MIDAS International Holdings Limited

2010 Annual Report

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1172

This Annual Report is printed by Midas International Holdings Limited

Content

Corporate Information

HONORARY CHAIRMAN
Mr. CHUANG Shaw Swee, Alan

BOARD OF DIRECTORS
Executive Directors
Mr. HUNG Ting Ho, Richard
(Chairman and Managing Director)
Mr. KWOK Chi Fai
(Deputy Managing Director)
Mr. CHUANG Ka Pun, Albert
Miss CHUANG Ka Wai, Candy

Non-Executive Director
Mr. Dominic LAI

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

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

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

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

COMPANY SECRETARY
Ms. LEE Wai Ching

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

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

DONGGUAN MIDAS PRINTING COMPANY LIMITED
Dezheng Zhonglu
Changan
Dongguan
Guangdong
PRC

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 59, 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 the development and management of investments in Hong Kong, the PRC 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 Honorary 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 of the General Association of Xiamen (H.K.) Ltd., the Permanent President of Hong Kong Huian 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 Association Ltd..

EXECUTIVE DIRECTORS

Mr. HUNG Ting Ho, Richard, aged 57, 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 32 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.

Mr. KWOK Chi Fai, aged 49, 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 27 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 30, has over 6 years of experience in property business and general management. He holds a Bachelor degree of Arts with major in economics. He is an Executive Director of CCIL, which is the controlling shareholder of the Company, and an Executive Director and the Deputy Chairman of Chuang's China, the listed subsidiary of CCIL. Mr. CHUANG is the son of Mr. CHUANG Shaw Swee, Alan and the brother of Miss CHUANG Ka Wai, Candy, an Executive Director of the Company. He is a committee member of the Tenth All-China Youth Federation. He joined the Group in 2007.

Miss CHUANG Ka Wai, Candy, aged 29, has over 6 years of experience in general management, marketing and property development in the PRC. She is an Executive Director of Chuang's China, the listed subsidiary of CCIL. Miss CHUANG is the daughter of Mr. CHUANG Shaw Swee, Alan and the sister of Mr. CHUANG Ka Pun, Albert, an Executive Director of the Company. She is a member of The Chinese People's Political Consultative Conference, Xiamen Committee, Beijing Youth Federation, Fujian Youth Federation, Xiamen Overseas Friendship Association, The Y. Elites Association Limited, Hong Kong United Youth Association, Centum Charitas Foundation and the Vice Supervisor of the General Association of Xiamen (H.K.) Ltd.. She joined the Group in 2010.

NON-EXECUTIVE DIRECTOR

Mr. Dominic LAI, aged 64, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHEK Lai Him, Abraham, S.B.S., J.P., aged 65, 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 Court 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., SJM Holdings Limited, Kosmopolito Hotels International Limited, ITC Properties Group Limited and China Resources Cement 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 56, was appointed as an Independent Non-Executive Director of the Company in 2004. He has over 26 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 Technology Holdings Limited, both are listed on the Stock Exchange.

Mr. YAU Chi Ming, aged 57, 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 26 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.

SENIOR MANAGEMENT

Mr. WONG Chi Sing, aged 40, 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 17 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 52, the General Manager of manufacturing of the printing division. He has over 32 years of experience in the printing industry. He joined the Group in 2003.

Mr. LAM Hung Kong, aged 47, the General Manager of the cemetery division, is responsible for the overall management of the cemetery. He has over 20 years of experience in design, development and management of real estates and 9 years of experience in construction and management of cemetery. He holds a diploma in Business Administration. He is an executive member 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, 2010 amounted to HK$73,896,000 (2009: HK$43,394,000). Loss per ordinary share was 6.9 HK cents (2009: 4.4 HK cents).

MANAGEMENT DISCUSSION ON RESULTS

Turnover of the Group decreased from HK$299.6 million in last year to HK$293.6 million in this year, representing a slight decrease of 2.0%. Turnover derived from printing business amounted to HK$286.4 million (2009: HK$295.0 million), accounted for 97.5% (2009: 98.5%) of the Group's turnover whereas the remaining represented the revenue from cemetery operations.

Gross profit, principally derived from our printing business, decreased by 23.1% to HK$53.5 million (2009: HK$69.6 million). Gross profit margin decreased from 23.2% in last year to 18.2% in this year. This was mainly attributable to the rising paper cost and wages, and appreciation of Renminbi. Other income decreased to HK$6.3 million (2009: HK$26.8 million) mainly due to the absence of a one-off gain arising on convertible notes modifications.

Selling expenses increased by 3.8% to HK$30.3 million (2009: HK$29.2 million) whereas administrative expenses decreased by 10.0% to HK$90.5 million (2009: HK$100.5 million). Finance costs remained stable at HK$15.0 million (2009: HK$14.8 million).

Taking all the above factors into account, the Group recorded a loss attributable to owners of the Company of HK$73.9 million (2009: HK$43.4 million). Loss per share amounted to 6.9 HK cents (2009: 4.4 HK cents).

DIVIDENDS

In view of the loss incurred by the Group during the year, the Board does not recommend the payment of a final dividend for the year ended 31st December, 2010. No interim dividend had been 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 included art books and children books with various binding styles, premium gift products, packaging boxes and paper bags.

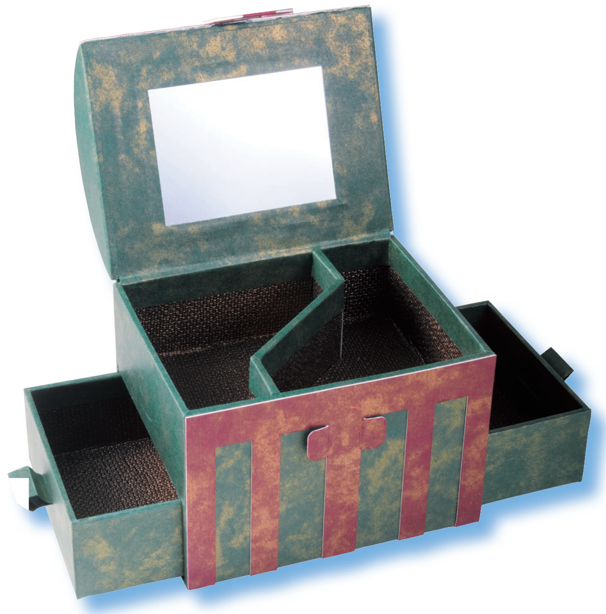
Printing was the major turnover contributor of the Group, accounting for 97.5% of the Group's turnover. Since the first half of this year, European sovereign debt crisis hindered the recovery of worldwide economy and dampened the global printing demand. Customers have sized down or postponed their printing orders, especially in the second half of 2010. In order to cope with this adverse market condition, our sales team strived hard to maintain orders with existing customers and explore new customers. Through their marketing effort, the Group achieved a turnover of HK$286.4 million, representing a slight decrease of 2.9% over that of last year.

