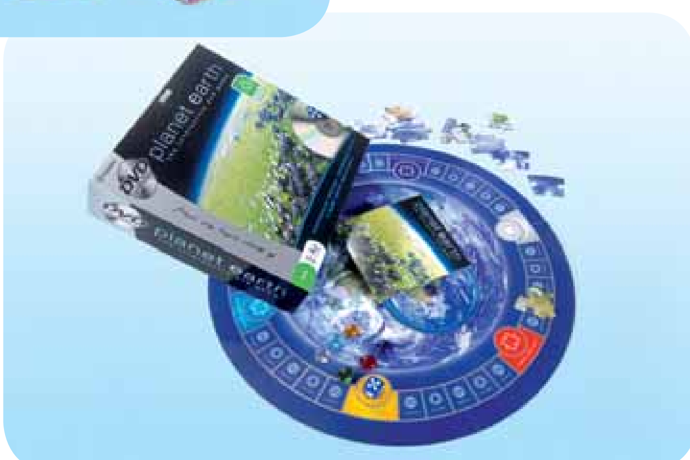
Chairman's Statement

In the marketing effort aspects, the Group will continue to strengthen our marketing team that have committed themselves to provide quality services to customers. We will not only pay more frequent visits to our existing customers, we will also focus on exploring new customers worldwide by participating in major book fairs. In particular, the Group will concentrate on developing clients with low season sales orders so as to reduce its seasonal dependence. At the same time, we will continue to exercise extreme cautiousness in extending credit to our clients to avoid bad debts. Since the fourth quarter of 2008, we have only accepted orders from customers with good credit performance or with export insurance coverage or cash deposits in advance.

In the cost control aspects, the Group has since the beginning of 2008 implemented a series of cost saving measures. The Group has reviewed its operation, logistics and procurement flows with a view to save costs and, as a result of such review, several supporting functions have been integrated to substantially reduce our headcount on administrative staff and workers. We have streamlined the hand assembly operations



Children book



Game set

Chairman's Statement

through reorganising production processes and retraining workers, and strengthened our quality control team to improve production efficiency and yield. In addition, the Group has implemented a new ERP (Enterprises Resources Planning) system which will further enhance the Group's operation efficiency by providing real-time management information and executing just-in-time production management. As a result, the current overhead of the Group has been reduced by 45% as compared to that at the beginning of 2008.

In the operation efficiency aspects, the Group has undergone a production streamline process in our two factories in Changan, Dongguan and Boluo, Huizhou to increase cost effectiveness. We have relocated some machineries from one plant to the other to align our production processes. The target of this production realignment is to enable us to optimise the use of our production capacity and hence reducing overtime and out-sourcing in peak seasons.

By adopting all of the above measures, the Group has effectively maintained the gross profit margin ratio in 2008. We are confident that these efforts will further improve the results of the printing operation of the Group in the future.

In 2008, the Group has completed the acquisition of an industrial land site located at Coastal Industry Zone in Shatian, Dongguan. It covers an area of approximately 78,000 sq. m. which is capable of developing into a factory complex with total gross floor area of 120,000 sq. m.. We have completed the design layout and fence work of the new factory. After full recovery of economic environment, the Group will pursue the factory expansion plan to meet increasing production demand. Upon completion of the first phase of development works in the new Dongguan plant in Shatian, the Group will gradually vacate the Dongguan plant in Changan for future development.

(B) Property Business

(i) Cemetery Investment Operations

Cemetery investment is another focus of business development of the Group. In the sales and marketing aspects, we have now established 1 sales office in Hong Kong and 5 sales offices in Guangzhou, Foshan, Zhaoqing and Sihui. In addition, we have restructured and strengthened our sales team and will put more effort to develop the People's Republic of China (the "PRC") market. We have established an extensive agency network in Hong Kong and the PRC and will extend to other regions to promote our services to overseas Chinese in those areas.

Chairman's Statement

For the sake of expanding our market presence, the Group has implemented a series of promotion campaigns including regular tours of the cemetery for both the general public and members of the burial related organisations. Furthermore, the Group has also organised 7 large scale blessing ceremonies in the cemetery, which hosted a total of over 5,000 people. Such guided tours and events will continue to be held in the future to boost our publicity. In April 2008, the Group has participated in the Asia Funeral Expo 2008 in Macau, which was one of Asia's major exhibitions and conferences in the funeral field. Through this Expo, the Group has successfully extended its market presence.

In 2009, the Group will concentrate on joint promotions with a number of charitable organisations and foundations in Hong Kong and the PRC. We will cooperate with them and sponsor events such as health related lectures and activities. Through these kinds of campaigns, we can contact our target elderly and build up awareness among them. After having established a caring relationship, we will introduce and promote our services to them.

A new highway linking Guangzhou and Hezhou that bypasses Sihui is now under construction and is expected to be completed by the end of 2009. This highway will shorten the travelling time to about 1 hour from Guangzhou to Sihui where our cemetery is located. The Group expects that this improvement in infrastructure will enhance the accessibility and demands of our graveyards, in particular, from the Guangzhou region.

In the development aspects, the Group has commenced detailed design work for the development of the remaining 418 mu land. In view of volatility in the economy and consumer market, the Group will cautiously reappraise the development time frame of the project.

(ii) *Property Investment Operations*

Rental income from the Group's investment properties in the PRC during the year amounted to HK$0.3 million (2007: HK$1.7 million). During the year, the Group has disposed of substantially all of its investment properties in the PRC and accordingly, the Group has ceased to hold any material interests in property investment in the PRC.

Chairman's Statement

PROSPECTS

The operating environment for the printing industry will continue to be difficult in 2009. In spite of the challenging macro-economic environment, the Group enters 2009 with cautious optimism. While fully cognizant of the economic difficulty and uncertainty, the Group is confident to tackle the challenges ahead on the strength of our experience in the printing industry and our commitment to provide quality total printing solutions to customers.

The Group has diversified into the business of development and operation of cemetery in the PRC. Based on the sales network and marketing efforts, we are confident that this investment will contribute steady revenue to the Group and its performance will continue to improve.

LIQUIDITY AND FINANCIAL POSITIONS

As a result of global financial crisis, the year of 2008 was a year of tight liquidity. In view of this, the Group has during the year adopted a very cautious approach in managing its working capital and cash resources. The Group not only reduced its inventories to the lowest level possible by implementing advanced production planning, the Group also reduced the average collection period for our trade receivables by shortening the credit period and strengthening the collection force. By so doing, the Group was able to minimise its working capital requirement while maintaining a healthy cash position. As at 31st December, 2008, cash and bank balances of the Group amounted to HK$100.0 million (2007: HK$120.6 million) whereas bank borrowings as at the same date amounted to HK$87.4 million (2007: HK$115.3 million). The calculation of net debt to equity ratio is not applicable as the Group has surplus cash of HK$12.6 million over its bank borrowings. Most of the Group's cash, bank balances and bank borrowings were denominated in Hong Kong dollars and Renminbi. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC.

During the year, convertible notes amounting to HK$12.6 million had been converted into shares and as a result, approximately 31.6 million new shares of the Company were issued. In January 2009, the holder of a convertible note of the Company has agreed to extend the repayment date of the convertible note amounting to HK$100.0 million by 3 years to September 2013. During the year and subsequent to the balance sheet date, to take advantage of the discount on early redemption of the loan note, the Company has redeemed HK$40.0 million of the loan note before its maturity date. Accordingly, as at the date of this report, outstanding convertible notes and loan note of the Company have been reduced to HK$126.7 million. It can be seen from the table below that majority of notes is repayable in 2013.

Chairman's Statement

Outstanding notes	Due date for conversion	Due date for repayment	Amount in HK$'million
Convertible Note 2011	June 2011	June 2011	16.7
Convertible Note 2013	September 2010	September 2013	100.0
Loan Note 2012	Not applicable	September 2012	10.0

In June 2008, the Group raised net proceeds of approximately HK$73.5 million by way of a 1 for 2 rights issue to existing shareholders. The rights issue has solidified the Group's financial strength for its printing and cemetery businesses and the net proceeds will be used to finance the ongoing development of the printing and cemetery operations of the Group.

Net asset value of the Group as at 31st December, 2008 amounted to HK$503.1 million, equivalent to HK$0.53 per share.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2008 with the code provisions set out in Appendix 14 — Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

On 15th January, 2009, Mr. KWONG Tin Lap relinquished his role as the Managing Director of the Company, but remains as an Executive Director of the Company, and Mr. HUNG Ting Ho, Richard ("Mr. HUNG") had been re-designated as the Chairman and Managing Director of the Company. Since then, Mr. HUNG takes up both roles as the Chairman and the Chief Executive Officer, being the Chairman and Managing Director of the Company and the roles of the chairman and the chief executive officer are not separated pursuant to Code A.2.1 of the CG Code. The Board considers that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions efficiently and consistently.

