

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Midas International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**勤達集團國際有限公司\***  
**Midas International Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1172)**

**MAJOR ACQUISITION AND MAJOR DISPOSAL**

**Financial adviser**  
  
TAIFOOK CAPITAL LIMITED

A notice convening an extraordinary general meeting of the Company to be held at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 12 September 2007 is set out on pages 109 to 110 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof if you so wish.

\* For identification purpose only

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	6
The Acquisition Agreement .....	7
Application for listing of the Convertible Note .....	13
Shareholding structure of the Company .....	14
Information on the Vendor, Profitable Industries, HK Company and PRC Company .....	14
Financial information of Profitable Industries .....	18
Information on the Group, Sino Stream, Riverside Trinity and Far Hero .....	18
Group structure .....	20
Reasons for and effects of the Acquisition and the Transfer .....	21
Requirements under the Listing Rules .....	22
EGM .....	22
Recommendation .....	22
Additional information .....	22
<b>Appendix I – Financial Information on the Group</b> .....	23
<b>Appendix II – Financial Information on the Profitable Industries Group</b> .....	58
<b>Appendix III – Unaudited pro forma statement of assets and                   liabilities of the Enlarged Group</b> .....	85
<b>Appendix IV – Property valuation on the Existing Area</b> .....	90
<b>Appendix V – Property valuation on Property 1, Property 2                   and Property 3</b> .....	95
<b>Appendix VI – General Information</b> .....	105
<b>Notice of the EGM</b> .....	109

## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Company from the Vendor pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 1 August 2007 entered into, among others, between the Vendor and the Company in relation to the Acquisition
“Announcement”	the announcement of the Company dated 1 August 2007 in relation to the Acquisition and the Transfer
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auditor”	the auditor for the time being of the Company but in the event of objection from the Vendor, the audit firm appointed by the parties to the Acquisition Agreement or, failing such agreement, appointed by the Chairman for the time being of the Hong Kong Institute of Certified Public Accountants
“Board”	board of the Directors
“business day”	any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“CCIL”	Chuang’s Consortium International Limited (Stock Code: 367), a company incorporated in Bermuda with limited liability whose issued shares are listed on the Stock Exchange
“CNT Group”	CNT Group Limited (Stock Code: 701), a company incorporated in Bermuda with limited liability whose issued shares are listed on the Stock Exchange and an Independent Third Party
“Company”	Midas International Holdings Limited (Stock Code: 1172), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange and was owned as to approximately 44.7% by CCIL as at the Latest Practicable Date
“Completion”	completion of the Acquisition Agreement

## DEFINITIONS

“Consideration”	HK\$350 million, being the purchase price for the Sale Shares and the Sale Loan
“Conversion Price”	the price of HK\$1.00 per Conversion Share, subject to the adjustments which may be made pursuant to the terms of the Convertible Note
“Conversion Share(s)”	the new Share(s) to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Note or otherwise pursuant to the terms and conditions of the Convertible Note
“Convertible Note”	1.5% Convertible Note due 2010 in the principal amount of HK\$130 million to be issued by the Company to the Vendor pursuant to the Acquisition Agreement
“Deed of Undertaking and Guarantee”	the deed of undertaking and guarantee to be executed by, inter alia, the Company in favour of the Vendor upon Completion
“Director(s)”	the director(s) of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent valuer for conducting valuation on Property 1, Property 2 and Property 3
“EGM”	the extraordinary general meeting of the Company to be convened at 11:00 a.m. on Wednesday, 12 September 2007 to consider and, if thought fit, approve the Acquisition, the Transfer and the transactions contemplated under the Acquisition Agreement
“Enlarged Group”	the Group after Completion (excluding Sino Stream, Riverside Trinity and Far Hero but including the Profitable Industries Group)
“Existing Area”	a piece of land having a site area of 518 mu (equivalent to approximately 345,162 sq.m.) located at Jiang Gu, Si Hui, Guangdong Province, the PRC, which is in the process of being developed into a cemetery now known as Fortune Wealth Memorial Park (四會聚福寶華僑陵園)
“Far Hero”	Far Hero Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Grant Sherman”	Grant Sherman Appraisal Limited, an independent valuer for conducting valuation on the Existing Area

## DEFINITIONS

“Grave Plots”	plots for in-ground burials of bodies and urns for bones and cremated remains for single grave plots, companion plots, small family plots and family estate plots
“Group”	the Company and its subsidiaries before Completion
“HK Company”	Fortune Wealth Memorial Park Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Profitable Industries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) (a) third party(ies) independent of the Company and connected person(s) of the Company (as defined under the Listing Rules)
“Latest Practicable Date”	17 August 2007, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note”	3% bond due 2012 in the principal amount of HK\$50 million to be issued by the Company to the Vendor pursuant to the Acquisition Agreement
“Local Partner”	四會市江谷鎮經濟發展實業總公司 (Jianggu Town Si Hui City Economic Enterprise Development Head Company <sup>#</sup> ), a company incorporated in the PRC, which is an Independent Third Party and the owner of 8% equity interest in the PRC Company
“Macau”	the Macau Special Administrative Region of the PRC
“Maturity Date”	the date of maturity of the Convertible Note, being the third anniversary from the date of issue of the Convertible Note
“Niches”	niches for placement of urns for bones and cremated remains
“Noteholder”	the person who is for the time being the holder of the Convertible Note as shown in the register kept by the Company
“PRC”	the People’s Republic of China

## DEFINITIONS

“PRC Company”	四會聚福寶華僑陵園有限公司 (Fortune Wealth Memorial Park (Si Hui) Limited <sup>#</sup> ), a sino-foreign co-operative joint venture incorporated in the PRC with limited liability which is 92% held by the HK Company and 8% held by the Local Partner
“Profitable Completion Accounts”	the unaudited consolidated accounts of Profitable Industries comprising a consolidated profit and loss account for the period from 1 January 2007 to the date of Completion and a consolidated balance sheet as at the date of Completion
“Profitable Industries”	Profitable Industries Limited, a company incorporated in the British Virgin Islands with limited liability, which is 87.5% held by the Vendor and 12.5% indirectly held by CNT Group prior to Completion
“Profitable Industries Group”	Profitable Industries and its subsidiaries
“Property 1”	property comprises Lambda Building, Yuen Sang Building, and three residential blocks in Chuang’s New Town, Danshui, Huiyang, Guangdong Province, the PRC, which has a total gross floor area of 35,177.4 sq.m.
“Property 2”	property comprises 372 residential units in Block Nos. 1, 2, and 3, in Chuang’s Garden of Chuang’s New Town, Danshui, Huiyang, Guangdong Province, the PRC, which has a total gross floor area of 28,547.21 sq.m.
“Property 3”	property comprises the commercial podium of Block Nos. 1, 2, 3, 12 and 13 in Chuang’s Garden of Chuang’s New Town, Danshui, Huiyang, Guangdong Province, the PRC, which has a total gross floor area of 3,256.76 sq.m.
“Reserved Area”	a piece of land having a site area of 4,482 mu (equivalent to approximately 2,988,000 sq.m.) located at Jiang Gu, Si Hui, Guangdong Province, the PRC, which has been reserved by the Local Partner for future development into cemetery by the PRC Company and is adjacent to the Existing Area
“Revenue”	all amounts (including but not limited to rents, fees, charges, premium and all other form of income and receipts, whether paid in advance or otherwise) received by the PRC Company for or in respect of leases or tenancies of, or licences to use, Grave Plots or Niches, situated, located or built on the Reserved Area, or for any other similar arrangements in relation to those Grave Plots or Niches
“Riverside Trinity”	Riverside Trinity Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

## DEFINITIONS

“Sale Loan”	the entire amount of the shareholder’s loan owing by Profitable Industries to the Vendor on the date of Completion, which as at the date of the Acquisition Agreement was approximately HK\$42.4 million
“Sale Shares”	8,750 ordinary shares of US\$1 each in the share capital of Profitable Industries, representing 87.5% of the entire issued share capital of Profitable Industries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sino Stream”	Sino Stream Limited is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer and assignment, or the procurement of the transfer and assignment, of the entire issued share capitals of, and the shareholders’ loans to, Sino Stream, Riverside Trinity and Far Hero by the Company to the Vendor pursuant to the Acquisition Agreement
“Vendor”	Great Income Profits Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square meter(s)
“%”	per cent.

# For English translation only

*For the purpose of illustration only, amounts denominated in RMB in this circular have been translated into HK\$ at the rate of HK\$1 = RMB0.965. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

## LETTER FROM THE BOARD



# 勤達集團國際有限公司\*

## Midas International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1172)**

*Executive Directors:*

Mr. Richard Hung Ting Ho (*Chairman*)  
Mr. Kwong Tin Lap (*Managing Director*)  
Mr. Kwok Chi Fai (*Deputy Managing Director*)  
Miss Ann Li Mee Sum  
Mr. Wong Chi Sing

*Non-executive Director:*

Mr. Dominic Lai

*Independent non-executive Directors:*

Mr. Abraham Shek Lai Him, *S.B.S., J.P.*  
Dr. Eddy Li Sau Hung  
Mr. Yau Chi Ming

*Registered office:*

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

*Head office and principal  
place of business:*

1st Floor  
100 Texaco Road  
Tsuen Wan  
New Territories  
Hong Kong

21 August 2007

*To the Shareholders*

Dear Sir or Madam,

### MAJOR ACQUISITION AND MAJOR DISPOSAL

#### INTRODUCTION

On 1 August 2007, the Company announced that it entered into the Acquisition Agreement with the Vendor for the purchase of the Sale Shares (being 87.5% equity interest in Profitable Industries owned by the Vendor) and the Sale Loan (being the entire shareholder's loan owing by Profitable Industries to the Vendor on the date of Completion). The sole asset of Profitable Industries is its 100% equity interest in the HK Company whose sole asset is its 92% equity interest in the PRC Company. The principal activities of the PRC Company are the development and operation of a cemetery in the Existing Area.

\* For identification purpose only

## LETTER FROM THE BOARD

The Consideration of HK\$350 million will be satisfied (i) as to HK\$170 million by the transfer of the entire issued share capitals of, and the shareholders' loans to, Sino Stream, Riverside Trinity and Far Hero to the Vendor; (ii) as to HK\$130 million by the issue of the Convertible Note; and (iii) as to HK\$50 million by the issue of the Loan Note. The sole assets of Sino Stream, Riverside Trinity and Far Hero are Property 1, Property 2 and Property 3 respectively.

The Acquisition constitutes a major acquisition for the Company and the Transfer constitutes a major disposal for the Company. Pursuant to Rule 14.40 of the Listing Rules, the Acquisition and the Transfer are therefore conditional upon the approval of the Shareholders.

The purpose of this circular is to give you (i) further information of the Acquisition and the Transfer; (ii) the accountant's report on the Profitable Industries Group; (iii) unaudited pro forma statement of assets and liabilities of the Enlarged Group; (iv) valuation reports on the Existing Area, Property 1, Property 2 and Property 3; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules.

### THE ACQUISITION AGREEMENT

**1. Date**

1 August 2007

**2. Vendor**

Great Income Profits Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are Independent Third Parties.

**3. Purchaser**

The Company

**4. Assets to be acquired**

The assets to be acquired by the Company comprise the Sale Shares (being 87.5% equity interest in Profitable Industries owned by the Vendor) and the Sale Loan (being the entire shareholder's loan owing by Profitable Industries to the Vendor on the date of Completion).

The sole asset of Profitable Industries is its 100% equity interest in the HK Company whose sole asset is its 92% equity interest in the PRC Company. The principal activities of the PRC Company are the development and operation of a cemetery in the Existing Area.

**5. Consideration**

The Consideration is HK\$350 million which was determined after arm's length negotiations between the Vendor and the Company.

## LETTER FROM THE BOARD

The Consideration is approximately equal to the attributable interest (being 87.5% of 92%) of the difference between the value of the Existing Area of HK\$586 million as valued by Grant Sherman as at 30 June 2007 on the assumption that all land use rights title of the Existing Area have been obtained and the following:

- (i) the estimated remaining amount of land premium of approximately RMB16.2 million (equivalent to approximately HK\$16.8 million) payable to the relevant government authorities in the PRC in order to obtain the land use rights title of the Existing Area; and
- (ii) the estimated amount of deferred taxation liabilities of approximately HK\$134 million arising as a result of the difference between the value of the Existing Area as valued by Grant Sherman and the carrying amounts of the Existing Area as included in the financial statements of the PRC Company as at 30 June 2007.

The Consideration will be satisfied as follows:

- (i) as to HK\$170 million by the transfer of the entire issued share capitals of, and the shareholders' loans to, Sino Stream, Riverside Trinity and Far Hero to the Vendor. The sole assets of Sino Stream, Riverside Trinity and Far Hero are Property 1, Property 2 and Property 3 respectively. The aggregate value of Property 1, Property 2 and Property 3 as valued by DTZ as at 30 June 2007 was RMB164 million (equivalent to approximately HK\$170 million);
- (ii) as to HK\$130 million by the issue of the Convertible Note; and
- (iii) as to HK\$50 million by the issue of the Loan Note.

