MIDAS

MIDAS
International Holdings Limited

Annual Report 2009

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

This Annual Report is printed by Midas International Holdings Limited

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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. 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

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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

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
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 58, 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 (the "PRC") and Southeast Asia. With his substantial connections, he has been actively involved in development and management of investments in Hong Kong and Southeast Asia. He was an Adviser of Hong Kong Affairs and a member of the Selection Committee for the Government of the Hong Kong Special Administrative Region. He is a member of the National Committee of The Chinese People's Political Consultative Conference, a member of All-China Federation of Returned Overseas Chinese, a member of China Overseas Friendship Association, the Deputy Chairman of ESE Literature Fund, 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 56, the Chairman and Managing Director of the Group, is responsible for the overall strategic direction and management of the Group and sales and finance of the printing division. He has more than 31 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 48, the Deputy Managing Director of the Group, is responsible for the production, cost management, logistic and procurement functions of the printing division of the Group. He has over 26 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. CHUANG Ka Pun, Albert, aged 29, has over 5 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 and Chief Operating Officer of CCIL, which is the controlling shareholder of the Company, and Chuang's China, and a son of Mr. CHUANG Shaw Swee, Alan. He is a committee member of the Tenth All-China Youth Federation. He joined the Group in 2007.

NON-EXECUTIVE DIRECTOR

Mr. Dominic LAI, aged 63, 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 64, 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 55, was appointed as an Independent Non-Executive Director of the Company in 2004. He has over 25 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 the 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 Oriental Watch Holdings Limited and Man Yue International Holdings Limited, both are listed on the Stock Exchange.

Mr. YAU Chi Ming, aged 56, 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 25 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. WONG Chi Sing, aged 39, the Financial Controller, is responsible for the corporate finance, treasury, human resources management, internal audit functions and, in particular, overall management of the cemetery investment operations of the Group. He has over 16 years of experience in finance, accounting and auditing. He holds a Bachelor degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in 2004.

Mr. HUI Wai Wu, Sam, aged 51, the General Manager of Manufacturing of the printing division. He has over 31 years of experience in the printing industry. He joined the Group in 2003.

Mr. LAM Hung Kong, aged 46, the General Manager of the cemetery division, is responsible for the overall management of the cemetery. He has over 19 years of experience in design, development and management of real estates and 8 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, 2009 amounted to HK$43,394,000 (2008: HK$115,823,000). Loss per ordinary share was HK4.4 cents (2008: HK15.9 cents).

MANAGEMENT DISCUSSION ON RESULTS

The recession in the global market caused by the financial tsunami has continuously affected the Group's operating results. The ongoing instability of the economies in North America and Europe has led to a reduction in printing demand, and thus affected printing orders from those regions. Orders from these markets were cut and customers generally requested more competitive prices, resulting in a setback in the Group's turnover.

For the year ended 31st December, 2009, the Group recorded a turnover of HK$299.6 million (2008: HK$510.5 million), a decline of 41.3% as compared with last year. Turnover of the Group comprised revenue from printing business of HK$295.0 million (2008: HK$509.8 million) and revenue from cemetery business of HK$4.6 million (2008: HK$0.5 million). As the Group had substantially disposed of all its investment property interests in 2008, there was no revenue generated from property investment business in the current year (2008: HK$0.3 million).

Albeit in these market conditions, the Group managed to improve the profit margin by further exploring new customers with better margin, cutting direct costs in all aspects and enhancing efficiency by integrating operations. With these efforts, the Group was able to improve gross profit margin ratio to 23.2% (2008: 18.5%). However, due to substantial drop in turnover, gross profit for the year decreased by 26.1% to HK$69.6 million (2008: HK$94.2 million).

Other income increased to HK$26.8 million (2008: HK21.3 million) mainly due to the gain arose on convertible note modification. Selling expenses decreased to HK$29.2 million (2008: HK$61.5 million) which was in line with reduction in turnover. Administrative and general expenses decreased to HK$100.5 million (2008: HK$135.3 million) mainly due to reduction in provision for trade receivables, payroll and overhead costs. As the operating result was improving, the Group had made no further provision on impairment of property, plant and equipment (2008: HK$8.0 million) and cemetery assets (2008: HK$14.6 million). Finance costs decreased to HK$14.8 million (2008: HK$18.3 million) mainly due to reduction of bank loans and loan note.

Taking all the above factors into account, the Group recorded a loss attributable to ordinary equity holders of the Company of HK$43.4 million (2008: HK$115.8 million). Loss per share amounted to 4.4 HK cents (2008: 15.9 HK cents). Since a significant 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. The analysis shows that on a cash flow basis, the Group's loss for the year is narrowed to HK$14.9 million (2008: HK$47.2 million).

	2009	2008
	HK$' million	*HK$' million*
Loss for the year	**45.3**	118.8
Less: Non-cash flow items		
Depreciation and amortisation	**(33.3)**	(43.9)
Non-cash interest expenses for convertible notes and loan notes	**(8.0)**	(7.3)
Realisation of loss due to early repayment of loan note	**(2.6)**	(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	**13.5**	5.8
	14.9	47.2

DIVIDENDS

In view of the loss incurred by the Group during the year, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st December, 2009. No interim dividend (2008: Nil) was paid during the year.

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.

Chairman's Statement

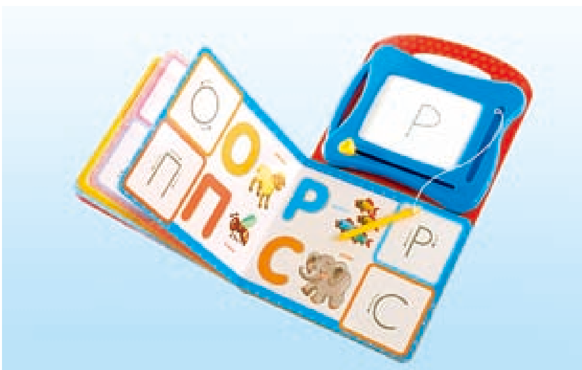
Turnover of the printing business of the Group during the year amounted to HK$295.0 million, representing a decrease of 42.1% when compared with that of last year. The decline in revenue was attributable to global economic crisis that prevailed during the year which led to a fall in printing demand. In addition, as the economic recession continued, many printing firms reduced their prices in exchange of orders. All these impacts affected both the quantity and pricing of overseas orders. At the same time the Group continued to scale down low margin orders, in particular in the traditional low end packaging printing business. As a result, both turnover and gross profit of the Group were adversely affected during the period.

Despite the difficulty ahead, the Group continuously strengthened its marketing force to attract more customers. We conducted regular visits to our existing customers and focused on exploring new customers worldwide by participating in major book fairs. The Group had set up booths in the Paperworld 2010 and the Bologna Children's Book Fair in Europe. It will have booth presence in the coming fairs of Cape Town Book Fair and Moscow International Book Fair. Our sales representatives will also visit customers at the London Book Fair, Bookexpo America and Frankfurt Book Fair. Through this proactive marketing strategy, we can enhance our corporate brand and explore new markets. Actually the Group has received 15% more incoming orders in the 1st quarter of 2010 compared to that of last year. At the same time, the Group continued to exercise extreme cautiousness in extending credit to our clients to reduce the exposure to bad debts. We only accepted orders from customers with good credit performance or with export insurance coverage or cash deposits in advance. This led to a substantial reduction of bad debts in 2009 compared to that of last year.

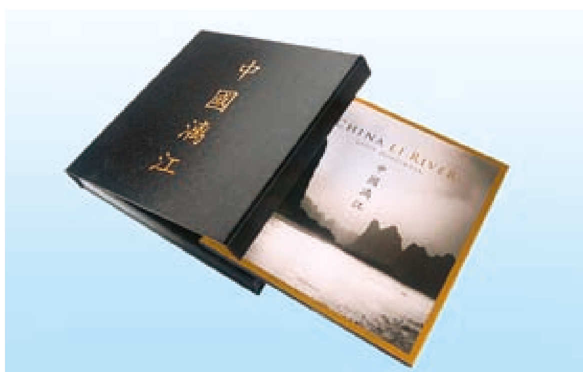
During the year under review, the Group had implemented a number of counter-measures and effectively mitigated the negative impact on its operating performance. The Group had successfully streamlined the operation, logistics and procurement flows to save costs. Headcounts were reduced while productivity and efficiency maintained. Tight inventory and procurement control were implemented so that the Group could maintain a minimum level of inventory with lower purchase price. In addition, the Group has implemented a new ERP (Enterprises Resources Planning) system which enhanced the Group's operation efficiency by reducing wastage and enhancing workflow process.

Chairman's Statement

The Group has acquired an industrial land site located at Coastal Industry Zone in Shatian, Dongguan, which is capable of developing into a factory complex with total gross floor area of 120,000 sq. m.. The Group has a long term plan to first vacate the existing production operations in Changan, Dongguan, then consolidate the production in Yuanzhou, Huizhou and finally relocate all operations to our new factory in Shatian, Dongguan. The time frame of this plan depends on global economic situation. In case the present unfavourable economic environment is fully recovered and printing demand increases, we will pursue the new factory expansion. Meanwhile, the Changan factory site, after being vacated, will eventually be available for future redevelopment.



