MIDAS

Midas International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2003

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. CHAN Sheung Chiu *(Chairman)*
Mr. KWONG Tin Lap *(Managing Director)*
Mr. KWOK Chi Fai
(Deputy Managing Director)
Ms. LI Mee Sum, Ann
Mr. TANG Chow Ming, Paul

Non-Executive Director
Mr. LEE Sai Wai

Independent Non-Executive Directors
Mr. Dominic LAI
Mr. SHEK Lai Him, Abraham

AUDIT COMMITTEE

Mr. Dominic LAI
Mr. SHEK Lai Him, Abraham

COMPANY SECRETARY

Ms. LEE Wai Ching, Winky

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, 100 Texaco Road
Tsuen Wan
New Territories
Hong Kong
Website: http://www.midasprinting.com

STOCK CODE

1172

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
PO Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

REGISTRARS

Principal Registrar
Bank of Bermuda (Cayman) Limited
PO Box 513 G.T.
36C Bermuda House, 3rd Floor
British American Centre
George Town
Grand Cayman
Cayman Islands
British West Indies

Registrar in Hong Kong
Computershare Hong Kong Investor Services Limited
Rm. 1901-1905 Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited

EXECUTIVE DIRECTORS

Mr. CHAN Sheung Chiu, aged 65, the Chairman of the Group, is responsible for the formulation and development of the Group's corporate policies and business strategies. He has over 29 years of experience in general management in the manufacturing industry and trade and real estate business in the People's Republic of China (the "PRC"). Mr. CHAN is the Deputy Chairman of Chuang's China Investments Limited ("Chuang's China"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a director of the Chinese Manufacturers' Association of Hong Kong, the Fukien Chamber of Commerce, the Fukien Chamber of Commerce Education Fund Limited and the General Association of Xiamen (Hong Kong). He is also the registered manager of Fukien Secondary School, Fukien Secondary School (Siu Sai Wan), Fukien Middle School (North Point) and Fukien Education Centre (Evening). He is a brother-in-law of Mr. LEE Sai Wai and Mr. CHUANG Shaw Swee, Alan. He joined the Group in 2000.

Mr. KWONG Tin Lap, aged 39, the Managing Director of the Group, is responsible for the overall management of the Group, and in particular the development of the book printing business. He has over 17 years of experience in finance and general management. He holds a Master degree in Information System. Mr. KWONG is a Non-Executive Director of Chuang's Consortium International Limited, a company listed on the Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He joined the Group in 2000.

Mr. KWOK Chi Fai, aged 42, the Deputy Managing Director of the Group, is responsible for the development of the paper products printing business besides the finance and accounting functions of the Group. He has over 20 years of experience in finance and general management. He holds a Master degree in Business Administration. Mr. KWOK is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Society of Accountants and a Certified Management Accountant of Canada. He joined the Group in 2001.

Ms. LI Mee Sum, Ann, aged 43, joined the Group in 2000. She has over 18 years of experience in finance and investment banking. Ms. LI is the Managing Director of Chuang's China, a company listed on the Stock Exchange. She holds a Master degree in Business Administration and is a fellow member of the Hong Kong Society of Accountants and an associate member of the Chartered Institute of Management Accountants and a member of the Hong Kong Securities Institute.

Mr. TANG Chow Ming, Paul, aged 56, is responsible for the formulation and implementation of the Group's book printing sales and marketing strategies, joined the Group in 2001. He has extensive experience in business development and sales management in the manufacturing industry.

NON-EXECUTIVE DIRECTORS

Mr. LEE Sai Wai, aged 67, was appointed as a Non-Executive Director of the Company in 2000. He has over 18 years of experience in the manufacturing and property sectors. Mr. LEE is an Executive Director of Chuang's China, a company listed on the Stock Exchange, Vice President of the Hong Kong Sichuan Friendship Association Company Limited and a director of the Hong Kong Factory Owners Association. He is a graduate of Shanghai Fudan University. He is a brother-in-law of Mr. CHAN Sheung Chiu and Mr. CHUANG Shaw Swee, Alan.

Mr. Dominic LAI, aged 57, was appointed as an Independent Non-Executive Director of the Company in 2000. He is a practising solicitor in Hong Kong and a senior partner in the Hong Kong law firm of IU, LAI & LI. He is admitted as a solicitor in England and Wales, the Republic of Singapore and the States for New South Wales and Victoria, Australia. Mr. LAI is also a Non-Executive Director of several public companies listed on the Stock Exchange.

Mr. SHEK Lai Him, Abraham, J.P. aged 58, was appointed as an Independent Non-Executive Director of the Company in 2001. He is an Independent Non-Executive Director and Audit Committee Member of Paliburg Holdings Limited. He holds a Bachelor Degree of Arts. Mr. SHEK is currently a member of the Legislative Council for the HKSAR and a member of the Managing Board of Kowloon-Canton Railway Corporation. He had also been the Chief Executive of the Land Development Corporation.

CONSULTANTS

Mr. CHUANG Shaw Swee, Alan, aged 52, has acted as a consultant of the Group since 2002. He is the Chairman of Chuang's Consortium International Limited, a company listed on the Stock Exchange. He has extensive experience in property development and investment in Hong Kong, the People's Republic of China and Southeast Asia. With his substantial connections, he has been actively involved in development and management of investments in Hong Kong and Southeast Asia. He was an Adviser of Hong Kong Affairs and a member of the Selection Committee for the Government of the Hong Kong Special Administrative Region. He is a member of the National Committee of The Chinese People's Political Consultative Conference, a member of All-China Federation of Returned Overseas Chinese, a member of China Overseas Friendship Association, a standing member of The Chinese People's Political Consultative Conference, Fujian Provincial Committee and The Chinese People's Political Consultative Conference, Xiamen Committee, an economic adviser to Chengdu, Sichuan, an Honorary Citizen of Xiamen City, Guangzhou City and Chia-Yi, Taiwan and a director of the Board of Trustees of Jimei University, Xiamen City. He is also the Vice President of the Hong Kong Factory Owners Association, the Life Honorary President and the Vice Director of the General Association of Xiamen (Hong Kong) Limited, the Permanent President of Hong Kong Hui An Natives Association, the Life Honorary President of Chuang & Yen Clansmen's General Association and a director of The Hong Kong Christian Mutual Improvement Society, the Hong Kong Christian Home for the Aged Limited and the Hong Kong Digestive Foundation Limited. He is also the brother-in-law of Mr. CHAN Sheung Chiu and Mr. LEE Sai Wai.

Mr. CHAN Man Chun, aged 83, graduated from the South-West Associated University, the PRC, joined the Group in 1995 as a consultant. He was formerly the Managing Director of a major local paper trading company.

SENIOR MANAGEMENT

Mr. CHAN Chin Wah, Edward, aged 47, is the Managing Director of Midas Printing (Asia) Limited. He has over 27 years of experience in book production and export sales gained with overseas international publishing companies. Mr. CHAN joined the Group in 1999.

Mr. CHEUNG Yiu Ming, William, aged 51, is the General Manager of Yuanzhou Plant. He joined the Group in 1996 and has over 34 years of experience in the printing industry.

Mr. LAM Wai Man, aged 44, is the General Manager of Dongguan Plant. He has over 24 years of related experience in the printing field. Mr. LAM joined the Group in 1999.

Mr. HUI Wai Wu, Sam, aged 45, is the Operation Manager of the Group. He joined the Group in 2003 and has over 25 years of experience in the printing industry.

Notice is hereby given that the Annual General Meeting of the Company will be held at 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Friday, 21st May, 2004 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the directors' report and auditors' report for the year ended 31st December, 2003.

2. To declare a final dividend.

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

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

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

A. "**THAT**:

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

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

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

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

B. "**THAT**:

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

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

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

(d) for the purpose of this Resolution,

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

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

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

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

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

C. "**THAT**:

conditional upon the resolution set out in paragraph A of item 5 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 5 in the notice convening this meeting."

6. To consider and, if though fit, pass the following resolution as a special resolution:

"**THAT** the Articles of Association of the Company be and are hereby amended as follows:

(a) by adding the following new definition immediately after the definition of "these Articles" in Article 2:

'"associate" shall have the meaning attributed to it in the rules of the Exchange;';

(b) by deleting the definition of "recognised clearing house" in Article 2 in its entirety (except the margin note thereof) and substituting therefor the following new definition:

'"recognised clearing house" shall have the meaning ascribed thereto in the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted with the permission of the Company on a stock exchange in such jurisdiction';

(c) by re-numbering sub-paragraph (b) of Article 89 as sub-paragraph (c) and adding the following new sub-paragraph (b) of Article 89 immediately before that:

'(b) Where any member is, under the rules of the Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.';

(d) by inserting the words "be deemed to have been duly authorised without further evidence of the fact and" between "shall" and "be" in ninth line in sub-paragraph (b) of Article 96;

(e) by deleting sub-paragraph (c) of Article 107 in its entirety (except the margin note thereof) and substituting therefor the following new sub-paragraph:

'(c) A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation thereto) any resolution of the Board approving any contract or arrangement or any other proposal whatsoever in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving of any security or indemnity either:

(aa) to the Director or his associate(s) in respect of money lent or obligations incurred by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in the shares of that company, provided that, he together with any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is/are derived) or of the voting rights;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which he or his associates may benefit; or

(bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures of other securities of the Company.';

(f) by deleting sub-paragraph (e) of Article 107 in its entirety (except the margin note thereof) and substituting therefor the following new sub-paragraph:

'(e) If any question shall arise at any meeting of the Board as to the materiality of a Director's interest or that of his associate(s) or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting (or, where question relates to the interest of the Chairman or that of his associate(s) to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to any other Director (or, as appropriate, the Chairman) shall be final and conclusive except in a case where the nature or extent of the interests of the Director and/or his associate(s) concerned (or, as appropriate, the Chairman and/or his associate(s) as known to such Director (or, as appropriate, the Chairman) has not been fairly disclosed to the Board.';

(g) by deleting sub-paragraph (f) of Article 107 in its entirety; and

(h) by deleting Article 120 in its entirety (except the margin note thereof) and substituting therefor the following new Article:

'120. No person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected and the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.'"