In the event that the remaining land premium payable in order to obtain the entire land use rights title of the Existing Area exceeds approximately RMB16.2 million (equivalent to approximately HK\$16.8 million), the Vendor undertakes to pay to the Company 87.5% of the amount of excess. Such undertaking is valid for a period of two years from the date of Completion. The Consideration is subject to minor adjustments based on the Profitable Completion Accounts and will be settled in cash upon Completion.

### **6. Conditions precedent**

Completion is conditional on:

- (a) the passing of the necessary resolution(s) by the Shareholders (other than those (if any) who are required to abstain from voting under the Listing Rules) at the EGM approving, authorising and ratifying the entering into of the Acquisition Agreement by the Company, the execution of the Deed of Undertaking and Guarantee, the execution of the Transfer and the performance of all transactions contemplated thereunder, including but not limited to the issue of the Convertible Note and the allotment of the Conversion Shares by the Company;

## LETTER FROM THE BOARD

- (b) the Listing Committee having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for listing of, and permission to deal in, the Conversion Shares;
- (c) the Company having received a legal opinion addressed to the Company from a law firm practicing law in the PRC acceptable to the Company in respect of the due incorporation of the PRC Company, the title and the rights over the Existing Area, the validity and legality of the operation of a cemetery in the Existing Area and such other matters as the Company may require in such form and contents to the satisfaction of the Company;
- (d) the warranties given by the Vendor in respect of, inter alia, the Existing Area and the financial and operating positions of Profitable Industries, the HK Company and the PRC Company as contained in the Acquisition Agreement remaining true and accurate and not misleading in any material respect at Completion;
- (e) the warranties given by the Company in respect of, inter alia, Property 1, Property 2 and Property 3 and the financial and operating positions of Sino Stream, Riverside Trinity and Far Hero as contained in the Acquisition Agreement remaining true and accurate and not misleading in any material respect at Completion; and
- (f) all necessary statutory governmental and regulatory obligations having been complied with and all necessary regulatory, statutory, governmental and third party consents and waivers having been obtained and all filings have been made by each of the Vendor and the Company.

If any of the conditions precedent is not fulfilled (or waived as to (e) by the Vendor and as to (d) by the Company as appropriate) on or before 31 October 2007 (or such other date as the Vendor and the Company may agree), the rights and obligations of the parties under the Acquisition Agreement shall lapse and be of no further effect, in which event the parties shall be released from all further obligations thereunder without any liability save as to any antecedent breach.

### **7. Completion**

Completion shall take place on the third business day after fulfillment (or waiver as appropriate) of the last of the conditions precedent set out above or such other date as may be agreed between the Vendor and the Company.

Upon Completion, Profitable Industries will become an 87.5% owned subsidiary of the Company whereas each of Sino Stream, Riverside Trinity and Far Hero will cease to be a subsidiary of the Company.

## LETTER FROM THE BOARD

### 8. Principal terms of the Convertible Note

The terms of the Convertible Note were determined after arm's length negotiations between the Vendor and the Company.

(a) *Principal amount*

HK\$130 million.

(b) *Maturity*

The third anniversary from the date of issue of the Convertible Note.

(c) *Interest*

1.5% per annum payable annually in arrears.

(d) *Conversion rights*

The Noteholder shall have the right to convert, on any business day from the date of issue of the Convertible Note up to the fifth business day immediately prior to the Maturity Date, the whole (or part only in an integral multiple of HK\$1,000,000) of the principal amount of the Convertible Note into Conversion Shares at the Conversion Price.

(e) *Conversion Price*

The initial Conversion Price is HK\$1.00 per Conversion Share, subject to adjustments in certain events such as share consolidation, share sub-division, reclassification, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

(f) *Ranking of the Conversion Shares*

The Conversion Shares shall rank pari passu in all respects with all other existing Shares in issue at the date on which a notice is given for the exercise of conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice for the exercise of conversion rights is given.

(g) *Voting*

The Noteholder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of its capacity as a noteholder.

(h) *Transferability*

The Convertible Note may be transferred to any third party. Any transfer of the Convertible Note shall be in respect of the whole (or part only in an integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Note. In the

## LETTER FROM THE BOARD

event of any transfer of the Convertible Note to a connected person of the Company (as defined in the Listing Rules), the Noteholder shall notify the Company in writing of such transfer, so that the Company will promptly notify the Stock Exchange of such transfer.

(i) *Redemption*

To the extent not previously converted into Conversion Shares, the Company shall, on the Maturity Date, redeem the outstanding principal amount of the Convertible Note.

In the event that the Convertible Note is converted in full at the Conversion Price of HK\$1.00 per Conversion Share (subject to adjustments), a total of 130 million Conversion Shares will be issued, representing approximately 24.3% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 19.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Price of HK\$1.00 per Conversion Share represents:

- (i) a discount of approximately 6.5% to the closing price of HK\$1.07 per Share as quoted on the Stock Exchange prior to the suspension of trading in the Shares on the Stock Exchange at 10:44 a.m. on 31 July 2007 pending the release of the Announcement;
- (ii) a premium of approximately 4.6% over the average closing price of HK\$0.956 per Share for the five consecutive trading days up to and including 31 July 2007 as quoted on the Stock Exchange;
- (iii) a premium of approximately 2.5% over the average closing price of HK\$0.976 per Share for the 10 consecutive trading days up to and including 31 July 2007 as quoted on the Stock Exchange;
- (iv) a discount of approximately 17.4% to the closing price of HK\$1.21 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 11.5% over the audited consolidated net assets value of the Group of approximately HK\$0.897 per Share as at 31 December 2006.

### 9. **Principal terms of the Loan Note**

(a) *Principal amount*

HK\$50 million.

(b) *Maturity*

The fifth anniversary from the date of issue of the Loan Note (the "Issue Date").

(c) *Interest*

3% per annum payable annually on each and every anniversary date of the Loan Note.

## LETTER FROM THE BOARD

(d) *Redemption*

The Company may elect to redeem the whole or any part of the Loan Note (in an integral multiple of HK\$1,000,000) then outstanding prior to the maturity date.

The redemption amount to be redeemed by the Company shall be subject to a discount at the following rates if a redemption notice is served by the Company upon the Vendor during the period specified below:

<b>Service of the redemption notice</b>	<b>Rate of discount</b>
On or before the 1st anniversary of the Issue Date	4%
After the 1st anniversary of the Issue Date and on or before the 2nd anniversary of the Issue Date	3%
After the 2nd anniversary of the Issue Date and on or before the 3rd anniversary of the Issue Date	2%
After the 3rd anniversary of the Issue Date and on or before the 4th anniversary of the Issue Date	1%

### 10. Other terms relating to the Reserved Area

*The Reserved Area*

It is the intention of the Company to complete the development of the entire Existing Area within 3 to 5 years from Completion. It is expected that upon nearly full development of the Existing Area, the Company will commence the development of the Reserved Area. In deciding on commencing the development of the Reserved Area, the Directors will take into account that the Vendor is entitled to a share of revenue in the following manner according to the Deed of Undertaking and Guarantee:

- (a) Within six months after end of each year commencing from 1 January 2008, the Company shall procure the delivery to the Vendor a certificate (the "Certificate") from and signed by the Auditor with reference to the immediately preceding year (the "Relevant Year") containing the following statements:
- (i) whether there was any Revenue in the Relevant Year applicable to the development of the Reserved Area and, if so,
  - (ii) the amount of the Revenue and the amount payable to the Vendor calculated based on 12.5% of 87.5% of 92% of the Revenue for the Relevant Year (the "Share of Revenue").

## LETTER FROM THE BOARD

- (b) Within fourteen business days of the issue of the Certificate, the Company shall pay to the Vendor or to its order the amount (if any) certified by the Auditor to be payable to the Vendor the Share of Revenue.
- (c) Such right to the Share of Revenue will expire in the financial year ending 31 December 2052.

### *Disposal of interests in the Reserved Area*

Pursuant to the Deed of Undertaking and Guarantee, the Company will undertake to the Vendor as follows:

- (a) In the event that the Company wishes to dispose of its interests in Profitable Industries, the HK Company or the PRC Company, or in the Reserved Area, to a third party (the “Third Party”) at a time when the Vendor is still entitled to the Share of Revenue, the Company shall procure the Third Party to give similar undertakings to and in favour of the Vendor in relation to its right to the Share of Revenue in terms reasonably acceptable to the Vendor, failing which, the Company shall pay to the Vendor, contemporaneously with such disposal, the Compensation.
- (b) “Compensation” means such amount as:
  - (i) the Company and the Vendor may agree as the compensation for termination of the Vendor’s right to the Share of Revenue; or
  - (ii) failing such agreement, the amount as may be determined by the Auditor or, if the Vendor shall object to such determination by the Auditor, by a firm of actuaries as the Company and the Vendor may appoint in agreement or, failing such agreement, by a firm of actuaries appointed by the Chairman for time being of the Actuarial Society of Hong Kong, as the appropriate compensation for termination of the Vendor’s right to the Share of Revenue.

### **APPLICATION FOR LISTING OF THE CONVERTIBLE NOTE**

No application has been or will be made for listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other stock exchange. An application has been made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the conversion of the Convertible Note.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

The simplified shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion and full conversion of the Convertible Note and assuming there is no change in the issued share capital of the Company from the Latest Practicable Date are set out as follows:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after Completion and full conversion of the Convertible Note</b>	
	<i>Number of Shares</i>	<i>% of total issued Shares</i>	<i>Number of Shares</i>	<i>% of total issued Shares</i>
CCIL	238,800,000	44.7	238,800,000	35.9
A Director ( <i>Note</i> )	10,000	0.0	10,000	0.0
Vendor	–	–	130,000,000	19.6
Public	<u>295,480,068</u>	<u>55.3</u>	<u>295,480,068</u>	<u>44.5</u>
Total	<u><u>534,290,068</u></u>	<u><u>100.0</u></u>	<u><u>664,290,068</u></u>	<u><u>100.0</u></u>

*Note:* Mr. Abraham Shek Lai Him, an independent non-executive Director, holds 10,000 Shares.

### INFORMATION ON THE VENDOR, PROFITABLE INDUSTRIES, HK COMPANY AND PRC COMPANY

#### The Vendor

The Vendor is an investment holding company whose principal assets are the Sale Shares and the Sale Loan. The Vendor is wholly-owned by an Independent Third Party.

#### Profitable Industries

Profitable Industries is an investment holding company whose sole asset is the entire equity interest in the HK Company. Profitable Industries is owned as to 87.5% by the Vendor and 12.5% by CNT Group. Mr. Richard Hung Ting Ho, the chairman and an executive Director, is a non-executive director of CNT Group.

#### HK Company

The HK Company is wholly-owned by Profitable Industries and its sole asset is its 92% equity interest in the PRC Company.

## LETTER FROM THE BOARD

### PRC Company

The PRC Company is owned as to 92% by the HK Company and 8% by the Local Partner.

The PRC Company has been approved by the Ministry of Civil Affairs of the PRC and the Department of Civil Affairs of Guangdong Province, the PRC to develop and operate a cemetery for the lease of burial places to the public in the PRC, to overseas Chinese, and to the residents of Hong Kong, Macau and Taiwan for profit purpose. It has also been authorised by the above government authorities to provide services such as the sale of tomb sets, headstones and stelae and the provision of management and burial related services. In addition, the PRC Company has been approved by the Minzhengju of the Municipality of Sihui to set up sales and marketing offices overseas.

At present, the principal activities of the PRC Company are the development and operation of a cemetery in the Existing Area now known as Fortune Wealth Memorial Park (四會聚福寶華僑陵園). According to the development plan of the PRC Company for the Existing Area, a total of approximately 232,000 burial places comprising approximately 18,000 Grave Plots and approximately 214,000 Niches will be provided upon completion of the development.

Recently, development work is completed on a site of 100 mu (equivalent to approximately 66,553 sq.m.) within the Existing Area for which the land use rights title has been obtained. An entrance square with a central fountain and encircled by waterways, a pond, a sales and administrative building, 4 graveyards with 1,783 Grave Plots and a mausoleum which can accommodate 3,294 Niches have been built. Leases for burial rights for the remaining term of the leases of the Grave Plots are now priced within the range from RMB8,800 to RMB398,000 per Grave Plot and those for the Niches are set within the range from RMB2,800 to RMB8,800 per Niche and the entire lease payments for leasing of the Grave Plots or the Niches will be received upfront in one lump sum.