Children Book

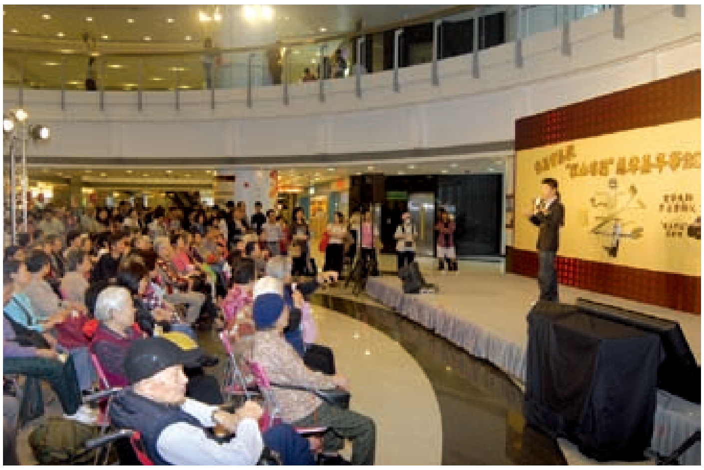


Hardcase Book

(B) Cemetery Business

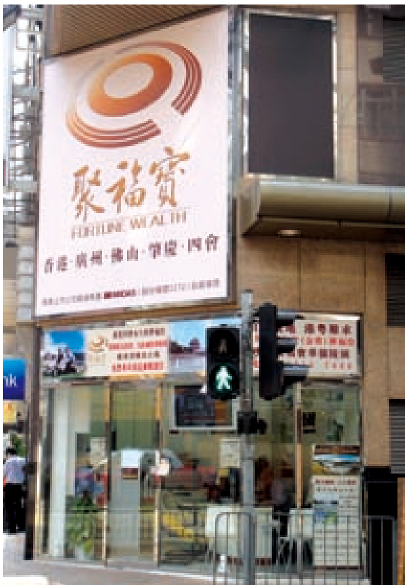
The Group's another focus of investment is cemetery operations and development. During the year, the Group has continued to strengthen its sales effort. We have extended our agency network in both Hong Kong and Guangdong Province, the PRC. In November 2009, we have also established a new ground floor sales office in Hunghom of Hong Kong. As this is a traditional region for provision of funeral service, this new outlet has successfully expanded our market presence and attracted more customers. We now maintain 2 sales offices in Hong Kong and 5 sales offices in Guangzhou, Foshan, Zhaoqing and Sihui. Through this well established sales network, the Group achieved a substantial increase in turnover compared to that of 2008.

During the period under review, the Group has implemented a series of promotion campaigns to boost publicity. We have held regular visits to the cemetery for both the general public and members in the burial related organisations. In 2009, the cemetery has hosted 2,500 new visitors, which made up an accumulated number of visitors to over 9,000. Moreover, the Group has organized numerous events and lectures with the theme of family love and piety. In May 2009, the Group participated in the Asia Funeral Expo 2009 in Hong Kong, which was one of Asia's major exhibitions and conferences in the funeral field. By taking part in these promotional events, the Group could contact our target elderly and build up awareness among them. After having built up a long term relationship with them, we will gradually introduce and promote our services to them.



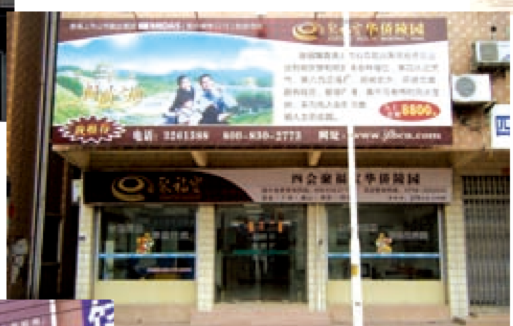
Promotion Event in Hong Kong

Sales offices

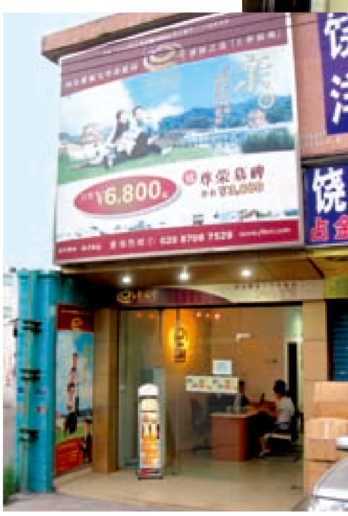


Hong Kong

Zhaoqing



Sihui



Guangzhou

Foshan

The Group has also arranged joint promotion programmes with a number of funeral parlors and funeral service providers in Sihui and Guangzhou, the PRC. The Group cooperated with these entities to provide one-stop funeral and burial related services to our customers. This strategy exposed the Group to different market segments and customer groups, so that we could in turn achieve further sales.

The new highway linking Guangzhou and Hezhou that bypasses Sihui is now near completion and is expected to be opened in the second half of 2010. The overall travel time from Guangzhou to Sihui where our cemetery is located will be reduced by half to about 1 hour. The Group expects that this improvement in infrastructure will advance the accessibility and demands of our graveyards, in particular, from the Guangzhou region.

New highway from Guangzhou to Sihui

Our cemetery comprised of a site of 518 mu, of which 100 mu was developed, and reserved an adjacent site of 4,482 mu, made up a total of 5,000 mu. Upon full development of the existing 518 mu of land, it will provide a total of 18,000 grave plots and 214,000 niches for cremation urns for sales. The prices of the grave plots are set within the range from RMB8,800 to RMB398,000 per plot and those for the niches for cremation urns are set within the range from RMB2,800 to RMB8,800. In view of brightening prospects towards cemetery investment, the Group has commenced negotiation with the local government to obtain an additional 250 mu of land out of 518 mu for further development. Also, the Group intends to engage a reputable and experienced consultant to study and draw up a design plan for an overall planned development of the whole 5,000 mu of land so that this will become one of the most outstanding and prestigious cemeteries in the Southern China region.

PROSPECTS

In view of the economic uncertainty in the global market, the trading environment for printing business will continue to be challenging in 2010. However, the Group remains optimistic about the prospect of the printing industry. The Group expects that, with a professional service team and efficient production infrastructure, we can overcome the turmoil.

In 2009, the Group has continued to scale down its operations in Changan, Dongguan and relocated substantially all the production facilities to our factory in Yuanzhou, Huizhou. By so doing the Group can optimize the use of its production capacity and management resources. The Group expects that the synergy effect arising from this can further enhance efficiency and reduce overhead cost.

In Hong Kong and the Pearl River Delta region of the PRC, the demand for prestigious grave plots and niches for cremation urns is very high because of the limited supply of cemeteries and related establishments. The Group believes that cemetery business, in the long run, has ample growth opportunities due to rapid growth of aged population. Since 2007, the Department of Civil Affairs of Guangdong Province had accredited our cemetery as a premium cemetery. Based on the growing demand and our reputation, we are confident that this investment will provide solid and long term contributions to the Group.

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2009, cash and bank balances of the Group amounted to HK$126.0 million (2008: HK$100.0 million) whereas bank borrowings as at the same date amounted to HK$68.5 million (2008: HK$87.4 million). The calculation of net debt to equity ratio was not applicable as the Group has surplus cash of HK$57.5 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.

In January 2009, the holder of a convertible note of the Company agreed to extend the repayment date of the convertible note amounted to HK$100.0 million by 3 years to September 2013. In August 2009, the terms of this convertible note were further modified. Out of the original principal sum of HK$100.0 million, a sum of HK$10.0 million was haircut and HK$20.0 million was converted into approximately 90.1 million new ordinary shares of the Company at a conversion price of HK$0.222 per share. As to the remaining principal sum of HK$70.0 million, HK$50.0 million is subject to conversion at any time up to August 2014, at the option of the noteholder, into new ordinary shares of the Company at a conversion price of HK$0.25 per share (subject to adjustments) and the remaining balance of HK$20.0 million will be repayable at maturity in August 2014. In August 2009, the Company has also issued a new convertible note to CCIL, its major shareholder, in the principal sum of HK$60.0 million for a term of 5 years with a conversion price of HK$0.25 per share (subject to adjustments). The cash proceeds will be used to finance the ongoing development of both the printing and cemetery business of the Group.

The aforesaid modifications to the terms of an existing convertible note and the issue of a new convertible note have strengthened the financial and working capital positions of the Group so that the Group is well placed to meet the challenges ahead. Details of the transactions were included in a circular to shareholders dated 10th July, 2009.

During the year, to take advantage of the discount on early redemption of the loan note, the Company has redeemed HK$20.0 million of the loan note before its maturity date. Accordingly, as at the date of this report, there is no loan note outstanding.

After the aforesaid restructure and new issue, the outstanding convertible notes of the Company now stand at HK$146.7 million. It can be seen from the table below that the majority of the notes is repayable in 2014.

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 2014 (Restructured)	August 2014	August 2014	70.0
Convertible Note 2014 (New issue)	August 2014	August 2014	60.0

Net asset value of the Group as at 31st December, 2009 amounted to HK$594.6 million, equivalent to HK$0.57 per share.

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

During the year ended 31st December, 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 31st December, 2009, the Group, including its subcontracting processing plants, employed approximately 1,500 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, 20th April, 2010

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 (the "Stock Exchange").