In order to accomplish turnaround in the future, the Group will concentrate on enhancing sales and costs control. In the sales aspect, the Group will broaden its product range to solicit new businesses and provide more value added services to solidify existing clients.

In 2011, the Group will focus to explore the market opportunity in various printing segments, in particular in commercial printing and food packaging products printing. Hong Kong, as one of the major financial centres in the world, should have ample printing demand in financial reporting. Backed up by the Group's experience in the commercial printing field, we are confident to capture steady turnover which will provide positive contribution to the Group.

Food packaging products segment is another market segment to be developed. Due to high level of hygiene requirement, profit margins of these printing products are better than traditional printing. In the Southern China region, there are numerous food processing plants that are within short distance from our printing plant in Yuanzhou, Huizhou. The Group is capable to deliver just-in-time packaging products to those plants. Moreover, the Group has installed GMP (Good Manufacturing Practice) production facility, which is sufficient to fulfill production requirements of food packaging products. In view of suitable production location, adequate production capability and better return, the Group will allocate more marketing and production resources to explore this higher profit margin market.

Art book with case



Jewelry box

Hardcover book with case

Pop-up book

In order to cement stronger relationship with the existing customers and explore new ones, the Group will add a comprehensive range of value added services including creation of e-formats of printed books and cards for e-publishing, and brokering services in sale and transfer of copyrights in the PRC market. By providing these kind of one-stop "printing-business" services to clients, the Group can maintain and further broaden its customer base.

At the same time, the Group will put additional resources to develop new products and production technology to cater for the needs of the PRC market. Coupled with participation in fairs and exhibitions in the PRC, the Group can increase its share in the PRC market.

Apart from the sales side, costs pressure was a major issue that dampened the operating results. Continuous surge in paper cost and wages and appreciation in Renminbi impacted all printing operations in the PRC. The Group is aware of this and has, during the year, implemented a number of costs control measures to cut down operating costs. The Group had further streamlined its operation and consolidated manpower to save costs. The Group exercised tight inventory and procurement control to maintain a minimum level of inventory with lower purchase price. In addition, the newly implemented ERP (Enterprises Resources Planning) system also enhanced the Group's operation efficiency and reduced wastage.

The Group is confident that printing demand will eventually rebound after global economy has fully recovered. In view of this, the Group has acquired an industrial land site located at Coastal Industry Zone in Shatian, Dongguan. It covers an area of approximately 78,000 sq. m. which is capable of developing into a factory complex with total gross floor area of 120,000 sq. m.. The Group has completed the design layout and foundation work of the first phase of factory premises will commence in 2011. Upon full completion, the Group will relocate all its production facilities and consolidate the operations into this plant.

(B) Cemetery Business

During the year under review, the Group recorded a turnover of HK$7.1 million (2009: HK$4.6 million) for its cemetery business, representing an increase of 54.3%. In 2010, the Group maintained 2 sales offices in Hong Kong and 5 sales offices in Guangzhou, Foshan, Zhaoqing and Sihui. During the year, the Group has extended the agency network in both Hong Kong and the Guangdong Province, the PRC and has implemented a series of promotion campaigns to boost publicity. We have also regularly invited the general public and members of the burial related organisations to visit our cemetery and organised numerous events and lectures with different themes to attract the elderly. Through this well established sales network and series of promotional activities, the Group expanded its market presence in the cemetery industry and in turn achieved a growth in the business.

In 2011, the Group will continue to allocate more resources in promoting the cemetery. In May 2011, the Group will participate in the Hong Kong Senior Fair 2011, which is the largest one-stop senior exhibition in Hong Kong. The Group will also conduct joint promotion programmes with different funeral parlors and funeral service providers in Sihui and Guangzhou, the PRC. By taking part in these events, the Group can reach the target customers directly and promote our services to them.

Promotion Event in Hong Kong

Highway Exit

Highway from Guangzhou to Sihui

The new highway linking Guangzhou and Hezhou that bypasses Sihui has just been completed. The overall travel time from Guangzhou to Sihui where our cemetery is located has now been reduced by half to about 1 hour. This improvement in infrastructure will definitely enhance the accessibility and demands of our graveyards, in particular, from the Guangzhou region in the future.

Our cemetery comprises a site of 518 mu, of which 100 mu has been developed, and an adjacent site of 4,482 mu has been reserved, making 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 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 are set within the range from RMB2,800 to RMB8,800 per niche. In view of the growing demand of grave plots and niches, the Group has commenced negotiation with local government to obtain an additional 250 mu of land out of the 518 mu for further development.

PROSPECTS

The operating environment for the printing business will continue to be difficult in 2011. In spite of the challenge ahead, the Group remains optimistic about the prospect of the printing industry. The Group expects that, with an experienced service team and commitment to provide quality printing services, we can achieve better results in the near future.

In 2010, the Group has substantially scaled down our operations in Changan, Dongguan and relocated most of the production facilities to the factory in Yuanzhou, Huizhou. The Changan factory is located near the city centre of the Changan town and its surrounding area is well developed and occupied by premium residential and commercial buildings. In view of the redevelopment potential, the Group is negotiating with the local government to change the land use of the factory site so as to enhance its value.

The rapid growth of aged population in the PRC increases the demand of prestigious grave plots and niches. The Group achieved a steady growth in cemetery turnover for the past years and believed that this will continue in the future. Based on our sales network and reputation established in the past years, we are confident that this investment will provide long term contribution to the Group.

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2010, cash and bank balances of the Group amounted to HK$107.6 million (2009: HK$126.0 million) whereas bank borrowings as at the same date amounted to HK$91.8 million (2009: 68.5 million). The debt to equity ratio (calculated as a percentage of bank borrowings over net asset value attributable to owners of the Group) amounted to 19.6% (2009: 12.9%). 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 June 2010, convertible notes amounting to HK$8.75 million have been converted into 35 million new shares of the Company. In August 2010, another HK$8.25 million of convertible notes have also been converted into 33 million new shares of the Company. Accordingly, as at the date of this report, outstanding convertible notes of the Company have been reduced to HK$129.7 million.

Net asset value attributable to shareholders as at 31st December, 2010 amounted to HK$468.3 million, equivalent to about HK$0.424 per share.