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

Hong Kong, 19th April, 2004

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) The register of members of the Company will be closed from 18th May, 2004 (Tuesday) to 20th May, 2004 (Thursday), both days inclusive, during which period no transfer of Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on 17th May, 2004 (Monday).

(4) An explanatory statement containing further details regarding the resolutions set out in items 5 and 6 will be sent to shareholders together with the annual report for the year ended 31st December, 2003.

FINANCIAL RESULTS

The Directors are pleased to announce that the audited profit attributable to shareholders of the Group for the year ended 31st December, 2003 amounted to HK$52,362,000 (2002: HK$49,772,000). Earnings per ordinary share were HK10.5 cents (2002: HK11.4 cents).

DIVIDENDS

The Directors propose to declare a final dividend of HK3.0 cents (2002: HK2.8 cents) per ordinary share payable on or before 3rd June, 2004 to ordinary shareholders whose names appear on the Company's register of members on 20th May, 2004. An interim dividend of HK1.0 cent per ordinary share and a special dividend of HK1.2 cents (2002: nil) per ordinary share had been paid during the financial year. Therefore, total dividends per ordinary share amount to HK5.2 cents, representing an increase of 86% over last year.

MANAGEMENT DISCUSSION ON RESULTS

Year 2003 was a challenging year for the Group. For the year ended 31st December, 2003, the Group achieved a satisfactory growth of 18% in turnover from HK$574,090,000 to HK$675,237,000. It was principally attributable to the growth of our export sales in book printing and paper products printing businesses.

During the year under review, gross profit increased by 17% to HK$205,380,000 (2002: HK$175,213,000). However, the Group incurred an increase of 17% in administrative and operating expenses to HK$135,010,000 (2002: HK$115,645,000). Such increase was mainly resulted from the significant rise in global freight charges in the shipping industry, as well as additional operating costs for the new processing plant in the PRC. Furthermore, the relocation of the Tsuen Wan plant in May 2003 gave rise to certain one-off relocation expenditures which included severance payment of approximately HK$2 million. Nevertheless, profit before tax increased by 15% to HK$59,673,000 (2002: HK$51,850,000). Taxation expenses increased as a result of the increase in Hong Kong Profits Tax rate during the year as well as absence of overprovision written back in previous years. Therefore, net profit increased by 5% to HK$52,362,000 (2002: HK$49,772,000). Earnings before interest, tax, depreciation and amortisation increased by about 14% to HK$99,336,000 (2002: HK$87,306,000).

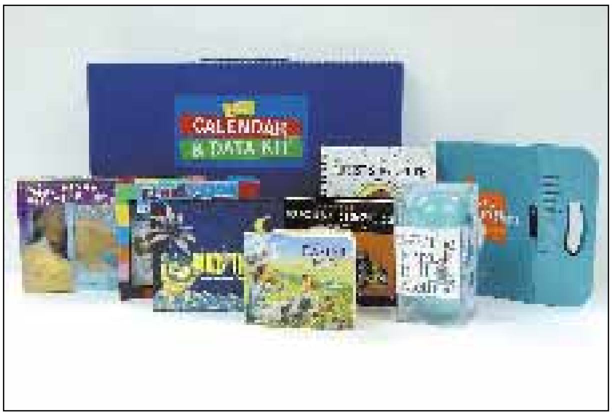
BUSINESS REVIEW

a) Printing Businesses

The Group's printing businesses focus on two growing market segments: book printing and paper products printing.

(1) *Book Printing*

The Group is one of the leading book printing solution providers and exporters in Asia. Our major customers of book printing are the global publishers in the world. To expand client base, the Group had tactically explored the markets in mainland China, the United States and certain European countries, which resulted in a 13% growth in our book printing turnover during the year.



The Group develops book-plus product lines

Excellent awards in local and international printing competitions, including the Benny Award

2003 was a fruitful year for the Group in major printing competitions. The Group won a total of 22 awards in local and international printing competitions. Of which, 15 awards were awarded by the Printing Industries of America (PIA) including a Benny award and 7 awards in the Hong Kong Print Award including two championship awards.

(i) Yuanzhou Plant

To fulfill the growing demand for book printing from existing customers and prospective customers, the expansion of book printing facilities of the Yuanzhou plant was completed in the second quarter of 2003. Capital expenditures for book printing division in respect of plant, machineries

8-color Press in Yuanzhou Plant

and printing equipment amounted to HK$33 million. It included the extension of the Yuanzhou plant from a gross floor area of 260,000 sq. ft. to 410,000 sq. ft., and the installation of a new 8-color perfector. As a result, the Group's book printing capacity had substantially increased in printing, binding and hand-assembly capacity.

The new phase of Yuanzhou Plant

(ii) Processing plant in Dongguan

In May 2003, the Group set up a processing plant in Dongguan which is equipped with the machineries and facilities relocated from the Tsuen Wan plant. The processing plant is mainly to support book printing. During the first few months of its operation, this processing plant was not performing at the Group's expectation, and its operating efficiency was not satisfactory. In light of this, the Group implemented a series of measures, including the strengthening of operation and production flow and realignment of the operational team. As a result, performance of the processing plant has gradually been improved. With full production of this processing plant, it provides the Group with an additional 40% printing capacity to support the Yuanzhou Plant.

(2) Paper Products Printing

With a proactive strategy in sales and marketing, the Group had developed new business network in the overseas market for paper products and packaging

Snapshots of Paper Products

printing. Besides, with the growth in local PRC market, the Group had accomplished a 19% growth in the paper products printing sales for the year under review.

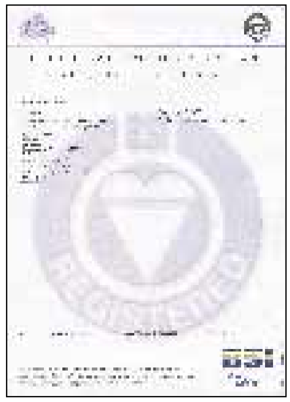
The Group had consistently implemented its diversification strategy in product mix. Paper products printing includes packaging products, commercial printing products, greeting cards, premium gift products and stationery items. To provide value-added services, the Group had promoted a series of generic paper product designs and concepts and were widely appraised by customers.

Integrated Management System (IMS) Certificate

ISO 14001 Certificate

During the year under review, the Group invested about HK$40 million in machineries and printing equipment, including the installation of a 6-color full size printing press, paper corrugator and other ancillary post-press facilities in the Dongguan plant, which had greatly increased its printing capability and competitiveness. With the accreditation of the Integrated Management System Certificate (IMSC) in 2003, the Dongguan plant became one of the first printing factories in Asia that complied with quality, environmental management, occupational health and safety management systems.

OHSAS 18001 Certificate



ISO 9001 Certificate

b) Property Division

The property division generated a stable rental income throughout the year. The Group's property interests have a total floor area of 920,500 sq. ft. which comprises Chuang's Garden, Lambda Building, and Yuen Sang Building in Huiyang, the PRC, and 51% interests in a commercial podium and basement of Chengdu Chuang's Centre in Sichuan, the PRC. During the year under review, rental income amounted to HK$15 million.

Chengdu Chuang's Centre, Chengdu, Sichuan

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2003, the Group's bank balances and cash amounted to HK$169 million (2002: HK$182 million) while bank borrowings and obligations under finance leases amounted to HK$118 million (2002: HK$87 million), of which HK$71 million (2002: HK$39 million) are due from the second to fifth year. Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of about HK$51 million (2002: HK$95 million) over bank borrowings and obligations under finance leases.

Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars, U.S. dollars and Renminbi, risk in exchange rate fluctuation would not be material. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC. At the balance sheet date, certain assets of the Group with net book value of HK$106 million (2002: HK$109 million) had been pledged to secure borrowings granted to the Group.

During the year under review, the Group redeemed 83,333,333 Series B preference shares of the Company at HK$0.60 each, totalling HK$50 million. Furthermore, Chuang's China Investments Limited exercised its rights to convert all the remaining 72 million Series A preference shares of the Company into 144,000,000 ordinary shares of the Company. Subsequent to 31st December, 2003, the Group redeemed 83,333,332 Series B preference shares of the Company at HK$0.60 each, totalling HK$50 million. Accordingly, as at the date hereof, the Group has only in issue HK$98.5 million of Series B preference shares.