Chairman's Statement

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, 2008. 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 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 set out in the Model Code.

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

During the year ended 31st December, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 31st December, 2008, the Group, including its subcontracting processing plants, employed approximately 2,100 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 the greatest reward to our shareholders.

HUNG Ting Ho, Richard
Chairman and Managing Director

Hong Kong, 21st April, 2009

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, 2008, the Board members were as follows:

Name	Position
Mr. HUNG Ting Ho, Richard ("Mr. HUNG") (Note)	Chairman
Mr. KWONG Tin Lap ("Mr. KWONG") (Note)	Managing Director
Mr. KWOK Chi Fai	Deputy Managing 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
Miss LI Mee Sum, Ann ("Miss LI") (Note)	Executive Director

Note: On 15th January, 2009, Mr. KWONG relinquished his role as the Managing Director of the Company, but remains as an Executive Director of the Company, and Mr. HUNG had been re-designated as the Chairman and Managing Director of the Company. Miss LI resigned as an Executive Director of the Company on 15th January, 2009.

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	Chairman	4/4
Mr. KWONG	Managing Director	4/4
Mr. KWOK Chi Fai	Deputy Managing Director	4/4
Mr. WONG Chi Sing	Executive Director	4/4
Mr. CHUANG Ka Pun, Albert	Executive Director	4/4
Mr. Dominic LAI	Non-Executive Director	3/4
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	4/4
Miss LI (resigned on 15th January, 2009)	Executive Director	2/4

(v) *Chairman and Chief Executive Officer*

During the year under review, the roles of Chairman and Chief Executive Officer were separated. Mr. HUNG was the Chairman and Mr. KWONG, the Managing Director, was the Chief Executive Officer.

On 15th January, 2009, Mr. KWONG relinquished his role as the Managing Director of the Company, but remains as an Executive Director of the Company, and Mr. HUNG had been re-designated as the Chairman and Managing Director of the Company. Since then, Mr. HUNG takes up both roles as the Chairman and the Chief Executive Officer, being the Chairman and Managing Director of the Company and the roles of the chairman and the chief executive officer are not separated pursuant to Code A.2.1 of the CG Code. The Board considers that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions efficiently and consistently.

Corporate Governance Report

(vi) *Responsibilities of Directors*

Each Director of the Company is required to keep abreast of his 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 to make an informed decision and to discharge his 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.

(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.

Corporate Governance Report

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

(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.

Corporate Governance Report

(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.

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	2/2

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	1,380
Non-audit services	310
	1,690

Corporate Governance Report

(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.

(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 Committees attended the annual general meeting of the Company held in June 2008 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.

Corporate Governance Report

CONCLUSION

The Company has complied with the code provisions of the CG Code for the year ended 31st December, 2008.

On behalf of the Board of
Midas International Holdings Limited

HUNG Ting Ho, Richard
Chairman and Managing Director

Hong Kong, 21st April, 2009

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, 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in Note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2008 are set out in the consolidated income statement on page 34 of the annual report and in the accompanying notes to the consolidated financial statements.

In view of the loss incurred by the Group during the year, the Board has determined not to recommend the payment of a final dividend for the year ended 31st December, 2008. No interim dividend (2007: HK0.5 cent per ordinary share) was 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 94 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 15% and 31% 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$7,456,000 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 29 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, 2008 amounted to approximately HK$468,833,000.

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 37 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' Report

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 and Managing Director)*	(re-designated on 15th January, 2009)
Mr. KWOK Chi Fai *(Deputy Managing Director)*	
Mr. KWONG Tin Lap	
Mr. WONG Chi Sing	
Mr. CHUANG Ka Pun, Albert	
Miss LI Mee Sum, Ann	(resigned on 15th January, 2009)

Non-Executive Director:

Mr. Dominic LAI

Independent Non-Executive Directors:

Mr. SHEK Lai Him, Abraham
Dr. LI Sau Hung, Eddy
Mr. YAU Chi Ming

In accordance with Article 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. HUNG Ting Ho, Richard, Mr. KWOK Chi Fai and Mr. SHEK Lai Him, Abraham 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' Report

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

As at 31st December, 2008, 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	15,000	Beneficial owner	Personal interest	0.0016%

Other than as disclosed herein, as at 31st December, 2008, 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 30 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' Report

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 Managing 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 People's Republic of China ("PRC"). Miss LI Mee Sum, Ann, a former Executive Director of the Company resigned on 15th January, 2009, and Mr. CHUANG Ka Pun, Albert, an Executive Director, are Executive Directors 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 38 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, 2008, 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")	499,008,270 (note 1)	Beneficial owner
Chuang's Consortium International Limited ("CCIL")	499,008,270 (note 1)	(note 2)
Evergain Holdings Limited ("Evergain")	499,008,270 (note 1)	(note 2)
CHUANG Shaw Swee, Alan ("Mr. CHUANG")	499,008,270 (note 1)	(note 2)
CHONG HO Pik Yu	499,008,270 (note 1)	(note 3)
Great Income Profits Limited ("Great Income")	154,920,817 (note 4)	Beneficial owner
CHING Eng Chin ("Mr. CHING")	154,920,817 (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	81,564,000 (note 6)	Person having a security interest

notes:

1. Such interests represented 52.78% of the issued ordinary share capital and comprised 457,278,947 shares and 41,729,323 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. Mr. CHUANG Ka Pun, Albert is a director of Gold Throne, CCIL and Evergain.

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

4. Such interests represented 16.38% of the issued ordinary share capital and comprised 42,054,000 shares and 112,866,817 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 5.20% of the issued ordinary share capital.

6. Such interests represented approximately 8.63% of the issued ordinary share capital.

Directors' Report

Save as disclosed above, as at 31st December, 2008, 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$194 million (the "Banking Facilities"), comprising term loans, 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. As at 31st December, 2008, the amount of the Banking Facilities utilised was HK$65 million.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK$116,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2008.

POST BALANCE SHEET EVENT

Details of a significant event that took place after the balance sheet date are set out in Note 40 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 and Managing Director

Hong Kong, 21st April, 2009

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 34 to 93, which comprise the consolidated balance sheet as at 31st December, 2008, 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 in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2008 and of the Group's 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
21st April, 2009

Consolidated Income Statement

For the year ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	5	**510,504**	705,443
Direct expenses		**(416,265)**	(569,790)
Gross profit		**94,239**	135,653
Other income	7	**21,333**	24,956
Increase in fair value of investment properties		**–**	11,145
Selling expenses		**(61,504)**	(65,836)
Administrative and general expenses		**(135,331)**	(119,525)
Impairment loss on property, plant and equipment	17	**(8,000)**	–
Impairment loss on goodwill on acquisition of subsidiaries	33(ii)	**(14,635)**	–
Finance costs	10	**(18,252)**	(10,863)
Loss before tax	8	**(122,150)**	(24,470)
Income tax credit (expenses)	11	**3,362**	(4,019)
Loss for the year		**(118,788)**	(28,489)
Attributable to:			
Ordinary shareholders of the Company		**(115,823)**	(28,328)
Minority interests		**(2,965)**	(161)
		(118,788)	(28,489)
Dividends	12	**–**	9,383
Basic loss per share	13	**HK(15.9) cents**	HK(5.1) cents

Consolidated Balance Sheet

At 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**500**	500
Prepaid lease payments	16	**51,775**	11,295
Property, plant and equipment	17	**187,830**	218,809
Goodwill	33(ii)	**–**	14,635
Deposits paid for acquisition of property, plant and equipment		**–**	305
Deposits paid for acquisition of land use rights		**4,054**	3,840
Cemetery assets	18	**503,015**	516,047
		747,174	765,431
Current assets			
Inventories	19	**50,082**	73,761
Accounts receivables	20	**110,710**	209,031
Deposits, prepayments and other receivables		**11,895**	10,749
Prepaid lease payments	16	**1,158**	300
Tax recoverable		**2,583**	3,495
Bank balances and cash	21	**100,008**	120,611
		276,436	417,947
Assets classified as held for sale	14	**–**	27,708
		276,436	445,655
Current liabilities			
Accounts payables	22	**63,667**	126,734
Accrued charges and other payables		**44,354**	63,711
Amount due to a minority shareholder	23	**1,366**	1,366
Deferred income	24	**54**	13
Tax payable		**6,549**	6,377
Bank borrowings	25	**87,436**	115,300
		203,426	313,501

Consolidated Balance Sheet

At 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000 (Restated)
Liabilities associated with assets classified as held for sale	14	–	1,963
		203,426	315,464
Net current assets		73,010	130,191
Total assets less current liabilities		820,184	895,622
Non-current liabilities			
Loan note	26	16,710	40,922
Convertible notes	27	105,818	110,823
Deferred income	24	2,223	502
Deferred tax	28	127,073	131,004
		251,824	283,251
NET ASSETS		568,360	612,371
CAPITAL AND RESERVES			
Share capital	29	94,551	60,929
Reserves		408,522	477,278
Equity attributable to equity holders of the Company		503,073	538,207
Minority interests		65,287	74,164
TOTAL EQUITY		568,360	612,371