REPORT ON CORPORATE GOVERNANCE PRACTICES

(A) The Board

(i) Board composition

The Board comprised of 3 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors as at the date of this report:

Name	Position
Mr. HUNG Ting Ho, Richard ("Mr. HUNG") (Note a)	Chairman and Managing Director
Mr. KWOK Chi Fai	Deputy Managing 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 b)	Executive Director
Mr. KWONG Tin Lap ("Mr. KWONG") (Note c)	Managing Director
Mr. WONG Chi Sing ("Mr. WONG") (Note d)	Executive Director

Note a: Mr. HUNG had been re-designated as the Chairman and Managing Director of the Company on 15th January, 2009.

Note b: Miss LI resigned as an Executive Director of the Company on 15th January, 2009.

Note c: Mr. KWONG relinquished his role as the Managing Director of the Company on 15th January, 2009 and resigned as an Executive Director of the Company on 29th May, 2009.

Note d: Mr. WONG resigned as an Executive Director of the Company on 26th June, 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.

(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 and 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.

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 and Managing Director	4/4
Mr. KWOK Chi Fai	Deputy Managing Director	4/4
Mr. CHUANG Ka Pun, Albert	Executive Director	4/4
Mr. Dominic LAI	Non-Executive Director	4/4
Mr. SHEK Lai Him, Abraham	Independent Non-Executive Director	4/4
Dr. LI Sau Hung, Eddy	Independent Non-Executive Director	3/4
Mr. YAU Chi Ming	Independent Non-Executive Director	4/4
Miss LI (resigned on 15th January, 2009)	Executive Director	0/4
Mr. KWONG (resigned on 29th May, 2009)	Managing Director	1/4
Mr. WONG (resigned on 26th June, 2009)	Executive Director	1/4

(v) *Chairman and Chief Executive Officer*

Since 15th January 2009, Mr. HUNG has taken up both roles as the Chairman and the Chief Executive Officer, being the Chairman and Managing Director of the Company, the roles of the chairman and the chief executive officer are not separated pursuant to Code A.2.1 of the CG Code of the Listing Rules on the Stock Exchange. 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.

(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 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 packages of Executive Directors and senior management of the Group by resolutions in writing.

The attendance record of each committee member is as follows:

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

Note: Chairman of the Remuneration Committee

(C) Accountability and audit

(i) Financial reporting

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

(ii) Internal control

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

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

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

(iii) *Audit Committee*

An Audit Committee has been established with clear terms of reference by the Company to review and supervise the Company's financial reporting process and its internal controls, and review the relationship with the auditor. The Audit Committee has held two meetings in accordance with the relevant requirements, and reviewed with the Directors and the auditor the accounting principles and practices adopted by the Group, the internal controls and financial reporting process and the Company's consolidated financial statements for the year ended 31st December, 2009. 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 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 or payable to the principal auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	*HK$'000*
Audit services	1,380
Non-audit services	310
	1,690

(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 and members of respective Board Committees attended the annual general meeting of the Company held in June 2009 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. Pursuant to rule 13.39(4) of the Listing Rules, votes of shareholders will be taken by poll.

CONCLUSION

Except as mentioned above, the Company has complied with the code provisions of the CG Code of the Listing Rules on the Stock Exchange for the year ended 31st December, 2009.

On behalf of the Board of
Midas International Holdings Limited

HUNG Ting Ho, Richard
Chairman and Managing Director

Hong Kong, 20th April, 2010

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, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in Note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 36 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 resolved not to recommend the payment of a final dividend for the year ended 31st December, 2009. No interim dividend was paid during the years ended 31st December, 2008 and 2009.

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 104 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of 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.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$5,257,000 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, 2009 amounted to approximately HK$427,633,000.

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 39 of the annual report.

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

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

DIRECTORS

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

Executive Directors:

Mr. HUNG Ting Ho, Richard *(Chairman and Managing Director)*	(re-designated on 15th January, 2009)
Mr. KWOK Chi Fai *(Deputy Managing Director)*	
Mr. CHUANG Ka Pun, Albert	
Miss LI Mee Sum, Ann	(resigned on 15th January, 2009)
Mr. KWONG Tin Lap	(resigned on 29th May, 2009)
Mr. WONG Chi Sing	(resigned on 26th June, 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"), Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31st December, 2009, 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	0.0014%

Other than as disclosed herein, as at 31st December, 2009, 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' 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 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 39 to the consolidated financial statements.

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, 2009, 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")	739,008,270 (note 1)	Beneficial owner
Chuang's Consortium International Limited ("CCIL")	739,008,270 (note 1)	(note 2)
Evergain Holdings Limited ("Evergain")	739,008,270 (note 1)	(note 2)
CHUANG Shaw Swee, Alan ("Mr. CHUANG")	739,008,270 (note 1)	(note 2)
CHONG HO Pik Yu	739,008,270 (note 1)	(note 3)
Great Income Profits Limited ("Great Income")	300,144,090 (note 4)	Beneficial owner
CHING Eng Chin ("Mr. CHING")	300,144,090 (note 4)	Interest of controlled corporation

notes:

1. Such interests represented 71.36% of the issued ordinary share capital and comprised Gold Throne's interests in 457,278,947 shares, 41,729,323 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2011 and 240,000,000 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note to be issued by the Company pursuant to a subscription agreement dated 22nd June, 2009 entered into between the Company and CCIL. Gold Throne is 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 28.98% of the issued ordinary share capital and comprised Great Income's interests in 100,144,090 shares, and 200,000,000 conversion shares to be issued upon the exercise of conversion rights attached to the convertible note held by Great Income ("GI Convertible Note") pursuant to a supplemental agreement dated 22nd June, 2009 entered into between the Company and Great Income to amend certain terms of the GI Convertible Note. Great Income is beneficially owned by Mr. CHING.

Save as disclosed above, as at 31st December, 2009, 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

1. The Group has entered into a facility letter, which still subsists as at the date of this report, with a bank for various term loans and trade related facilities of up to HK$108 million. Pursuant to the terms of the facility letter, CCIL is required to beneficially own no less than 38% of the issued share capital of the Company at all times during the subsistence of the banking facilities. As at 31st December, 2009, the balance outstanding was HK$5 million. The banking facilities are subject to annual review.

2. The Group has entered into a facility letter, which still subsists as at the date of this report, with a bank for various trade related facilities of up to HK$20 million. Pursuant to the terms of the facility letter, CCIL is required to maintain its shareholding in the Company for no less than 35% of the issued share capital of the Company at all times during the subsistence of the banking facilities. As at 31st December, 2009, no balance was outstanding. The banking facilities are subject to annual review.

3. The Group has entered into a facility letter, which still subsists as at the date of this report, with a bank for a term loan, an overdraft facility and trade related facilities of up to HK$61 million. Pursuant to the terms of the facility letter, CCIL is required to remain as the single largest shareholder of the Company at all times during the subsistence of the banking facilities. As at 31st December, 2009, the balance outstanding was HK$27 million. The banking facilities are subject to annual review.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

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, 20th April, 2010

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 36 to 103, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

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, 2009 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
20th April, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	6	**299,573**	510,504
Direct expenses		**(230,007)**	(416,265)
Gross profit		**69,566**	94,239
Other income	8	**26,765**	21,333
Selling expenses		**(29,182)**	(61,504)
Administrative and general expenses		**(100,517)**	(135,331)
Impairment loss on property, plant and equipment	17	**–**	(8,000)
Impairment loss on goodwill on acquisition of subsidiaries	34(ii)	**–**	(14,635)
Finance costs	9	**(14,835)**	(18,252)
Loss before taxation		**(48,203)**	(122,150)
Income tax credit	10	**2,948**	3,362
Loss for the year	11	**(45,255)**	(118,788)
Other comprehensive income (expense):			
Exchange difference arising on translation of foreign operations		**22**	(887)
Translation reserve realised upon disposal of subsidiaries		**–**	(3,272)
Other comprehensive income (expense) for the year		**22**	(4,159)
Total comprehensive expense for the year		**(45,233)**	(122,947)
Loss for the year attributable to:			
Owners of the Company		**(43,394)**	(115,823)
Minority interests		**(1,861)**	(2,965)
		(45,255)	(118,788)
Total comprehensive expense attributable to:			
Owners of the Company		**(43,372)**	(119,870)
Minority interests		**(1,861)**	(3,077)
		(45,233)	(122,947)
Basic and diluted loss per share	14	**HK(4.4) cents**	HK(15.9) cents

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	**31.12.2009** **HK$'000**	31.12.2008 HK$'000 (Restated)	1.1.2008 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	15	**–**	500	500
Prepaid lease payments	16	**49,946**	51,355	10,875
Property, plant and equipment	17	**148,294**	169,186	200,165
Goodwill	34(ii)	**–**	–	14,635
Deposits paid for acquisition of property, plant and equipment		**–**	–	305
Deposits paid for acquisition of land use rights		**4,054**	4,054	3,840
Cemetery assets	18	**416,650**	425,384	438,416
		618,944	650,479	668,736
Current assets				
Inventories	19	**127,556**	146,787	170,466
Accounts receivables	20	**81,690**	110,710	209,031
Deposits, prepayments and other receivables		**7,332**	11,895	10,749
Prepaid lease payments	16	**1,148**	1,148	290
Tax recoverable		**–**	2,583	3,495
Bank balances and cash	21	**126,045**	100,008	120,611
		343,771	373,131	514,642
Assets classified as held for sale	33	**–**	–	27,708
		343,771	373,131	542,350
Current liabilities				
Accounts payables	22	**42,926**	63,667	126,734
Accrued charges and other payables		**35,853**	44,354	63,711
Amount due to a minority shareholder	23	**1,366**	1,366	1,366
Deferred income	24	**16**	54	13
Tax payable		**6,549**	6,549	6,377
Bank borrowings	25	**68,540**	87,436	115,300
		155,250	203,426	313,501
Liabilities associated with assets classified as held for sale	33	**–**	–	1,963
		155,250	203,426	315,464
Net current assets		**188,521**	169,705	226,886
Total assets less current liabilities		**807,465**	820,184	895,622