PROSPECTS

Business environment for printing business in 2004 continues to be positive, as the export trend to overseas market is still strong and the domestic growth rate in the PRC is high. Therefore, the Group believes there will have enormous business opportunities for printing business in both domestic market of the PRC and the export markets in the America, Europe and

The Group participated in 2003 International Book Fair, Frankfurt

Australasia. In this respect, the Group will continue its marketing efforts to develop new customers and expand our product range, and recruit additional sales and marketing personnel overseas. In 2004, the Group will actively participate in several international trade fairs and exhibitions, namely the Book Expo of America, the Bologna Children's Book Fair, the Beijing International Book Fair, the Frankfurt Book Fair, the Frankfurt Paper World 2004 and the Total Processing and Packaging Fair.

The Group shall implement proactive pricing strategy to increase its sales volume, gross profit and market share for both book printing and paper products printing businesses. Increasing paper prices is an important factor affecting the total cost of the Group. To minimize the effect of such unfavorable factor relating to the soar of paper prices, the Group will apply control measures such as maintaining a stable paper cost through strategic procurement and effective forecast measures. To mitigate the adverse effect of increase in administrative and operating expenses, the Group will improve its logistics arrangement in order to curtail the rise in freight charges. In addition, the Group will implement a stringent production, operations and management control procedure in the production plants in the PRC, in particular to improve the operating efficiency of the processing plant in Dongguan, so as to maintain an efficient production system and to achieve an effective cost control.

In providing the "Total Printing Solution" services, the Group will continue to invest strategically in new technology, staff training, high quality equipment and facilities to take better advantage of economic recovery, so as to maintain our strategic niche in the printing industry. In 2004, the Group invested in two new 5-colour printing presses and has installed an additional binding facility. On top of this, the Group will actively implement further capital expenditure plan to enhance its printing capacity and capability. As for prepress facilities, computer-to-plate is now becoming more sophisticated. The Group will monitor the development of technology and market requirements in order to keep upgrading its prepress capabilities.

CLOSING OF REGISTER

The register of members will be closed from Tuesday, 18th May, 2004 to Thursday, 20th May, 2004, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 17th May, 2004.

STAFF

As at 31st December, 2003, the Group, including its subcontracting processing plant, employed approximately 2,750 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 of directors, I would like to express my heartfelt thanks to all management and staff for their dedicted contribution. With the support of my colleagues, I am confident that we can look ahead and continue to maximize our resources to bringing greatest reward to our shareholders.

Chan Sheung Chiu
Chairman

Hong Kong, 25th March, 2004

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 33 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2003 are set out in the consolidated income statement on page 27 of the annual report and in the accompanying notes to the financial statements.

A semi-annual preference share dividend calculated on a daily basis amounting to HK$3,801,000 has been paid to the preference shareholders for the year ended 31st December, 2003.

During the year, the holder of Series A preference shares agreed with the Company to waive the dividend payable on Series A preference shares for the period from 1st January, 2003 to 30th June, 2003.

An interim dividend of HK1.0 cent per share amounting to HK$5,343,000 and a special dividend of HK1.2 cents per share amounting to HK$4,684,000 were paid to the ordinary shareholders during the year.

The directors now recommend the payment of a final dividend of HK3.0 cents per share to the ordinary shareholders whose names appear on the Company's register of members on 20th May, 2004, amounting to approximately HK$16,029,000 for the year ended 31st December, 2003.

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 73 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 13% and 32% respectively of the Group's total purchases for the year.

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

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

INVESTMENT PROPERTIES

At 31st December, 2003, the investment properties of the Group were revalued by a firm of independent professional valuers on an open market value basis at HK$382,700,000. There was no surplus or deficit arising on the revaluation.

Details of the investment properties of the Group are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$75 million in aggregate on factory premises and other equipment 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 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 25 and 26 respectively to the financial statements.

RESERVES

In addition to the retained profits of the Company, the ordinary share premium, other reserve and the contributed surplus accounts of the Company are also available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders at 31st December, 2003 amounted to approximately HK$257,988,000.

Detail of movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 31 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. CHAN Sheung Chiu *(Chairman)*
Mr. KWONG Tin Lap *(Managing Director)*
Mr. KWOK Chi Fai *(Deputy Managing Director)*
Ms. LI Mee Sum, Ann
Mr. TANG Chow Ming, Paul

Non-executive director:

Mr. LEE Sai Wai

Independent non-executive directors:

Mr. Dominic LAI
Mr. SHEK Lai Him, Abraham

In accordance with article 116 of the Company's Articles of Association, Mr. Dominic LAI and Mr. KWOK Chi Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

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

At 31st December, 2003, 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 (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of issued ordinary shares of the Company held	Capacity	Approximate percentage of issued ordinary share capital of the Company
Mr. SHEK Lai Him, Abraham	10,000	Beneficial owner	0.002%

Other than as disclosed above, none of the directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2003.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 26 to the 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.

CONNECTED/RELATED PARTY TRANSACTIONS

In previous years, the Group made advances in proportion to the Group's equity interests to its 51% owned subsidiary, Chengdu Chuang's Centre Development Company Limited, for working capital purposes. At the balance sheet date, the advance amounted to approximately HK$56,842,000. The advance is unsecured and has no fixed repayment term. A portion of the advance is interest free and the rest bears interest at approximately 0.57% per month.

CONNECTED/RELATED PARTY TRANSACTIONS *(cont'd)*

Details of other connected/related party transactions entered into by the Group during the year are set out in notes 8, 21 and 31 respectively to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that other than the interests disclosed above in respect of a director, the following persons had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company.

Name of Shareholder	Number of issued ordinary shares of the Company held	Capacity
Gold Throne Finance Limited ("Gold Throne")	228,000,000 *(note 1)*	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	228,000,000 *(note 1)*	*(note 2)*
Profit Stability Investments Limited ("PSI")	228,000,000 *(note 1)*	*(note 2)*
Chuang's Consortium International Limited ("CCIL")	228,000,000 *(note 1)*	*(note 2)*
Value Partners Limited ("VPL")	33,604,000 *(note 3)*	Investment manager
Cheah Cheng Hye ("Mr. Cheah")	33,604,000 *(note 3)*	*(note 4)*

Notes:

1. Such interests represented approximately 42.67% of the issued ordinary share capital.

2. Such interests arose through the interests in the relevant shares owned by Gold Throne, a wholly owned subsidiary of Chuang's China in which CCIL is entitled to exercise or control the exercise of one third or more of voting power in general meetings through its wholly owned subsidiary, PSI. As at 31st December, 2003, CCIL held approximately 60.0% shareholding interests in Chuang's China.

3. Such interests represented approximately 6.29% of the issued ordinary share capital.

4. Such interests arose through the interests in the relevant shares owned by VPL, a funds management company, in which Mr. Cheah held approximately 31.82% shareholding interests in VPL.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31st December, 2003.

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 PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE ("LISTING RULES")

During the year, the Group has accepted certain banking facilities with an aggregate amount of HK$85.5 million (the "Banking Facilities"), which required Chuang's China and Mr. CHUANG Shaw Swee, Alan to remain as the combined single largest shareholder of the Company at all times during the subsistence of the Banking Facilities.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

An audit committee has been established by the Company since 1999 to review and supervise the Company's financial reporting process and internal controls. The current members of the Audit Committee are the two independent non-executive directors, Messrs. Dominic LAI and SHEK Lai Him, Abraham.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 32 to the financial statements.

AUDITORS

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

On behalf of the Board of
Midas International Holdings Limited

CHAN Sheung Chiu
Chairman

Hong Kong, 25th March, 2004

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

TO THE SHAREHOLDERS 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 financial statements on pages 27 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended 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, 25th March, 2004

Consolidated Income Statement

For the year ended 31st December, 2003

	Notes	2003 HK$'000	2002 HK$'000 (Restated)
Turnover	4	**675,237**	574,090
Direct expense		**(469,857)**	(398,877)
Gross profit		**205,380**	175,213
Other operating income	5	**14,457**	13,917
Selling expenses		**(18,897)**	(17,531)
Administrative and operating expenses		**(135,010)**	(115,645)
Profit from operations	6	**65,930**	55,954
Finance costs	8	**(6,257)**	(4,104)
Profit before taxation		**59,673**	51,850
Income tax expenses	9	**(6,704)**	(1,937)
Profit before minority interest		**52,969**	49,913
Minority interest		**(607)**	(141)
Net profit for the year		**52,362**	49,772
Dividends	10	**24,756**	13,928
Earnings per share	11		
Basic		**10.5 cents**	11.4 cents
Diluted		**9.1 cents**	8.4 cents