The financial statements on pages 34 to 93 were approved and authorised for issue by the board of Directors on 21st April, 2009 and are signed on its behalf by:

WONG Chi Sing
DIRECTOR

KWOK Chi Fai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2008

	Attributable to ordinary shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note i)	Merger reserve HK$'000 (note ii)	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, 2007	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	–	–	–	–	–	–	–	–	74,177	74,177
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	74,164	612,371
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	(775)	–	–	(775)	(112)	(887)
Loss for the year	–	–	–	–	–	–	(115,823)	(115,823)	(2,965)	(118,788)
Reserve realised upon disposal of subsidiaries	–	–	–	–	(3,272)	–	–	(3,272)	–	(3,272)
Total recognised expense for the year	–	–	–	–	(4,047)	–	(115,823)	(119,870)	(3,077)	(122,947)
Issue of shares	30,465	45,697	–	–	–	–	–	76,162	–	76,162
Transaction costs attributable to issue of shares	–	(2,670)	–	–	–	–	–	(2,670)	–	(2,670)
Acquisition of additional interests in subsidiaries from minority interests	–	–	–	–	–	–	–	–	(5,800)	(5,800)
Conversion of convertible notes	3,157	10,497	–	–	–	(2,410)	–	11,244	–	11,244
At 31st December, 2008	94,551	267,428	4,000	24,000	147	38,757	74,190	503,073	65,287	568,360

notes:

(i) The other reserve of the Group relates to contributions 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.

(ii) 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.

(iii) Loss for the year of the Company of HK$13,889,000 (2007: HK$17,205,000) has been included in the consolidated income statement.

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(122,150)**	(24,470)
Adjustments for:			
Depreciation and amortisation of property, plant and equipment		**30,902**	39,458
Impairment loss on property, plant and equipment	*17*	**8,000**	–
Impairment loss on goodwill on acquisition of subsidiaries	*33(ii)*	**14,635**	–
Discount on acquisition of additional interests in subsidiaries		**(5,800)**	–
Finance costs		**18,252**	10,863
Increase in fair value of investment properties		**–**	(11,145)
Gain on disposal of subsidiaries	*34(i)*	**(4,272)**	(9,878)
Amortisation of cemetery assets		**13,032**	523
Interest income		**(1,640)**	(3,580)
Impairment loss on accounts receivables		**10,553**	4,738
Release of prepaid lease payments		**943**	250
(Gain) loss on disposal of property, plant and equipment		**(1,094)**	263
Operating cash flows before movements in working capital		**(38,639)**	7,022
Decrease in inventories		**23,679**	24,365
Decrease in accounts receivables		**86,094**	6,958
(Increase) decrease in deposits, prepayments and other receivables		**(1,725)**	1,805
Decrease in accounts payables		**(63,856)**	(25,732)
(Decrease) increase in accrued charges and other payables		**(18,621)**	454
Increase in deferred income		**1,707**	217
Net cash generated from operations		**(11,361)**	15,089
Income tax paid		**(860)**	(3,722)
Income tax refunded		**1,433**	232
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(10,788)**	11,599

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	33(i)(b)	**(15,757)**	(556)
Purchase of property, plant and equipment		**(7,151)**	(9,707)
Disposal of subsidiaries	34(i)	**(619)**	–
Purchase of investment properties		**–**	(1,448)
Interest received		**1,640**	3,580
Proceeds from disposal of property, plant and equipment		**2,060**	924
NET CASH USED IN INVESTING ACTIVITIES		**(19,827)**	(7,207)
FINANCING ACTIVITIES			
New bank loans raised		**90,864**	45,000
Net proceeds from issue of new shares		**73,492**	–
Repayment of bank loans		**(118,728)**	(47,863)
Repayment of loan note		**(28,800)**	–
Interest paid		**(7,425)**	(6,856)
Proceeds on issue of convertible notes		**–**	49,500
Dividends paid		**–**	(9,383)
NET CASH FROM FINANCING ACTIVITIES		**9,403**	30,398
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,212)**	34,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**121,220**	86,430
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**100,008**	121,220
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**100,008**	120,611
Bank balance classified as assets held for sale		**–**	609
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**100,008**	121,220

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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 39.

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(s)")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods ending on or after 30th June, 2009
[5] Effective for annual periods beginning on or after 1st July, 2008
[6] Effective for annual periods beginning on or after 1st October, 2008
[7] Effective for transfers on or after 1st July, 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Business combinations *(cont'd)*

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 the consolidated income statement.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Acquisition of additional interests in subsidiaries

Any excess of the consideration paid over the carrying amount of net assets attributable to the interests in subsidiaries acquired are accounted for as goodwill. Any excess of the carrying amount of net assets attributable to the additional interests in subsidiaries acquired over the consideration, after reassessment, is recognised immediately in the consolidated income statement.

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.

Service income is recognised when services are provided.

Revenue from provision of burial services 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 the tomb sets 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Property, plant and equipment *(cont'd)*

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.

Prepaid lease payments

Prepaid lease payments, which represent up-front payments to acquire leasehold land interest, are accounted for as operating leases, stated at cost and amortised over the remaining lease term of the respective land use rights on a straight-line basis.

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 the consolidated income statement 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Leasing *(cont'd)*

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 the consolidated income statement on a straight-line basis over the term of the relevant lease.

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 retranslation of monetary items, are recognised in the consolidated income statement in the period in which they arise.

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 Group (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 the consolidated income statement in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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 the consolidated income statement, 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, 2008

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

Cemetery assets

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

Subsequent to initial recognition, cemetery assets, which have finite useful lives, are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for cemetery assets 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 and 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.

Interest income is recognised on an effective interest basis.

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 receivables, other receivables and bank balances and cash) 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).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Financial instruments *(cont'd)*

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;
- 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 the consolidated income statement 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 the consolidated income statement. 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 the consolidated income statement.

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 the consolidated income statement 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Financial instruments *(cont'd)*

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 notes

Convertible 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 rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible 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 notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Financial instruments *(cont'd)*

Effective interest method (cont'd)

Convertible notes *(cont'd)*

Transaction costs that relate to the issue of the convertible 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 notes using the effective interest method.

Other financial liabilities

Other financial liabilities including loan note, accounts payables, other payables, amount due to a minority shareholder and bank borrowings 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 the consolidated income statement.

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 the consolidated income statement.

Deferred income and expense

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 provision of burial services and management fee income.

Expenses directly attributable to such deferred income are recognised in the consolidated balance sheet as deferred expense.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Impairment losses on assets other than 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

In the application of the Group's accounting policies, which are described in Note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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.

Estimated impairment of goodwill and cemetery assets

Determining whether goodwill and cemetery assets are impaired requires an estimation of the recoverable amount of the cemetery operation. The recoverable amount of the cemetery operation requires the Group to estimate the future cash flows expected to arise from that operation and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment loss of HK$14,635,000 was recognised in the consolidated income statement during the year. Details of the recoverable amount calculation and impairment assessment are disclosed in note 33(ii).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(cont'd)*

Estimated impairment of property, plant and equipment

When there is impairment indicator, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. In estimating the future cash flows, the management have taken into account the recent financial performance of the printing segment. As at 31st December, 2008, the carrying amounts of property, plant and equipment was approximately HK$187,830,000 (2007: HK$218,809,000) after recognition of impairment loss of HK$8,000,000 (2007: Nil).

Estimated impairment of accounts receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i. e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment loss on accounts receivables of HK$10,553,000 (2007: HK$4,738,000) was recognised in the consolidated income statement during the year.

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:

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**509,751**	703,745
Rental and management fee income generated from property investment	**294**	1,679
Revenue from burial services	**37**	5
Sales of tomb sets	**422**	14
	510,504	705,443

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. SEGMENT INFORMATION

Business segments

In 2008, the Group was organised into three operating divisions – printing, cemetery investment and property investment. These divisions are the basis on which the Group reports its primary segment information. During the year, the property investment segment became inactive pursuant to the disposal of an investment property through disposal of a subsidiary as disclosed in Note 34(i).

The Group's principal activities are as follows:

Printing – Manufacture and trading of printed products and packaging printed products;
Cemetery investment – Sales of tomb sets and provision of burial services; and
Property investment – Property leasing and provision of management services.