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

During the year ended 31st December, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 31st December, 2010, the Group, including its subcontracting processing plants, employed approximately 1,600 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, 29th March, 2011

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 4 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")	Chairman and Managing Director
Mr. KWOK Chi Fai	Deputy Managing Director
Mr. CHUANG Ka Pun, Albert	Executive Director
Miss CHUANG Ka Wai, Candy (appointed on 6th October, 2010)	Executive Director
Mr. Dominic LAI	Non-Executive Director
Mr. SHEK Lai Him, Abraham	Independent Non-Executive Director
Dr. LI Sau Hung, Eddy	Independent Non-Executive Director
Mr. YAU Chi Ming	Independent Non-Executive Director

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

(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	2/4
Miss CHUANG Ka Wai, Candy (appointed on 6th October, 2010)	Executive Director	1/4
Mr. Dominic LAI	Non-Executive Director	4/4
Mr. SHEK Lai Him, Abraham	Independent Non-Executive Director	3/4
Dr. LI Sau Hung, Eddy	Independent Non-Executive Director	4/4
Mr. YAU Chi Ming	Independent Non-Executive Director	4/4

(v) *Chairman and Chief Executive Officer*

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, 2010. 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	1,330
Non-audit services	590
	1,920

(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 meeting

The Board regards annual general meeting 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 2010 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

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, 2010.

On behalf of the Board of
Midas International Holdings Limited

HUNG Ting Ho, Richard
Chairman and Managing Director

Hong Kong, 29th March, 2011

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, 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2010 are set out in the consolidated statement of comprehensive income on page 34 of the annual report and in the accompanying notes to the consolidated financial statements.

In view of the loss incurred by the Group during the year, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st December, 2010. No interim dividend was paid during the years ended 31st December, 2009 and 2010.

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 100 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 12% to the total purchase for the year while the Group's five largest suppliers comprised 39% of the total purchases for the year.

The aggregate turnover 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$2,708,000 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 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

RESERVES

Share premium, other reserve and the contributed surplus accounts of the Company are 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, 2010 amounted to approximately HK$357,988,000.

Detail of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 37 of the annual report.

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

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

DIRECTORS

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)
Mr. KWOK Chi Fai *(Deputy Managing Director)*
Mr. CHUANG Ka Pun, Albert
Miss CHUANG Ka Wai, Candy (appointed on 6th October, 2010)

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2010, 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, 2010, 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 29 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. Mr. CHUANG Ka Pun, Albert and Miss CHUANG Ka Wai, Candy, both are Executive Directors, 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 35 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' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st December, 2010, 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")	272,876,090 (note 4)	Beneficial owner
CHING Eng Chin ("Mr. CHING")	272,876,090 (note 4)	Interest of controlled corporation

notes:

1. Such interests represented 66.96% of the issued ordinary share capital and comprised Gold Throne's interests in 492,278,947 shares, 41,729,323 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2011 and 205,000,000 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2014. 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. Miss CHUANG Ka Wai, Candy is a director of Evergain.

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

4. Such interests represented 24.73% of the issued ordinary share capital and comprised Great Income's interests in 105,876,090 shares, and 167,000,000 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2014. Great Income is beneficially owned by Mr. CHING.

Save as disclosed above, as at 31st December, 2010, 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$95 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, 2010, the balance outstanding was HK$3 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, 2010, 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$42 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, 2010, the balance outstanding was HK$18 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, 2010.

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, 29th March, 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of Midas International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 99, which comprise the consolidated statement of financial position as at 31st December, 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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 about 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2010 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
29th March, 2011

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Turnover	5	**293,584**	299,573
Direct expenses		**(240,120)**	(230,007)
Gross profit		**53,464**	69,566
Other income	7	**6,303**	26,765
Selling expenses		**(30,333)**	(29,182)
Administrative expenses		**(90,548)**	(100,517)
Finance costs	8	**(14,986)**	(14,835)
Loss before taxation		**(76,100)**	(48,203)
Income tax credit	9	**499**	2,948
Loss for the year	10	**(75,601)**	(45,255)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**888**	22
Total comprehensive expense for the year		**(74,713)**	(45,233)
Loss for the year attributable to:			
Owners of the Company		**(73,896)**	(43,394)
Non-controlling interests		**(1,705)**	(1,861)
		(75,601)	(45,255)
Total comprehensive expense attributable to:			
Owners of the Company		**(73,125)**	(43,372)
Non-controlling interests		**(1,588)**	(1,861)
		(74,713)	(45,233)
Basic and diluted loss per share	13	**HK(6.9) cents**	HK(4.4) cents

Consolidated Statement of Financial Position

At 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid lease payments	15	**48,878**	49,946
Property, plant and equipment	16	**127,642**	148,294
Deposits paid for acquisition of land use rights		**4,196**	4,054
Cemetery assets	17	**409,061**	416,650
		589,777	618,944
Current assets			
Inventories	18	**124,092**	127,556
Accounts receivables	19	**83,810**	81,690
Deposits, prepayments and other receivables		**17,794**	7,332
Prepaid lease payments	15	**1,153**	1,148
Tax recoverable		**260**	–
Bank balances and cash	20	**107,616**	126,045
		334,725	343,771
Current liabilities			
Accounts payables	21	**39,453**	42,926
Accrued charges and other payables		**43,072**	35,853
Amount due to a minority shareholder	22	**1,366**	1,366
Deferred income	23	**24**	16
Tax payable		**7,300**	6,549
Bank borrowings – due within one year	24	**74,115**	68,540
Convertible notes – due within one year	26	**15,927**	–
		181,257	155,250
Net current assets		**153,468**	188,521
Total assets less current liabilities		**743,245**	807,465

Consolidated Statement of Financial Position

At 31st December, 2010

	NOTES	**2010** HK$'000	2009 HK$'000
Non-current liabilities			
Bank borrowings – due after one year	*24*	**17,700**	–
Convertible notes – due after one year	*26*	**72,345**	88,761
Deferred income	*23*	**641**	450
Deferred tax	*27*	**122,373**	123,635
		213,059	212,846
NET ASSETS		**530,186**	594,619
CAPITAL AND RESERVES			
Share capital	*28*	**110,360**	103,560
Reserves		**357,988**	427,633
Equity attributable to owners of the Company		**468,348**	531,193
Non-controlling interests		**61,838**	63,426
TOTAL EQUITY		**530,186**	594,619

The consolidated financial statements on pages 34 to 99 were approved and authorised for issue by the Board of Directors on 29th March, 2011 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, 2010