Consolidated Balance Sheet

At 31st December, 2003

	Notes	2003 HK$'000	2002 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	12	**382,700**	382,700
Property, plant and equipment	13	**237,591**	197,273
Contractual reimbursement from related companies	14	**32,719**	53,720
Negative goodwill	15	**–**	(647)
		653,010	633,046
Current assets			
Inventories	17	**61,015**	44,534
Trade receivables	18	**192,609**	155,238
Deposits, prepayments and other receivables		**9,464**	14,285
Taxation recoverable		**–**	99
Bank balances and cash		**169,028**	182,129
		432,116	396,285
Current liabilities			
Trade payables	19	**154,915**	115,493
Accrued charges and other payables		**85,246**	85,798
Taxation payable		**9,008**	4,454
Borrowings	20	**44,969**	46,025
Amount due to a minority shareholder	21	**–**	32,546
Obligations under finance leases	22	**1,537**	1,788
		295,675	286,104
Net current assets		**136,441**	110,181
Total assets less current liabilities		**789,451**	743,227
Non-current liabilities			
Borrowings	20	**71,300**	37,350
Amount due to a minority shareholder	21	**54,076**	18,720
Obligations under finance leases	22	**–**	1,540
Deferred taxation	23	**50,724**	51,159
Retirement benefit obligations	24	**1,013**	283
		177,113	109,052
MINORITY INTERESTS		**40,900**	40,293
NET ASSETS		**571,438**	593,882

	Notes	**2003** **HK$'000**	2002 HK$'000 (Restated)
CAPITAL AND RESERVES			
Share capital	*25*		
Ordinary shares		**53,429**	38,929
Preference shares		**2,475**	4,095
Share premium		**310,798**	377,728
Other reserves		**204,736**	173,130
SHAREHOLDERS' FUNDS		**571,438**	593,882

The financial statements on pages 27 to 72 were approved and authorised for issue by the Board of Directors on 25th March, 2004 and are signed on its behalf by:

KWONG Tin Lap
Director

KWOK Chi Fai
Director

Balance Sheet

At 31st December, 2003

	Notes	2003 HK$'000	2002 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	*16*	**393,270**	440,959
Current assets			
Prepayments and other receivables		**51**	77
Bank balances		**67,067**	66,351
		67,118	66,428
Current liabilities			
Accrued charges		**471**	1,609
Net current assets		**66,647**	64,819
NET ASSETS		**459,917**	505,778
CAPITAL AND RESERVES			
Share capital	*25*		
Ordinary shares		**53,429**	38,929
Preference shares		**2,475**	4,095
Share premium		**310,798**	377,728
Other reserves		**93,215**	85,026
SHAREHOLDERS' FUNDS		**459,917**	505,778

KWONG Tin Lap
Director

KWOK Chi Fai
Director

	Ordinary share capital HK$'000	Preference share capital HK$'000	Ordinary share premium HK$'000	Preference share premium HK$'000	Other reserve HK$'000 (Note a)	Merger reserve HK$'000 (Note b)	Contributed surplus HK$'000 (Note c)	Goodwill HK$'000	Investments revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000 (Restated)	Total HK$'000 (Restated)
THE GROUP												
At 1st January, 2002	36,529	4,215	131,323	248,685	–	24,000	–	(33,216)	(2)	239	146,263	558,036
Conversion from Series A preference shares to ordinary shares	2,400	(120)	4,800	(7,080)	–	–	–	–	–	–	–	–
Realised on disposal of investment in securities	–	–	–	–	–	–	–	–	2	–	–	2
Net profit for the year	–	–	–	–	–	–	–	–	–	–	49,772	49,772
Dividends	–	–	–	–	–	–	–	–	–	–	(13,928)	(13,928)
At 31st December, 2002	38,929	4,095	136,123	241,605	–	24,000	–	(33,216)	–	239	182,107	593,882
Issue of ordinary shares on exercise of share options	100	–	220	–	–	–	–	–	–	–	–	320
Conversion from Series A preference shares to ordinary shares	14,400	(720)	28,800	(42,480)	–	–	–	–	–	–	–	–
Redemption of preference shares	–	(900)	–	(53,100)	4,000	–	–	–	–	–	–	(50,000)
Share issue expenses	–	–	(370)	–	–	–	–	–	–	–	–	(370)
Net profit for the year	–	–	–	–	–	–	–	–	–	–	52,362	52,362
Dividends	–	–	–	–	–	–	–	–	–	–	(24,756)	(24,756)
At 31st December, 2003	**53,429**	**2,475**	**164,773**	**146,025**	**4,000**	**24,000**	**–**	**(33,216)**	**–**	**239**	**209,713**	**571,438**
THE COMPANY												
At 1st January, 2002	36,529	4,215	131,323	248,685	–	–	77,963	–	–	–	22,097	520,812
Conversion from Series A preference shares to ordinary shares	2,400	(120)	4,800	(7,080)	–	–	–	–	–	–	–	–
Net loss for the year	–	–	–	–	–	–	–	–	–	–	(1,106)	(1,106)
Dividends	–	–	–	–	–	–	–	–	–	–	(13,928)	(13,928)
At 31st December, 2002	38,929	4,095	136,123	241,605	–	–	77,963	–	–	–	7,063	505,778
Issue of ordinary shares on exercise of share options	100	–	220	–	–	–	–	–	–	–	–	320
Conversion from Series A preference shares to ordinary shares	14,400	(720)	28,800	(42,480)	–	–	–	–	–	–	–	–
Redemption of preference shares	–	(900)	–	(53,100)	4,000	–	–	–	–	–	–	(50,000)
Share issue expenses	–	–	(370)	–	–	–	–	–	–	–	–	(370)
Net profit for the year	–	–	–	–	–	–	–	–	–	–	28,945	28,945
Dividends	–	–	–	–	–	–	–	–	–	–	(24,756)	(24,756)
At 31st December, 2003	**53,429**	**2,475**	**164,773**	**146,025**	**4,000**	**–**	**77,963**	**–**	**–**	**–**	**11,252**	**459,917**

Notes:

(a) The other reserve of the Group represents the difference between the value of redeemable preference shares and the nominal consideration paid in 2003.

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

(c) The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company at the date of the Group Reorganisation and the nominal amount of the ordinary shares issued by the Company which were issued under the Group Reorganisation.

	2003 HK$'000	2002 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit from operations	**65,930**	55,954
Adjustments for:		
Interest income	**(1,202)**	(2,038)
Dividend income	**–**	(1)
Release of negative goodwill to income	**(3,502)**	(2,979)
Depreciation and amortisation	**34,608**	33,390
Loss on disposal of investments in securities	**–**	2
Loss (gain) on disposal of property, plant and equipment	**86**	(214)
Retirement benefit obligations	**730**	283
Operating cash flows before movements in working capital	**96,650**	84,397
Increase in inventories	**(16,481)**	(11,516)
Increase in trade receivables	**(37,371)**	(50,605)
Decrease in deposits, prepayments and other receivables	**4,821**	2,533
Increase in trade payables	**39,422**	54,122
(Decrease) increase in accrued charges and other payables	**(552)**	44,448
Decrease in an amount due to a related company	**–**	(6,301)
Net cash generated from operations	**86,489**	117,078
Income Tax paid	**(2,563)**	(1,145)
Income Tax refunded	**77**	330
Interest paid	**(3,371)**	(8,223)
Finance charge on obligations under finance leases	**(76)**	(175)
NET CASH FROM OPERATING ACTIVITIES	**80,556**	107,865
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(75,102)**	(11,640)
Reimbursement of payment for properties under development from related companies	**21,001**	14,724
Reimbursement of guaranteed rental income from a related company	**2,855**	–
Interest received	**1,202**	2,038
Proceeds from disposal of property, plant and equipment	**90**	892
Payments for properties under development	**–**	(72,971)
Proceeds from disposal of investments in securities	**–**	136
Dividend received from investments in securities	**–**	1
NET CASH USED IN INVESTING ACTIVITIES	**(49,954)**	(66,820)

	2003 HK$'000	2002 HK$'000 (Restated)
FINANCING ACTIVITIES		
Repayment of import loans	**(54,127)**	(93,536)
Redemption of preference shares	**(50,000)**	–
Repayment of bank loans	**(26,050)**	(36,523)
Dividends paid	**(24,756)**	(14,222)
Repayment of obligations under finance leases	**(1,791)**	(1,863)
Share issue expenses	**(370)**	–
New bank loans raised	**70,000**	48,692
New import loans raised	**43,071**	88,633
Proceed from shares issued upon exercise of share options	**320**	–
Advance from a minority shareholder	**–**	13,648
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(43,703)**	4,829
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(13,101)**	45,874
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**182,129**	136,255
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**169,028**	182,129

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands ("Companies Law"). Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 33.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (the "HKFRS(s)") issued by the Hong Kong Society of Accountants (the "HKSA"), the term of HKFRSs is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised) "Income Taxes"