CONSOLIDATED INCOME STATEMENTS

2008	Printing *HK$'000*	Cemetery investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
TURNOVER – external	509,751	459	294	510,504
SEGMENT RESULTS	(67,443)	(35,749)	4,101	(99,091)
Unallocated income				1,640
Unallocated expenses				(6,447)
Finance costs				(18,252)
Loss before tax				(122,150)
Income tax credit				3,362
Loss for the year				(118,788)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. SEGMENT INFORMATION *(cont'd)*

Business segments *(cont'd)*

CONSOLIDATED INCOME STATEMENTS *(cont'd)*

2007	Printing *HK$'000*	Cemetery investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
TURNOVER – external	703,745	19	1,679	705,443
SEGMENT RESULTS	(30,414)	(1,921)	20,202	(12,133)
Unallocated income				3,580
Unallocated expenses				(5,054)
Finance costs				(10,863)
Loss before tax				(24,470)
Income tax expenses				(4,019)
Loss for the year				(28,489)

CONSOLIDATED BALANCE SHEETS

2008	**Printing** *HK$'000*	**Cemetery investment** *HK$'000*	**Consolidated** *HK$'000*
ASSETS			
Segment assets	**380,458**	**540,086**	**920,544**
Unallocated assets			**103,066**
Consolidated total assets			**1,023,610**
LIABILITIES			
Segment liabilities	**94,817**	**6,622**	**101,439**
Unallocated liabilities			**353,811**
Consolidated total liabilities			**455,250**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. SEGMENT INFORMATION *(cont'd)*

Business segments *(cont'd)*

CONSOLIDATED BALANCE SHEETS *(cont'd)*

2007	Printing *HK$'000*	Cemetery investment *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	492,267	572,785	1,065,052
Unallocated assets			146,034
Consolidated total assets			1,211,086
LIABILITIES			
Segment liabilities	187,786	3,174	190,960
Unallocated liabilities			407,755
Consolidated total liabilities			598,715

OTHER INFORMATION

2008	**Printing** *HK$'000*	**Property investment** *HK$'000*	**Cemetery investment** *HK$'000*	**Consolidated** *HK$'000*
Capital expenditure	**6,883**	**–**	**573**	**7,456**
Depreciation and amortisation	**28,804**	**–**	**15,130**	**43,934**
Impairment losses on accounts receivables	**10,553**	**–**	**–**	**10,553**
Impairment loss on property, plant and equipment	**8,000**	**–**	**–**	**8,000**
Impairment loss on goodwill on acquisition of subsidiaries	**–**	**–**	**14,635**	**14,635**
Discount on acquisition of additional interests of subsidiaries	**–**	**–**	**5,800**	**5,800**
Gain on disposal of property, plant and equipment	**1,094**	**–**	**–**	**1,094**
Gain on disposal of subsidiaries	**–**	**4,272**	**–**	**4,272**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. SEGMENT INFORMATION *(cont'd)*

Business segments *(cont'd)*

OTHER INFORMATION *(cont'd)*

2007	Printing *HK$'000*	Property investment *HK$'000*	Cemetery investment *HK$'000*	Consolidated *HK$'000*
Capital expenditure	9,816	3,065	27,855	40,736
Depreciation and amortisation	38,788	94	1,099	39,981
Impairment losses on accounts receivables	4,738	–	–	4,738
Loss on disposal of property, plant and equipment	263	–	–	263
Gain on disposal of subsidiaries	–	9,878	–	9,878

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 location of customers, irrespective of the origin of the goods and the services:

	Turnover by geographical market	
	2008 **HK$'000**	2007 *HK$'000*
Hong Kong	**107,733**	196,061
North America	**190,362**	223,804
Europe	**164,603**	203,897
Australia and New Zealand	**23,860**	39,718
The PRC	**10,627**	22,529
Others	**13,319**	19,434
	510,504	705,443

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**120,657**	223,196	**2,172**	2,367
The PRC	**799,887**	841,856	**5,284**	38,369
	920,544	1,065,052	**7,456**	40,736

7. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Income from sale of scrap	**6,258**	9,986
Discount on acquisition of additional interests in subsidiaries	**5,800**	–
Gain on disposal of property, plant and equipments	**1,094**	–
Gain on disposal of subsidiaries	**4,272**	9,878
Interest income	**1,640**	3,580
Sundry income	**2,269**	1,512
	21,333	24,956

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. LOSS BEFORE TAX

	2008	2007
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**142,952**	137,473
Retirement benefit scheme contributions	**1,621**	3,056
Total staff costs	**144,573**	140,529
Auditor's remuneration	**1,380**	1,350
Cost of inventories recognised as an expense	**412,752**	568,126
Depreciation and amortisation of property, plant and equipment	**30,902**	39,458
Amortisation of cemetery assets	**13,032**	523
Impairment loss on accounts receivables	**10,553**	4,738
Release of prepaid lease payments	**943**	250
Rental of premises under operating leases	**9,339**	7,670
Loss on disposal of property, plant and equipment	**–**	263
and after crediting:		
Gain on disposal of property, plant and equipment	**1,094**	–
Gross rental income from investment properties	**294**	1,679
Less:		
direct operating expenses from investment properties that generated rental income during the year	**(74)**	(371)
direct operating expenses from investment properties that did not generate rental income during the year	**–**	(837)
	220	471

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2008

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(i) Directors' emoluments

The emoluments paid or payable to each of the 10 (2007: 10) Directors were as follows:

	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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008											
Fees	30	20	20	20	20	20	80	80	80	80	450
Other emoluments:											
Salaries and other benefits	1,800	1,056	930	–	432	–	–	–	–	–	4,218
Bonus	150	88	78	–	36	–	–	–	–	–	352
Retirement benefit scheme contributions	19	24	24	–	22	–	–	–	–	–	89
Total emoluments	1,999	1,188	1,052	20	510	20	80	80	80	80	5,109
2007											
Fees	30	20	20	20	20	20	80	80	80	80	450
Other emoluments:											
Salaries and other benefits	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

(ii) Employees' emoluments

During the year, the five highest paid individuals included three (2007: three) Directors, details of whose emoluments are set out in Note 9(i) above.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

(ii) Employees' emoluments *(cont'd)*

The emoluments of the remaining two (2007: two) individuals are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**1,355**	1,443
Bonus	**133**	100
Retirement benefit scheme contributions	**48**	35
	1,536	1,578

Emoluments of the employees are within the following bands:

	Number of employees	
	2008	2007
HK$1,000,000 or below	**2**	2

During each of the two years ended 31st December, 2008, 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, 2008, no Director waived any emoluments.

(iii) Emoluments of senior management

The emoluments of senior management, who are not directors and five highest paid individuals, during the year were as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	**1,599**	990
Post-employment benefits	**64**	32
	1,663	1,022

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

10. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	3,995	6,856
Interest on loan note	2,378	904
Interest on convertible notes	8,280	3,103
Loss on early redemption of loan note	3,599	–
	18,252	10,863

11. INCOME TAX CREDIT (EXPENSES)

	2008	2007
	HK$'000	*HK$'000*
The credit (charge) comprises:		
Current tax:		
Hong Kong Profits Tax	–	(979)
PRC Enterprise Income Tax ("EIT")	(218)	(1,109)
	(218)	(2,088)
Over/(under) provision in prior years:		
Hong Kong Profits Tax	47	15
PRC EIT	(398)	(70)
	(351)	(55)
Deferred tax *(Note 28):*		
Current year	3,855	(2,094)
Attributable to change in tax rate	76	218
	3,931	(1,876)
	3,362	(4,019)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

Hong Kong

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008, which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made for the year ended 31st December, 2008 as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong.

PRC

For the year ended 31st December, 2007, certain PRC subsidiaries were regarded as production enterprises located in Dongguan which were subjected to Foreign EIT at a tax rate of 24%. Pursuant to the tax preference to the export oriented enterprises, they enjoyed a 50% reduction in tax rate which resulted in an applicable tax rate of 12% in 2007.

On 16th March, 2007, the PRC promulgated the Law of the PRC on EIT (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 Regulation of the New Law, pursuant to which, the 50% tax reduction preference enjoyed by the PRC subsidiaries was no longer applicable for the year ended 31st December, 2008 and the EIT rate was increased from 24% to 25% from 1st January, 2008 onwards. Certain group entities are also subject to PRC EIT on a deemed profit basis at 10%.

The New Law also requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1st January, 2008. No deferred tax has been provided for in the consolidated financial statements in respect of withholding tax as the PRC subsidiaries did not generate any distributable profit during the year ended 31st December, 2008.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

PRC *(cont'd)*

The income tax credit (expense) for the year can be reconciled to the loss before tax in the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before tax	**(122,150)**	(24,470)
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**(20,155)**	(4,282)
Tax effect of expenses not deductible for tax purpose	**8,681**	3,399
Tax effect of income not taxable for tax purpose	**(1,542)**	(5,473)
Underprovision in prior years	**351**	55
Tax effect of tax losses not recognised	**2,339**	5,280
Utilisation of tax losses previously not recognised	**(12)**	(433)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**7,052**	5,691
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(76)**	(218)
Income tax expense for the year	**(3,362)**	4,019

Details of movement in deferred tax are set out in Note 28.