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	31.12.2009 HK$'000	31.12.2008 HK$'000 (Restated)	1.1.2008 HK$'000 (Restated)
Non-current liabilities				
Loan note	26	–	16,710	40,922
Convertible notes	27	**88,761**	105,818	110,823
Deferred income	24	**450**	2,223	502
Deferred tax	28	**123,635**	127,073	131,004
		212,846	251,824	283,251
NET ASSETS		**594,619**	568,360	612,371
CAPITAL AND RESERVES				
Share capital	29	**103,560**	94,551	60,929
Reserves		**427,633**	408,522	477,278
Equity attributable to owners of the Company		**531,193**	503,073	538,207
Minority interests		**63,426**	65,287	74,164
TOTAL EQUITY		**594,619**	568,360	612,371

The financial statements on pages 36 to 103 were approved and authorised for issue by the Board of Directors on 20th April, 2010 and are signed on its behalf by:

KWOK Chi Fai
DIRECTOR

HUNG Ting Ho, Richard
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Attributable to owners 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, 2008	60,929	213,904	4,000	24,000	4,194	41,167	190,013	538,207	74,164	612,371
Loss for the year	–	–	–	–	–	–	(115,823)	(115,823)	(2,965)	(118,788)
Exchange differences arising on translation of foreign operations	–	–	–	–	(775)	–	–	(775)	(112)	(887)
Reserve realised upon disposal of subsidiaries	–	–	–	–	(3,272)	–	–	(3,272)	–	(3,272)
Total comprehensive 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
Loss for the year	–	–	–	–	–	–	(43,394)	(43,394)	(1,861)	(45,255)
Exchange differences arising on translation of foreign operations	–	–	–	–	22	–	–	22	–	22
Total comprehensive expense for the year	–	–	–	–	22	–	(43,394)	(43,372)	(1,861)	(45,233)
Conversion of convertible notes	9,009	18,105	–	–	–	(7,114)	–	20,000	–	20,000
Recognition of equity component of convertible notes upon issuance of new notes	–	–	–	–	–	27,973	–	27,973	–	27,973
Derecognition of original equity component of convertible notes	–	–	–	–	–	(28,457)	28,457	–	–	–
Recognition of new equity component upon modification of convertible notes	–	–	–	–	–	23,519	–	23,519	–	23,519
At 31st December, 2009	103,560	285,533	4,000	24,000	169	54,678	59,253	531,193	63,426	594,619

notes:

(i) The other reserve of the Group relates to contribution 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$1,236,000 (2008: HK$13,889,000) has been included in the consolidated statement of comprehensive income.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(48,203)**	(122,150)
Adjustments for:			
Depreciation of property, plant and equipment		**24,535**	30,902
Impairment loss on property, plant and equipment	*17*	**–**	8,000
Impairment loss on goodwill on acquisition of subsidiaries	*34(ii)*	**–**	14,635
Discount on acquisition of additional interests in subsidiaries		**–**	(5,800)
Gain on convertible notes modifications		**(13,510)**	–
Finance costs		**14,835**	18,252
Gain on disposal of subsidiaries	*35*	**–**	(4,272)
Amortisation of cemetery assets		**8,734**	13,032
Interest income		**(42)**	(1,640)
Impairment loss on accounts receivables		**2,212**	10,553
Reversal of impairment loss on accounts receivables		**(1,343)**	–
Release of prepaid lease payments		**1,409**	943
Gain on disposal of property, plant and equipment		**(1,477)**	(1,094)
Gain on disposal of investment property		**(33)**	–
Operating cash flows before movements in working capital		**(12,883)**	(38,639)
Decrease in inventories		**19,231**	23,679
Decrease in accounts receivables		**28,151**	86,094
Decrease (increase) in deposits, prepayments and other receivables		**4,563**	(1,725)
Decrease in accounts payables		**(20,741)**	(63,856)
Decrease in accrued charges and other payables		**(8,479)**	(18,621)
(Decrease) increase in deferred income		**(1,811)**	1,707
Net cash generated from (used in) operations		**8,031**	(11,361)
Income tax paid		**(673)**	(860)
Income tax refunded		**2,766**	1,433
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**10,124**	(10,788)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,257)**	(7,151)
Proceeds from disposal of property, plant and equipment		**3,091**	2,060
Proceeds from disposal of investment property		**533**	–
Interest received		**42**	1,640
Acquisition of subsidiaries	*34(i)*	**–**	(15,757)
Disposal of subsidiaries	*35*	**–**	(619)
NET CASH USED IN INVESTING ACTIVITIES		**(1,591)**	(19,827)
FINANCING ACTIVITIES			
Repayment of bank loans		**(123,260)**	(118,728)
Repayment of loan note		**(19,400)**	(28,800)
Interest paid		**(4,200)**	(7,425)
New bank loans raised		**104,364**	90,864
Proceeds on issue of convertible note		**60,000**	–
Net proceeds from issue of new shares		**–**	73,492
NET CASH FROM FINANCING ACTIVITIES		**17,504**	9,403
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**26,037**	(21,212)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**100,008**	121,220
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**126,045**	100,008

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2009

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. 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 40.

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

2. CHANGE IN ACCOUNTING POLICY

Change in accounting policy in relation to the conveyance of cemetery burial right

Revenue recognition

In previous years, revenue from grave plots and niches for cremation urns was regarded as a long-term contract to provide burial services and the amount received for such transaction was initially recognised as deferred income and subsequently recognised as revenue on a straight-line basis over the duration of the right which was conveyed to the buyers, which is the same duration as the remaining term of the cemetery land. Amount received in excess of the amount recognised as revenue was accounted for as deferred income. Expenses directly attributable to such deferred income were similarly deferred.

As a result of the adoption of Hong Kong Financial Reporting Standard ("HKFRS") 8 "Operating Segments" with effect from 1st January, 2009, management of the Group has re-assessed the substance of the transactions for conveyance of cemetery burial rights taking into consideration the manner in which the chief operating decision maker (i.e. Chairman and Managing Director of the Company) assessed and measured the performance of the Group's cemetery operation. Consistent with the business model which management developed at the time when the cemetery operation was acquired, management believes that the conveyance of a right to use grave plots and niches for cremation urns is in substance a sale of a portion of the Group's cemetery assets. Management has also considered the management service arrangement in respect of the cemetery operation. Based on the agreements with the customers, management fee would be received by the Group for management services to be provided for the next twenty years. As the amount of management fee is insignificant to the sales transaction, it is considered that substantial risks and rewards of ownership of the grave plots and niches for cremation urns have been passed to the customers upon execution of the agreements. Accordingly, management of the Group is of the opinion that it is more appropriate to account for such conveyance as sale of the grave plots and niches for cremation urns rather than as a long-term contract for the provision of services. Therefore, the Group has revised its accounting policy in relation to its cemetery operation as follows:

2. CHANGE IN ACCOUNTING POLICY *(cont'd)*

Change in accounting policy in relation to the conveyance of cemetery burial right *(cont'd)*

Revenue recognition (cont'd)

A conveyance of the right to use grave plots and niches for cremation urns is recognised as a sale of the grave plots and niches for cremation urns when the customers have the right to use the grave plots and niches for cremation urns upon the execution of a binding agreement.

Cemetery assets

Upon commencement of development of the grave plots and niches for cremation urns with the intention of sale in the ordinary course of business of the Group, the costs of cemetery assets attributable to the grave plots and niches for cremation urns being developed are recognised as costs of inventories. These inventory assets are stated at the lower of cost and net realisable value. Cost of such assets is charged to profit or loss by reference to the area of the grave plots and niches for cremation urns sold in relation to the estimated total saleable area.

Cemetery assets and the related prepaid lease payments and property, plant and equipment for which no development has commenced are classified as non-current assets.

The Directors of the Company believe that the revised accounting policy will provide more relevant information about the substance of the transaction and are consistent with the way management assesses and measures its performance. Such a change in accounting policy did not have a significant impact to the Group's reported results for the prior year and the current year, accordingly, prior year's results have not been restated. An amount of approximately HK$2,042,000 included in deferred income as at 31st December, 2008 under the old accounting policy, which relates to conveyance of grave plots and niches for cremation urns transacted on or before 31st December, 2008, has been recognised as revenue during the year ended 31st December, 2009. The change in accounting policy has resulted in reclassification of certain asset items in the consolidated statement of financial position as at 1st January, 2008 and 31st December, 2008, in respect of grave plots and niches for cremation urns whose development have been completed in prior years as follows:

2. CHANGE IN ACCOUNTING POLICY *(cont'd)*

Change in accounting policy in relation to the conveyance of cemetery burial right *(cont'd)*

Cemetery assets (cont'd)

	Prepaid lease payments *HK$'000*	Property, plant and equipment *HK$'000*	Cemetery assets *HK$'000*	Cemetery inventories *HK$'000*
As at 1st January, 2008 (originally stated)	11,595	218,809	516,047	–
Effect of change in accounting policy	(430)	(18,644)	(77,631)	96,705
As at 1st January, 2008 (restated)	11,165	200,165	438,416	96,705
As at 31st December, 2008 (originally stated)	52,933	187,830	503,015	–
Effect of change in accounting policy	(430)	(18,644)	(77,631)	96,705
As at 31st December, 2008 (restated)	52,503	169,186	425,384	96,705

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except the new and revised HKFRSs affecting presentation and disclosure as described below, the adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1st January, 2008 as the Group has reclassified comparative financial information in its financial statements during the current financial year as set out in Note 2.