SSAP 12 (Revised) "Income Taxes" comes into effect for the accounting period beginning on or after 1st January, 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future, i.e. partial provision was made for deferred tax using the income statement liability method. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of the change in policy, the balance on the negative goodwill and minority interest at 1st January, 2002 has been reduced by approximately HK$6,556,000 and HK$8,160,000 respectively, representing the additional deferred tax liability arising on the acquisition of subsidiaries in previous years. The balance on the contractual reimbursement from related companies at 1st January, 2002 has been increased by approximately HK$17,821,000 accordingly. The aggregate effect of the balance on the deferred tax liability has been increased by approximately HK$32,537,000 as at 1st January, 2002. The effect of the change is a decrease in the profit of approximately HK$901,000 for the year ended 31st December, 2002.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions of subsidiaries after 1st January, 2001 is capitalised as a separate asset on the balance sheet and amortised on a straight-line basis over its useful economic life.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions of subsidiaries is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, from the date on which they become fully operational, using the straight-line method, as follows:

Leasehold land	50 years or, if shorter, over the term of the relevant lease
Buildings	20 – 30 years
Leasehold improvements	Over the term of the relevant lease
Plant and machinery	3 – 15 years
Furniture and fixtures	3 – 5 years
Motor vehicles	3 – 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total finance lease and the original outstanding principal at the inception of the finance lease, are charged to the income statement over the period of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment

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

Where 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 asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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

Revenue recognition

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

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 net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

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

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollar and which operate outside Hong Kong are translated into Hong Kong dollars at the approximate rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the operations are disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan . Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised transitional liability on initial adoption of SSAP 34 "Employee Benefits", and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

4. **SEGMENT INFORMATION**

During the year, the management have reassessed the primary source of the Group's risks and return and redesignated business segments as the Group's primary reporting format.

Business segments

The Group is currently operating in two business segments, namely printing and property investment. Turnover of the Group represents net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income during the year. Segmental information about these businesses is presented below.

2003

CONSOLIDATED INCOME STATEMENT

	Printing	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER – external	660,361	14,876	675,237
SEGMENT RESULTS	54,488	11,860	66,348
Unallocated corporate income			1,202
Unallocated corporate expenses			(1,620)
Profit from operations			65,930
Finance costs			(6,257)
Profit before taxation			59,673
Income tax expenses			(6,704)
Profit before minority interest			52,969

4. SEGMENT INFORMATION *(cont'd)*

2003 *(cont'd)*

CONSOLIDATED BALANCE SHEET

	Printing	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	495,847	420,251	916,098
Unallocated corporate assets			169,028
Consolidated total assets			1,085,126
LIABILITIES			
Segment liabilities	224,444	130,538	354,982
Unallocated corporate liabilities			117,806
Consolidated total liabilities			472,788

OTHER INFORMATION

	Printing	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	74,387	715	75,102
Depreciation and amortisation	34,401	207	34,608
Loss on disposal of property, plant and equipment	86	–	86

4. SEGMENT INFORMATION *(cont'd)*

2002

CONSOLIDATED INCOME STATEMENT

	Printing *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
TURNOVER – external	569,375	4,715	574,090
SEGMENT RESULTS	53,693	4,868	58,561
Unallocated corporate income			2,504
Unallocated corporate expenses			(5,111)
Profit from operations			55,954
Finance costs			(4,104)
Profit before taxation			51,850
Income tax expenses			(1,937)
Profit before minority interest			49,913

CONSOLIDATED BALANCE SHEET

	Printing *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	403,257	443,945	847,202
Unallocated corporate assets			182,129
Consolidated total assets			1,029,331
LIABILITIES			
Segment liabilities	174,780	133,673	308,453
Unallocated corporate liabilities			86,703
Consolidated total liabilities			395,156

4. SEGMENT INFORMATION *(cont'd)*

2002 *(cont'd)*

OTHER INFORMATION

	Printing	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	11,472	73,278	84,750
Depreciation and amortisation	33,366	163	33,529
Gain on disposal of property, plant and equipment	214	–	214

Geographical segments

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

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and the services.

	Turnover by geographical market	
	2003	2002
	HK$'000	*HK$'000*
Hong Kong	**193,540**	180,636
Europe	**176,018**	151,023
North America	**167,381**	131,592
Australia and New Zealand	**92,444**	88,776
The PRC	**45,060**	21,587
Others	**794**	476
	675,237	574,090

4. SEGMENT INFORMATION *(cont'd)*

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

	Carrying amount of segment assets		Capital expenditure	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Hong Kong	**346,983**	382,808	**2,352**	528
The PRC	**738,143**	646,523	**72,750**	88,516
	1,085,126	1,029,331	**75,102**	89,044

5. OTHER OPERATING INCOME

Included in other operating income is investment income as follows:

	2003	2002
	HK$'000	*HK$'000*
Dividend from investments in securities	**–**	1
Interest earned on bank deposits	**1,202**	2,038

6. PROFIT FROM OPERATIONS

	2003 HK$'000	2002 HK$'000 (restated)
Profit from operations has been arrived at after charging:		
Directors' remuneration *(note 7)*	**5,531**	6,077
Other staff costs	**81,888**	81,228
Pension scheme contribution, excluding contributions for directors	**2,358**	2,206
Total staff costs	**89,777**	89,511
Auditors' remuneration:		
Current year	**830**	798
Overprovision in prior year	**–**	(150)
	830	648
Cost of inventories recognised as an expense	**466,580**	396,265
Depreciation and amortisation	**34,608**	33,529
Less: Amount capitalised in properties under development	**–**	(139)
	34,608	33,390
Loss on disposal property, plant and equipment	**86**	–
Loss on disposal of investments in securities	**–**	2
Rental of premises under operating leases	**5,604**	4,217
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	214
Release of negative goodwill	**3,502**	2,979
Rental income from investment properties, net of outgoings of HK$3,277,000 (2002: HK$2,612,000)	**11,599**	2,103

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of directors and the five highest paid employees are as follows:

(a) Directors' emoluments

	2003 HK$'000	2002 HK$'000
Fees:		
Executive	**110**	110
Non-executive	**20**	20
Independent non-executive	**160**	160
	290	290
Other emoluments:		
Executive		
Salaries and other benefits	**2,580**	2,340
Bonus	**2,625**	3,411
Pension scheme contributions	**36**	36
	5,241	5,787
	5,531	6,077

Emoluments of the directors are within the following bands:

	Number of directors 2003	2002
HK$1,000,000 or below	**5**	6
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**3**	3
	8	9

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

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2002: three directors), details of whose emoluments are set out in note 7(a) above.

The emoluments of the remaining two individuals (2002: two individuals) are as follows:

	2003	2002
	HK$'000	*HK$'000*
Salaries and other benefits	**1,594**	1,594
Bonus	**2,350**	1,909
Pension scheme contributions	**24**	24
	3,968	3,527

Emoluments of the employees are within the following bands:

	Number of employees	
	2003	2002
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	2	2

During the years ended 31st December, 2003 and 2002, 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 the years ended 31st December, 2003 and 2002, no director waived any emoluments.

8. FINANCE COSTS

	2003 HK$'000	2002 HK$'000
Finance charge on obligations under finance leases	**76**	175
Interest on borrowings wholly repayable within five years:		
Bank borrowings	**3,371**	3,901
Amount due to a minority shareholder	**2,810**	4,322
	6,257	8,398
Less: Interest capitalised in properties under development	**–**	(4,294)
	6,257	4,104

9. INCOME TAX EXPENSES

	2003 HK$'000	2002 HK$'000
The charge (credit) represents:		
Current tax:		
Hong Kong Profits Tax	**5,572**	3,900
PRC income tax	**1,459**	1,173
	7,031	5,073
Under(over)provision in prior years:		
Hong Kong Profits Tax	**324**	(165)
PRC income tax	**(216)**	–
	108	(165)
Deferred tax *(note 23)*:		
Current year	**(747)**	(1,120)
Overprovision in prior years	**–**	(1,851)
Attributable to a change in tax rate	**312**	–
	(435)	(2,971)
	6,704	1,937

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

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the year of assessment of 2003/2004. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

PRC income tax is calculated at the applicable rates relevant to the PRC subsidiaries.

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

	2003	2002
	HK$'000	*HK$'000*
Profit before taxation	**59,673**	51,850
Tax at the domestic income tax rate of 17.5% (2002: 16%)	**10,443**	8,296
Tax effect of expenses not deductible for tax purpose	**825**	1,517
Tax effect of income not taxable for tax purpose	**(1,427)**	(878)
Under(over)provision in prior years	**108**	(2,016)
Tax effect of additional tax losses not recognised	**–**	1,346
Utilisation of tax losses previously not recognised	**(181)**	(329)
Effect of tax holidays granted to a PRC subsidiary	**(219)**	(267)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	**312**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,157)**	(5,732)
Income tax expenses for the year	**6,704**	1,937

10. DIVIDENDS

	2003 **HK$'000**	2002 *HK$'000*
Dividends paid to ordinary shareholders:		
2001 final dividend of HK2.0 cents per share	**–**	7,786
2002 final dividend of HK2.8 cents per share	**10,928**	–
2003 special dividend of HK1.2 cents per share	**4,684**	–
2003 interim dividend of HK1.0 cent per share	**5,343**	–
Dividends paid to preference shareholders:		
Dividends to Series A preference shareholders	**–**	1,128
Dividends to Series B preference shareholders	**3,801**	5,014
Total dividends paid during the year	**24,756**	13,928

The final dividend of HK3.0 cents (2002: HK2.8 cents) per share to ordinary shareholders on the register of members on 20th May, 2004 amounting to approximately HK$16,029,000 (2002: HK$10,928,000), has been proposed by the directors and is subject to approval by shareholders in general meeting.