12. DIVIDENDS

	2008	2007
	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
	–	9,383

No interim dividend (2007: HK0.5 cent) was declared or paid during the year ended 31st December, 2008.

The board of Directors has determined not to recommend the payment of a final dividend for the year ended 31st December, 2008 (2007: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

13. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the ordinary shareholders of the Company of HK$115,823,000 (2007: HK$28,328,000) and on the weighted average number of 727,841,381 (2007: 559,670,815) shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic loss per share for both years has been adjusted for the rights issue on 16th June, 2008.

No diluted loss per share for the years ended 31st December, 2008 and 2007 is presented as the assumed conversion of convertible notes would result in a decrease in loss per share.

14. ASSETS AND LIABILITIES HELD FOR SALE

On 11th May, 2007, the Group entered into a transfer agreement with Chuang's China Investments Limited ("Chuang's China"), a subsidiary of Chuang's Consortium International Limited ("CCIL"), a substantial shareholder of the Company, pursuant to which the Group disposed 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.

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 and presented separately as a disposal group in the consolidated balance sheet as at 31st December, 2007, as follows:

	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

This transaction was completed on 26th March, 2008. Details of this transaction are set out in Note 34(i).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

15. INVESTMENT PROPERTIES

	HK$'000
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 and 31st December, 2008	500

The investment property held for rental income is situated in Hong Kong under a long lease.

The fair value of the investment property of the Group at 31st December, 2008 and 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 market evidence of transaction prices for similar properties in the same locations and conditions.

16. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land use rights in the PRC under a medium-term lease	**52,933**	11,595
Analysed for reporting purposes as:		
Non-current asset	**51,775**	11,295
Current asset	**1,158**	300
	52,933	11,595

The amount is amortised over the remaining lease term of the respective land use rights. It is stated at cost less amortisation over the lease term and accumulated impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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, 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	25,000	1,166	–	925	359	116	27,566
Disposal of subsidiaries	–	–	–	(708)	–	–	(708)
Disposals	–	(2,075)	(7,330)	(1,709)	(1,282)	–	(12,396)
At 31st December, 2007	80,794	5,468	427,195	44,107	7,196	122	564,882
Exchange realignment	1,434	102	–	80	29	8	1,653
Additions	604	121	2,444	4,242	–	45	7,456
Disposals	–	(19)	(16,938)	(135)	(1,237)	–	(18,329)
Impairment loss recognised	–	–	(8,000)	–	–	–	(8,000)
At 31st December, 2008	82,832	5,672	404,701	48,294	5,988	175	547,662
DEPRECIATION AND AMORTISATION							
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
Exchange realignment	141	40	–	27	12	–	220
Provided for the year	3,756	913	20,896	4,622	715	–	30,902
Eliminated on disposals	–	(12)	(16,388)	(86)	(877)	–	(17,363)
At 31st December, 2008	19,129	4,503	294,480	37,046	4,674	–	359,832
CARRYING VALUE							
At 31st December, 2008	63,703	1,169	110,221	11,248	1,314	175	187,830
At 31st December, 2007	65,562	1,906	137,223	11,624	2,372	122	218,809

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

During the year ended 31st December, 2008, in view of the recurring operating losses suffered by the printing segment, the Directors conducted a review of the corresponding property, plant and equipment with reference to their physical conditions. Physical obsolescence was identified in respect of certain plant and machinery and an impairment loss of HK$8,000,000 has been recognised in the consolidated income statement representing the net carrying value of these plant and machinery which were segment assets of the printing segment.

18. CEMETERY ASSETS

	HK$
COST	
At 1st January, 2007	–
Acquired on acquisition of subsidiaries *(Note 33(i))*	516,570
At 31st December, 2007 and 31st December, 2008	516,570
AMORTISATION	
At 1st January, 2007	–
Charge for the year	523
At 31st December, 2007	523
Charge for the year	13,032
At 31st December, 2008	13,555
CARRYING VALUE	
At 31st December, 2008	503,015
At 31st December, 2007	516,047

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

18. CEMETERY ASSETS *(cont'd)*

Cemetery assets represent premium on prepaid lease payments, premium on the right to acquire further land interests of the cemetery and cemetery brand name in Zhaoqing, Guangdong, the PRC. The fair value of the cemetery assets at the date of acquisition was determined by Vigers Appraisal & Consulting Limited ("Vigers"), a firm of independent qualified professional valuers.

The recoverable amount of the cemetery assets as at 31st December, 2008 has been assessed based on the fair value of the cemetery operation. The fair value of the cemetery operation was determined by Vigers, using the discounted cash flow method. This method uses cash flow projections based on financial budgets approved by the management covering a 6-year period, and a discount rate of 15%. The cash flow projections assume that all grave units and niches are sold out over a 6-year period. Other key assumptions for the discounted cash flow calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on historical birth rates and death rates in Guangdong Province and the management's expectations for the market development. With reference to the fair value determined by Vigers, the Directors determine that there was no impairment of the cemetery assets for the years ended 31st December, 2008 and 2007.

During the year ended 31st December, 2007, a portion of the purchase consideration for the acquisition of cemetery assets was provisionally allocated as to HK$81,906,000 as premium on prepaid lease payments and as to HK$448,664,000 as other intangible assets, being the right to acquire further land interests for the cemetery operation. During the year ended 31st December, 2008, upon further deliberation and advice from independent qualified professional valuers, the Directors have concluded that the various components of cemetery assets are inter-linked and all contributed to the economic benefits to be derived from the cemetery operation and hence the purchase consideration for acquisition of cemetery assets could not be reliably allocated between the premium on prepaid lease payments and other elements of cemetery assets. Accordingly the purchase consideration has been re-allocated and the portion relating to cemetery assets has been presented as cemetery assets. The comparative figures for 2007 have also been reclassified and details are disclosed in Note 33(i).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

19. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	37,137	50,544
Work in progress	8,869	19,439
Finished goods	4,076	3,778
	50,082	73,761

20. ACCOUNTS RECEIVABLES

	2008 HK$'000	2007 HK$'000
Accounts receivables	133,733	224,060
Less: impairment loss recognised	(23,023)	(15,029)
	110,710	209,031

The Group has a policy of allowing credit periods ranging from 30 days to 180 days (2007: 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:

	2008 HK$'000	2007 HK$'000
0 to 30 days	31,131	49,476
31 to 60 days	23,745	36,263
61 to 90 days	14,588	38,389
91 to 120 days	18,219	40,846
121 to 180 days	14,572	34,560
More than 180 days	8,455	9,497
	110,710	209,031

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

20. ACCOUNTS RECEIVABLES *(cont'd)*

Included in the Group's accounts receivables balance are debtors with an aggregate carrying amount of HK$39,556,000 (2007: HK$74,799,000) which were past due at the reporting date but for which the Group has not provided for impairment loss because 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 96 days (2007: 116 days).

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

	2008	2007
	HK$'000	*HK$'000*
31 to 60 days	**8,831**	3,368
61 to 90 days	**4,058**	9,016
91 to 120 days	**7,112**	24,526
121 to 180 days	**11,041**	28,422
More than 180 days	**8,514**	9,467
	39,556	74,799

Movement in impairment loss recognised:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**15,029**	13,819
Impairment losses recognised on receivables	**10,553**	5,919
Amounts written off as uncollectible	**(2,559)**	(3,528)
Amounts recovered during the year	**–**	(1,181)
Balance at end of the year	**23,023**	15,029

The amount of the Group's accounts receivables denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
United States dollars ("USD")	**66,887**	123,409
British pound ("GBP")	**7,939**	15,438

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

21. BANK BALANCES AND CASH

During the year, bank balances carried interest at market rates which ranged from 1.06% to 5.04% (2007: 1.00% to 6.23%) per annum.

The amount of the Group's bank balances denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2008 *HK$'000*	2007 *HK$'000*
USD	**43,612**	88,827
GBP	**531**	90

22. ACCOUNTS PAYABLES

The following is an aged analysis of accounts payables at the balance sheet date:

	2008 *HK$'000*	2007 *HK$'000*
0 to 30 days	**16,429**	29,227
31 to 60 days	**15,483**	20,636
61 to 90 days	**14,433**	17,502
91 to 120 days	**7,556**	23,111
More than 120 days	**9,766**	36,258
	63,667	126,734

23. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

24. DEFERRED INCOME

	2008 HK$'000	2007 HK$'000
At beginning of the year	515	–
Exchange realignment	55	20
Acquired on acquisition of subsidiaries	–	283
Additions	1,744	217
Recognised as revenue during the year	(37)	(5)
At end of the year	2,277	515
Less: Amount to be recognised within one year shown under current liabilities	(54)	(13)
	2,223	502

25. BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans – unsecured and due within one year or on demand	87,436	115,300

All the bank loans carry interest rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin. The effective interest rates are ranging from 2.95% to 5.87% (2007: 3.85% to 6.54%) per annum.