For the site of 418 mu (equivalent to approximately 278,609 sq.m.) within the Existing Area, the PRC Company is now in the process of obtaining the land use rights title for 98 mu (equivalent to approximately 65,334 sq.m.) while that for the remaining 320 mu (equivalent to approximately 213,275 sq.m.) will be applied for in due course for future development work. The PRC Company has scheduled to complete the development of the entire Existing Area within 3 to 5 years from Completion. The development costs (including land premium) for the site of 418 mu (equivalent to approximately 278,609 sq.m.) within the Existing Area are estimated to be approximately HK\$140 million to HK\$170 million which will be financed by internal resources and/or bank borrowings of the Group.

On the sale and marketing aspects, the PRC Company has set up two sales offices, one in the Municipality of Sihui and one in Zhaoqing of Guangdong, the PRC. It has also appointed the HK Company to act as its overseas sales and marketing agent. In addition, the PRC Company has developed and operated an internet website which provides services such as the establishment of virtual memorial mausoleums, virtual and online broadcasting of ancestors' memorial services and periodic reports on conditions of burial places.

## LETTER FROM THE BOARD

The management team of the PRC Company comprises an acting general manager, two assistant general managers and a team of 44 staff members with details as follows:

<b>Function</b>	<b>Number of employees</b>
Administration	5
Business development, sales and marketing	10
Customer services	15
Finance and accounting	4
Information technology	2
Project development	5
Transportation	3
	44

Adjacent to the Existing Area is the Reserved Area with a site area of 4,482 mu (equivalent to approximately 2,988,000 sq.m.), which has been reserved by the Local Partner pursuant to the fulfillment of its obligation under a joint venture agreement with the HK Company in respect of the development of further phases of the cemetery. In the event that the PRC Company were to commence development of any part of the Reserved Area, land premium has to be paid by the PRC Company to the relevant government authorities in the PRC in order to obtain the land use rights title. At present, the PRC Company has no immediate development plan for the Reserved Area and it is expected that upon nearly full development of the Existing Area, the Company may, after taking into account the Share of Revenue by the Vendor as mentioned above, commence the development of the Reserved Area. When the PRC Company commences the development of the Reserved Area, the Company will comply with the relevant requirements under the Listing Rules, if applicable.



Entrance of Fortune Wealth Memorial Park

LETTER FROM THE BOARD



The Mausoleum



Sales and Administrative Building

## LETTER FROM THE BOARD

### FINANCIAL INFORMATION OF PROFITABLE INDUSTRIES

Set out below is the financial highlights of Profitable Industries for the two years ended 31 December 2006 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2006</b>
	Audited (HK\$'000)	Audited (HK\$'000)
Consolidated loss before taxation	(1,567)	(5,925)
Consolidated loss after taxation	(1,567)	(5,925)

The audited consolidated net assets value of Profitable Industries (before deduction of shareholders' loans amounting to HK\$43.5 million) as at 30 June 2007 was approximately HK\$31.7 million.

### INFORMATION ON THE GROUP, SINO STREAM, RIVERSIDE TRINITY AND FAR HERO

#### The Group

The Group is principally engaged in books and paper products printing and property investment in the PRC.

#### Sino Stream

Sino Stream is principally engaged in property investment in the PRC and is a wholly-owned subsidiary of the Company. Property 1 is the sole asset of Sino Stream. Portion of Property 1 (with gross floor area of approximately 8,185.61 sq.m.) is leased to a wholly-owned subsidiary of Chuang's China Investments Limited, a subsidiary of CCIL, on a monthly basis at HK\$82,800 per month and the remaining portion of Property 1 is currently vacant. The market value of Property 1 as at 30 June 2007 as appraised by DTZ was RMB52 million (equivalent to approximately HK\$53.9 million).

Set out below is the financial highlights of Sino Stream for the two years ended 31 December 2006 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2006</b>
	Audited (HK\$'000)	Audited (HK\$'000)
Profit before taxation	1,573	970
Profit after taxation	854	304

## LETTER FROM THE BOARD

The audited net assets value of Sino Stream (before deduction of shareholder's loan owing to a wholly-owned subsidiary of the Company of HK\$33.9 million) as at 31 December 2006 was approximately HK\$35.5 million.

### Riverside Trinity

Riverside Trinity is principally engaged in property investment in the PRC and is a wholly-owned subsidiary of the Company. Property 2 is the sole asset of Riverside Trinity and is currently vacant. The market value of Property 2 as at 30 June 2007 as appraised by DTZ was RMB103 million (equivalent to approximately HK\$106.7 million).

Set out below is the financial highlights of Riverside Trinity for the two years ended 31 December 2006 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2006</b>
	Audited	Audited
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Loss before taxation	(379)	(2,055)
Loss after taxation	(379)	(1,620)

The audited net assets value of Riverside Trinity (before deduction of shareholder's loan owing to a wholly-owned subsidiary of the Company of HK\$76.6 million) as at 31 December 2006 was approximately HK\$76.1 million.

### Far Hero

Far Hero is principally engaged in property investment in the PRC and is a wholly-owned subsidiary of the Company. Property 3 is the sole asset of Far Hero and is currently vacant. The market value of Property 3 as at 30 June 2007 as appraised by DTZ was RMB9 million (equivalent to approximately HK\$9.3 million).

Set out below is the financial highlights of Far Hero for the two years ended 31 March 2007 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 March</b>	
	<b>2006</b>	<b>2007</b>
	Audited	Unaudited
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Loss before taxation	(2,500)	(207)
Loss after taxation	(2,500)	(207)

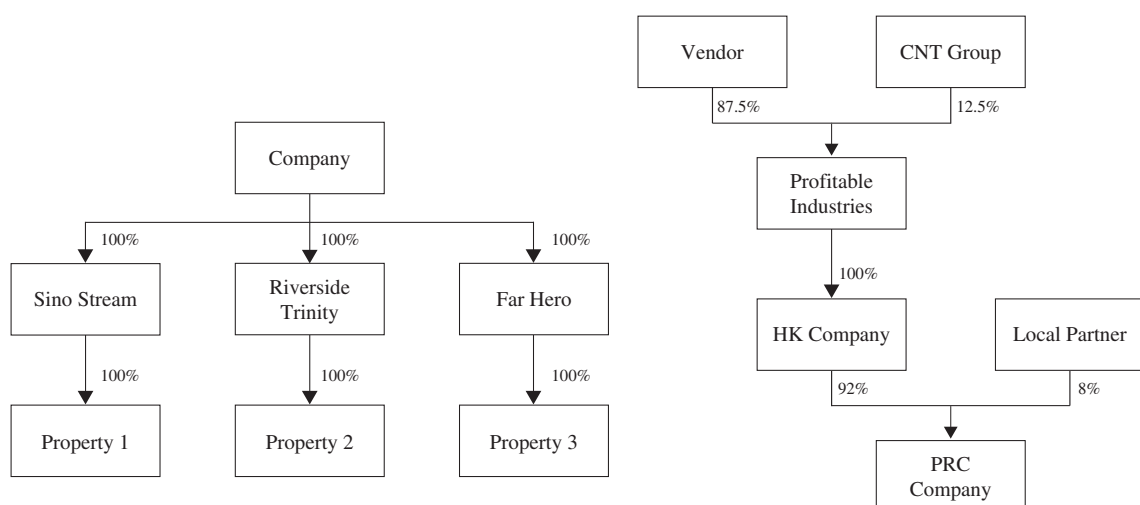
## LETTER FROM THE BOARD

The unaudited net assets value of Far Hero as at 31 March 2007 (before deduction of shareholder's loan owing to a wholly-owned subsidiary of the Company of HK\$10.3 million) was approximately HK\$2.3 million.

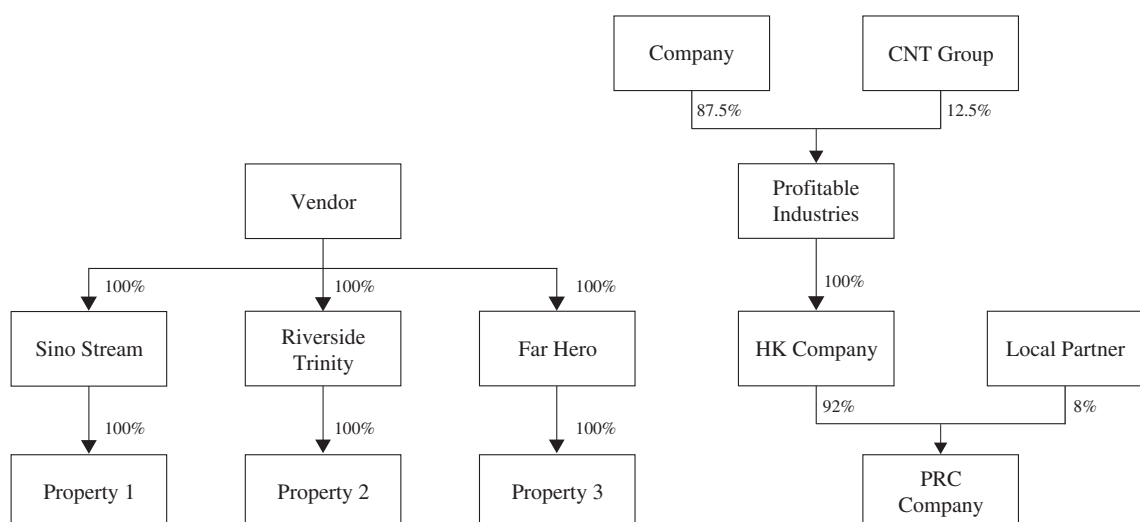
### GROUP STRUCTURE

The following is the simplified group structure of the Company and the Vendor immediately before and after the completion of the Acquisition and the Transfer:

Immediately before Completion:



Immediately after Completion:



## LETTER FROM THE BOARD

### REASONS FOR AND EFFECTS OF THE ACQUISITION AND THE TRANSFER

As mentioned in the annual report of the Company for the year ended 31 December 2006, in view of the competitive trading environment of the Group's printing business, the Group is looking for new business opportunities to broaden its income base. The Acquisition will enable the Group to diversify into a new business area, being the construction and operation of cemetery in the PRC, a niche business which the Directors consider to have long term growth potential and will bring long term stable income to the Group. Firstly, the operation of cemetery in the PRC is a controlled business which requires lengthy and specific approvals and licences from a number of government authorities. In this respect, the PRC Company has already obtained all necessary approvals and licences to operate such a business in the PRC. Accordingly, the Acquisition will allow the Group to immediately participate in an operative cemetery business in the PRC without going through all the hurdles of securing such approvals and licenses. Secondly, the Directors believe that with the aging population, the increase in disposable household income and the demolition of existing cemeteries located in or near major cities due to urban redevelopment, the demand for quality burial places and services in the PRC is strong. Thirdly, the PRC Company has management expertise in place which has proven record in completing the development of the cemetery comprising 100 mu (equivalent to approximately 66,553 sq.m.) of land within the Existing Area, and has commenced the business operation of the cemetery in full. The Directors believe that this would ensure that the development of further phase of the cemetery project can be executed smoothly. Fourthly, in addition to the development of the Existing Area, the project can be extended into the Reserved Area for future development. The site area of the Reserved Area is about 8 times of that of the Existing Area. The Directors believe that the future development potential of the project is enormous.

Under the Acquisition Agreement, the Company will transfer the entire issued share capitals of, and the shareholder's loans to, Sino Stream, Riverside Trinity and Far Hero to the Vendor. The purpose of the Transfer is to reduce the amount of cash consideration payable for the Acquisition so as to allow the Group to retain more working capital for the ongoing development and expansion of its core business. Based on the respective net assets values of Sino Stream, Riverside Trinity and Far Hero as at 31 December 2006 and taking into account the fair values of Property 1, Property 2 and Property 3 as at 30 June 2007, it is estimated that the Group will record an unaudited aggregate gain of approximately HK\$23 million as a result of the Transfer. The actual amount of such gain will be determined on Completion.

Completion will result in an increase in the total assets and the total liabilities of the Group by approximately HK\$402 million and HK\$266 million respectively, details of which can be referred to in the unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix III to this circular. In addition, Completion will result in an estimated negative goodwill of approximately HK\$8 million which is expected to be recognised as a gain in the consolidated profit and loss account of the Group and the actual amount of such gain will be determined on Completion.

Based on the above, the Directors believe that the terms of the Acquisition, the Deed of Undertaking and Guarantee and the Transfer are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

Save as disclosed in this circular, Completion will not have any material impact on the earnings, assets and liabilities of the Group.

### REQUIREMENTS UNDER THE LISTING RULES

Under the Listing Rules, the Acquisition constitutes a major acquisition for the Company and the Transfer constitutes a major disposal for the Company. Pursuant to Rule 14.40 of the Listing Rules, the Acquisition and the Transfer are therefore conditional upon the approval of the Shareholders. To the best knowledge, information and belief of the Directors having made all reasonable enquires, as at the Latest Practicable Date, no Shareholder had material interest in the Acquisition and the Transfer and therefore no Shareholder is required to abstain from voting in respect of the proposed resolution approving the Acquisition and the Transfer at the EGM.