Subject to the Companies Law, the holders of preference shares are entitled to receive dividends semi-annually at 2.5 percent per annum on the issue price of HK$0.60 per preference share in arrears on a daily basis.

On 22nd May, 2003, the Company and Gold Throne Finance Limited ("Gold Throne"), a substantial shareholder of the Company and the holder of Series A and Series B preference shares, entered into an agreement (the "Concession Agreement") pursuant to which Gold Throne, among other things, would exercise the conversion right of converting 72,000,000 Series A preference shares of HK$0.01 each into 144,000,000 new ordinary shares in the Company of HK$0.10 each and waive any dividend payable on Series A preference shares for the period from 1st January, 2003 to 30th June, 2003. In addition, a special dividend of HK1.2 cents per share to ordinary shareholders on the register of members on 30th June, 2003 (the date of an extraordinary general meeting of shareholders of the Company approving the aforesaid transactions, "EGM") had been proposed by the directors pursuant to the Concession Agreement. The Concession Agreement became unconditional upon approval by independent shareholders of the Company at the EGM, and accordingly the special dividend based on an aggregate of 390,290,068 ordinary shares, amounting to approximately HK$4,684,000, was distributed in July 2003.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2003 HK$'000	2002 HK$'000 (restated)
Net profit for the year	52,362	49,772
Dividends on preference shares	(3,801)	(6,142)
Earnings for the purposes of basic earnings per share	48,561	43,630
Effect of dilutive potential ordinary shares:		
– Dividends on convertible preference shares	–	1,128
Earnings for the purposes of diluted earnings per share	48,561	44,758

	Number of shares 2003	2002
Weighted average number of ordinary shares for the purposes of basic earnings per share	462,821,575	382,780,479
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	71,408,219	150,509,589
– Share options	10,818	6,292
Weighted average number of ordinary shares for the purposes of diluted earnings per share	534,240,612	533,296,360

12. INVESTMENT PROPERTIES

The Group's investment properties are held under long leases in the PRC for rental income under operating leases. There were no movements in the investment properties of the Group during the year.

Legal title to certain investment properties amounting to approximately HK$143,700,000 (2002: HK$143,700,000) still rests in the name of the vendor even though the Group has the right to execute the transfer at anytime at their discretion. As substantially all the risks and rewards of ownership of the properties have been transferred to the Group upon execution of sales agreement, the Group has recognised the properties as its assets.

At 31st December, 2003, these investment properties were revalued by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, on an open market value basis. There was no surplus or deficit arising on the revaluation.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1st January, 2003	57,214	1,083	301,563	31,697	4,906	396,463
Additions	7,219	2,074	58,217	6,093	1,499	75,102
Disposals	–	–	(95)	(25)	(390)	(510)
At 31st December, 2003	**64,433**	**3,157**	**359,685**	**37,765**	**6,015**	**471,055**
DEPRECIATION AND AMORTISATION						
At 1st January, 2003	5,831	1,083	164,350	24,429	3,497	199,190
Provided for the year	2,367	276	27,592	3,593	780	34,608
Eliminated on disposals	–	–	(42)	(17)	(275)	(334)
At 31st December, 2003	**8,198**	**1,359**	**191,900**	**28,005**	**4,002**	**233,464**
NET BOOK VALUES						
At 31st December, 2003	**56,235**	**1,798**	**167,785**	**9,760**	**2,013**	**237,591**
At 31st December, 2002	51,383	–	137,213	7,268	1,409	197,273

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
The net book value of the properties comprises:		
Leasehold land and buildings situated in:		
– the PRC under medium-term land use right	**55,684**	50,782
– Hong Kong under long leases	**551**	601
	56,235	51,383

The net book value of property, plant and equipment of the Group at 31st December, 2003 included an amount of approximately HK$5,623,000 (2002: HK$6,387,000) in respect of assets held under finance leases.

14. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
		(restated)
Reimbursement of construction costs of properties under development *(note a)*	**41,718**	41,718
Less: Reimbursement entitled up to the balance sheet date	**(37,967)**	(16,966)
	3,751	24,752
Reimbursement of deferred taxation liabilities *(note b)*	**28,968**	28,968
	32,719	53,720

Notes:

(a) Pursuant to a sale and purchase agreement dated 29th October, 2001 entered into with Chuang's China Commercial Limited ("CCC") in respect of the acquisition of the entire issued share capital of, and shareholder's loan to, AsianWisdom.Com Limited ("Acquisition Agreement"), CCC had agreed and undertaken in favour of the Company to bear 51% of all the construction costs from the date of completion of the Acquisition Agreement up to completion of the construction works of the properties under development ("Completion Costs"). Accordingly, the relevant portion of the estimated Completion Costs amounting to approximately HK$41,718,000 had been presented as a reimbursement of outstanding construction costs due from CCC and Chuang's China Investments Limited ("Chuang's China") at the time of acquisition of the properties under development by the Group. CCC is a wholly owned subsidiary of Chuang's China, a substantial shareholder of the Company, of which Mr. CHAN Sheung Chiu, Ms. LI Mee Sum, Ann and Mr. LEE Sai Wai are also directors. Chuang's China also joined as a party to the Acquisition Agreement in order to guarantee the due and full performance of the obligations of CCC under the Acquisition Agreement.

(b) The amount represents a reimbursement due from CCC and Chuang's China in respect of certain deferred taxation liabilities arising from the properties of subsidiaries at the date of acquisition by the Group pursuant to the Acquisition Agreement.

15. NEGATIVE GOODWILL

	THE GROUP *HK$'000*
GROSS AMOUNT	
At 1st January, 2002	
– as previously reported	8,477
– adjustment on adoption of SSAP 12 (Revised)	(6,556)
– as restated	1,921
Adjustments to fair values of net assets acquired and estimated guaranteed rental income	1,705
At 31st December, 2002	3,626
Adjustment to estimated guaranteed rental income	2,855
At 31st December, 2003	**6,481**
RELEASED TO INCOME	
Released in the year ended 31st December, 2002	
– as previously reported	3,880
– adjustment on adoption of SSAP 12 (Revised)	(901)
– as restated and balance at 31st December, 2002	2,979
Released in the year ended 31st December, 2003	3,502
At 31st December, 2003	6,481
CARRYING AMOUNT	
At 31st December, 2003	–
At 31st December, 2002	647

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**92,963**	92,963
Amounts due from subsidiaries	**300,307**	347,996
	393,270	440,959

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as a non-current asset.

Particulars of the Company's principal subsidiaries at 31st December, 2003 are set out in note 33.

17. INVENTORIES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**41,256**	30,728
Work in progress	**13,863**	10,251
Finished goods	**5,896**	3,555
	61,015	44,534

Included above are raw materials of approximately HK$962,000 (2002: HK$275,000) which are carried at net realisable value.

18. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 180 days (2002: 30 days to 120 days) to its trade customers. The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 to 30 days	**46,350**	43,072
31 to 60 days	**35,925**	34,502
61 to 90 days	**46,185**	33,100
91 to 120 days	**28,986**	28,270
More than 120 days	**35,163**	16,294
	192,609	155,238

19. TRADE PAYABLES

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

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 to 30 days	**23,226**	26,831
31 to 60 days	**28,125**	19,968
61 to 90 days	**28,222**	20,421
91 to 120 days	**22,372**	22,771
More than 120 days	**52,970**	25,502
	154,915	115,493

20. BORROWINGS

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Borrowings comprise:		
Bank loans	**110,492**	66,542
Import loans	**5,777**	16,833
	116,269	83,375
Analysed as:		
Secured	**38,192**	59,942
Unsecured	**78,077**	23,433
	116,269	83,375
Bank borrowings are repayable as follows:		
Within one year or on demand	**44,969**	46,025
More than one year but not exceeding two years	**22,500**	14,950
More than two years but not exceeding five years	**48,800**	22,400
Total	**116,269**	83,375
Less: Amount repayable within one year or on demand and shown under current liabilities	**(44,969)**	(46,025)
Amount due after one year	**71,300**	37,350

21. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured and repayable as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**–**	32,546
More than one year but not exceeding two years	**54,076**	3,381
More than two years but not exceeding five years	**–**	15,339
Total	**54,076**	51,266
Less: Amount repayable within one year and shown under current liabilities	**–**	(32,546)
	54,076	18,720
Analysed as:		
Interest bearing at approximately 0.6% (2002: 0.6%) per month	**40,724**	40,724
Interest-free	**13,352**	10,542
	54,076	51,266

22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The maturity of obligations under finance leases is as follows:				
Within one year	**1,553**	1,878	**1,537**	1,788
In the second to fifth year inclusive	**–**	1,565	**–**	1,540
	1,553	3,443		
Less: Future finance charges	**(16)**	(115)		
Present value of lease obligations	**1,537**	3,328	**1,537**	3,328
Less: Amount due for settlement within one year and shown under current liabilities			**(1,537)**	(1,788)
Amount due after one year			**–**	1,540