During the year, the Group obtained new loans in the amount of HK$90,864,000 (2007: HK$45,000,000). These loans bear interests at HIBOR plus a margin and will be repayable within one year or on demand. The proceeds were used for the Group's working capital and acquisition of property, plant and equipment.

26. LOAN NOTE

On 19th September, 2007, the Company issued a loan note, as part of the consideration for the acquisition of subsidiaries (see Note 33(i)) 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

26. LOAN NOTE *(cont'd)*

The effective interest rate of the loan note is 8% per annum for the years ended 31st December, 2008 and 2007.

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

	HK$'000
At the date of issue	40,018
Interest charge *(Note 10)*	904
At 31st December, 2007	40,922
Interest charge *(Note 10)*	2,378
Interest paid	(1,389)
Loss on early redemption of loan note *(Note 10)*	3,599
Repayment	(28,800)
At 31st December, 2008	16,710

27. CONVERTIBLE NOTES

The Company issued a convertible note with a principal sum of HK$49,500,000 on 29th June, 2007 (the "CN June 2007") and another convertible note with a principal sum of HK$130,000,000 on 19th September, 2007 (the "CN Sept 2007"). The CN Sept 2007 was issued as part of the consideration for the acquisition of subsidiaries (see Note 33(i)).

Both convertible notes are denominated in Hong Kong dollars and have a coupon rate of 1.5% (2007: 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 *HK$'000*	**Maturity dates**	**Adjusted conversion price** *(note)*
CN June 2007	49,500	29th June, 2011	HK$0.399 per ordinary share
CN Sept 2007	130,000	19th September, 2010	HK$0.886 per ordinary share

note: The conversion price has been adjusted as a result of the rights issue on 16th June, 2008. Details of the rights issue are set in Note 29.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

27. CONVERTIBLE NOTES *(cont'd)*

The convertible 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$12,600,000 of CN June 2007 (2007: HK$20,250,000) was converted into 31,578,947 ordinary shares (2007: 45,000,000 ordinary shares) of HK$0.10 each. 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 during the year ended 31st December, 2007 as set out in Note 29.

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*
Liability component at date of issue	40,030	109,776	149,806
Conversion during the year	(16,701)	(25,385)	(42,086)
Interest charge *(Note 10)*	1,189	1,914	3,103
At 31st December, 2007	24,518	86,305	110,823
Conversion during the year	(11,244)	–	(11,244)
Interest charge *(Note 10)*	1,648	6,632	8,280
Interest paid	(525)	(1,516)	(2,041)
At 31st December, 2008	14,397	91,421	105,818

On 19th January, 2009, a supplemental agreement was entered by the Company and the noteholder of CN Sept 2007, pursuant to which the Company was granted the right to extend its maturity date from 19th September, 2010 to 19th September, 2013. Details of this amendment are set out in Note 40.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

28. 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	Fair value adjustment on: Revaluation of investment properties	Fair value adjustment on: Property, plant and equipment	Fair value adjustment on: Cemetery assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January, 2007	(3,555)	5,155	27,265	1,027	–	–	29,892
Exchange realignment	–	–	225	53	–	–	278
Charge (credit) to income statement for the year	561	(822)	–	2,355	–	–	2,094
Acquired on acquisition of subsidiaries	–	–	–	–	523	129,142	129,665
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	523	129,142	131,741
Exchange realignment	–	–	–	13	–	–	13
Charge (credit) to income statement for the year	761	(1,199)	–	–	(26)	(3,391)	(3,855)
Change in tax rate	171	(247)	–	–	–	–	(76)
Disposal of subsidiaries	–	–	–	(750)	–	–	(750)
Balance at 31st December, 2008	(2,062)	2,887	–	–	497	125,751	127,073

note: Balance at 31st December, 2007 represented a deferred tax liability attributable to a subsidiary, CD Chengdu which was included in the liabilities associated with assets classified as held for sale. Full amount was released upon completion of the disposal of CD Chengdu on 26th March, 2008 as disclosed in Note 34(i).

At 31st December, 2008, the Group had unused tax losses of HK$66.5 million (2007: HK$57.0 million) available for offsetting against future profits. A deferred tax asset of approximately HK$2.1 million (2007: HK$3.0 million) has been recognised in respect of such losses of HK$12.5 million (2007: HK$17.1 million). No deferred tax asset has been recognised in respect of the remaining HK$54.0 million (2007: HK$39.9 million) tax losses due to the unpredictability of future profit streams. All tax losses can be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

29. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2007, 31st December, 2007	1,000,000,000	100,000
Increase on 21st May, 2008 *(note (i))*	1,000,000,000	100,000
Balance at 31st December, 2008	2,000,000,000	200,000
Preference shares of HK$0.01 each		
Series A Preference Shares		
Balance at 1st January, 2007, 31st December, 2007 and 2008	1,000,000,000	10,000
Series B Preference Shares		
Balance at 1st January, 2007, 31st December, 2007 and 2008	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, 2007	534,290,068	53,429
Conversion of convertible notes *(Note 27)*	75,000,000	7,500
Balance at 1st January, 2008	609,290,068	60,929
Rights issue *(note (ii))*	304,645,034	30,465
Conversion of convertible notes *(Note 27)*	31,578,947	3,157
Balance at 31st December, 2008	945,514,049	94,551

notes:

(i) On 21st May, 2008, the Company increased its authorised share capital from HK$120,000,000 (comprising 1,000,000,000 ordinary shares of HK$0.10 each, 1,000,000,000 Series A Preference Shares of HK$0.01 each and 1,000,000,000 Series B Preference Shares of HK$0.01 each) to HK$220,000,000 (comprising 2,000,000,000 ordinary shares of HK$0.10 each, 1,000,000,000 Series A Preference Shares of HK$0.01 each and 1,000,000,000 Series B Preference Shares of HK$0.01 each) by the creation of an additional 1,000,000,000 ordinary shares of HK$0.10 each. All these shares shall rank pari passu with the existing ordinary shares of the Company.

(ii) On 16th June, 2008, the Company completed a rights issue by issuing and allotting 304,645,034 right shares at a subscription price of HK$0.25 each on the basis of one right share for every two shares held. These shares rank pari passu in all respects with other ordinary shares in issue. The net proceeds from the rights issue of approximately HK$73,492,000 were used as the Group's general working capital.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

30. 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.

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.

31. 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 borrowing, loan note and convertible notes disclosed in Notes 25, 26 and 27, 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, 2008

31. CAPITAL RISK MANAGEMENT *(cont'd)*

Bank borrowings amounting to HK$64,718,000 at 31st December, 2008 (2007: HK$84,300,000) included covenants that require the maintenance of certain financial ratios. As at 31st December, 2008, certain of these financial ratio covenants were not met by the Group. Consequently, these bank loans became repayable on demand as at 31st December, 2008 and are classified as current liabilities.

Subsequent to 31st December, 2008, the Group has obtained one-off waivers of the financial covenants from the relevant banks. The Directors are of the opinion that alternative financial plans will result in a rectification of the breach and ongoing compliance with the loan covenants.

32. FINANCIAL INSTRUMENTS

32i. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**212,648**	332,316
Financial liabilities		
Amortised cost	**276,716**	395,797

32ii. Financial risk management objectives and polices

The Group's major financial instruments include accounts receivables, other receivables, bank balances, accounts payables, other payables, amount due to a minority shareholder, bank borrowings, 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 and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

The Group determines the selling prices of the printing segment based on Hong Kong dollars, the functional currency of the corresponding group entities, while the sales are primarily denominated in USD and the Group pays costs and expenses in Hong Kong dollars and Reminbi ("RMB"). Exchange rate fluctuations have always been the concern of the Group. The Group currently does not enter into any derivative contracts aimed at minimising 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, 2008

32. FINANCIAL INSTRUMENTS *(cont'd)*

32ii. Financial risk management objectives and polices *(cont'd)*

Market risk (cont'd)

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

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

	Assets	
	2008	2007
	HK$'000	*HK$'000*
USD	**110,499**	212,236
GBP	**8,470**	15,528

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars, the functional currency of the corresponding group entities, against 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 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 an increase to the post-tax loss. For a 5% or 1% weakening of the Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	USD		GBP	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Impact on loss	**923**	1,751	**354**	641

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

32. FINANCIAL INSTRUMENTS *(cont'd)*

32ii. Financial risk management objectives and polices *(cont'd)*

Market risk (cont'd)

(b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details of these borrowings) and fair value interest rate risk in relation to fixed-rate convertible notes (see Note 27) and loan note (see Note 26). It is the Group's policy to keep its borrowings at a mixture of floating rate and fixed rate of interests so as to balance the interest rate risk.