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 7) and has had no impact on the reported results or financial position of the Group.

HKAS 23 (Revised 2007) Borrowings Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st January, 2009. As the Group does not have any qualifying assets in the past and current period, the change has had no impact on amounts reported in current or prior accounting periods.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]

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

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

The application 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 a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which 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 statement of comprehensive income from the effective date of acquisition and 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.

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

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.

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

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 is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

On 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.

4. 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 profit or loss.

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.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Revenue from sales of tomb sets is recognised when the tomb sets are delivered and title has passed.

A conveyance of the right to use grave plots and niches for cremation urns is recognised as a sale of the grave plots and niches for cremation urns when the Group has transferred to the customers the right to use the grave plots and niches for cremation urns upon the execution of a binding agreement.

Service income is recognised when services are provided.

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 exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 their estimated residual value, using the straight-line method.

4. 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 profit or loss in the period in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments, which represents 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 and/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 at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

Leasing *(cont'd)*

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 profit or loss 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 end of the reporting period 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 in other comprehensive income and accumulated in equity (the translation reserve).

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss 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 when employees have rendered services entitling them to the contributions.

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 statement of comprehensive income 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 tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

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

Taxation *(cont'd)*

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Cemetery assets

Subsequent to initial recognition, cemetery assets, that represents premium on prepaid lease payments for which development has not yet commenced, are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for cemetery assets is provided on a straight-line basis over the remaining lease term of the respective land use rights (see accounting policy in respect of impairment losses on assets below).

Inventories

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

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

Financial instruments *(cont'd)*

Financial assets (cont'd)

Impairment of loans and receivables *(cont'd)*

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

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

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

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

4. 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.

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 to the net carrying amount on initial recognition.

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 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 accumulated profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the option.

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

Financial instruments *(cont'd)*

Financial liabilities and equity (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.

The liability component (or part of the liability component) of the convertible notes is derecognised when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of the original financial liability (or part of the original financial liability) extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed and the equity instrument issued, is recognised in profit or loss. The equity instrument issued to extinguish all or part of a financial liability is recognised and measured initially at the fair value of the equity instrument issued.

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.

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

Financial instruments *(cont'd)*

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 in other comprehensive income is recognised in profit or loss.

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

Deferred income and expense

Deferred income represents the portion of the management fee that has not been earned as revenue in accordance with the revenue recognition policy of management fee income.

Expenses directly attributable to such deferred income are recognised in the consolidated statement of financial position as deferred expense.

Impairment losses on assets other than goodwill

At the end of the reporting period, 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 any indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 value in use. Where the actual future cash flows are less than expected, a material impairment loss may arise. On this basis, an impairment loss of HK$14,635,000 was recognised in profit or loss in the consolidated statement of comprehensive income for the year ended 31st December, 2008, while no impairment loss was considered necessary for the year ended 31st December, 2009. Details of the recoverable amount calculation and impairment assessment are disclosed in Note 34(ii).

Estimated impairment of property, plant and equipment

When there is impairment indicator relating to the Group's property, plant and equipment, 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 has taken into account the recent financial performance of the printing segment. As at 31st December, 2009, the carrying amount of property, plant and equipment was approximately HK$148.3 million (31st December, 2008: HK$169.2 million) after recognition of impairment loss of nil (31st December, 2008: HK$8.0 million).

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

Estimated impairment of accounts receivables

When there is objective evidence of impairment loss against the Group's accounts receivables, 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. As at 31st December, 2009, the carrying amount of accounts receivables (net of allowance for doubtful debts of approximately HK$21.9 million) is approximately HK$81.7 million (31st December, 2008: HK$110.7 million, net of allowance for doubtful debts of approximately HK$23.0 million).

Estimated allowance for inventories

Management reviews the inventories listing at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than the cost, a material write down may arise. As at 31st December, 2009, the carrying amount of inventories (net of allowances) was approximately HK$127.6 million (31st December, 2008: HK$146.8 million).

Income taxes

As at 31st December, 2009, deferred tax asset in relation to unused tax losses of approximately HK$112.7 million (31st December, 2008: HK$95.7 million) was not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, a recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

6. 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:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**295,013**	509,751
Rental and management fee income generated from property investment	**–**	294
Revenue from sales of grave plots and niches for cremation urns	**4,206**	37
Sales of tomb sets	**354**	422
	299,573	510,504

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Chairman and Managing Director of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard, HKAS 14 "Segment Reporting" required an entity to identity two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. In the opinion of the Directors, the principles pursuant to which the business segments of the Group were divided under HKAS 14 in previous years also form the basis on which internal reports are prepared and presented to the chief operating decision maker for resources allocation purpose. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's reportable segments under HKFRS 8 are, namely:

Printing – Manufacturing and trading of printed products and packaging printed products; and

Cemetery – Sales of grave plots, niches for cremation urns and tomb sets.

7. SEGMENT INFORMATION *(cont'd)*

During the year ended 31st December, 2008, the property investment segment became inactive following the disposal of an investment property through disposal of a subsidiary on 26th March, 2008. During the year ended 31st December, 2009, no revenue and results were generated by this segment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31st December, 2009

	Printing	Cemetery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT TURNOVER – external	**295,013**	**4,560**	**299,573**
SEGMENT LOSS	**(25,709)**	**(17,957)**	**(43,666)**
Unallocated income			**15,152**
Unallocated expenses			**(4,854)**
Finance costs			**(14,835)**
Loss before taxation			**(48,203)**

For the year ended 31st December, 2008

	Printing	Cemetery	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT TURNOVER – external	509,751	459	294	510,504
SEGMENT (LOSS) PROFIT	(67,443)	(35,749)	4,101	(99,091)
Unallocated income				1,640
Unallocated expenses				(6,447)
Finance costs				(18,252)
Loss before taxation				(122,150)

7. SEGMENT INFORMATION *(cont'd)*

Segment revenues and results *(cont'd)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment results represent profit or loss attributable to each segment without allocation of corporate income, corporate expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

Upon adoption of HKFRS 8, the principles of identifying segment assets and segment liabilities are on the same basis as those under HKAS 14 and there is no change on the basis of presentation of segment assets and segment liabilities for the current and prior periods.

The following is an analysis of the Group's assets and liabilities by reportable segments.

Segment assets

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Printing	**308,370**	380,458	492,267
Cemetery	**528,300**	540,086	572,785
Total segment assets	**836,670**	920,544	1,065,052
Unallocated assets	**126,045**	103,066	146,034
Consolidated assets	**962,715**	1,023,610	1,211,086

Segment liabilities

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Printing	**65,936**	94,817	187,786
Cemetery	**2,278**	6,622	3,174
Total segment liabilities	**68,214**	101,439	190,960
Unallocated liabilities	**299,882**	353,811	407,755
Consolidated liabilities	**368,096**	455,250	598,715

7. SEGMENT INFORMATION *(cont'd)*

Segment assets and liabilities *(cont'd)*

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than bank balances and cash and tax recoverable. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– all liabilities are allocated to reportable segments other than amount due to a minority shareholder, tax payable, bank borrowings, loan note, convertible notes and deferred tax. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

2009

	Printing	Cemetery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measure of segment loss or segment assets:			
Capital expenditure	4,806	451	5,257
Depreciation and amortisation	23,663	9,606	33,269
Impairment loss on accounts receivables	2,212	–	2,212
Gain on disposal of property, plant and equipment	1,474	3	1,477

7. SEGMENT INFORMATION *(cont'd)*

Other segment information *(cont'd)*

2008

	Printing	Cemetery	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment loss or segment assets:				
Capital expenditure	6,883	573	–	7,456
Depreciation and amortisation	28,804	15,130	–	43,934
Impairment loss on accounts receivables	10,553	–	–	10,553
Gain on disposal of subsidiaries	–	–	4,272	4,272
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 in subsidiaries	–	5,800	–	5,800
Gain on disposal of property, plant and equipment	1,094	–	–	1,094

The Group is principally engaged in i) the manufacturing and trading of printed products and packaging printed products and ii) sales of tomb sets, grave plots and niches for cremation urns. The analysis of the Group's revenue by principal products and services for the year are set out in Note 6 to the consolidated financial statements.

7. SEGMENT INFORMATION *(cont'd)*

Geographical information

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 Group's turnover from external customers by geographical location of customers, irrespective of the origin of the goods and the services, are detailed below:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**50,528**	107,733
North America	**111,668**	190,362
Europe	**93,706**	164,603
Australia and New Zealand	**23,237**	23,860
The PRC	**5,399**	10,627
Others	**15,035**	13,319
	299,573	510,504

The Group's non-current assets by geographical location of the assets are detailed below:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**436,359**	449,974
The PRC	**182,585**	200,505
	618,944	650,479

The Group has a very wide customer base, no single customer contributed to more than 10% of the Group's revenue for each of the two years ended 31st December, 2009.

8. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Income from sale of scrap	**2,108**	6,258
Discount on acquisition of additional interests in subsidiaries	**–**	5,800
Discount received	**1,167**	–
Gain on disposal of property, plant and equipment	**1,477**	1,094
Gain on disposal of investment property	**33**	–
Gain on disposal of subsidiaries	**–**	4,272
Interest income	**42**	1,640
Exchange gain	**942**	153
Reversal of impairment loss recognised in respect of accounts receivables	**1,343**	–
Sundry income	**6,143**	2,116
Gain on convertible notes modifications *(Note 27)*	**13,510**	–
	26,765	21,333

9. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**2,190**	3,995
Interest on loan note	**457**	2,378
Interest on convertible notes	**9,585**	8,280
Loss on early redemption of loan note	**2,603**	3,599
	14,835	18,252

10. INCOME TAX CREDIT

	2009	2008
	HK$'000	*HK$'000*
The credit comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**–**	218
	–	218
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(426)**	(47)
PRC EIT	**916**	398
	490	351
Deferred tax *(Note 28)*:		
Current year	**(3,438)**	(3,855)
Attributable to change in tax rate	**–**	(76)
	(3,438)	(3,931)
	(2,948)	(3,362)

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% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong.

10. INCOME TAX CREDIT *(cont'd)*

PRC

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards. Certain group entities are also subject to PRC EIT on a deemed profit basis at 10%.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. 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 since 1st January, 2008.

The income tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Loss before taxation	**(48,203)**	(122,150)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**(7,953)**	(20,155)
Tax effect of expenses not deductible for tax purpose	**6,514**	11,789
Tax effect of income not taxable for tax purpose	**(3,875)**	(1,542)
Underprovision in prior years	**490**	351
Tax effect of tax losses not recognised	**7,332**	9,654
Utilisation of tax losses previously not recognised	**(2,052)**	(12)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,404)**	(3,371)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(76)
Income tax credit for the year	**(2,948)**	(3,362)

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

11. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs	**91,465**	142,952
Retirement benefit scheme contributions	**1,149**	1,621
Total staff costs (including Directors' emoluments)	**92,614**	144,573
Auditor's remuneration	**1,380**	1,380
Cost of inventories recognised as an expense	**225,863**	412,752
Depreciation of property, plant and equipment	**24,535**	30,902
Amortisation of cemetery assets	**8,734**	13,032
Impairment loss on accounts receivables	**2,212**	10,553
Release of prepaid lease payments	**1,409**	943
Rental of premises under operating leases	**6,160**	9,339
and after crediting:		
Gain on disposal of property, plant and equipment	**1,477**	1,094
Gross rental income from investment properties, less direct operating expenses of HK$74,000	**–**	220

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2008: 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*
2009											
Fees	30	-	20	-	-	20	80	80	80	80	390
Other emoluments:											
Salaries and other benefits	1,800	431	930	-	210	-	-	-	-	-	3,371
Bonus	150	-	78	-	17	-	-	-	-	-	245
Retirement benefit scheme contributions	24	10	24	-	11	-	-	-	-	-	69
Total emoluments	2,004	441	1,052	-	238	20	80	80	80	80	4,075
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

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

(b) Employees' emoluments

During the year, the five highest paid individuals included two (2008: three) Directors, details of whose emoluments are set out in Note 12(a) above.

The emoluments of the remaining three (2008: two) individuals are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**1,890**	1,355
Bonus	**151**	133
Retirement benefit scheme contributions	**72**	48
	2,113	1,536

Emoluments of the employees are within the following bands:

	Number of employees	
	2009	2008
HK$1,000,000 or below	**3**	2

During each of the two years ended 31st December, 2009, 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, 2009, no Director waived any emoluments.

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

(c) Emoluments of senior management

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

	2009	2008
	HK$'000	*HK$'000*
Short-term benefits	**241**	1,599
Post-employment benefits	**11**	64
	252	1,663

13. DIVIDENDS

No dividend was paid or declared during each of the two years ended 31st December, 2009.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31st December, 2009 (2008: nil).

14. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK$43,394,000 (2008: HK$115,823,000) and on the weighted average number of 982,784,196 (2008: 727,841,381) shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31st December, 2008 has been adjusted for the rights issue on 16th June, 2008.

The calculation of diluted loss per share for each of the two years ended 31st December, 2009 does not include the conversion of convertible notes as it would result in a decrease in loss per share.

15. INVESTMENT PROPERTIES

	HK$'000
At 1st January, 2008 and 31st December, 2008	500
Disposals	(500)
At 31st December, 2009	–

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 was 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

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
The Group's prepaid lease payments comprise:			
Land use rights in the PRC under medium-term leases	**51,094**	52,503	11,165
Analysed for reporting purposes as:			
Non-current asset	**49,946**	51,355	10,875
Current asset	**1,148**	1,148	290
	51,094	52,503	11,165

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

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC under medium-term lease HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st January, 2008	80,794	5,468	427,195	44,107	7,196	122	564,882
Effect of change in accounting policy *(Note 2)*	(20,644)	(1,420)	–	–	–	–	(22,064)
At 1st January, 2008 – as restated	60,150	4,048	427,195	44,107	7,196	122	542,818
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)
At 31st December, 2008	62,188	4,252	412,701	48,294	5,988	175	533,598
Additions	1,743	39	263	2,844	83	285	5,257
Disposals	–	–	(53,223)	(10,463)	(267)	–	(63,953)
Transfer	–	125	–	–	–	(125)	–
At 31st December, 2009	63,931	4,416	359,741	40,675	5,804	335	474,902
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2008	15,232	3,562	289,972	32,483	4,824	–	346,073
Effect of change in accounting policy *(Note 2)*	(2,672)	(748)	–	–	–	–	(3,420)
At 1st January, 2008 – as restated	12,560	2,814	289,972	32,483	4,824	–	342,653
Exchange realignment	141	40	–	27	12	–	220
Provided for the year	3,756	913	20,896	4,622	715	–	30,902
Impairment loss recognised	–	–	8,000	–	–	–	8,000
Eliminated on disposals	–	(12)	(16,388)	(86)	(877)	–	(17,363)
At 31st December, 2008	16,457	3,755	302,480	37,046	4,674	–	364,412
Provided for the year	2,795	149	17,064	3,937	590	–	24,535
Eliminated on disposals	–	–	(52,904)	(9,171)	(264)	–	(62,339)
At 31st December, 2009	19,252	3,904	266,640	31,812	5,000	–	326,608
CARRYING VALUE							
At 31st December, 2009	44,679	512	93,101	8,863	804	335	148,294
At 31st December, 2008 – as restated	45,731	497	110,221	11,248	1,314	175	169,186
At 1st January, 2008 – as restated	47,590	1,234	137,223	11,624	2,372	122	200,165

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 was recognised in profit or loss in the consolidated statement of comprehensive income.

18. CEMETERY ASSETS

	HK$'000
COST	
At 1st January, 2008	516,570
Effect of change in accounting policy *(Note 2)*	(77,631)
At 1st January, 2008 – restated, 31st December, 2008 and 31st December, 2009	438,939
AMORTISATION	
At 1st January, 2008	523
Charge for the year	13,032
At 31st December, 2008	13,555
Charge for the year	8,734
At 31st December, 2009	22,289
CARRYING VALUE	
At 31st December, 2009	416,650
At 31st December, 2008 – as restated	425,384
At 1st January, 2008 – as restated	438,416

18. CEMETERY ASSETS *(cont'd)*

Cemetery assets represent premium on prepaid lease payments, a premium on the right to acquire further land interests of the cemetery and cemetery brand name in Zhaoqing, Guangdong, the PRC.

The recoverable amounts of the cemetery assets as at 31st December, 2009 and 2008 have been determined based on value in use calculation. This calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and a discount rate of 15% (2008: 15%). The cash flow projections assume that all grave units and niches are sold out over a 5-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 recoverable amount, the Directors determine that there was no impairment of the cemetery assets as at 31st December, 2009 and 2008.

19. INVENTORIES

	31.12.2009 ***HK$'000***	31.12.2008 *HK$'000* (restated)	1.1.2008 *HK$'000* (restated)
Inventories of printing business:			
Raw materials	**21,631**	37,137	50,544
Work in progress	**8,836**	8,869	19,439
Finished goods	**3,694**	4,076	3,778
	34,161	50,082	73,761
Grave plots and niches for cremation urns of cemetery business *(note)*	**93,395**	96,705	96,705
	127,556	146,787	170,466

note: During the year ended 31st December, 2009, following a change in accounting policy as set out in Note 2, the Group recognised inventories based on the costs of certain prepaid lease payments, property, plant and equipment and cemetery assets attributable to grave plots and niches for cremation urns available for sale in the ordinary course of business.

20. ACCOUNTS RECEIVABLES

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivables, trade	**103,589**	133,733	224,060
Less: allowance for doubtful debts	**(21,899)**	(23,023)	(15,029)
	81,690	110,710	209,031

The Group allows its customers a credit period ranging from 30 days to 180 days (2008: 30 days to 180 days). The following is an aged analysis of accounts receivables (net of allowance for doubtful debts) presented based on the sales invoice date at the end of the reporting period.

	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
0 to 30 days	**23,900**	31,131
31 to 60 days	**13,394**	23,745
61 to 90 days	**13,428**	14,588
91 to 120 days	**13,546**	18,219
121 to 180 days	**10,965**	14,572
More than 180 days	**6,457**	8,455
	81,690	110,710

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$35,100,000 (2008: HK$39,556,000) 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 105 days (2008: 96 days).