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. All leases are on a fixed repayment basis in Hong Kong dollars and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

23. DEFERRED TAXATION

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

	Tax losses *HK$'000*	Accelerated tax depreciation *HK$'000*	Excess of fair value over historical cost of assets of certain subsidiaries at the date of acquisition by the Group *HK$'000*	Others *HK$'000*	Total *HK$'000*
THE GROUP					
Balance at 1st January, 2002					
– as previously reported	–	6,200	15,304	89	21,593
– adjustment on adoption of SSAP 12 (Revised)	–	–	32,537	–	32,537
– as restated	–	6,200	47,841	89	54,130
Credit to income statement for the year	–	(2,900)	–	(71)	(2,971)
Balance at 31st December, 2002	–	3,300	47,841	18	51,159
(Credit) charge to income statement for the year	(2,406)	1,679	–	(20)	(747)
Effect of change in tax rate charged to income	–	310	–	2	312
Balance at 31st December, 2003	**(2,406)**	**5,289**	**47,841**	**–**	**50,724**

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	2003 ***HK$'000***	2002 *HK$'000*
Deferred tax liabilities	**53,130**	51,159
Deferred tax assets	**(2,406)**	–
	50,724	51,159

23. DEFERRED TAXATION *(cont'd)*

At 31st December, 2003, the Group has unused tax losses of HK$31.5 million (2002: HK$16.6 million) available for offset against future profits. A deferred tax asset amounting to HK$2,406,000 (2002: Nil) has been recognised in respect such losses of HK$15.4 million (2002: Nil). No deferred tax asset has been recognised in respect of the remaining HK$16.1 million (2002: HK$16.6 million) due to the unpredictability of future profit streams.

24. RETIREMENT BENEFITS PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme ("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$1,000 or 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The total cost charged to the consolidated income statement of approximately HK$909,000 (2002: HK$756,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting period. As at 31st December, 2003, contributions of approximately HK$79,000 (2002: HK$66,000) due in respect of the reporting period had not been paid over to the MPF Scheme.

Defined benefit plan

The Group also operates a defined benefit plan (the "Plan") for its qualifying employees in Hong Kong. Under the Plan, the employees are entitled to retirement benefits varying between 30% and 170% of final salary multiplied by the pensionable service on attainment of a retirement age of 60. No other post-retirement benefits are provided.

SSAP 34 Accounting Valuation

Actuarial valuation has been conducted as of 31st December, 2003 based on requirements of SSAP 34 by Watson Wyatt Hong Kong Limited. The present value of the defined benefit obligation, the related current service costs and past service costs were measured using the Projected Unit Credit method.

	2003 per annum	2002 per annum
The main actuarial assumptions used were as follows:		
Discount rate	**5.50%**	5.25%
Expected return on plan assets	**6.00%**	7.00%
Expected rate of salary increases	**3.00%**	3.00%

24. RETIREMENT BENEFITS PLANS *(cont'd)*

The actuarial valuation showed that the market value of plan assets was approximately HK$516,000 (2002: HK$4,160,000) and that the actuarial value of these assets represented 18% (2002: 57%) of the benefits that had accrued to members. The shortfall of approximately HK$2,251,000 (2002: HK$3,175,000) is to be cleared over the estimated remaining service period of the current membership of approximately 15 years.

The Group has adopted SSAP 34 with effect from 1st January, 2002. At the date of transition, the Group determined the transitional liability for the Plan at 1st January, 2002 as approximately HK$1,417,000 more than the liability that would have been recognised at the same date using the previous accounting policy. This amount is being recognised on a straight line basis over five years from 1st January, 2002. A charge of approximately HK$283,000 (2002: HK$283,000) was recognised in the current year. As at 31st December, 2003, approximately HK$361,000 remained unrecognised.

In May 2003, the Group closed down a factory in Hong Kong and 37 members had been affected and all of them left the Plan on 1st May, 2003. Hence, a curtailment arose and resulting in a curtailment loss of approximately HK$831,000.

Total expenses recognised in the consolidated income statement in respect of the Plan are as follows:

	2003	2002
	HK$'000	*HK$'000*
Current service cost	**207**	1,155
Interest cost	**380**	386
Expected return on plan assets	**(310)**	(374)
Amortisation of the transitional liability upon first adoption of SSAP 34	**283**	283
Net actuarial loss recognised	**94**	–
Loss on curtailment and settlement	**831**	–
Total, included in staff costs	**1,485**	1,450

The actual return on plan assets was approximately HK$329,000 (2002: loss of HK$837,000).

24. RETIREMENT BENEFITS PLANS *(cont'd)*

The amount included in the balance sheet arising from the Group's obligation in respect of the Plan is as follows:

	2003	2002
	HK$'000	*HK$'000*
Present value of funded obligations	**2,767**	7,335
Fair value of plan assets	**(516)**	(4,160)
Unrecognised actuarial losses	**(877)**	(1,758)
Unrecognised transitional liability on initial adoption of SSAP 34	**(361)**	(1,134)
Total, included in non-current liabilities	**1,013**	283

No equity shares of the Group and property occupied by the Group were included in the fair value of plan assets.

Movements in the net liability in the current year were as follows:

	2003	2002
	HK$'000	*HK$'000*
At 1st January	**283**	–
Amounts charged to income statement	**1,485**	1,450
Contributions	**(755)**	(1,167)
At 31st December	**1,013**	283

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2002, 31st December, 2002 and 2003	**1,000,000,000**	**100,000**
Preference shares of HK$0.01 each		
Series A preference shares		
Balance at 1st January, 2002, 31st December, 2002 and 2003	1,000,000,000	10,000
Series B preference shares		
Balance at 1st January, 2002, 31st December, 2002 and 2003	1,000,000,000	10,000
	2,000,000,000	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2002	365,290,068	36,529
Conversion from Series A preference shares	24,000,000	2,400
Balance at 31st December, 2002	389,290,068	38,929
Issue of shares on exercise of share options	1,000,000	100
Conversion from Series A preference shares	144,000,000	14,400
Balance at 31st December, 2003	**534,290,068**	**53,429**
Preference shares of HK$0.01 each *(note)*		
Series A preference shares		
Balance at 1st January, 2002	84,000,000	840
Conversion to ordinary shares	(12,000,000)	(120)
Balance at 31st December, 2002	72,000,000	720
Conversion to ordinary shares	(72,000,000)	(720)
Balance at 31st December, 2003	**–**	**–**
Series B preference shares		
Balance at 1st January, 2002 and 31st December, 2002	337,500,000	3,375
Redemption of shares	(90,000,000)	(900)
Balance at 31st December, 2003	**247,500,000**	**2,475**

25. SHARE CAPITAL *(cont'd)*

Note:

On 14th December, 2001, the Company issued 84 million Series A preference shares and 337.5 million Series B preference shares at a subscription price of HK$0.60 per share. The preference shares are non-voting, redeemable and their holders are entitled to a fixed cumulative preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK$0.60 of each preference share. In addition, the preference shares rank in priority to the ordinary shares in the Company as to dividend and return of capital. Subject to adjustment in accordance with the terms of Series A preference shares, each of the Series A preference shares is convertible into two ordinary shares in the Company of HK$0.10 each ("Conversion Shares") at the option of the holders at any time from 14th December, 2001 prior to the fifth anniversary from the date of their issue. The Conversion Shares shall, when issued, rank pari passu in all respects with the then existing ordinary shares of the Company. Subject to the Companies Law, unless previously converted, the preference shares are redeemable by the Company at any time prior to the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash. Further, the Company shall redeem all outstanding preference shares which have not been previously redeemed or converted on the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash.

During the year, the following changes in the ordinary and preference share capital of the Company took place:

(a) Pursuant to a resolution in writing of all the directors of the Company passed on 6th January, 2003, a written request was made by the Company to the holder of Series B preference shares of the Company to redeem 83,333,333 Series B preference shares at a redemption price of HK$0.60 each with an aggregate value of HK$50,000,000. The redemption of the shares took place on 27th January, 2003.

(b) Pursuant to the Concession Agreement, 72,000,000 Series A preference shares of HK$0.01 each, which were originally issued at a price of HK$0.60 per preference share, were deemed to have been converted into 144,000,000 new ordinary shares in the Company of HK$0.10 each on the same date. The new ordinary shares rank pari passu in all respects with the then existing issued ordinary shares of the Company. In addition, 6,666,667 Series B preference shares with an aggregate value of HK$4,000,000 were redeemed at a nominal consideration of HK$1 during the year, resulting in recognition of a reserve in the Company of approximately HK$4,000,000.

(c) 1,000,000 ordinary shares of HK$0.10 each in the Company were issued at HK$0.32 per share upon the exercise of share options granted under the share option scheme of the Company. The ordinary shares issued rank pari passu in all respects with the then existing issued ordinary shares of the Company.

26. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 22nd May, 1996 (the "1996 Scheme") was for the primary purpose of providing incentives to directors and eligible employees, and would be valid and effective for a period of ten years from the date of its adoption. Under the 1996 Scheme, the directors of the Company might grant options to any executive director or employee of the Company and its subsidiaries (the "Group") to subscribe for ordinary shares in the Company at a price notified by the directors and should not be less than 80% of the average of the closing prices of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange ("Daily Quotation Sheets") for the five trading days immediately preceding the date of the offer of the option or the nominal value of the ordinary shares, whichever is the higher. The number of ordinary shares in respect of which options might be granted to any individual at any time was not permitted to exceed 2.5% of the issued ordinary share capital of the Company at any point in time and the maximum number of ordinary shares in respect of which options might be granted under the 1996 Scheme should not exceed 10% of the issued ordinary share capital of the Company from time to time.

Options granted under the 1996 Scheme should be taken up within 28 days from the date of grant of share options and were exercisable at any time after the date of options were accepted ("Acceptance Date") to the third anniversary of the Acceptance Date, subject to certain restrictions contained in the offer letters. Consideration received by the Company for the options granted was nominal.

A summary of the movements during the years ended 31st December, 2002 and 2003 in the share options granted under the 1996 Scheme, which were all granted to employees of the Group, is as follows:

			Number of ordinary shares to be issued upon exercise of the share options				
Date of grant	**Exercise price per ordinary share**	**Exercisable period**	**Balance at 1.1.2002**	**Lapsed during the year ended 31.12.2002**	**Balance at 31.12.2002**	**Exercised during the year ended 31.12.2003**	**Balance at 31.12.2003**
	HK$			*(Note a)*		*(Note b)*	
1.3.1999	0.175	1.3.1999 to 28.2.2002	500,000	500,000	–	–	–
3.2.2000	0.320	3.2.2000 to 2.2.2003	1,000,000	–	1,000,000	1,000,000	–

Notes:

(a) These options lapsed upon expiration of the exercisable period.

(b) The closing price of the Company's ordinary shares immediately before the date on which the options were exercised was HK$0.40 per share.

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

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

Pursuant to an extraordinary general meeting held on 13th December, 2001, a new share option scheme (the "2001 Scheme") was adopted by the Company in place of the 1996 Scheme. The termination of the 1996 Scheme did not affect the rights of the holders of the share options granted prior thereto and such options granted continue to remain valid and exercisable in accordance with the 1996 Scheme.

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

Under the 2001 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the Eligible Persons to subscribe for ordinary shares in the Company at a price to be notified by the directors and to be no less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets 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 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.

27. CAPITAL COMMITMENTS

At 31st December, 2003, the Group had commitments of approximately HK$2,160,000 (2002: HK$43,890,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

The Company had no significant capital commitments at the balance sheet date.

28. OPERATING LEASES

(a) Operating lease commitments

At the balance sheet date, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**4,254**	5,607
More than one year but within five years	**9,355**	11,543
	13,609	17,150

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

The Company had no operating lease commitment at the balance sheet date.

(b) Operating lease arrangements

Property rental income earned during the year was HK$14,876,000 (2002: HK$4,715,000).

At 31st December, 2003, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**17,059**	14,557
More than one year but within five years	**69,235**	66,309
More than five years	**71,286**	84,154
	157,580	165,020

The Company had no operating lease arrangement at the balance sheet date.

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks and other financial institutions on facilities utilised by subsidiaries in respect of				
– credit facilities	**–**	–	**97,577**	64,684
– finance leases	**–**	–	**1,537**	3,328
	–	–	**99,114**	68,012

30. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values had been pledged to secure borrowings granted to the Group:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Investment properties	**71,562**	71,562
Leasehold land and buildings	**29,086**	30,573
Plant and machinery	**5,623**	6,387
	106,271	108,522

31. RELATED PARTY TRANSACTIONS

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

(a) Pursuant to the Acquisition Agreement, CCC has given an undertaking in favour of the Group that in the event the annual rental income of certain of the investment properties acquired by the Group under the Acquisition Agreement for each of the two years after the date of completion of the Acquisition Agreement shall be less than HK$3,880,000, CCC and Chuang's China will indemnify the Group for an amount of the shortfall on a dollar for dollar basis. Such guaranteed income received for the year ended 31st December, 2003 was approximately HK$3,502,000 (2002: HK$3,880,000).

The Group also leased certain of the acquired properties to Yuen Sang Hardware Co. (1988) Limited, a wholly owned subsidiary of Chuang's China, at an aggregate annual rental of approximately HK$1,067,000 which is based on market rate of similar properties. The lease agreement is for a duration of 2 years expiring on 31st March, 2003 with an option to renew for an additional term of 2 years and such option to renew has been exercised by Yuen Sang Hardware Co. (1988) Limited during the year. Rental income received by the Group under this agreement for the year ended 31st December, 2003 was approximately HK$1,067,000 (2002: HK$1,067,000).

Details of other transactions entered into in association with the Acquisition Agreement are set out in note 14.

(b) During the year, the Group paid building management fee amounting to approximately HK$802,000 (2002: HK$841,000) to Chuang's Development (China) Limited, a wholly owned subsidiary of Chuang's China. This transaction was carried out in accordance with market rate of similar properties.

32. POST BALANCE SHEET EVENTS

Pursuant to two resolutions in writing of all the directors of the Company passed on 7th January, 2004 and 2nd February, 2004 respectively, written requests were made by the Company to the holder of Series B preference shares of the Company to redeem an aggregate of 83,333,332 Series B preference shares at a redemption price of HK$0.60 each with an aggregate value of approximately HK$50,000,000. The redemption of the shares were completed by February 2004.

33. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st December, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
成都莊士中心開發有限公司 Chengdu Chuang's Centre Development Company Limited	PRC (note b)	RMB20,000,000	51%	Properties investment
Dah Hua International Printing Press Company Limited	Hong Kong	HK$1,600,000 ordinary shares	100%	Trading of printed products
Dah Hua Printing Press Company Limited	Hong Kong	HK$600,000 ordinary shares	100%	Investment holding
東莞勤達印刷有限公司 Dongguan Midas Printing Company Limited	PRC (note c)	HK$112,150,000	100%	Manufacturing and trading of packaging printed products
Lever Printing Factory Limited	Hong Kong	HK$150,000 founders' shares HK$350,000 ordinary shares	100%	Manufacturing and trading of packaging printed products
Midas Packaging Printing Limited	Hong Kong	HK$2 ordinary shares	100%	Trading of packaging 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

33. SUBSIDIARIES *(cont'd)*

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
Midas Printing Limited	Hong Kong	HK$100 ordinary shares HK$10,000,000 non-voting deferred shares (note d)	100%	Investment holding
Riverside Trinity Limited	Hong Kong	HK$2 ordinary shares	100%	Property investment
Sino Stream Limited	Hong Kong	HK$2 ordinary shares	100%	Property investment
廣東省博羅縣圓洲勤達印務有限公司	PRC (note c)	US$7,500,000	100%	Book binding and printing

Notes:

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

b. The company is registered in the form of an equity joint venture.

c. The company is registered in the form of a wholly owned foreign investment enterprises.

d. The deferred shares practically carry no rights to dividends or to receive notice of attend or vote at any general meeting of the company or to participate in any distribution on winding up.

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.

RESULTS

	For the year ended 31st December,				
	2003	2002	2001	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**675,237**	574,090	513,537	663,286	472,522
PROFIT BEFORE TAXATION	**59,673**	51,850	28,628	28,549	36,901
INCOME TAX EXPENSES	**(6,704)**	(1,937)	(581)	(955)	(11,476)
PROFIT BEFORE MINORITY INTEREST	**52,969**	49,913	28,047	27,594	25,425
MINORITY INTEREST	**(607)**	(141)	–	–	–
NET PROFIT FOR THE YEAR	**52,362**	49,772	28,047	27,594	25,425

ASSETS AND LIABILITIES

	At 31st December,				
	2003	2002	2001	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,085,126**	1,029,331	878,085	570,449	395,477
TOTAL LIABILITIES	**(472,788)**	(395,156)	(282,152)	(292,927)	(209,162)
MINORITY INTERESTS	**(40,900)**	(40,293)	(37,897)	–	–
SHAREHOLDERS' FUNDS	**571,438**	593,882	558,036	277,522	186,315

Notes:

Prior years' figures have been adjusted to reflect the change in accounting policy for the adoption of SSAP 12 (Revised) "Income Taxes" as described in note 2 to the financial statements.

Location	Lease term	Usage	Attributable interest
The whole of Block Nos. 1, 2 and 3 Chuang's Garden Chuang's New Town, Kai Cheng Avenue Danshui Town, Huiyang Guangdong Province The People's Republic of China ("PRC")	Long lease	Residential	100%
Lambda Building, Yuen Sang Building and Block Nos. D1, D2 and D3 Chuang's New Town, Kai Cheng Avenue Danshui Town, Huiyang Guangdong Province, the PRC	Long lease	Non-residential	100%
The commercial podium and basement of the Chengdu Chuang's Centre at No. 1 Renmin South Road Section 4, Wuhou District Chengdu, Sichuan Province the PRC	Long lease	Commercial	51%