	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 (losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1st January, 2009	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 income (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
Loss for the year	–	–	–	–	–	–	(73,896)	(73,896)	(1,705)	(75,601)
Exchange differences arising on translation of foreign operations	–	–	–	–	771	–	–	771	117	888
Total comprehensive income (expense) for the year	–	–	–	–	771	–	(73,896)	(73,125)	(1,588)	(74,713)
Conversion of convertible notes	6,800	11,441	–	–	–	(7,961)	–	10,280	–	10,280
At 31st December, 2010	110,360	296,974	4,000	24,000	940	46,717	(14,643)	468,348	61,838	530,186

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.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	2010 *HK$'000*	2009 *HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	**(76,100)**	(48,203)
Adjustments for:		
Depreciation of property, plant and equipment	**23,666**	24,535
Finance costs	**14,986**	14,835
Amortisation of cemetery assets	**7,589**	8,734
Release of prepaid lease payments	**1,152**	1,409
Impairment loss on accounts receivables	**1,103**	2,212
Allowance for inventories	**879**	–
Reversal of impairment loss on accounts receivables	**(291)**	(1,343)
Gain on disposal of property, plant and equipment	**(80)**	(1,477)
Interest income	**(21)**	(42)
Gain on disposal of investment property	**–**	(33)
Gain on convertible notes modifications	**–**	(13,510)
Operating cash flows before movements in working capital	**(27,117)**	(12,883)
Decrease in inventories	**2,585**	19,231
(Increase) decrease in accounts receivables	**(2,817)**	28,151
(Increase) decrease in deposits, prepayments and other receivables	**(10,283)**	4,563
Decrease in accounts payables	**(3,473)**	(20,741)
Increase (decrease) in accrued charges and other payables	**7,159**	(8,479)
Increase (decrease) in deferred income	**199**	(1,811)
Net cash (used in) generated from operations	**(33,747)**	8,031
Income tax paid	**(272)**	(673)
Income tax refunded	**–**	2,766
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(34,019)**	10,124

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	2010 *HK$'000*	2009 *HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,708)**	(5,257)
Proceeds from disposal of property, plant and equipment	**80**	3,091
Interest received	**21**	42
Proceeds from disposal of investment property	**–**	533
NET CASH USED IN INVESTING ACTIVITIES	**(2,607)**	(1,591)
FINANCING ACTIVITIES		
New bank loans raised	**170,217**	104,364
Repayment of bank loans	**(146,942)**	(123,260)
Interest paid	**(5,195)**	(4,200)
Repayment of loan note	**–**	(19,400)
Proceeds on issue of convertible note	**–**	60,000
NET CASH FROM FINANCING ACTIVITIES	**18,080**	17,504
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(18,546)**	26,037
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**126,045**	100,008
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**117**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**107,616**	126,045

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 37.

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

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of these new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRS 3 (as revised in 2008) Business Combinations and HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1st January, 2010 in accordance with the relevant transitional provisions and the requirements in HKAS 27 (as revised in 2008) in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary has also been applied prospectively by the Group on or after 1st January, 2010 in accordance with the relevant transitional provisions.

As there was no transaction during the current year in which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable, the application of HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs has had no effect on the consolidated financial statements of the Group for the current and prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

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

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause *(cont'd)*

As a result, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of approximately HK$20,040,000 have been classified as current liabilities as at 31st December, 2010. At 31st December, 2009 and 1st January, 2009, no bank loans have been reclassified as current liabilities due to the application of HK Int 5. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years. Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 31 for details).

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st February, 2010.

The directors of the Company (the "Directors") anticipate that the application of these new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

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

Basis of consolidation *(cont'd)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

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

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 the sale of goods is recognised when all the following conditions are satisfied:

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

Revenue from sale 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.

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

Revenue recognition *(cont'd)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or administrative purposes are carried at costs less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Prepaid lease payments

Prepaid lease payments that represent up-front payments to acquire leasehold land interest that is classified as an operating lease are stated at cost and amortised over the remaining lease term of the respective land use rights on a straight-line basis.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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

Foreign currencies *(cont'd)*

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, 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).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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.

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

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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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.

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

Taxation *(cont'd)*

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 represent premium on prepaid lease payments for which development has not yet commenced, are carried at costs less accumulated amortisation and any accumulated impairment losses (see accounting policy in respect of impairment losses on assets below). Amortisation for cemetery assets is provided on a straight-line basis over the estimated useful life of the cemetery assets and is recognised in profit or loss.

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 related costs of cemetery assets attributable to the grave plots and niches for cremation urns are transferred to inventories.

Inventories

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

Grave plots and niches for cremation urns are stated at the lower of cost and net realisable value. Cost comprises of the attributable cost of the cemetery asset and costs of development expenditures incurred.

3. 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.

3. 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; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

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.

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

Financial instruments *(cont'd)*

Financial assets (cont'd)

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

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

Financial liabilities and equity instruments

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 Company 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.

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

Financial instruments *(cont'd)*

Financial liabilities and equity instruments (cont'd)

Convertible notes *(cont'd)*

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.

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.

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

Financial instruments *(cont'd)*

Financial liabilities and equity instruments (cont'd)

Convertible notes *(cont'd)*

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 to extinguish the liability component, 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 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.

3. 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 in its entirety, 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 and accumulated in equity is recognised in profit or loss.

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

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.

Impairment losses

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 such indication exists, the recoverable amount of the 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The 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 cemetery assets

Determining whether 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, no impairment loss was considered necessary for the years ended 31st December, 2009 and 2010.

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

Estimated impairment of property, plant and equipment

When there is an 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, management takes into account the recent financial performance of the printing segment. The recoverable amounts of the Group's property, plant and equipment have been determined based on value in use calculation taking into account the estimated useful lives of property, plant and equipment. This calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period and a discount rate of 6%. Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3% for another 3-year period. On this basis, no impairment loss was considered necessary for the years ended 31st December, 2009 and 2010.

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, 2010, the carrying amount of accounts receivables (net of allowance for doubtful debts of approximately HK$22.6 million) is approximately HK$83.8 million (31st December, 2009: HK$81.7 million, net of allowance for doubtful debts of approximately HK$21.9 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, 2010, the carrying amount of inventories (net of allowances) was approximately HK$124.1 million (31st December, 2009: HK$127.6 million).

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

Income taxes

As at 31st December, 2010, deferred tax asset in relation to unused tax losses of approximately HK$151.1 million (31st December, 2009: HK$112.7 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.