20. ACCOUNTS RECEIVABLES *(cont'd)*

Ageing of accounts receivables which were past due but not impaired

	31.12.2009	31.12.2008
	HK\$'000	*HK\$'000*
31 to 60 days	**5,295**	8,831
61 to 90 days	**5,504**	4,058
91 to 120 days	**6,879**	7,112
121 to 180 days	**10,965**	11,041
More than 180 days	**6,457**	8,514
	35,100	39,556

Movement in allowance for doubtful debts

	31.12.2009	31.12.2008
	HK\$'000	*HK\$'000*
Balance at beginning of the year	**23,023**	15,029
Impairment loss recognised on receivables	**2,212**	10,553
Amounts written off as uncollectible	**(1,993)**	(2,559)
Amounts recovered during the year	**(1,343)**	–
Balance at end of the year	**21,899**	23,023

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

	31.12.2009	31.12.2008	1.1.2008
	HK\$'000	*HK\$'000*	*HK\$'000*
United States dollars ("USD")	**58,245**	66,887	123,409
Pound Sterling ("GBP")	**2,442**	7,939	15,438

21. BANK BALANCES

Bank balances carry interest at market rates which range from 0.004% to 1.35% (2008: 1.06% to 5.04%) per annum.

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

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
USD	**39,536**	43,612	88,827
GBP	**1,083**	531	90

22. ACCOUNTS PAYABLES

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

	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
0 to 30 days	**19,577**	16,429
31 to 60 days	**6,365**	15,483
61 to 90 days	**6,619**	14,433
91 to 120 days	**6,787**	7,556
More than 120 days	**3,578**	9,766
	42,926	63,667

23. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

24. DEFERRED INCOME

Deferred income represents the portion of the management fee that has not been earned as revenue in accordance with the revenue recognition policy of management fee income.

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	**2,277**	515	–
Exchange realignment	**–**	55	20
Acquired on acquisition of subsidiaries	**–**	–	283
Additions	**363**	1,744	217
Recognised as revenue during the year	**(2,174)**	(37)	(5)
At end of the year	**466**	2,277	515
Less: Amount to be recognised within one year shown under current liabilities	**(16)**	(54)	(13)
	450	2,223	502

25. BANK BORROWINGS

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
Bank loans – due within one year or on demand			
– Secured	**31,920**	–	–
– Unsecured	**36,620**	87,436	115,300
	68,540	87,436	115,300

All the bank loans carry interest rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a fixed margin, except that a pledged bank loan of HK$31,920,000, which carries interest at 5.84% per annum. The effective interest rates range from 0.75% to 6.50% (2008: 2.95% to 5.87%) per annum. As at 31st December, 2009, property, plant and equipment with carrying amount of approximately HK$17,352,000 was pledged to secure bank borrowings.

26. LOAN NOTE

On 19th September, 2007, the Company issued a loan note, as part of the consideration for the acquisition of subsidiaries, at a principal amount of HK$50,000,000, with fair value at issue date of HK$40,018,000. The loan note was denominated in Hong Kong dollars and will mature on 19th September, 2012. Interest of 3% per annum was payable annually until the settlement date. The loan note was early redeemed in full during the year ended 31st December, 2009.

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

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

	HK$'000
At 1st January, 2008	40,922
Interest charge *(Note 9)*	2,378
Interest paid	(1,389)
Loss on early redemption *(Note 9)*	3,599
Repayment	(28,800)
At 31st December, 2008	16,710
Interest charge *(Note 9)*	457
Interest paid	(370)
Loss on early redemption *(Note 9)*	2,603
Repayment	(19,400)
At 31st December, 2009	–

27. CONVERTIBLE NOTES

The Company issued (i) a convertible note with a principal sum of HK$49,500,000 on 29th June, 2007 (the "CN June 2007"), (ii) a convertible note with a principal sum of HK$130,000,000 on 19th September, 2007 (the "CN Sept 2007") and (iii) a convertible note with a principal sum of HK$60,000,000 on 3rd August, 2009 (the "CN Aug 2009").

All convertible notes are denominated in Hong Kong dollars. The effective interest rate of the liability component and the other major terms of the convertible notes are as follows:

	Principal amount of convertible notes	Maturity dates	Conversion price	Coupon rate during the year	Effective interest rate on date of issue
	HK$'000				
CN June 2007	49,500	29th June, 2011	HK$0.399 per share *(note i)*	1.5%	7.17%
CN Sept 2007	130,000	3rd August, 2014	HK$0.250 per share *(note ii)*	1%, 1.5% and 3%	7.48%
CN Aug 2009	60,000	3rd August, 2014	HK0.250 per share	1%	14.86%

notes:

(i) The initial conversion price on the date of issue was HK$0.45 per share and was adjusted to HK$0.399 upon the completion of the rights issue on 16th June, 2008 (the "Rights Issue"). Details of the Rights Issue are set out in Note 29.

(ii) The initial conversion price on the date of issue was HK$1 per share and was adjusted to HK$0.886 upon the completion of the Rights Issue, and further adjusted to HK$0.25 per share as a result of the Second Modification as set out below.

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. Unless previously converted, the convertible notes will be redeemed on maturity dates at par.

27. CONVERTIBLE NOTES *(cont'd)*

On the above basis, the fair values of the liability portion and the equity portion of CN June 2007, CN Sept 2007 and CN Aug 2009 on the respective dates of issue are as follows.

	CN June 2007	CN Sept 2007	CN Aug 2009	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability portion	40,030	109,776	32,027	181,833
Equity portion	9,470	46,242	27,973	83,685
	49,500	156,018	60,000	265,518

First modification of terms of CN Sept 2007 (the "First Modification")

On 19th January, 2009, the holder of CN Sept 2007 entered into a supplemental agreement with the Company pursuant to which the Company was granted the right (the "Extension Right") to extend the due date for repayment by 3 years from 19th September, 2010 to 19th September, 2013 (the "Extension Period"), provided that the interest rate on CN Sept 2007 would be increased from 1.5% per annum to 3% per annum for the Extension Period and the Company would have the right to redeem the CN Sept 2007 in whole or in part at any time during the Extension Period prior to 19th September, 2013, at a redemption price equal to the then face value of the principal sum of CN Sept 2007 plus accrued interest thereon. If not converted or early redeemed, CN Sept 2007 will be redeemed on 19th September, 2013 at par.

On 1st June, 2009, the Company exercised the Extension Right. Upon such exercise, the modification of the maturity date and coupon interest is accounted for as an extinguishment of the original financial liability component of the CN Sept 2007 and the recognition of a new financial liability component of the CN Sept 2007. The principal sum of CN Sept 2007 as at 1st January, 2008, 31st December, 2008 and immediately prior to the First Modification was HK$100,000,000. The market value of the new liability portion of CN Sept 2007 under the modified terms was approximately HK$70,678,000, determined using the effective interest rate of 12.64%.

27. CONVERTIBLE NOTES *(cont'd)*

Second Modification of terms of CN Sept 2007 (the "Second Modification")

On 3rd August, 2009, the Company agreed with the holder of CN Sept 2007 to further modify the terms of CN Sept 2007. The principal sum of CN Sept 2007 immediately prior to the Second Modification was HK$100,000,000. Details of the Second Modification are set out as follows:

(i) the principal sum was reduced by HK$10,000,000;

(ii) a principal sum of HK$20,000,000 was converted into ordinary shares of the Company at a conversion price of HK$0.222 per share;

(iii) as to the remaining principal sum of HK$70,000,000, a sum up to HK$50,000,000 could be converted into ordinary shares of the Company at a conversion price of HK$0.25 per share and the balance of HK$20,000,000 which will not be convertible into ordinary shares of the Company will be repaid on the maturity date;

(iv) coupon rate was reduced to 1% per annum; and

(v) the final maturity date was extended to 3rd August, 2014.

The Second Modification resulted in the extinguishment of the adjusted financial liability of CN Sept 2007 and the recognition of its new financial liability and equity components. The fair values of the new liability and equity components immediately following the Second Modification were approximately HK$37,365,000 and HK$23,519,000 respectively. The financial liability component is determined using an effective interest rate of 14.86%.

27. CONVERTIBLE NOTES *(cont'd)*

Movement of the liability component of the convertible notes

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

	CN June 2007	CN Sept 2007	CN Aug 2009	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2008	24,518	86,305	–	110,823
Conversion during the year *(note i)*	(11,244)	–	–	(11,244)
Interest charge *(Note 9)*	1,648	6,632	–	8,280
Interest paid	(525)	(1,516)	–	(2,041)
At 31st December, 2008	14,397	91,421	–	105,818
Conversion during the year *(note ii)*	–	(20,000)	–	(20,000)
Interest charge *(Note 9)*	1,039	6,577	1,969	9,585
Interest paid	(333)	(1,307)	–	(1,640)
Liability component at date of issue	–	–	32,027	32,027
Waive of convertible notes	–	(7,089)	–	(7,089)
Derecognition of original liability component				
– on 1st June, 2009	–	(94,183)	–	(94,183)
– on 3rd August, 2009	–	(43,800)	–	(43,800)
Recognition of new liability component upon modification of CN Sept 2007				
– on 1st June, 2009	–	70,678	–	70,678
– on 3rd August, 2009	–	37,365	–	37,365
At 31st December, 2009	15,103	39,662	33,996	88,761

notes:

(i) During the year ended 31st December, 2008, principal amount of HK$12,600,000 of CN June 2007 was converted into 31,578,947 ordinary shares of HK$0.10 each.