### EGM

A notice convening the EGM is set out on pages 109 to 110 of this circular. At the EGM, an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition, the Transfer and the transactions contemplated under the Acquisition Agreement.

Whether or not you will be able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

### RECOMMENDATION

The Directors consider that the terms of the Acquisition, the Transfer and the transactions contemplated under the Acquisition Agreement are fair and reasonable and are in the interests of the Shareholders and the Group as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the proposed ordinary resolution set out in the notice of the EGM to approve the Acquisition, the Transfer and the transactions contemplated under the Acquisition Agreement.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Midas International Holdings Limited**  
**Kwong Tin Lap**  
*Managing Director*

## 1. FINANCIAL SUMMARY

The following is a summary of the consolidated results of the Group for the three years ended 31 December 2006 and the consolidated balance sheets as at 31 December 2004, 2005 and 2006 as extracted from the published annual reports of the Company for the two years ended 31 December 2006.

## (a) Consolidated income statement

	Year ended 31 December		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	736,879	758,303	737,858
Direct expenses	(498,939)	(543,578)	(547,341)
<b>Gross profit</b>	237,940	214,725	190,517
Other income	15,401	18,284	18,603
Selling expenses	(26,189)	(71,146)	(63,887)
Administrative and other expenses	(150,271)	(100,914)	(113,289)
Finance costs	(8,058)	(7,196)	(6,822)
<b>Profit before taxation</b>	68,823	53,753	25,122
Income tax expenses	(9,399)	(11,140)	(7,492)
<b>Profit for the year</b>	<u>59,424</u>	<u>42,613</u>	<u>17,630</u>
Attributable to:			
Ordinary shareholders of the Company	58,330	43,014	17,630
Minority interests	1,094	(401)	–
	<u>59,424</u>	<u>42,613</u>	<u>17,630</u>
Dividends	<u>22,441</u>	<u>24,043</u>	<u>24,043</u>
Basic earnings per share	<u>HK10.9 cents</u>	<u>HK8.1 cents</u>	<u>HK3.3 cents</u>

## (b) Consolidated balance sheet

	As at 31 December		
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	393,700	163,970	175,500
Prepaid lease payments	8,819	8,590	8,361
Property, plant and equipment	232,188	234,416	220,596
Deposits paid for acquisition of property, plant and equipment	–	1,578	703
Contractual reimbursement from related companies	32,719	21,019	21,019
	<u>667,426</u>	<u>429,573</u>	<u>426,179</u>
<b>Current assets</b>			
Inventories	70,261	75,163	98,126
Accounts receivables	208,424	207,282	220,727
Deposits, prepayments and other receivables	12,655	8,464	12,705
Prepaid lease payments	229	229	229
Tax recoverable	212	1,738	2,507
Bank balances and cash	96,040	138,214	86,430
	<u>387,821</u>	<u>431,090</u>	<u>420,724</u>
<b>Current liabilities</b>			
Accounts payables	154,904	146,931	152,466
Accrued charges and other payables	82,805	54,492	59,437
Deposit received in respect of disposal of a subsidiary	936	–	–
Tax payable	5,740	5,097	7,561
Borrowings	35,849	45,507	38,050
	<u>280,234</u>	<u>252,027</u>	<u>257,514</u>
<b>Net current assets</b>	<u>107,587</u>	<u>179,063</u>	<u>163,210</u>
<b>Total assets less current liabilities</b>	<u>775,013</u>	<u>608,636</u>	<u>589,389</u>

	As at 31 December		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
<b>Non-current liabilities</b>			
Borrowings	107,000	100,163	80,113
Deferred tax	56,354	27,895	29,892
Amount due to a minority shareholder	56,887	–	–
Redeemable preference shares	48,500	–	–
	<u>268,741</u>	<u>128,058</u>	<u>110,005</u>
<b>NET ASSETS</b>	<u>506,272</u>	<u>480,578</u>	<u>479,384</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	53,429	53,429	53,429
Reserves	408,178	427,149	425,955
	<u>461,607</u>	<u>480,578</u>	<u>479,384</u>
Equity attributable to ordinary shareholders of the Company	461,607	480,578	479,384
Minority interests	44,665	–	–
	<u>506,272</u>	<u>480,578</u>	<u>479,384</u>
<b>TOTAL EQUITY</b>	<u>506,272</u>	<u>480,578</u>	<u>479,384</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Set out below are the consolidated income statement of the Group for the two years ended 31 December 2006, the consolidated balance sheets of the Group as at 31 December 2005 and 2006, the consolidated statement of changes in equity of the Group for the two years ended 31 December 2006, the consolidated cash flow statement of the Group for the two years ended 31 December 2006, together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2006:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>Turnover</b>	7	737,858	758,303
Direct expenses		<u>(547,341)</u>	<u>(543,578)</u>
<b>Gross profit</b>		190,517	214,725
Other income	9	18,603	18,284
Selling expenses		(63,887)	(71,146)
Administrative and other expenses		(113,289)	(100,914)
Finance costs	12	<u>(6,822)</u>	<u>(7,196)</u>
<b>Profit before taxation</b>	10	25,122	53,753
Income tax expenses	13	<u>(7,492)</u>	<u>(11,140)</u>
<b>Profit for the year</b>		<u><u>17,630</u></u>	<u><u>42,613</u></u>
Attributable to:			
Ordinary shareholders of the Company		17,630	43,014
Minority interests		<u>–</u>	<u>(401)</u>
		<u><u>17,630</u></u>	<u><u>42,613</u></u>
Dividends	14	<u>24,043</u>	<u>24,043</u>
Basic earnings per share	15	<u><u>HK3.3 cents</u></u>	<u><u>HK8.1 cents</u></u>

## CONSOLIDATED BALANCE SHEET

At 31 December 2006

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	<i>16</i>	175,500	163,970
Prepaid lease payments	<i>17</i>	8,361	8,590
Property, plant and equipment	<i>18</i>	220,596	234,416
Deposits paid for acquisition of property, plant and equipment		703	1,578
Contractual reimbursement from related companies	<i>19</i>	21,019	21,019
		<u>426,179</u>	<u>429,573</u>
<b>Current assets</b>			
Inventories	<i>20</i>	98,126	75,163
Accounts receivables	<i>21</i>	220,727	207,282
Deposits, prepayments and other receivables		12,705	8,464
Prepaid lease payments	<i>17</i>	229	229
Tax recoverable		2,507	1,738
Bank balances and cash	<i>22</i>	86,430	138,214
		<u>420,724</u>	<u>431,090</u>
<b>Current liabilities</b>			
Accounts payables	<i>23</i>	152,466	146,931
Accrued charges and other payables		59,437	54,492
Tax payable		7,561	5,097
Borrowings	<i>24</i>	38,050	45,507
		<u>257,514</u>	<u>252,027</u>
<b>Net current assets</b>		<u>163,210</u>	<u>179,063</u>
<b>Total assets less current liabilities</b>		<u>589,389</u>	<u>608,636</u>
<b>Non-current liabilities</b>			
Borrowings	<i>24</i>	80,113	100,163
Deferred tax	<i>25</i>	29,892	27,895
		<u>110,005</u>	<u>128,058</u>
<b>NET ASSETS</b>		<u>479,384</u>	<u>480,578</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>26</i>	53,429	53,429
Reserves		425,955	427,149
<b>TOTAL EQUITY</b>		<u>479,384</u>	<u>480,578</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to ordinary shareholders of the Company							Minority interests	Total equity
	Share capital	Share premium	Other reserve	Merger reserve	Translation reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	53,429	164,773	4,000	24,000	239	215,166	461,607	44,665	506,272
Profit and the total recognised income and expense for the year	-	-	-	-	-	43,014	43,014	(401)	42,613
Disposal of subsidiary	-	-	-	-	-	-	-	(44,264)	(44,264)
Dividends	-	-	-	-	-	(24,043)	(24,043)	-	(24,043)
At 31 December 2005	53,429	164,773	4,000	24,000	239	234,137	480,578	-	480,578
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	5,219	-	5,219	-	5,219
Profit for the year	-	-	-	-	-	17,630	17,630	-	17,630
Total recognised income and expense for the year	-	-	-	-	5,219	17,630	22,849	-	22,849
Dividends	-	-	-	-	-	(24,043)	(24,043)	-	(24,043)
At 31 December 2006	53,429	164,773	4,000	24,000	5,458	227,724	479,384	-	479,384

## Notes:

- (a) The other reserve of the Group was contributed by the substantial shareholders of the Company who were also the holders of the preference shares. It represents the excess of the face value of redeemable preference shares over the consideration paid upon redemption in 2004.
- (b) The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's ordinary shares issued for the acquisition at the time of a group reorganisation in 1996.
- (c) Profit for the year of the Company of HK\$104,433,000 (2005: HK\$23,355,000) has been dealt with in the consolidated income statement.

**CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 December 2006*

	<i>NOTE</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		25,122	53,753
Adjustments for:			
Depreciation and amortisation		35,954	35,441
Finance costs		6,822	7,196
Increase in fair value of investment properties		(4,893)	–
Gain on disposal of a subsidiary		–	(5,828)
Interest income		(2,678)	(1,894)
Impairment losses (reversal of impairment loss) recognised in respect of accounts receivables		10,945	(831)
Release of prepaid lease payments		229	229
(Gain) loss on disposal of property, plant and equipment		(58)	62
		<hr/>	<hr/>
Operating cash flows before movements in working capital		71,443	88,128
Increase in inventories		(22,963)	(4,902)
(Increase) decrease in accounts receivables		(24,390)	1,973
(Increase) decrease in deposits, prepayments and other receivables		(4,241)	1,206
Increase (decrease) in accounts payables		5,535	(7,973)
Increase in accrued charges and other payables		1,519	18,224
		<hr/>	<hr/>
Net cash generated from operations		26,903	96,656
Income tax paid		(6,700)	(13,818)
Income tax refunded		1,732	100
		<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>21,935</b>	<b>82,938</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(18,213)	(39,987)
Interest received		2,678	1,894
Proceeds from disposal of property, plant and equipment		188	50
Disposal of a subsidiary	28	–	73,025
		<hr/>	<hr/>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(15,347)</b>	<b>34,982</b>

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank loans	(40,131)	(39,846)
Dividends paid	(24,043)	(24,043)
Repayment of import loans	(14,009)	(13,306)
Interest paid	(6,822)	(5,315)
New bank loans raised	20,000	36,560
New import loans raised	6,633	19,413
Redemption of preference shares	–	(48,500)
Preference shares dividends paid	–	(709)
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(58,372)</b>	<b>(75,746)</b>
	<hr/>	<hr/>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(51,784)</b>	<b>42,174</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>138,214</b>	<b>96,040</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>86,430</b>	<b>138,214</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2006***1. GENERAL**

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands (“Companies Law”). Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34.

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

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)**

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

**3. NEW STANDARDS, AMENDMENT OR INTERPRETATIONS ISSUED BUT NOT EFFECTIVE**

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>7</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>8</sup> Effective for annual periods beginning on or after 1 January 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

##### **Basis of consolidation**

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

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

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

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

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

##### **Investment properties**

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

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

##### **Property, plant and equipment**

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

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

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

**Leasing**

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

*The Group as lessor*

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

*The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Cost comprises direct materials and, where applicable, direct labour costs and those overhead that have been incurred in bringing the inventories to their present location and condition.

**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.

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

**Revenue recognition**

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

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

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

Service income is recognised when the services are provided.

**Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. 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.

#### **Foreign currencies**

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### **Borrowing costs**

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

#### **Retirement benefit costs**

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

**Financial instruments**

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

*Financial assets – loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

**Financial liabilities**

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

**Equity instruments**

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

*Derecognition*

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

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

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### **Impairment loss on accounts receivables**

The impairment loss on trade receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the accounts receivable is impaired. As at 31 December 2006, the carrying value of accounts receivables (net of impairment loss of approximately HK\$14 million) is approximately HK\$221 million. When the actual cash receipts are less than expected, a material impairment loss may arise.

## 6. FINANCIAL INSTRUMENTS

### (a) **Financial risk management objectives and policies**

The Company's major financial instruments include trade and other receivables, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

##### Interest rate risk

The Group's cash flow interest rate risk mainly relates to its variable-rate borrowings. The Group currently does not have any interest rate hedging policy. Management however monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

##### Foreign currency risk

Certain of the sales transactions of the Group are denominated in United States Dollars ("US\$"), Euro, Pound Sterling and Renminbi ("RMB") and there are expenses and capital expenditures that are to be settled in US\$, RMB and Euro. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### *Credit risk*

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets in the consolidated balance sheet.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has no significant concentration of credit risk as its credit exposure is spread over a number of counterparties and customers.