5. TURNOVER

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

	2010	2009
	HK$'000	*HK$'000*
Sales of printed products	**286,435**	295,013
Revenue from sales of grave plots and niches for cremation urns	**6,546**	4,206
Sales of tomb sets	**603**	354
	293,584	299,573

6. SEGMENT INFORMATION

The Group's operations are organised based on the following two business activities:

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

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

Similarly, the information reported to the Chairman and Managing Director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is reported on such a basis.

6. SEGMENT INFORMATION *(cont'd)*

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, 2010

	Printing *HK$'000*	Cemetery *HK$'000*	Consolidated *HK$'000*
SEGMENT TURNOVER – external	**286,435**	**7,149**	**293,584**
SEGMENT LOSS	**(39,016)**	**(17,138)**	**(56,154)**
Unallocated income			**27**
Unallocated expenses			**(4,987)**
Finance costs			**(14,986)**
Loss before taxation			**(76,100)**

For the year ended 31st December, 2009

	Printing *HK$'000*	Cemetery *HK$'000*	Consolidated *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)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment loss represents 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 performance assessment.

6. SEGMENT INFORMATION *(cont'd)*

Segment assets and liabilities

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

Segment assets

	2010	2009
	HK$'000	*HK$'000*
Printing	**299,643**	308,370
Cemetery	**516,983**	528,300
Total segment assets	**816,626**	836,670
Unallocated assets	**107,876**	126,045
Consolidated assets	**924,502**	962,715

Segment liabilities

	2010	2009
	HK$'000	*HK$'000*
Printing	**80,446**	65,936
Cemetery	**2,744**	2,278
Total segment liabilities	**83,190**	68,214
Unallocated liabilities	**311,126**	299,882
Consolidated liabilities	**394,316**	368,096

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, convertible notes and deferred tax. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION *(cont'd)*

Other segment information

2010

	Printing *HK$'000*	**Cemetery** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measure of segment loss or segment assets:			
Capital expenditure	**2,651**	**57**	**2,708**
Depreciation and amortisation	**22,767**	**8,488**	**31,255**
Allowance for inventories	**879**	**–**	**879**
Impairment loss on accounts receivables	**1,103**	**–**	**1,103**
Reversal of impairment loss on accounts receivables	**291**	**–**	**291**
Gain on disposal of property, plant and equipment	**80**	**–**	**80**

2009

	Printing *HK$'000*	Cemetery *HK$'000*	Consolidated *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

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 turnover by principal products and services for the year are set out in note 5 to the consolidated financial statements.

6. 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 and information about its non-current assets by geographical location of customers and of the assets respectively are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**39,790**	52,091	**3,072**	3,820
The PRC	**12,205**	8,169	**586,705**	615,124
United States of America	**94,160**	111,420	**–**	–
United Kingdom	**54,845**	57,440	**–**	–
Germany	**28,769**	16,278	**–**	–
France	**16,135**	8,847	**–**	–
New Zealand	**13,159**	16,575	**–**	–
Others	**34,521**	28,753	**–**	–
	293,584	299,573	**589,777**	618,944

The Group has a 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, 2010.

7. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Income from sale of scrap	**3,722**	2,108
Discount received	**383**	1,167
Gain on disposal of property, plant and equipment	**80**	1,477
Interest income	**21**	42
Exchange gain	**171**	942
Reversal of impairment loss recognised in respect of accounts receivables	**291**	1,343
Sundry income	**1,635**	6,143
Gain on disposal of investment property	**–**	33
Gain on convertible notes modifications *(note 26)*	**–**	13,510
	6,303	26,765

8. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Borrowings wholly repayable within five years	**3,652**	2,190
Loan note	**–**	457
Loss on early redemption of loan note	**–**	2,603
Effective interest expense on convertible notes	**11,334**	9,585
	14,986	14,835

9. INCOME TAX CREDIT

	2010	2009
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**469**	–
PRC Enterprise Income Tax ("EIT")	**294**	–
	763	–
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**–**	(426)
PRC EIT	**–**	916
	–	490
Deferred tax *(note 27)* – current year	**(1,262)**	(3,438)
	(499)	(2,948)

Hong Kong

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 assessable profits arising in Hong Kong is wholly absorbed by tax losses brought forward.

9. 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 operating outside the PRC are 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:

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	**(76,100)**	(48,203)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**(12,556)**	(7,953)
Tax effect of expenses not deductible for tax purpose	**7,246**	6,514
Tax effect of income not taxable for tax purpose	**(2,758)**	(3,875)
Underprovision in respect of prior years	**–**	490
Tax effect of tax losses not recognised	**13,147**	7,332
Utilisation of tax losses previously not recognised	**(1,665)**	(2,052)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,913)**	(3,404)
Income tax credit for the year	**(499)**	(2,948)

10. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Staff costs	90,070	91,465
Retirement benefit scheme contributions	1,039	1,149
Total staff costs (including Directors' emoluments)	91,109	92,614
Auditor's remuneration	1,330	1,380
Cost of inventories recognised as an expense	240,120	225,863
Depreciation of property, plant and equipment	23,666	24,535
Allowance for inventories	879	–
Amortisation of cemetery assets	7,589	8,734
Impairment loss on accounts receivables	1,103	2,212
Release of prepaid lease payments	1,152	1,409
Rental of premises under operating leases	4,592	6,160

11. 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 8 (2009: 9) Directors were as follows:

	Mr. HUNG Ting Ho, Richard HK$'000	Mr. KWOK Chi Fai HK$'000	Mr. CHUANG Ka Pun, Albert HK$'000	Miss CHUANG Ka Wai, Candy HK$'000	Mr. Dominic LAI HK$'000	Mr. SHEK Lai Him, Abraham HK$'000	Dr. LI Sau Hung, Eddy HK$'000	Mr. YAU Chi Ming HK$'000	Mr. KWONG Tin Lap HK$'000	Mr. WONG Chi Sing HK$'000	Total HK$'000
2010											
Fees	**30**	**20**	**20**	**20**	**80**	**80**	**80**	**80**	**–**	**–**	**410**
Other emoluments:											
Salaries and other benefits	**1,800**	**930**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,730**
Bonus	**150**	**78**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**228**
Contributions to retirement benefit scheme	**24**	**24**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48**
Total emoluments	**2,004**	**1,052**	**20**	**20**	**80**	**80**	**80**	**80**	**–**	**–**	**3,416**
2009											
Fees	30	20	20	–	80	80	80	80	–	–	390
Other emoluments:											
Salaries and other benefits	1,800	930	–	–	–	–	–	–	431	210	3,371
Bonus	150	78	–	–	–	–	–	–	–	17	245
Contributions to retirement benefit scheme	24	24	–	–	–	–	–	–	10	11	69
Total emoluments	2,004	1,052	20	–	80	80	80	80	441	238	4,075

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

(b) Employees' emoluments

During the year, the five highest paid individuals included two (2009: two) Directors, details of whose emoluments are set out in note 11(a) above.