(ii) During the year ended 31st December, 2009, principal amount of HK$20,000,000 of CN Sept 2007 was converted into 90,090,090 ordinary shares of HK$0.10 each.

27. CONVERTIBLE NOTES *(cont'd)*

Movement of the liability component of the convertible notes *(cont'd)*

As a result of the First Modification and Second Modification, a gain of approximately HK$13,510,000 was recognised during the year ended 31st December, 2009, which represents the amount by which the carrying amount of the original financial liability derecognised exceeded the sum of the fair value of the liability and equity instruments issued.

28. DEFERRED TAX

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

			Fair value adjustment on			
	Tax losses	Accelerated tax depreciation	Revaluation of investment properties	Property, plant and equipment	Cemetery assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January, 2008	(2,994)	4,333	737	523	129,142	131,741
Exchange realignment	–	–	13	–	–	13
Charge (credit) to profit or loss	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
Charge (credit) to profit or loss	180	(542)	–	(892)	(2,184)	(3,438)
Balance at 31st December, 2009	(1,882)	2,345	–	(395)	123,567	123,635

At 31st December, 2009, the Group had unused tax losses of HK$112.7 million (2008: HK$95.7 million) available for offsetting against future profits. A deferred tax asset of approximately HK$1.9 million (2008: HK$2.1 million) has been recognised in respect of such losses of HK$11.4 million (2008: HK$12.5 million). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$101.3 million (2008: HK$83.2 million) due to the unpredictability of future profit streams. All tax losses can be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2008	1,000,000	100,000
Increase on 21st May, 2008 *(note i)*	1,000,000	100,000
Balance at 31st December, 2008	2,000,000	200,000
Increase on 29th July, 2009 *(note iii)*	1,000,000	100,000
Balance at 31st December, 2009	3,000,000	300,000
Preference shares of HK$0.01 each		
Series A Preference Shares		
Balance at 1st January, 2008, 31st December, 2008 and 2009	1,000,000	10,000
Series B Preference Shares		
Balance at 1st January, 2008, 31st December, 2008 and 2009	1,000,000	10,000
	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2008	609,290	60,929
Rights issue *(note ii)*	304,645	30,465
Conversion of convertible notes *(Note 27)*	31,579	3,157
Balance at 1st January, 2009	945,514	94,551
Issue of shares upon conversion and modification of convertible notes *(Note 27)*	90,090	9,009
Balance at 31st December, 2009	1,035,604	103,560

29. SHARE CAPITAL *(cont'd)*

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 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 ranked 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.

(iii) On 29th July, 2009, the Company increased its authorised share capital from 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) to HK$320,000,000 (comprising 3,000,000,000 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 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.

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 highest 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; or (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.

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

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 year.

The capital structure of the Group consists of debt, which includes the bank borrowings, loan note and convertible notes disclosed in notes 25, 26 and 27, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

Bank borrowings amounting to HK$26,933,000 at 31st December, 2009 (2008: HK$64,718,000) included covenants that require the maintenance of certain financial ratios. At 31st December, 2009, certain of these financial ratio covenants were not met by the Group. Consequently, these bank loans became repayable on demand as at 31st December, 2009 and are classified as current liabilities.

Subsequent to 31st December, 2009, the Group has obtained written consent from the relevant banks that the banks agreed not to demand immediate payment as a result of financial covenants. 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

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	**208,731**	212,648	332,316
Financial liabilities			
Amortised cost	**202,781**	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 group entity making the sales, which are primarily denominated in USD. The Group pays costs and expenses in Hong Kong dollars and Renminbi. 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 arises.

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 end of the reporting period are as follows:

	Assets	
	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
USD	**97,781**	110,499
GBP	**3,525**	8,470

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 rate 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 foreign currencies will give rise to an increase in the post-tax loss. For a 5% or 1% weakening of the Hong Kong dollars against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	USD		GBP	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in post-tax loss	**978**	923	**176**	354

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 bank borrowings (see Note 25), 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 arises.

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 end of the reporting period. 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, 2009 would decrease/increase by HK$570,000 (2008: decrease/increase by HK$121,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

32. FINANCIAL INSTRUMENTS *(cont'd)*

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

Credit risk

As at 31st December, 2009, 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 statement of financial position.

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 the end of the reporting period 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 non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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	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*
2009							
Non-derivative financial liabilities							
Trade and other payables	–	20,765	12,983	10,366	–	44,114	44,114
Amount due to a minority shareholder	–	1,366	–	–	–	1,366	1,366
Bank loans	3.6%	68,749	–	–	–	68,749	68,540
Convertible notes	1%	–	–	1,550	107,752	109,302	88,761
		90,880	12,983	11,916	107,752	223,531	202,781
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
		107,278	29,915	21,432	120,339	278,964	276,716

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. The effect of rectification of the breach of financial covenants as set out in Note 31 is yet to be considered in the above table.

32. FINANCIAL INSTRUMENTS *(cont'd)*

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.

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

33. 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 35.

34. ACQUISITION OF SUBSIDIARIES AND GOODWILL

(i) Acquisition of subsidiaries

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, 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 35). The Dongguan Land is the sole asset of Success Gain and the acquisition of Success Gain was therefore accounted for as 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.

(ii) Goodwill

	HK$'000
COST	
At 1st January, 2008	14,635
Impairment loss recognised	(14,635)
At 31st December, 2008 and 31st December, 2009	–

The goodwill was related to Profitable Industries Limited which is engaged in the cemetery operation. After reviewing the recoverable amount of the cash generating unit to which goodwill allocates using the discounted cash flow method, an impairment loss of HK$14,635,000 was identified and recognised in the consolidated financial statements during the year ended 31st December, 2008.

35. DISPOSAL OF SUBSIDIARIES

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 (see Note 34). 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:	
Acquisition of Dongguan Land	42,103
Less: Cash consideration	(15,757)
	26,346
Net cash outflow from disposal	
Bank balance disposed of	(619)

36. CAPITAL COMMITMENTS

At 31st December, 2009, the Group had commitments of approximately HK$780,000 for capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment.

The Group had no capital commitments at 31st December, 2008.

37. OPERATING LEASES

(a) Operating lease commitments

At 31st December, 2009, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**5,909**	6,181
In the second to fifth years inclusive	**3,266**	8,812
	9,175	14,993

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 then ended 31st December, 2008 was HK$294,000 (2009: Nil). All of the properties then held had committed tenants for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**–**	36
In the second to fifth years inclusive	**–**	16
	–	52

38. 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 statement of comprehensive income of approximately HK$1,149,000 (2008: HK$1,621,000) represents contributions payable to the defined contribution plans by the Group.

39. 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 Chuang's China Group as follows:

	2009	2008
	HK$'000	*HK$'000*
Subscription by CCIL of CN Aug 2009	**60,000**	–
Exchange of assets with Chuang's China *(note)*	**–**	42,103

note: On 26th March, 2008, pursuant to an agreement, the Group acquired the entire interest in Success Gain for 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 35).

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 12 and 23 respectively.

40. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2008 and 2009 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	The 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 Boluo Yuanzhou Midas Printing Limited	The 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)")	The PRC *(note iii)*	HK$36,380,000	83.4%	Development and construction of cemetery and provision of related management services in the PRC

40. PRINCIPAL SUBSIDIARIES *(cont'd)*

notes:

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

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

iii. This 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 95.32% 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.

Financial Summary

RESULTS

	For the year ended 31st December,				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**299,573**	510,504	705,443	737,858	758,303
(LOSS) PROFIT BEFORE TAXATION	**(48,203)**	(122,150)	(24,470)	25,122	53,753
INCOME TAX CREDIT (EXPENSES)	**2,948**	3,362	(4,019)	(7,492)	(11,140)
(LOSS) PROFIT FOR THE YEAR	**(45,255)**	(118,788)	(28,489)	17,630	42,613
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(43,394)**	(115,823)	(28,328)	17,630	43,014
MINORITY INTERESTS	**(1,861)**	(2,965)	(161)	–	(401)
(LOSS) PROFIT FOR THE YEAR	**(45,255)**	(118,788)	(28,489)	17,630	42,613

ASSETS AND LIABILITIES

	At 31st December,				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**962,715**	1,023,610	1,211,086	846,903	860,663
TOTAL LIABILITIES	**(368,096)**	(455,250)	(598,715)	(367,519)	(380,085)
NET ASSETS	**594,619**	568,360	612,371	479,384	480,578
ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**531,193**	503,073	538,207	479,384	480,578
MINORITY INTERESTS	**63,426**	65,287	74,164	–	–
TOTAL EQUITY	**594,619**	568,360	612,371	479,384	480,578

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 Wednesday, 2nd June, 2010 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 auditor's report for the year ended 31st December, 2009.

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 auditor and to authorise the board of directors to fix its 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities (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

   (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 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 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

(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 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."

5. "**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the share option scheme of the Company adopted on 13 December 2001 (the "Share Option Scheme") and any other scheme(s) of the Company, representing 10% of the issued share capital of the Company as at the date on which this resolution is passed:

(a) approval be and is hereby granted for refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other scheme(s) of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and

(b) the directors of the Company be and are hereby authorised, at their absolute discretion (i) to grant options to subscribe for shares of the Company within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme; and (ii) to allot, issue and deal with shares pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate."

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

Hong Kong, 30th April, 2010

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, 2009.