**(b) Fair value**

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

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

**7. TURNOVER**

Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year, and is analysed as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Sales of goods	733,464	744,657
Rental and management fee income generated from property investment	4,394	13,646
	<u>737,858</u>	<u>758,303</u>

**8. SEGMENT INFORMATION****Business segments**

The Group is currently operating in two primary business segments, namely printing and property investment. Segmental information about these businesses is presented below.

**2006****CONSOLIDATED INCOME STATEMENT**

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

## CONSOLIDATED BALANCE SHEET

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

## OTHER INFORMATION

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

## 2005

## CONSOLIDATED INCOME STATEMENT

	<b>Printing</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>TURNOVER</b> – external	<u>744,657</u>	<u>13,646</u>	<u>758,303</u>
<b>SEGMENT RESULTS</b>	<u>51,023</u>	<u>9,368</u>	60,391
Unallocated income			1,894
Unallocated expenses			(1,336)
Finance costs			<u>(7,196)</u>
Profit before taxation			53,753
Income tax expenses			<u>(11,140)</u>
Profit for the year			<u><u>42,613</u></u>

## CONSOLIDATED BALANCE SHEET

	<b>Printing</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	533,539	187,172	720,711
Unallocated assets			139,952
			<hr/>
Consolidated total assets			860,663
			<hr/> <hr/>
<b>LIABILITIES</b>			
Segment liabilities	194,066	7,357	201,423
Unallocated liabilities			178,662
			<hr/>
Consolidated total liabilities			380,085
			<hr/> <hr/>

## OTHER INFORMATION

	<b>Printing</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Capital expenditure	38,395	14	38,409
Depreciation and amortisation	35,290	151	35,441
	<hr/>	<hr/>	<hr/>

## 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 mainly 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:

	<b>Turnover by geographical market</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	220,528	228,177
North America	221,009	222,844
Europe	198,523	209,337
Australia and New Zealand	48,868	45,053
The PRC	23,206	36,372
Others	25,724	16,520
	<hr/>	<hr/>
	737,858	758,303
	<hr/> <hr/>	<hr/> <hr/>

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	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	257,223	245,606	1,895	4,475
The PRC	500,743	475,105	20,369	33,934
	<u>757,966</u>	<u>720,711</u>	<u>22,264</u>	<u>38,409</u>

9. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Increase in fair value of investment properties	4,893	–
Income from sale of scrap	7,964	8,522
Interest income	2,678	1,894
Exchange gain	1,661	–
Gain on disposal of property, plant and equipment	58	–
Gain on disposal of a subsidiary ( <i>note 28</i> )	–	5,828
Reversal of impairment losses recognised in respect of accounts receivables	–	831
Sundry income	1,349	1,209
	<u>18,603</u>	<u>18,284</u>

## 10. PROFIT BEFORE TAXATION

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs	108,701	94,363
Retirement benefit scheme contribution	2,265	1,732
	<u>110,966</u>	<u>96,095</u>
Total staff costs		
Auditor's remuneration:		
Current year	1,100	918
Underprovision in prior years	–	(17)
	<u>1,100</u>	<u>901</u>
Cost of inventories recognised as an expense	546,177	539,949
Depreciation and amortisation of property, plant and equipment	35,954	35,441
Exchange losses	–	4,825
Impairment losses recognised in respect of accounts receivables	10,945	–
Loss on disposal of property, plant and equipment	–	62
Release of prepaid lease payments	229	229
Rental of premises under operating leases	7,087	6,256
	<u>7,087</u>	<u>6,256</u>
and after crediting:		
Gross rental income from investment properties	4,306	13,428
<i>Less:</i>		
direct operating expenses from investment properties that generated rental income during the year	(799)	(3,342)
direct operating expenses from investment properties that did not generate rental income during the year	(365)	(287)
	<u>3,142</u>	<u>9,799</u>

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of Directors, senior management and the 5 highest paid employees are as follows:

## (a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2005: 12) Directors were as follows:

2006	Mr. KO	Mr.	Mr.	Miss	Mr. TANG	Mr.	Mr.	Mr. SHEK			Mr. YAU	Total	
	Sheung	KWONG	KWOK	LI Mee	Chow	WONG	Domonic	Lai Him,	Dr. LI Sau	Chi Ming			
	Chi	Tin Lap	Chi Fai	Sum, Ann	Ming, Paul	Chi Sing	LAI	Abraham	Hung, Eddy	Chi Ming	HK\$'000		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Fees	30	20	20	20	20	20	80	80	80	80	450		
Other emoluments:													
Salaries and other benefits	-	1,056	930	-	648	432	-	-	-	-	3,066		
Bonus (Note)	-	88	78	-	56	36	-	-	-	-	258		
Retirement benefit scheme contribution	-	24	24	-	24	22	-	-	-	-	94		
Total emoluments	30	1,188	1,052	20	748	510	80	80	80	80	3,868		
	<u>30</u>	<u>1,188</u>	<u>1,052</u>	<u>20</u>	<u>748</u>	<u>510</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>3,868</u>		
2005	Mr. KO	Mr. CHAN	Mr.	Mr.	Miss	Mr. TANG	Mr.	Mr.	Mr. SHEK			Mr. YAU	Total
	Sheung	Sheung	KWONG	KWOK	LI Mee	Chow	WONG	Mr. LEE	Domonic	Lai Him,	Dr. LI Sau	Chi Ming	
	Chi	Chiu	Tin Lap	Chi Fai	Sum, Ann	Ming, Paul	Chi Sing	Sai Wai	LAI	Abraham	Hung, Eddy	Chi Ming	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	30	-	20	20	20	20	20	-	80	80	80	80	450
Other emoluments:													
Salaries and other benefits	-	-	1,056	930	-	672	432	-	-	-	-	-	3,090
Bonus (Note)	-	-	88	78	-	56	36	-	-	-	-	-	258
Retirement benefit scheme contribution	-	-	24	24	-	24	16	-	-	-	-	-	88
Total emoluments	30	-	1,188	1,052	20	772	504	-	80	80	80	80	3,886
	<u>30</u>	<u>-</u>	<u>1,188</u>	<u>1,052</u>	<u>20</u>	<u>772</u>	<u>504</u>	<u>-</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>3,886</u>

Note: The bonus is determined based on performance of the Group.

**(b) Employees' emoluments**

During the year, the 5 highest paid individuals included 3 (2005: 3) Directors, details of whose emoluments are set out in note 11(a) above.

The emoluments of the remaining 2 (2005: 2) individuals are as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Salaries and other benefits	1,224	1,200
Bonus	293	385
Retirement benefit scheme contribution	48	48
	<u>1,565</u>	<u>1,633</u>

Emoluments of the employees are within the following bands:

	<b>Number of employees</b> <b>2006</b>	<b>2005</b>
HK\$1,000,000 or below	<u>2</u>	<u>2</u>

During each of the two years ended 31 December 2006, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during each of the two years ended 31 December 2006, no Director waived any emoluments.

**(c) Emoluments of senior management**

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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Short-term benefits	1,339	1,431
Post-employment benefits	48	48
	<u>1,387</u>	<u>1,479</u>

**12. FINANCE COSTS**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
– bank borrowings	6,822	5,315
– amount due to a minority shareholder	–	1,172
Dividends paid to preference shareholders	–	709
	<u>6,822</u>	<u>7,196</u>

## 13. INCOME TAX EXPENSES

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	2,330	4,881
PRC income tax	2,911	6,536
	<u>5,241</u>	<u>11,417</u>
Underprovision in prior years:		
Hong Kong Profits Tax	211	132
PRC income tax	1,080	–
	<u>1,291</u>	<u>132</u>
Deferred tax ( <i>note 25</i> ):		
Current year	224	(409)
Underprovision in prior year	736	–
	<u>960</u>	<u>(409)</u>
	<u><u>7,492</u></u>	<u><u>11,140</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

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:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>25,122</u>	<u>53,753</u>
Tax at the domestic income tax rate of 17.5%	4,396	9,407
Tax effect of expenses not deductible for tax purpose	1,374	1,682
Tax effect of income not taxable for tax purpose	(1,072)	(985)
Underprovision in prior years	1,291	132
Tax effect of additional tax losses not recognised	274	247
Utilisation of tax losses previously not recognised	(517)	(2,035)
Effect of tax holidays granted to a PRC subsidiary	–	(1,342)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>1,746</u>	<u>4,034</u>
Income tax expense for the year	<u><u>7,492</u></u>	<u><u>11,140</u></u>

**14. DIVIDENDS**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Dividends paid to ordinary shareholders:		
2005 final dividend of HK3.3 cents per share	17,632	–
2006 interim dividend of HK1.2 cents per share	6,411	–
2004 final dividend of HK3.3 cents per share	–	17,632
2005 interim dividend of HK1.2 cents per share	–	6,411
	<u>24,043</u>	<u>24,043</u>

The final dividend of HK1.2 cents (2005: HK3.3 cents) per share to ordinary shareholders of the Company whose names appear on the register of members on 30 May 2007, amounting to approximately HK\$6,411,000 (2005: HK\$17,632,000) has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

The interim dividend of HK1.2 cents (2005: HK1.2 cents) per share was paid to the ordinary shareholders of the Company whose names appeared on the register of members on 13 October 2006.

Subject to the Companies Law, the holders of Series B preference shares were 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. During the year ended 31 December 2005, all outstanding Series B preference shares were redeemed by the Company.

**15. BASIC EARNINGS PER SHARE**

The calculation of the basic earnings per share attributable to the ordinary shareholders of the Company is based on the profit for the year attributable to ordinary shareholders of the Company of HK\$17,630,000 (2005: HK\$43,014,000) and on 534,290,068 (2005: 534,290,068) ordinary shares in issue during the year.

Diluted earnings per share is not presented for each of the two years ended 31 December 2006 as there were no potential ordinary shares in existence for both years.

**16. INVESTMENT PROPERTIES**

	<i>HK\$'000</i>
At 1 January 2005	393,700
Disposal of a subsidiary	(230,180)
Transferred from property, plant and equipment at fair value	<u>450</u>
At 1 January 2006	163,970
Exchange realignment	6,637
Increase in fair value	<u>4,893</u>
At 31 December 2006	<u><u>175,500</u></u>

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The carrying value of the investment properties held for rental income comprises:		
Leasehold land and buildings situated in:		
– the PRC under long leases	175,000	163,520
– Hong Kong under long leases	500	450
	<u>175,500</u>	<u>163,970</u>

Legal title to certain investment properties with a carrying amount of approximately HK\$150,000,000 (2005: HK\$143,700,000) remains in the name of the vendor even though the Group has the right to execute the transfer at anytime at its discretion. As substantially all the risks and rewards of ownership of these properties have been transferred to the Group upon execution of the sales agreement, the Group has recognised these properties as its assets.

The fair values of the investment properties of the Group at 31 December 2006 have been arrived at on the basis of a valuation carried out as of that date by DTZ Debenham Tie Leung Limited, a firm of independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to the comparable sales prices in the relevant locality.

The Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

#### 17. PREPAID LEASE PAYMENTS

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
Land use rights in the PRC under a medium-term lease	<u>8,590</u>	<u>8,819</u>
Analysed for reporting purposes as:		
Non-current asset	8,361	8,590
Current asset	229	229
	<u>8,590</u>	<u>8,819</u>

## 18. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings in the PRC under medium- term lease HK\$'000</b>	<b>Leasehold improve- ments HK\$'000</b>	<b>Plant and machinery HK\$'000</b>	<b>Furniture and fixtures HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
<b>COST</b>						
At 1 January 2005	52,428	3,157	388,686	40,461	6,727	491,459
Additions	2,979	2,877	26,390	5,969	194	38,409
Disposals	–	–	–	(9,795)	(176)	(9,971)
Disposal of a subsidiary	(112)	–	–	(316)	–	(428)
Transferred to investment properties	(1,653)	–	–	–	–	(1,653)
At 1 January 2006	53,642	6,034	415,076	36,319	6,745	517,816
Additions	528	19	16,294	5,215	208	22,264
Disposals	–	–	(328)	(330)	(546)	(1,204)
At 31 December 2006	54,170	6,053	431,042	41,204	6,407	538,876
<b>DEPRECIATION AND AMORTISATION</b>						
At 1 January 2005	8,991	1,773	212,740	31,943	3,824	259,271
Provided for the year	2,208	814	27,242	4,036	1,141	35,441
Eliminated on disposals	–	–	–	(9,724)	(135)	(9,859)
Disposal of a subsidiary	(32)	–	–	(218)	–	(250)
Transferred to investment properties	(1,203)	–	–	–	–	(1,203)
At 1 January 2006	9,964	2,587	239,982	26,037	4,830	283,400
Provided for the year	2,287	1,383	26,739	4,680	865	35,954
Eliminated on disposals	–	–	(273)	(321)	(480)	(1,074)
At 31 December 2006	12,251	3,970	266,448	30,396	5,215	318,280
<b>CARRYING VALUES</b>						
At 31 December 2006	<u>41,919</u>	<u>2,083</u>	<u>164,594</u>	<u>10,808</u>	<u>1,192</u>	<u>220,596</u>
At 31 December 2005	<u>43,678</u>	<u>3,447</u>	<u>175,094</u>	<u>10,282</u>	<u>1,915</u>	<u>234,416</u>

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

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

## 19. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

	Reimbursement of construction costs of properties under development <i>HK\$'000</i>	Reimbursement of deferred tax liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	3,751	28,968	32,719
Disposal of a subsidiary	<u>(3,751)</u>	<u>(7,949)</u>	<u>(11,700)</u>
At 31 December 2005 and 31 December 2006	<u>–</u>	<u>21,019</u>	<u>21,019</u>

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

## 20. INVENTORIES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Raw materials	65,207	47,658
Work in progress	29,659	22,846
Finished goods	<u>3,260</u>	<u>4,659</u>
	<u>98,126</u>	<u>75,163</u>

## 21. ACCOUNTS RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 180 days (2005: 30 days to 180 days) to its customers.