The emoluments of the remaining three (2009: three) individuals were as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**2,204**	1,890
Bonus	**161**	151
Contributions to retirement benefit scheme	**72**	72
	2,437	2,113

Their emoluments were within the following bands:

	Number of employees	
	2010	2009
HK$1,000,000 or below	**3**	3

During each of the year ended 31st December, 2009 and 2010, 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 year ended 31st December, 2009 and 2010, no Director waived any emoluments.

11. 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:

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**1,151**	241
Retirement benefits	**46**	11
	1,197	252

12. DIVIDENDS

No dividend was paid or declared during each of the year ended 31st December, 2009 and 2010.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31st December, 2010 (2009: nil).

13. 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 approximately HK$73,896,000 (2009: HK$43,394,000) and on the weighted average number of 1,066,209,618 (2009: 982,784,196) shares in issue during the year.

The calculation of diluted loss per share for each of the year ended 31st December, 2009 and 2010 does not include the conversion of convertible notes as it would result in a decrease in loss per share.

14. INVESTMENT PROPERTIES

	HK$'000
At 1st January, 2009	500
Disposals	(500)
At 31st December, 2009 and 2010	–

15. PREPAID LEASE PAYMENTS

	2010	2009
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land use rights in the PRC under medium-term leases	**50,031**	51,094
Analysed for reporting purposes as:		
Non-current asset	**48,878**	49,946
Current asset	**1,153**	1,148
	50,031	51,094

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC under medium-term lease	Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January, 2009	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
Exchange realignment	320	30	–	61	22	12	445
Additions	135	41	1,294	1,238	–	–	2,708
Disposals	–	–	(600)	–	(705)	–	(1,305)
At 31st December, 2010	64,386	4,487	360,435	41,974	5,121	347	476,750
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2009	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
Exchange realignment	65	19	–	41	14	–	139
Provided for the year	2,787	170	16,680	3,627	402	–	23,666
Eliminated on disposals	–	–	(600)	–	(705)	–	(1,305)
At 31st December, 2010	22,104	4,093	282,720	35,480	4,711	–	349,108
CARRYING VALUE							
At 31st December, 2010	42,282	394	77,715	6,494	410	347	127,642
At 31st December, 2009	44,679	512	93,101	8,863	804	335	148,294

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

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 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

17. CEMETERY ASSETS

	HK$'000
COST	
At 1st January, 2009, 31st December, 2009 and 31st December, 2010	438,939
AMORTISATION	
At 1st January, 2009	13,555
Charge for the year	8,734
At 31 December, 2009	22,289
Charge for the year	7,589
At 31st December, 2010	29,878
CARRYING VALUE	
At 31st December, 2010	409,061
At 31st December, 2009	416,650

Cemetery assets represent premium on prepaid lease payments, for which development had not yet commenced, and cemetery brand name in Zhaoqing, Guangdong, the PRC.

17. CEMETERY ASSETS *(cont'd)*

The recoverable amounts of the cemetery assets as at 31st December, 2009 and 2010 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% (2009: 15%). The 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, the PRC 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 2010.

18. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Inventories of printing business:		
Raw materials	**22,151**	21,631
Work in progress	**9,532**	8,836
Finished goods	**4,004**	3,694
	35,687	34,161
Grave plots and niches for cremation urns of cemetery business	**88,405**	93,395
	124,092	127,556

At 31st December, 2010, inventories includes an amount of approximately HK$77,828,000 which is expected to be realised after more than twelve months from the end of the reporting period.

19. ACCOUNTS RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Accounts receivables, trade	**106,420**	103,589
Less: allowance for doubtful debts	**(22,610)**	(21,899)
	83,810	81,690

The Group allows its customers a credit period ranging from 30 days to 180 days (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**20,889**	23,900
31 to 60 days	**13,160**	13,394
61 to 90 days	**13,950**	13,428
91 to 120 days	**13,278**	13,546
121 to 180 days	**12,895**	10,965
More than 180 days	**9,638**	6,457
	83,810	81,690

Included in the Group's accounts receivables balance are debtors with an aggregate carrying amount of approximately HK$24,978,000 (2009: HK$35,100,000) which were past due at the reporting date but for which the Group has not provided for impairment loss. Management has assessed 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 102 days (2009: 105 days).

19. ACCOUNTS RECEIVABLES *(cont'd)*

Ageing of accounts receivables which were past due but not impaired

	2010 HK$'000	2009 HK$'000
31 to 60 days	**713**	5,295
61 to 90 days	**401**	5,504
91 to 120 days	**3,418**	6,879
121 to 180 days	**11,619**	10,965
More than 180 days	**8,827**	6,457
	24,978	35,100

Movement in allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
At beginning of the year	**21,899**	23,023
Impairment loss recognised on receivables	**1,103**	2,212
Amounts written off as uncollectible	**(8)**	(1,993)
Reversal of impairment loss during the year	**(291)**	(1,343)
Exchange realignment	**(93)**	–
At end of the year	**22,610**	21,899

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:

	2010 HK$'000	2009 HK$'000
United States dollars ("USD")	**60,278**	58,245
Euro ("EUR")	**2,487**	2,026
Australian dollars ("AUD")	**1,369**	182
Pound sterling ("GBP")	**1,103**	2,442

20. BANK BALANCES

Bank balances carry interest at market rates which range from 0.01% to 3.19% (2009: 0.004% to 1.35%) 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:

	2010	2009
	HK$'000	*HK$'000*
USD	**20,618**	39,536
EUR	**4**	480
AUD	**1**	262
GBP	**6**	1,083

21. ACCOUNTS PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**15,651**	19,577
31 to 60 days	**8,795**	6,365
61 to 90 days	**5,647**	6,619
91 to 120 days	**5,059**	6,787
More than 120 days	**4,301**	3,578
	39,453	42,926

22. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

23. 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.

	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	466	2,277
Exchange realignment	12	–
Additions	210	363
Recognised as revenue during the year	(23)	(2,174)
At end of the year	665	466
Less: Amount to be recognised within one year shown under current liabilities	(24)	(16)
	641	450

24. BANK BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Bank loans		
Secured	46,020	31,920
Unsecured	45,795	36,620
	91,815	68,540

All of the Group's bank loans carry interest rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a fixed margin or Prime Rates, determined by The Hongkong and Shanghai Banking Corporation Limited and Bank of China (Hong Kong) Limited, plus a fixed margin, except that a pledged bank loan of HK$23,600,000, which carries fixed-rate interest at 5.85% (2009: 5.85%) per annum and a pledged bank loan of HK$22,420,000, which carries interest rate at Benchmark Interest Rate of Loans, determined by The People's Bank of China, plus a fixed margin.