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 need 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 Hong Kong dollars 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 100 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 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2008 would decrease/increase by HK$121,000 (2007: decrease/increase by HK$59,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

32. FINANCIAL INSTRUMENTS *(cont'd)*

32ii. Financial risk management objectives and polices *(cont'd)*

Credit risk

As at 31st December, 2008, 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, 2008

32. FINANCIAL INSTRUMENTS *(cont'd)*

32ii. Financial risk management objectives and polices *(cont'd)*

Liquidity risk (cont'd)

Liquidity and interest risk tables

	Weighted average effective contractual interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-derivative financial liabilities							
Trade and other payables	–	18,148	29,915	17,323	–	65,386	65,386
Amount due to a minority shareholder	–	–	–	1,366	–	1,366	1,366
Bank loans	4.5%	87,764	–	–	–	87,764	87,436
Loan note	3%	–	–	1,456	15,667	17,123	16,710
Convertible notes	1.5%	–	–	2,653	104,672	107,325	105,818
		105,912	29,915	22,798	120,339	278,964	276,716
2007							
Non-derivative financial liabilities							
Trade and other payables	–	34,174	30,498	62,714	–	127,386	127,386
Amount due to a minority shareholder	–	–	–	1,366	–	1,366	1,366
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	66,651	203,674	450,802	395,797

32iii. 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 as inputs.

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, 2008

33. ACQUISITION OF SUBSIDIARIES AND GOODWILL

(i) Acquisition of subsidiaries

(a) On 19th September, 2007, the Group acquired 87.5% of the issued share capital of Profitable Industries Limited ("Profitable") for a consideration of approximately HK$316 million. Profitable and its subsidiaries are engaged in the development and construction of cemetery and provision of related management services. This acquisition was accounted for using the purchase method. The fair value of net assets acquired in the transaction, as finally determined during the year ended 31st December, 2008, are as follows:

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Property, plant and equipment	25,475	2,091	27,566
Prepaid lease payments	3,094	–	3,094
Deposit paid for acquisition of land use rights	3,652	–	3,652
Cemetery assets	–	516,570	516,570
Inventories	7	–	7
Deposits, prepayments and other receivables	419	–	419
Bank balances and cash	5,847	–	5,847
Accrued charges and other payables	(2,318)	–	(2,318)
Amounts due to shareholders	(49,313)	–	(49,313)
Deferred income	(283)	–	(283)
Deferred tax	–	(129,665)	(129,665)
	(13,420)	388,996	375,576
Minority interests			(74,177)
Goodwill			14,635
			316,034
Total consideration satisfied by:			
Shareholder's loan assigned			(47,947)
Cash			6,753
Loan note			40,018
Convertible note			156,018
Disposal of subsidiaries *(Note 34(ii))*			161,192
			316,034
Net cash inflow arising on acquisition:			
Cash consideration and transaction costs paid			(6,403)
Bank balances and cash acquired			5,847
			(556)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

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

The fair value of the cemetery assets was determined by Vigers using the discounted cash flow method. This method uses cash flow projections based on financial budgets approved by management covering a 6-year period, and a discount rate of 15%. The cash flow projections assume that all grave units and niches are sold out over a 6-year period. Other key assumptions for the discounted cash flow calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margins. Such estimation is based on the historical birth rates and death rates in Guangdong Province and the management's expectations for the market development.

Profitable contributed a loss of HK$1,872,000 to the Group's results for the period between the date of acquisition and 31st December, 2007.

If the acquisition had been completed on 1st January, 2007, total group revenue for the year ended 31st December, 2007 would have been HK$705,492,000, and loss for the year ended 31st December, 2007 would have been HK$30,648,000. The pro forma information is for illustration purpose only and is not necessarily an indication of the 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.

During the year ended 31st December, 2008, upon further deliberation and advice from independent professional valuers, the fair value of net assets acquired at the date of acquisition of Profitable was finalised and the comparative figures of 2007 were restated as if the initial accounting had been completed from the acquisition date, as follows:

	Provisionally stated	**Restated**
	HK$'000	*HK$'000*
Property, plant and equipment	32,000	25,000
Premium on prepaid lease payments	81,906	–
Other intangible assets	448,664	–
Cemetery assets	–	516,570
Deferred tax	134,915	129,665
Minority interests	77,248	74,177

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

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

Property, plant and equipment was decreased by HK$7,000,000, the premium on prepaid lease payments and other intangible assets were reclassified as cemetery assets with the aggregate amount decreased by HK$14,000,000 and deferred tax was decreased by HK$5,250,000. There was a corresponding increase in goodwill by HK$12,679,000 and a decrease in minority interest by HK$3,071,000.

(b) During the year ended 31st December, 2008, the Group acquired a piece of land in Dongguan, the PRC, (the "Dongguan Land") through the acquisition of the entire interest of Success Gain Investment Limited ("Success Gain") at a consideration of approximately HK$42,103,000 (2007: Nil), comprising cash consideration paid of approximately HK$15,757,000 and the transfer of the entire equity interest of CD Chengdu held by the Company (Note 34(i)). The Dongguan Land is the sole asset of Success Gain and the acquisition of Success Gain is therefore accounted for acquisition of an asset.

The fair value of the Dongguan Land at 26th March, 2008, the effective date of acquisition of Success Gain, was arrived at on the basis of a valuation carried out as at that date by DTZ Debenham Tie Leung Limited, a firm of independent qualified professional valuers and a member of the Institute of Valuers. The valuation was arrived at by reference to the comparable open market value.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

(ii) Goodwill

	HK$'000
COST	
At 1st January, 2007	–
Arising on acquisition of subsidiaries as previously disclosed	1,956
Adjustment to fair value of assets acquired	12,679
At 31st December, 2007	14,635
Impairment loss recognised	(14,635)
At 31st December, 2008	–

The goodwill is related to Profitable which is engaged in the cemetery operation. After reviewing the recoverable amount of goodwill, which is assessed based on the fair value of the cemetery operation determined by Vigers, using the discounted cash flow method, an impairment loss was identified and it was determined that the carrying amount of goodwill of HK$14,635,000 should be recognised in the consolidated financial statements as an impairment loss during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

34. DISPOSAL OF SUBSIDIARIES

(i) On 26th March, 2008, pursuant to an agreement, the Company paid cash of HK$15,757,000 and transferred its entire equity interest in CD Chengdu, which contributed to the entire results of property investment segment during the year ended 31st December, 2008 to Chuang's China in exchange for the entire equity interest in Success Gain whose sole asset is the Dongguan Land with a consideration of approximately HK$42,103,000. The net assets of CD Chengdu at the date of the disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Investment property	27,472
Other receivables	25
Bank balance	619
Accrued charges and other payables	(1,415)
Tax payable	(605)
Deferred tax	(750)
Net assets	25,346
Exchange reserves realised	(3,272)
	22,074
Gain on disposal	4,272
Total consideration	26,346
Satisfied by:	
Partial consideration for acquisition of Dongguan Land	26,346
Net cash outflow from disposal	
Bank balance disposed of	(619)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

34. DISPOSAL OF SUBSIDIARIES *(cont'd)*

(ii) As part of the acquisition of Profitable during the year ended 31st December, 2007 (Note 33(i)), the Group transferred certain of its property holding companies 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 at fair value	169,948
Trade 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 33(i))*	161,192

35. CAPITAL COMMITMENTS

The Group had no capital commitments at 31st December, 2008. At 31st December, 2007, the Group had commitments of approximately HK$276,000 for capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

36. OPERATING LEASES

(a) Operating lease commitments

At 31st December, 2008, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	6,181	3,471
In the second to fifth years inclusive	8,812	7,919
	14,993	11,390

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$294,000 (2007: HK$1,679,000). All of the properties held have committed tenants for an average term of two years.

At 31st December, 2008, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	2008	2007
	HK$'000	*HK$'000*
Within one year	36	306
In the second to fifth years inclusive	16	–
	52	306

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

37. 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$1,621,000 (2007: HK$3,056,000) represents contributions payable to the defined contribution plans by the Group.

38. RELATED PARTY TRANSACTIONS

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

CCIL is a substantial 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 Chuangs's China Group as follows:

	2008	2007
	HK$'000	*HK$'000*
Property rental income received from Chuang's China Group	**–**	662
Building management fee paid to Chuang's China Group	**–**	743
Subscription by CCIL of CN June 2007	**–**	49,500
Exchange of assets with Chuang's China *(note)*	**42,103**	–

note: Pursuant to an agreement, the Group acquired the entire interest in Success Gain with a consideration of approximately HK$42,103,000 which comprises of cash consideration of HK$15,757,000 and the entire equity interest of CD Chengdu to Chuang's China (see Note 34(i)).