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 to 30 days	57,277	54,452
31 to 60 days	43,953	34,664
61 to 90 days	39,727	45,929
91 to 120 days	34,598	27,579
121 to 180 days	36,372	36,224
More than 180 days	<u>8,800</u>	<u>8,434</u>
	<u>220,727</u>	<u>207,282</u>

**22. BANK BALANCES**

Bank balances carry interest at market rates which range from 0.25% to 5.45%.

**23. ACCOUNTS PAYABLES**

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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
0 to 30 days	37,764	28,327
31 to 60 days	45,016	29,842
61 to 90 days	18,952	24,655
91 to 120 days	29,279	15,730
More than 120 days	21,455	48,377
	<u>152,466</u>	<u>146,931</u>

**24. BORROWINGS**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Borrowings comprise:		
Bank loans	118,163	138,294
Import loans	–	7,376
	<u>118,163</u>	<u>145,670</u>
Analysed as:		
Secured	–	3,900
Unsecured	118,163	141,770
	<u>118,163</u>	<u>145,670</u>

Variable-rate borrowings with effective interest of 4.62% to 6.12% (2005: 1.18% to 6.02%) are repayable as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Within one year or on demand	38,050	45,507
In more than one year but not more than two years	38,500	34,050
In more than two years but not more than three years	35,613	34,500
In more than three years but not more than four years	4,000	31,613
In more than four years but not more than five years	2,000	–
	118,163	145,670
<i>Less: Amount repayable within one year or on demand and shown under current liabilities</i>	<u>(38,050)</u>	<u>(45,507)</u>
Amount due after one year	<u>80,113</u>	<u>100,163</u>

During the year, the Group obtained a new floating-rate loan in the amount of HK\$20,000,000. The loan bears interest at market rates and will be repayable by instalments before 2011. The proceeds were used to finance the Group's acquisition of property, plant and equipment.

## 25. DEFERRED TAX

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

	Tax losses <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Excess of fair value over historical cost of assets of certain subsidiaries at the date of acquisition by the Group <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2005	(2,926)	5,890	47,841	5,549	56,354
Disposal of a subsidiary	1,887	(2,775)	(21,613)	(5,549)	(28,050)
(Credit) charge to income statement for the year	(748)	339	–	–	(409)
Balance at 31 December 2005	(1,787)	3,454	26,228	–	27,895
Exchange realignment	–	–	1,037	–	1,037
(Credit) charge to income statement for the year	(1,768)	1,701	–	1,027	960
Balance at 31 December 2006	<u>(3,555)</u>	<u>5,155</u>	<u>27,265</u>	<u>1,027</u>	<u>29,892</u>

At 31 December 2006, the Group had unused tax losses of HK\$30.5 million (2005: HK\$19.6 million) available for offsetting against future profits. A deferred tax asset amounting to HK\$3.6 million (2005: HK\$1.8 million) has been recognised in respect of such losses of HK\$20.3 million (2005: HK\$10.2 million). No deferred tax asset has been recognised in respect of the remaining HK\$10.2 million (2005: HK\$9.4 million) tax losses due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

## 26. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.10 each		
Balance at 1 January 2005, 31 December 2005 and 2006	1,000,000,000	100,000
Preference shares of HK\$0.01 each		
Series A Preference Shares		
Balance at 1 January 2005, 31 December 2005 and 2006	1,000,000,000	10,000
Series B Preference Shares		
Balance at 1 January 2005, 31 December 2005 and 2006	1,000,000,000	10,000
	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.10 each		
Balance at 1 January 2005, 31 December 2005 and 31 December 2006	534,290,068	53,429

## 27. SHARE OPTION SCHEME

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

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

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

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

**28. DISPOSAL OF A SUBSIDIARY**

Pursuant to a sale and purchase agreement dated 28 October 2004 entered into with the minority shareholder of a 51%-owned subsidiary, 成都莊士中心開發有限公司 Chengdu Chuang's Centre Development Company Limited ("Chengdu Chuang's"), a company registered in the form of an equity joint venture and engaged in property investment in the PRC, the Group agreed to dispose of its entire interests in Chengdu Chuang's (including the advance and accrued interest made by the Group to Chengdu Chuang's) at a cash consideration of RMB100 million (equivalent to approximately HK\$93.5 million) and the transfer of certain investment properties to the Group.

**2005**  
HK\$'000

The net assets of Chengdu Chuang's at the date of disposal were as follows:

Investment properties	250,000
Property, plant and equipment	178
Contractual reimbursement from related companies	11,700
Deposits, prepayments and other receivables	2,985
Bank balances and cash	19,497
Accrued charges and other payables	(46,537)
Amount due to a minority shareholder	(58,059)
Deferred tax	(28,050)
	<hr/>
Net assets	151,714
Minority interests	(44,264)
Gain on disposal of a subsidiary	5,828
	<hr/>
Total consideration	<u>113,278</u>
Satisfied by:	
Transfer to investment properties	19,820
Deposit received by the Group during the year ended 31 December 2005	936
Cash consideration	92,522
	<hr/>
	<u>113,278</u>
Net cash inflow arising on disposal:	
Cash consideration	92,522
Bank balances and cash disposed of	(19,497)
	<hr/>
	<u>73,025</u>

The subsidiary disposed of during the year did not have significant contribution to the Group's operating results and cash flows.

**29. CAPITAL COMMITMENTS**

At 31 December 2006, the Group had commitments of approximately HK\$1,263,000 (2005: HK\$18,171,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

**30. OPERATING LEASES****(a) Operating lease commitments**

At 31 December 2006, the Group was committed to make minimum lease payments under non-cancellable operating leases for land and buildings which fall due as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Within one year	4,793	4,960
More than one year but within two years	1,045	5,141
	<u>5,838</u>	<u>10,101</u>

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

**(b) Operating lease arrangements**

Property rental income earned during the year was HK\$4,306,000 (2005: HK\$13,428,000). All of the properties held have committed tenants for an average term of two to six years.

At 31 December 2006, the Group had contracted with tenants for the following future minimum lease payments in respect of its investment properties:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Within one year	1,300	1,880
More than one year but within five years	4,371	4,360
More than five years	888	1,921
	<u>6,559</u>	<u>8,161</u>

**31. PLEDGE OF ASSETS**

At 31 December 2005, land use rights and leasehold buildings of approximately HK\$4,210,000 and HK\$22,768,000, respectively, were pledged to secure borrowings granted to the Group.

**32. RETIREMENT BENEFIT PLANS****Defined contribution plans**

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

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

The total cost charged to the consolidated income statement of approximately HK\$2,265,000 (2005: HK\$1,732,000) represents contributions payable to the defined contribution plans by the Group in respect of the current accounting period.

### 33. RELATED PARTY TRANSACTIONS

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

- (a) The Group leased certain of the investment properties to Yuen Sang Hardware Co. (1988) Limited (“Yuen Sang”), a wholly owned subsidiary of Chuang’s China, at an aggregate annual rental of approximately HK\$994,000. Chuang’s China was a substantial shareholder of and had significant influence over the Company. Rental income received by the Group for the year ended 31 December 2006 was approximately HK\$994,000 (2005: HK\$1,012,000).

As at 31 December 2005, rental receivable from Yuen Sang was approximately HK\$83,000.

- (b) The Group also paid building management fee of approximately HK\$802,000 (2005: HK\$802,000) to Chuang’s Development (China) Limited, a wholly owned subsidiary of Chuang’s China.

In addition to the above, the emoluments of Directors and senior management during the year and balances with related parties are set out in notes 11 and 19, respectively.

### 34. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of equity interest indirectly held by the Company	Principal activities (note a)
Dah Hua International Printing Press Company Limited	Hong Kong	HK\$1,600,000 ordinary shares	100%	Trading of printed products
東莞勤達印刷有限公司 Dongguan Midas Printing Company Limited	PRC (note b)	HK\$143,240,000	100%	Manufacturing and trading of packaging printed products
廣東省博羅縣圓洲勤達印務有限公司 Guangdong Buluo Yuanzhou Midas Printing Limited	PRC (note b)	US\$12,503,119	100%	Book binding and printing
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

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 <i>(note a)</i>
Sino Stream Limited 漢江有限公司	Hong Kong	HK\$2 ordinary shares	100%	Property investment in the PRC
Riverside Trinity Limited 江南有限公司	Hong Kong	HK\$2 ordinary shares	100%	Property investment in the PRC

*Notes:*

- a. All subsidiaries carry out their operations principally in their respective place of incorporation or registration.
- b. The company is registered in the form of a wholly owned foreign investment enterprise.

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.

### 35. POST BALANCE SHEET EVENT

In January 2007, the Group has entered into an agreement to acquire a property in the PRC through a company incorporated in Hong Kong. The consideration is approximately HK\$1,400,000.

### 36. COMPARATIVE INFORMATION

The comparative information has been restated as a result of reclassification of certain selling expenses and administrative expenses.

**3. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest audited financial statements of the Company were made up.

**4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP**

The Group is principally engaged in books and paper products printing and property investment in the PRC. Upon Completion, the Group will also engage in the development and operation of cemetery in the PRC.

Books printing business of the Group mainly focuses on multinational publishers and conglomerates in the United States of America, Europe, Australia, New Zealand and the PRC. The factory premises are located in Huizhou, the PRC, with a gross floor area of approximately 38,000 sq.m..

Paper products printing business of the Group concentrates on a comprehensive range of products including packaging products, commercial printing, premium gift products, greeting cards, stationary items and paper bags. The factory premises are located in Dongguan, the PRC, with a total gross floor area of approximately 39,000 sq. m..

For the financial year ended 31 December 2006, the trading environment of the printing business of the Group was difficult as the Group experienced immense pressure on all main categories of costs, including paper and other material, labour, energy and logistic costs. Appreciation of RMB also caused the Group's operating costs to rise further, resulting in the fall in the overall gross margin of the Group.

In order to alleviate the difficult trading environment mentioned above, the Group will take proactive measures, including developing higher margin products, broadening customer base and implementing effective cost control.

As regards developing higher margin products, the Group will allocate more resources into the research and development of innovative products such as original designed products, products with electronic components and pop-up books, and will put additional efforts in the marketing and promotion of these higher margin products. To cater for the anticipated growth of these higher margin products, there is a need for the expansion of the hand assembly lines. In this respect, the Group has recently acquired a piece of land located in Coastal Industry Zone, Dongguan, the PRC, with a site area of approximately 77,900 sq. m. for the purpose of constructing new factory premises.

As regards broadening its customer base, the Group will extend its sales presence, set up sales representative offices and recruit additional sales and marketing personnel in the major cities of the United States of America, Europe and the PRC. The Group will also continue to actively participate in major printing fairs in overseas and the PRC to expand its clientele.

As regards implementing cost control measures, the Group will adjust its product mix strategy so as to fully utilise its production capacity, especially in the off-peak production season. The Group will also rationalise its organisational structure and streamline its administrative and production workflows so as to increase the contribution per staff. In this respect, the management has already set up work improvement teams to enhance its operational efficiency and effectiveness.

Looking ahead, the Group believes that the overall business environment for its printing business would continue to be challenging. Nevertheless, with the Group's commitment to provide quality and professional printing solutions to its customers, the Group is confident to tackle the challenges ahead and will implement appropriate strategies so as to minimise the impact of those negative factors against the Group.