24. BANK BORROWINGS *(cont'd)*

As at 31st December, 2010, property, plant and equipment with carrying amount of approximately HK$23,972,000 was pledged to secure bank borrowings. The effective interest rates of all of the Group's bank borrowings range from 1.15% to 5.85% (2009: 0.75% to 6.50%) per annum.

	2010	2009
	HK$'000	*HK$'000*
Carrying amount repayable *(note)*:		
Within one year	**54,075**	36,920
More than one year but not exceeding two years	**4,720**	–
More than two years but not exceeding five years	**12,980**	–
	71,775	36,920
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**–**	31,620
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**20,040**	–
	91,815	68,540
Less: Amounts shown under current liabilities	**(74,115)**	(68,540)
Amounts shown under non-current liabilities	**17,700**	–

note:

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

25. 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 both years ended 31st December, 2009 and 2010 is set out below:

	HK$'000
At 1st January, 2009	16,710
Interest charge *(note 8)*	457
Interest paid	(370)
Loss on early redemption *(note 8)*	2,603
Repayment	(19,400)
At 31st December, 2009 and 2010	–

26. 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"). CN June 2007 and CN Aug 2009 were issued to Chuang's Consortium International Limited ("CCIL"), which is a substantial shareholder of the Company, and CN Sept 2007 was issued to Great Income Profits Limited, which is also a substantial shareholder of the Company.

26. CONVERTIBLE NOTES *(cont'd)*

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

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

(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.

26. 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%.

26. 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 on any business day and prior to five business days before the maturity date into ordinary shares of the Company at a conversion price of HK$0.25 per share. Any unconverted balance of HK$50,000,000 and the balance of HK$20,000,000 which cannot 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 was determined using an effective interest rate of 14.86%.

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 represented 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.

26. 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 *HK$'000*	CN Sept 2007 *HK$'000*	CN Aug 2009 *HK$'000*	Total *HK$'000*
Carrying amount at 1st January, 2009	14,397	91,421	–	105,818
Conversion during the year *(note i)*	–	(20,000)	–	(20,000)
Interest charge *(note 8)*	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				
– on 1st June, 2009	–	70,678	–	70,678
– on 3rd August, 2009	–	37,365	–	37,365
Carrying amount at 31st December, 2009	15,103	39,662	33,996	88,761
Conversion during the year *(note ii)*	–	(5,003)	(5,277)	(10,280)
Interest charge *(note 8)*	1,074	5,584	4,676	11,334
Interest paid	(250)	(703)	(590)	(1,543)
Carrying amount at 31st December, 2010	15,927	39,540	32,805	88,272
Principal amount at 31st December, 2010	16,650	61,750	51,250	129,650
31st December, 2009	16,650	70,000	60,000	146,650

26. CONVERTIBLE NOTES *(cont'd)*

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

Classified as:

	2010	2009
	HK$'000	*HK$'000*
Current liabilities	**15,927**	–
Non-current liabilities	**72,345**	88,761
	88,272	88,761

notes:

(i) 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.

(ii) During the year ended 31st December, 2010, principal amounts of HK$8,750,000 of CN Aug 2009 and HK$8,250,000 of CN Sept 2007 were converted into 35,000,000 ordinary shares of HK$0.10 each and 33,000,000 ordinary shares of HK$0.10 each respectively.

27. DEFERRED TAX

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

	Tax losses	Accelerated tax depreciation	Fair value adjustment on business combination: Property, plant and equipment	Fair value adjustment on business combination: Cemetery assets	Fair value adjustment on business combination: Cemetery assets held for sale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January, 2009	(2,062)	2,887	497	106,345	19,406	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)	104,161	19,406	123,635
Charge (credit) to profit or loss	1,882	–	395	(1,897)	(1,642)	(1,262)
Balance at 31st December, 2010	–	2,345	–	102,264	17,764	122,373

At 31st December, 2009, the Group had unused tax losses of HK$112.7 million available for offsetting against future profits. A deferred tax asset of approximately HK$1.9 million had been recognised in respect of such losses of HK$11.4 million. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$101.3 million due to the unpredictability of future profit streams.

At 31st December, 2010, the Group had unused tax losses of HK$151.1 million available for offsetting against future profits. No deferred tax asset has been recognised in respect of all of the unused tax losses due to the unpredictability of future profit streams. All tax losses can be carried forward indefinitely.

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2009	2,000,000	200,000
Increase on 29th July, 2009 *(note)*	1,000,000	100,000
Balance at 31st December, 2009 and 2010	3,000,000	300,000
Preference shares of HK$0.01 each		
Series A Preference Shares		
Balance at 1st January, 2009, 31st December, 2009 and 2010	1,000,000	10,000
Series B Preference Shares		
Balance at 1st January, 2009, 31st December, 2009 and 2010	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, 2009	945,514	94,551
Issue of shares upon conversion and modification of convertible notes *(note 26)*	90,090	9,009
Balance at 31st December, 2009	1,035,604	103,560
Issue of shares upon conversion of convertible notes *(note 26)*	68,000	6,800
Balance at 31st December, 2010	1,103,604	110,360

note:

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.

29. 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; and (iii) the nominal value of the Company's ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued ordinary share capital of the Company at any point in time, without prior approval from the Company's shareholders. The maximum number of ordinary shares in respect of which options may be granted under the 2001 Scheme shall not exceed 10% of the issued ordinary share capital of the Company from time to time.

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

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

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings and convertible notes disclosed in notes 24 and 26, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

Bank borrowings amounting to HK$21,795,000 at 31st December, 2010 (2009: HK$31,620,000) 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 were classified as current liabilities. At 31st December, 2010, all of these financial ratio covenants were met by the Group.

31. FINANCIAL INSTRUMENTS

31i. Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**197,016**	208,731
Financial liabilities		
Amortised cost	**231,494**	202,781

31ii. Financial risk management objectives and policies

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 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.

31. FINANCIAL INSTRUMENTS *(cont'd)*

31ii. Financial risk management objectives and policies *(cont'd)*

Market risk

(a) Currency risk

The Group takes into consideration exchange rate fluctuations to determine the selling prices of the products of the printing segment based on Hong Kong dollars, the functional currency of the group entity making the sales. The sales of printed products are invoiced mainly in USD, EUR, AUD and GBP. The Group has foreign currency sales, purchases, trade receivables and bank balances, which expose the Group to market risk arising from changes in foreign exchange rates. 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.