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 and 23 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

39. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2008 and 31st December, 2007 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 i)*
東莞勤達印刷有限公司 Dongguan Midas Printing Company Limited	PRC *(note ii)*	HK$143,240,000	100%	Manufacturing and trading of packaging printed products
廣東省博羅縣圓州勤達印務有限公司 Guangdong Buluo Yuanzhou Midas Printing Limited	PRC *(note ii)*	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
Success Gain Investment Limited	Hong Kong	HK$2 ordinary shares	100%	Property investment in the PRC
Fortune Wealth Memorial Park Limited ("Fortune Wealth")	Hong Kong	HK$10,000 ordinary shares	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)")	PRC *(note iii)*	HK$36,380,000	82.0%	Development and construction of cemetery and provision of related management services in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

39. SUBSIDIARIES *(cont'd)*

notes:

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

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

iii. 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 93.7% of its profits and losses.

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.

40. POST BALANCE SHEET EVENT

On 19th January, 2009, a supplemental agreement was entered by the Company with the noteholder of CN Sept 2007 pursuant to which the Company was granted the right (the "Extension Right") to extend the due date for repayment for a term of 3 years from 19th September, 2010 to 19th September, 2013 (the "Extension Period"). The Company can exercise the Extension Right on any date after 19th January, 2009 but prior to three business days before 19th September, 2010. If the Company exercises the Extension Right, the interest rate on CN Sept 2007 will be increased from 1.5% per annum to 3% per annum for the Extension Period and the Company shall have the right to redeem the CN Sept 2007 in whole or in part prior to 19th September, 2013, at a redemption price of the then face value of the principal amount of CN Sept 2007 at early redemption date plus interest accrued thereon. If the convertible note has not been converted or early redeemed, it will be redeemed on maturity date at par.

On the date of approval of these financial statements, the Company has not yet exercised the Extension Right and in the opinion of the Directors, reliable estimate of the financial effect of the above changes is not yet available.

Financial Summary

RESULTS

	For the year ended 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**510,504**	705,443	737,858	758,303	736,879
(LOSS) PROFIT BEFORE TAX	**(122,150)**	(24,470)	25,122	53,753	68,823
INCOME TAX CREDIT (EXPENSES)	**3,362**	(4,019)	(7,492)	(11,140)	(9,399)
(LOSS) PROFIT FOR THE YEAR	**(118,788)**	(28,489)	17,630	42,613	59,424
ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS OF THE COMPANY	**(115,823)**	(28,328)	17,630	43,014	58,330
MINORITY INTERESTS	**(2,965)**	(161)	–	(401)	1,094
(LOSS) PROFIT FOR THE YEAR	**(118,788)**	(28,489)	17,630	42,613	59,424

ASSETS AND LIABILITIES

	At 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,023,610**	1,211,086	846,903	860,663	1,055,247
TOTAL LIABILITIES	**(455,250)**	(598,715)	(367,519)	(380,085)	(548,975)
NET ASSETS	**568,360**	612,371	479,384	480,578	506,272
ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY	**503,073**	538,207	479,384	480,578	461,607
MINORITY INTERESTS	**65,287**	74,164	–	–	44,665
TOTAL EQUITY	**568,360**	612,371	479,384	480,578	506,272

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, 8th June, 2009 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, 2008.

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 earliest 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; or

(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 earliest 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; or

(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."

Notice of Annual General Meeting

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

"(A) **THAT** the Articles of Association of the Company be and are hereby amended by:

(a) amending Article 2 as follows:

(i) adding the following new definition and marginal note immediately following the definition of "the Chairman":

"clear days	"clear days" shall mean, in relation to the period of a notice, the period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;";

(ii) adding the following new definition and marginal note immediately following the definition of "dividend":

"**documents executed**	references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;";

(iii) adding the following new definition and marginal note immediately following the definition of "special resolution":

"Statute	"Statute" shall mean the Law and every other law of the Legislature of the Cayman Islands for the time being in force applying to or affecting the Company, its memorandum of association and/or these Articles;"; and

Notice of Annual General Meeting

(iv) adding the following words immediately following the words "legible and non-transitory form" at the end of the definition of "writing/printing":

"and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the member's election comply with all applicable Statutes, rules and regulations";

(b) adding the words "and where applicable, by any electronic means in such manner as may be accepted by the Exchange" immediately following the words "in the newspapers" in the second line of Article 15(c);

(c) adding the words "or by any electronic means in such manner as may be accepted by the Exchange to that effect" immediately following the words "published in the newspapers" at the end of Article 28 and adding the words "or given by electronic means" to the end of the marginal note to Article 28;

(d) adding the words "and where applicable, by any electronic means in such manner as may be accepted by the Exchange" immediately following the words "in the newspapers" in the second line of Article 44;

(e) adding the words ", or in any case such other minimum notice period as may be specified in the Listing Rules from time to time" immediately following the word "writing" in the third line and the fifth line, respectively, of Article 73(a) and adding the word "clear" immediately before the word "days" in the third line and the fourth line, respectively, of Article 73(a);

(f) amending Article 80 as follows:

(i) adding the words "a poll is required under the Listing Rules or" immediately following the words "decided on a show of hands unless" in the second line; and

(ii) adding the words "required or" immediately following the words "Unless a poll is so" in the seventh last line;

Notice of Annual General Meeting

(g) amending Article 99 as follows:

(i) deleting the word "annual" in the fourth line; and

(ii) adding the words ", if such meeting is an annual general meeting of the Company," immediately after the words "provided that" in the fifth line;

(h) amending Article 119 as follows:

(i) deleting the word "annual" in the seventh line;

(ii) adding the words ", if such meeting is an annual general meeting of the Company, such Director" immediately after the word "but" in the eighth line; and

(iii) adding the words "number of" immediately after the words "determining the" in the last line;

(i) amending Article 163 as follows:

(i) deleting the words "Printed copies" in the first line of Article 163(b) and substituting therefor the word "Copies";

(ii) deleting the word "printed" in the fifth line of Article 163(b);

(iii) adding the words "and at the same time as the notice of the meeting" immediately following the words "21 days before the date of the meeting" in the third line of Article 163(b); and

(iv) adding immediately following Article 163(b) the following new Article 163(c):

"(c) The requirement to send to a person referred to in paragraph (b) the documents referred to in that paragraph shall be deemed satisfied where, in accordance with all the applicable rules and regulations, including, without limitation, the Listing Rules and the Law, the Company publishes copies of the documents referred to in paragraph (b) on the Company's computer

Notice of Annual General Meeting

network, the Company's website or by any other permitted manner (including electronic means in such manner as may be accepted by the Exchange), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.";

(j) deleting the existing Article 167 in its entirety and substituting therefor the following new Article 167:

"167. Any notice or document (including any "corporate communication" within the meaning ascribed thereto under the Listing Rules), whether or not, to be given or issued under these Articles from the Company to a member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such notice and document may be served or delivered by the Company on or to any member either personally or by sending it through the post in a prepaid envelope addressed to such member at his registered address as appearing in the register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the notice being duly received by the member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website or the website of the Exchange, and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.";

Notice of Annual General Meeting

(k) deleting the existing Article 168 and its marginal note in their entirety and substituting therefor the following new Article 168 and the new marginal note of "When notice deemed to be served":

"168. Any notice or other document:

(a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;

(b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website or the website of the Exchange, is deemed given by the Company to a member on the day following that on which a notice of availability is deemed served on the member;

(c) if served or delivered in any other manner contemplated by these Articles, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and

(d) may be given to a member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.";

Notice of Annual General Meeting

(l) deleting the existing Article 169 and its marginal note in their entirety and substituting therefor the following new Article 169 and the new marginal note of "Notice valid though member deceased or bankrupt":

"169. Any notice or other document given to any member in pursuance of these Articles shall, notwithstanding that such member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such member as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the register as the holder of the share, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.";

(m) deleting the existing Article 170 in its entirety and substituting therefor the following new Article 170:

"170. A notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a member by sending it to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address (for the purpose of this Article, including telex or facsimile transmission number or electronic number or address or website), if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.";

(n) deleting the existing Article 172 and its marginal note in their entirety and substituting therefor the following new Article 172 and the new marginal note of "Signing of facsimile or electronic transmission message":

"172. For the purposes of these Articles, a facsimile or electronic transmission message purporting to come from a holder of shares or, as the case may be, a Director or alternate Director, or, in the case of a corporation which is a holder of shares from a director or the secretary thereof or a duly appointed attorney or duly authorised

Notice of Annual General Meeting

representative thereof for it and on its behalf, shall in the absence of express evidence to the contrary available to the person relying thereon at the relevant time be deemed to be a document or instrument in writing signed by such holder or Director or alternate Director in the terms in which it is received." and

(o) deleting the existing Article 173 in its entirety; and

(B) **THAT** the amended and restated memorandum and articles of association of the Company, consolidating all of the proposed amendments referred to in paragraph (A) above and all previous amendments made in compliance with applicable laws, a copy of which has been produced to this meeting and marked "A" and initialled by the chairman of this meeting for the purpose of identification, be and are hereby adopted with immediate effect in replacement of the existing amended and restated memorandum and articles of association of the Company."

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

Hong Kong, 30th April, 2009

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, 4 and 5 will be sent to shareholders together with the annual report for the year ended 31st December, 2008.