Upon Completion, the Group will diversify into the business of development and operation of cemetery in the PRC and will cease to hold any material interests in property investment in the PRC. The prospects of the cemetery business in the PRC owned by the Profitable Industries Group are set out under the paragraphs headed "Information on the Vendor, Profitable Industries, HK Company and PRC Company" and "Reasons for and effects of the Acquisition and the Transfer" in the Letter from the Board in this circular. It is the intention of the Group that it will leverage the experience in developing the existing cemetery of the Profitable Industries Group to identify other similar projects elsewhere in the PRC.

## **5. INDEBTEDNESS**

As at the close of business on 30 June 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured bank loans and other loans of approximately HK\$143.5 million and HK\$2.4 million respectively and a convertible note of an outstanding principal amount of HK\$49.5 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 30 June 2007, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgage, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts for this indebtedness have been translated into Hong Kong dollars at the approximate rates prevailing at the close of business on 30 June 2007.

## **6. WORKING CAPITAL**

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

**1. ACCOUNTANTS' REPORT ON PROFITABLE INDUSTRIES GROUP**

*The following is the text of a report prepared for the purpose of inclusion in this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants.*

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

21 August 2007

The Directors  
Midas International Holdings Limited  
1st Floor, 100 Texaco Road  
Tsuen Wan  
New Territories  
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Profitable Industries Limited (“Profitable Industries”) and its subsidiaries (hereinafter collectively referred to as the “Profitable Industries Group”) for each of the three years ended 31 December 2006 and the six months ended 30 June 2007 (the “Relevant Periods”) (the “Financial Information”) for inclusion in a circular dated 21 August 2007 issued by Midas International Holdings Limited (“Midas”) in connection with Midas’s proposed acquisition of 87.5% equity interests in Profitable Industries (the “Circular”).

Profitable Industries was incorporated in the British Virgin Islands (“BVI”) with limited liability on 8 July 1999. The principal activity of Profitable Industries is investment holding.

As at the date of this report, the particulars of Profitable Industries' subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ registration	Paid up issued share/ registered capital	Effective		Principal activities
			percentage held by Profitable Industries		
			Direct %	Indirect %	
Fortune Wealth Memorial Park Limited 聚福寶發展有限公司 ("Fortune Wealth")	Hong Kong 19 January 1973	HK\$10,000	100%	–	Investment holding
Fortune Wealth Memorial Park (Si Hui) Limited 四會聚福寶華僑陵園 有限公司 ("Fortune Wealth (Si Hui)")	People's Republic of China (the "PRC") 17 May 1994	HK\$27,000,000	–	92% (note)	Development and construction of cemetery and provision of related management services in the PRC

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

The financial year end date of the companies now comprising the Profitable Industries Group is 31 December.

The statutory financial statements of Fortune Wealth for the three years ended 31 December 2006 and the six months ended 30 June 2007 were audited by KND & Co. CPA Limited, certified public accountants registered in Hong Kong.

For each of the three years ended 31 December 2006, the statutory financial statements of Fortune Wealth (Si Hui) were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by Guangdong Zhaoqing Zhongpeng Certified Public Accountants Co., Ltd. 廣東肇慶中鵬會計師事務所有限公司, certified public accountants registered in the PRC.

For the purpose of this report, the directors of Profitable Industries have prepared consolidated financial statements of the Profitable Industries Group in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the Relevant Periods (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Profitable Industries Group for the Relevant Periods has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of Profitable Industries who approved their issue. The directors of Midas are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Profitable Industries and the Profitable Industries Group as at 31 December 2004, 2005, 2006 and 30 June 2007 and of the consolidated results and consolidated cash flows of the Profitable Industries Group for the respective year/period then ended.

The comparative consolidated income statement, cash flow statement and statement of changes in equity of the Profitable Industries Group for the six months ended 30 June 2006 together with the notes thereon have been extracted from the Profitable Industries Group’s unaudited consolidated financial information for the same period (the “30 June 2006 Financial Information”) which was prepared by the directors of Profitable Industries solely for the purpose of this report. We have reviewed the 30 June 2006 Financial Information in accordance with the Statement of Auditing Standard 700 “Engagements to review Interim Financial report” issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 30 June 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 June 2006 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 June 2006 Financial Information.

## A. FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENTS

	<i>Notes</i>	Year ended 31 December			Six months ended	
		2004	2005	2006	30 June 2006	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	–	–	23	–	39
Cost of sales		–	–	(1,172)	–	(728)
Gross loss		–	–	(1,149)	–	(689)
Other income	8	29	40	306	44	351
Administrative expenses		(711)	(968)	(2,276)	(1,472)	(1,310)
Selling expenses		–	–	(729)	–	(299)
Interest paid to a shareholder		(112)	(639)	(2,077)	(879)	(1,366)
Loss for the year/period	9	<u>(794)</u>	<u>(1,567)</u>	<u>(5,925)</u>	<u>(2,307)</u>	<u>(3,313)</u>

## CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December			As at
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	30 June 2007 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	2,214	9,211	25,402	25,722
Prepaid lease payments	13	2,934	2,938	2,982	3,040
Deposits paid for acquisition of land use rights		3,338	3,416	3,543	3,652
		<u>8,486</u>	<u>15,565</u>	<u>31,927</u>	<u>32,414</u>
<b>CURRENT ASSETS</b>					
Deposits, prepayments and other receivables		561	3,203	439	383
Prepaid lease payments	13	62	63	66	68
Bank balances and cash	14	4,673	1,277	3,907	1,672
		<u>5,296</u>	<u>4,543</u>	<u>4,412</u>	<u>2,123</u>
<b>CURRENT LIABILITIES</b>					
Accruals and other payables		16	144	3,377	2,533
Amounts due to shareholders	16	10,926	10,926	10,926	10,926
Deferred income	15	–	–	3	6
		<u>10,942</u>	<u>11,070</u>	<u>14,306</u>	<u>13,465</u>
<b>NET CURRENT LIABILITIES</b>		<u>(5,646)</u>	<u>(6,527)</u>	<u>(9,894)</u>	<u>(11,342)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,840</u>	<u>9,038</u>	<u>22,033</u>	<u>21,072</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	18	78	78	78	78
Reserves		<u>(2,658)</u>	<u>(3,916)</u>	<u>(9,130)</u>	<u>(11,785)</u>
Deficiency in equity		<u>(2,580)</u>	<u>(3,838)</u>	<u>(9,052)</u>	<u>(11,707)</u>
<b>NON-CURRENT LIABILITIES</b>					
Amount due to a shareholder	16	5,420	12,876	30,969	32,528
Deferred income	15	–	–	116	251
		<u>2,840</u>	<u>9,038</u>	<u>22,033</u>	<u>21,072</u>

## BALANCE SHEETS

		As at 31 December			As at 30 June
		2004	2005	2006	2007
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSET					
Investment in a subsidiary		954	954	954	954
CURRENT ASSETS					
Amount due from a subsidiary	17	15,298	22,110	38,978	39,689
Bank balances and cash		3	3	2	2
		15,301	22,113	38,980	39,691
CURRENT LIABILITY					
Amounts due to shareholders	16	10,926	10,926	10,926	10,926
NET CURRENT ASSETS					
		4,375	11,187	28,054	28,765
NET ASSETS					
		5,329	12,141	29,008	29,719
CAPITAL AND RESERVE					
Share capital	18	78	78	78	78
Accumulated losses	19	(169)	(813)	(2,039)	(2,887)
DEFICIENCY IN EQUITY					
		(91)	(735)	(1,961)	(2,809)
NON-CURRENT LIABILITY					
Amount due to a shareholder	16	5,420	12,876	30,969	32,528
		5,329	12,141	29,008	29,719

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of Profitable Industries				
	Share capital <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	78	(1,007)	(7)	(842)	(1,778)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	(8)	–	(8)
Loss for the year	–	–	–	(794)	(794)
At 31 December 2004	<u>78</u>	<u>(1,007)</u>	<u>(15)</u>	<u>(1,636)</u>	<u>(2,580)</u>
Effect of change in accounting policy – goodwill	–	1,007	–	(1,007)	–
At 1 January 2005 (restated)	78	–	(15)	(2,643)	(2,580)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	309	–	309
Loss for the year	–	–	–	(1,567)	(1,567)
At 31 December 2005	<u>78</u>	<u>–</u>	<u>294</u>	<u>(4,210)</u>	<u>(3,838)</u>
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	711	–	711
Loss for the year	–	–	–	(5,925)	(5,925)
At 31 December 2006	<u>78</u>	<u>–</u>	<u>1,005</u>	<u>(10,135)</u>	<u>(9,052)</u>
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	658	–	658
Loss for the period	–	–	–	(3,313)	(3,313)
At 30 June 2007	<u><u>78</u></u>	<u><u>–</u></u>	<u><u>1,663</u></u>	<u><u>(13,448)</u></u>	<u><u>(11,707)</u></u>
Unaudited					
At 1 January 2006	78	–	294	(4,210)	(3,838)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	218	–	218
Loss for the period	–	–	–	(2,307)	(2,307)
At 30 June 2006	<u><u>78</u></u>	<u><u>–</u></u>	<u><u>512</u></u>	<u><u>(6,517)</u></u>	<u><u>(5,927)</u></u>

## CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000	2007 HK\$'000
				(unaudited)	
<b>OPERATING ACTIVITIES</b>					
Loss for the year/period	(794)	(1,567)	(5,925)	(2,307)	(3,313)
Adjustments for:					
Interest income	(29)	(40)	(31)	(8)	(18)
Depreciation of property, plant and equipment	21	35	1,101	320	797
Amortisation of prepaid lease payments	62	63	64	32	33
Operating cash flows before movements in working capital	(740)	(1,509)	(4,791)	(1,963)	(2,501)
(Increase) decrease in other receivables	(248)	(2,642)	2,764	(480)	56
(Decrease) increase in other payables	(26)	128	3,233	(120)	(844)
Increase in deferred income	–	–	119	–	138
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<u>(1,014)</u>	<u>(4,023)</u>	<u>1,325</u>	<u>(2,563)</u>	<u>(3,151)</u>
<b>INVESTING ACTIVITIES</b>					
Interest received	29	40	31	8	18
Purchase of property, plant and equipment	(1,916)	(6,904)	(16,658)	(4,902)	(49)
Purchase of prepaid lease payments	(16)	–	–	–	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,903)</u>	<u>(6,864)</u>	<u>(16,627)</u>	<u>(4,894)</u>	<u>(31)</u>
<b>FINANCING ACTIVITY</b>					
Advance from shareholders	5,153	7,456	18,093	9,088	1,559
<b>CASH FROM FINANCING ACTIVITY</b>	<u>5,153</u>	<u>7,456</u>	<u>18,093</u>	<u>9,088</u>	<u>1,559</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,236	(3,431)	2,791	1,631	(1,623)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD</b>	2,451	4,673	1,277	1,277	3,907
Effect of foreign exchange rate changes	(14)	35	(161)	(380)	(612)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, representing bank balances and cash</b>	<u>4,673</u>	<u>1,277</u>	<u>3,907</u>	<u>2,528</u>	<u>1,672</u>

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION**

Profitable Industries was incorporated in the BVI with limited liability. Its ultimate company is Great Income Profits Limited (“Great Income”), a company also incorporated in the BVI with limited liability. The address of the registered office of Profitable Industries is P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal place of business of the Profitable Industries Group is in the PRC.

Profitable Industries is an investment holding company. The principal activities of its subsidiaries are investment holding and cemetery operations. The functional currency of Profitable Industries is Renmibi. The Financial Information is presented in Hong Kong dollars, which is the presentation currency of Midas.

The Financial Information of the Relevant Periods has been prepared in accordance with the accounting policies adopted by Midas, details of which are set out in Note 4, which conform with Hong Kong Financial Reporting Standards (“HKFRSs”). In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**2. BASIS OF PREPARATION OF FINANCIAL INFORMATION**

The Financial Information has been prepared on a going concern basis because Great Income has agreed to provide adequate funds to enable the Profitable Industries Group to meet in full its financial obligations as they fall due so long as it remains as its controlling shareholder. Midas has also agreed that upon completion of its acquisition of 87.5% equity interests in Profitable Industries, it will provide financial support to the Profitable Industries Group to enable it to meet its financial obligations as they fall due for the foreseeable future.

**3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

At the date of this report, HKICPA issued the following new and revised HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) that have been issued but are not yet effective. However, Profitable Industries Group has not early applied these new and revised standards or interpretations. The directors of Profitable Industries anticipate that the application of these new HKFRSs will have no material impact on the results and financial position of Profitable Industries Group.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis. The principal accounting policies adopted are as follows:

##### **Business combinations**

The Financial Information incorporates the financial information of Profitable Industries and entities controlled by Profitable Industries (its subsidiaries). Control is achieved where Profitable Industries has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial information of the subsidiaries to bring their accounting policies in line with those by other members of the Profitable Industries Group.