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:

	2010	2009
	HK$'000	*HK$'000*
USD	**80,896**	97,781
EUR	**2,491**	2,506
AUD	**1,370**	444
GBP	**1,109**	3,525

31. FINANCIAL INSTRUMENTS *(cont'd)*

31ii. Financial risk management objectives and policies *(cont'd)*

Market risk (cont'd)

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in Hong Kong dollars against EUR and AUD, 5% increase and decrease in Hong Kong dollars against GBP and 1% increase and decrease in Hong Kong dollars against USD. 10%, 5% or 1% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent 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 end of the reporting period for a 10%, 5% or 1% change in relevant foreign currency rates. A 10%, 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 10%, 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.

	Increase in post-tax loss	
	2010	2009
	HK$'000	*HK$'000*
USD	**675**	978
EUR	**208**	125
AUD	**142**	4
GBP	**46**	176

31. FINANCIAL INSTRUMENTS *(cont'd)*

31ii. Financial risk management objectives and policies *(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 24 for details of these borrowings) and fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24) and fixed-rate convertible notes (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, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period 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, 2010 would increase/decrease by HK$682,000 (2009: HK$685,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

31. FINANCIAL INSTRUMENTS *(cont'd)*

31ii. Financial risk management objectives and policies *(cont'd)*

Credit risk

As at 31st December, 2010, 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, 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 has purchased a credit insurance from Export Credit Insurance Corporation on certain overseas sales to compensate for losses from debts that are not collectible. 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.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. 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. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. 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.

31. FINANCIAL INSTRUMENTS *(cont'd)*

31ii. Financial risk management objectives and policies *(cont'd)*

Liquidity risk (cont'd)

Liquidity and interest risk tables

	Contractual weighted average interest rate	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3 months to 1 year *HK$'000*	1–5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2010							
Non-derivative financial liabilities							
Trade and other payables	**–**	**24,902**	**10,694**	**14,445**	**–**	**50,041**	**50,041**
Amount due to a minority shareholder	**–**	**1,366**	**–**	**–**	**–**	**1,366**	**1,366**
Bank loans	**4.6%**	**45,795**	**2,790**	**27,795**	**20,860**	**97,240**	**91,815**
Convertible notes	**1.3%**	**–**	**–**	**16,046**	**75,645**	**91,691**	**88,272**
		72,063	**13,484**	**58,286**	**96,505**	**240,338**	**231,494**
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	1.3%	–	–	1,550	107,752	109,302	88,761
		90,880	12,983	11,916	107,752	223,531	202,781

Bank loans with a repayment on demand clause are included in the "On demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$45,795,000. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid in more than one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$22,010,000.

31. FINANCIAL INSTRUMENTS *(cont'd)*

31ii. Financial risk management objectives and policies *(cont'd)*

Liquidity risk (cont'd)

Liquidity and interest risk tables *(cont'd)*

At 31st December, 2009, bank borrowings amounted to approximately HK$31,620,000 are included in the "On demand or less than 1 month" time band because the Group had breached the loan covenants and the bank had the rights to demand immediate repayment.

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.

31iii. 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.

32. CAPITAL COMMITMENTS

At 31st December, 2010, the Group had commitments of approximately HK$263,000 (2009: 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.

33. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**2,517**	5,909
In the second to fifth years inclusive	**1,677**	3,266
	4,194	9,175

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

34. 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$1,039,000 (2009: HK$1,149,000) represents contributions payable to the defined contribution plans by the Group.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

CCIL is a substantial shareholder of the Company.

During the year, the Group had transactions with CCIL as follows:

	2010	2009
	HK$'000	*HK$'000*
Subscription of convertible notes by CCIL of CN Aug 2009	**–**	60,000

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 11 and 26 respectively.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 *HK$'000*	2009 *HK$'000*
ASSETS AND LIABILITIES		
ASSETS		
Investment in a subsidiary	**92,963**	92,963
Amount due from a subsidiary	**404,737**	569,510
Other receivables	**219**	259
Bank balances and cash	**59,275**	61,583
	557,194	724,315
LIABILITIES		
Other payables	**574**	558
Convertible notes – due within one year	**15,927**	–
Convertible notes – due after one year	**72,345**	88,761
	88,846	89,319
NET ASSETS	**468,348**	634,996
CAPITAL AND RESERVES		
Share capital	**110,360**	103,560
Reserves	**357,988**	531,436
	468,348	634,996

37. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2009 and 2010 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 printed products
廣東省博羅縣圓州勤達印務有限公司 Guangdong Buluo Yuanzhou Midas Printing Limited	The PRC *(note ii)*	US$12,503,119	100%	Manufacturing and trading of printed products
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%	Investment holding
Fortune Wealth Memorial Park Limited ("Fortune Wealth")	Hong Kong	HK$10,000 ordinary shares	87.5%	Investment holding and trading of cemetery
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 trading of cemetery and provision of related management services in the PRC

37. 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,				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**293,584**	299,573	510,504	705,443	737,858
(LOSS) PROFIT BEFORE TAXATION	**(76,100)**	(48,203)	(122,150)	(24,470)	25,122
INCOME TAX CREDIT (EXPENSES)	**499**	2,948	3,362	(4,019)	(7,492)
(LOSS) PROFIT FOR THE YEAR	**(75,601)**	(45,255)	(118,788)	(28,489)	17,630
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(73,896)**	(43,394)	(115,823)	(28,328)	17,630
NON-CONTROLLING INTERESTS	**(1,705)**	(1,861)	(2,965)	(161)	–
(LOSS) PROFIT FOR THE YEAR	**(75,601)**	(45,255)	(118,788)	(28,489)	17,630

ASSETS AND LIABILITIES

	At 31st December,				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**924,502**	962,715	1,023,610	1,211,086	846,903
TOTAL LIABILITIES	**(394,316)**	(368,096)	(455,250)	(598,715)	(367,519)
NET ASSETS	**530,186**	594,619	568,360	612,371	479,384
ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**468,348**	531,193	503,073	538,207	479,384
NON-CONTROLLING INTERESTS	**61,838**	63,426	65,287	74,164	–
TOTAL EQUITY	**530,186**	594,619	568,360	612,371	479,384

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 Thursday, 30th June, 2011 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, 2010.

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."

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

Hong Kong, 19th April, 2011

notes:

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

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

(3) An explanatory statement containing further details regarding the resolutions set out in items 2 and 4 will be sent to shareholders together with the annual report for the year ended 31st December, 2010.