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

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

##### **Goodwill**

Goodwill arising on any acquisition of subsidiaries prior to 1 January 2005 represents the excess of the cost of acquisition over the Profitable Industries Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

*Goodwill arising on acquisitions prior to 1 January 2001*

Goodwill arising on any acquisitions prior to 1 January 2001 was held in reserves.

The Profitable Industries Group has applied the relevant transitional provisions in HKFRS 3 ("Business Combination"). Goodwill previously recognised in reserves of HK\$1,007,000 was transferred to the Profitable Industries Group's accumulated losses on 1 January 2005.

##### **Investment in a subsidiary**

Investment in a subsidiary is included in Profitable Industries' balance sheets at cost less any identified impairment loss.

##### **Revenue recognition**

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

Revenue from conveyance of burial rights for the Profitable Industries Group's grave plots and niches for cremation urns is recognised on a straight-line basis over the duration of the rights which have been conveyed, which is the same duration as the remaining lease term of the land.

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

Management fee income from provision of management services on the grave plots and niches for cremation urns is recognised in accordance with the terms of the underlying agreement.

Carving service income is recognised when services are provided.

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

**Property, plant and equipment**

Property, plant and equipment (other than construction-in-progress) is stated at cost less accumulated depreciation and accumulated impairment losses.

Construction-in-progress is stated at cost. It is not depreciated until completion of construction and the asset is put into use. The cost of completed construction works is transferred to the appropriate categories of property, plant and equipment.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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

**Retirement benefit costs**

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

**Prepaid lease payments**

The payments made on the acquisition of interest in land are accounted for as an operating lease and are carried at cost and amortised on a straight-line basis over the lease term.

**Impairment (other than goodwill)**

At each balance sheet date, the Profitable Industries 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 the 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.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Profitable Industries Group's foreign operations are translated into the presentation currency of the Profitable Industries Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### **Financial instruments**

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

#### *Financial assets*

The Profitable Industries Group's financial assets are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, amount due from a subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by Profitable Industries are recorded at the proceeds received, net of direct issue costs. The Profitable Industries Group's financial liabilities including accruals and other payables and amounts due to shareholders are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition*

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

For financial liabilities, they are removed from the Profitable Industries Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

**Deferred income**

Deferred income represents the portion of the income which has not been earned as revenue in accordance with the Profitable Industries Group's revenue recognition policy.

**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/period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible. The Profitable Industries Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

**Leasing**

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**5. FINANCIAL INSTRUMENTS****a. Financial risk management objectives and policies**

The Profitable Industries Group's major financial instruments including other receivables, amount due from a subsidiary, bank balances, accruals and other payables and amounts due to shareholders. Details of these financial instruments are disclosed in respective notes. The risks associated with and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manners.

*Liquidity risk*

The Profitable Industries Group relies primarily on funds provided by its shareholders to meet its capital expenditure and shortfall in operating cash flows. Management expects that such funding will continue in the foreseeable future.

*Interest rate risk*

The Profitable Industries Group has exposure to cash flow interest rate risk through the impact of the rate changes on borrowing from a shareholder. The Profitable Industries Group does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure or interest rate re-pricing with shareholders should the need arises.

*Foreign currency risk*

Amounts due from shareholders are denominated in Hong Kong dollars which is different from the functional currency of Profitable Industries. Hence, exposures to foreign exchange rate fluctuation arise. Profitable Industries Group has not entered into any forward contract to hedge against its foreign currency exposure. However, the management of Profitable Industries Group will consider to hedge the balance should the need arise.

The following table details Profitable Industries Group's sensitivity to a 5% decrease in Hong Kong dollars against Renminbi. The sensitivity analysis includes only outstanding foreign currency denominated monetary item and adjust their translation at the year/period for a 5% change in foreign currency rates. The sensitivity analysis focuses on the amounts due to shareholders as their denomination of the loan is in Hong Kong dollars. The following table indicates an increase in profit where Renminbi strengthens against Hong Kong dollars.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit	<u>823</u>	<u>1,209</u>	<u>2,160</u>	<u>1,679</u>	<u>2,208</u>

In the opinion of the directors of Profitable Industries, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the exposure at the respective balance sheet dates does not reflect the exposure during the Relevant Periods.

**b. Fair value**

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

The directors of Profitable Industries consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

**c. Capital risk management**

Profitable Industries Group manages its capital to ensure that entities in Profitable Industries Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of Profitable Industries Group consists of debt, which includes amounts due to shareholders as disclosed in note 16, bank balances and equity attributable to equity holders of Profitable Industries, comprising issued capital, reserves and accumulated losses.

Profitable Industries' directors review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Profitable Industries Group's capital structure and gearing ratio.

The overall strategy of Profitable Industries Group remained unchanged during the Relevant Periods.

## d. Categories of financial instruments

## Profitable Industries Group

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
Loans and receivables	<u>4,950</u>	<u>1,559</u>	<u>4,125</u>	<u>1,894</u>
Financial liabilities at amortized cost	<u>16,362</u>	<u>23,946</u>	<u>45,272</u>	<u>45,987</u>

## Profitable Industries

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
Loans and receivables	<u>15,301</u>	<u>22,113</u>	<u>38,980</u>	<u>39,691</u>
Financial liabilities at amortized cost	<u>16,346</u>	<u>23,802</u>	<u>41,895</u>	<u>43,454</u>

## 6. REVENUE

Revenue represents the net amounts received and receivable from outside customers on cemetery operations during the Relevant Periods, and is analysed as follows:

	Year ended 31 December			Six months ended	
	2004	2005	2006	30 June	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
Revenue from conveyance of burial rights	–	–	1	–	2
Sales of tomb sets	–	–	20	–	34
Management fee income	–	–	–	–	1
Carving service income	–	–	2	–	2
	<u>–</u>	<u>–</u>	<u>23</u>	<u>–</u>	<u>39</u>

## 7. SEGMENTAL INFORMATION

No geographical segment information is presented as all the activities of the Profitable Industries Group during the Relevant Periods were carried out in the PRC and all assets and liabilities of the Profitable Industries Group were located in the PRC at the respective balance sheet dates.

No business segment information is presented as the Profitable Industries Group was only engaged in cemetery operations during the Relevant Periods.

## 8. OTHER INCOME

	Year ended 31 December			Six months ended	
	2004	2005	2006	30 June	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
				(unaudited)	
Interest on bank deposits	29	40	31	8	18
Exchange gain	–	–	270	36	327
Others	–	–	5	–	6
	<u>29</u>	<u>40</u>	<u>306</u>	<u>44</u>	<u>351</u>

## 9. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended	
	2004	2005	2006	30 June	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
				(unaudited)	
Loss for the year/period has been arrived at after charging (crediting):					
Directors' emolument ( <i>Note 10</i> )	–	–	–	–	–
Other staff costs	233	335	1,179	500	578
Retirement benefits scheme contributions	8	13	43	13	49
Total staff costs	241	348	1,222	513	627
Auditor's remuneration	7	7	7	–	6
Amortisation of prepaid lease payments	62	63	64	32	33
Depreciation of property, plant and equipment					
– included in cost of sales	–	–	697	–	480
– included in administrative expenses	21	35	404	320	317
	<u>21</u>	<u>35</u>	<u>1,101</u>	<u>320</u>	<u>797</u>

## 10. DIRECTORS' AND EMPLOYEES' REMUNERATION

## Directors

During the Relevant Periods, no remuneration was paid or payable to the directors of Profitable Industries.

**Employees**

Of the five highest paid individuals of the Profitable Industries Group for the Relevant Periods, none was a director of Profitable Industries. The remunerations of the five individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
Employee					
– salaries and other allowances	199	211	262	134	153
– retirement benefit scheme contributions	7	7	6	3	6
	<u>206</u>	<u>218</u>	<u>268</u>	<u>137</u>	<u>159</u>

During the Relevant Periods, the emoluments of each of the above employees were below HK\$1,000,000 per annum.

During the Relevant Periods, no emoluments were paid by the Profitable Industries Group to any of the directors of Profitable Industries or the five highest paid individuals as an inducement to join or upon joining the Profitable Industries Group or as compensation for loss of office. In addition, no directors of Profitable Industries had waived any emoluments during the Relevant Periods.

**11. TAXATION**

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax has been made in the Financial Information as none of the companies in the Profitable Industries Group had any assessable profit for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the loss for the year/period per the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
Loss for the year/period	<u>(794)</u>	<u>(1,567)</u>	<u>(5,925)</u>	<u>(2,307)</u>	<u>(3,313)</u>
Tax at the domestic income tax rate of 24%	(191)	(376)	(1,422)	(554)	(795)
Tax effect of expenses not deductible for tax purpose	191	376	620	554	246
Tax effect of tax loss not recognised	<u>–</u>	<u>–</u>	<u>802</u>	<u>–</u>	<u>549</u>
Taxation for the year/period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

At 31 December 2006 and 30 June 2007, the Profitable Industries Group had unused tax losses of HK\$3,343,000 and HK\$5,689,000 respectively. No deferred tax asset has been recognised in respect of the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for a period of five years from the year of recognition.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1 January 2004	–	–	40	19	271	330
Additions	–	–	21	184	1,711	1,916
At 31 December 2004	–	–	61	203	1,982	2,246
Currency realignment	–	–	1	5	123	129
Additions	–	–	9	–	6,895	6,904
At 31 December 2005	–	–	71	208	9,000	9,279
Currency realignment	416	28	21	13	179	657
Additions	–	–	1,019	269	15,370	16,658
Transfer	22,297	1,506	–	–	(23,803)	–
At 31 December 2006	22,713	1,534	1,111	490	746	26,594
Currency realignment	714	47	34	15	307	1,117
Additions	–	–	49	–	–	49
Transfer	1,053	–	–	–	(1,053)	–
At 30 June 2007	24,480	1,581	1,194	505	–	27,760
DEPRECIATION						
At 1 January 2004	–	–	8	3	–	11
Provided for the year	–	–	4	17	–	21
At 31 December 2004	–	–	12	20	–	32
Currency realignment	–	–	–	1	–	1
Provided for the year	–	–	10	25	–	35
At 31 December 2005	–	–	22	46	–	68
Currency realignment	14	4	3	2	–	23
Provided for the year	753	203	106	39	–	1,101
At 31 December 2006	767	207	131	87	–	1,192
Currency realignment	32	9	5	3	–	49
Provided for the period	519	140	98	40	–	797
At 30 June 2007	1,318	356	234	130	–	2,038
CARRYING AMOUNTS						
At 31 December 2004	–	–	49	183	1,982	2,214
At 31 December 2005	–	–	49	162	9,000	9,211
At 31 December 2006	21,946	1,327	980	403	746	25,402
At 30 June 2007	23,162	1,225	960	375	–	25,722

**APPENDIX II**
**FINANCIAL INFORMATION ON THE  
PROFITABLE INDUSTRIES GROUP**

The above items of property, plant and equipment (other than construction-in-progress) are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of lease, or 5%
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

**13. PREPAID LEASE PAYMENTS**

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

The prepaid lease payments comprise:

Land use right in the PRC held under medium-term lease	<u>2,996</u>	<u>3,001</u>	<u>3,048</u>	<u>3,108</u>
--	--------------	--------------	--------------	--------------

Analysed for reporting purposes as:

Non-current asset	2,934	2,938	2,982	3,040
Current asset	<u>62</u>	<u>63</u>	<u>66</u>	<u>68</u>
	<u>2,996</u>	<u>3,001</u>	<u>3,048</u>	<u>3,108</u>

**14. BANK BALANCES AND CASH**

Bank balances and cash comprises bank balances and cash that are interest bearing at market interest rates. All bank deposits are with maturity of three months or less. The bank deposits carried interest at 0.72% per annum during the Relevant Periods.

**15. DEFERRED INCOME**

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	–	–	–	119
Additions	–	–	120	135
Currency realignment	–	–	–	5
Recognised in the current year	<u>–</u>	<u>–</u>	<u>(1)</u>	<u>(2)</u>
At end of the year	–	–	119	257
Less: Amount to be recognised within one year shown under current liabilities	<u>–</u>	<u>–</u>	<u>(3)</u>	<u>(6)</u>
	<u>–</u>	<u>–</u>	<u>116</u>	<u>251</u>

**16. AMOUNTS DUE TO SHAREHOLDERS**

The amounts are unsecured and interest-bearing as follows:

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Interest-bearing at prime plus 2%	5,420	12,876	30,969	32,528
Interest-free	10,926	10,926	10,926	10,926
	<u>16,346</u>	<u>23,802</u>	<u>41,895</u>	<u>43,454</u>

The interest-free portion is repayable on demand. For the interest-bearing portion, shareholder has agreed not to demand repayments within twelve months from the balance sheet date.

**17. AMOUNT DUE FROM A SUBSIDIARY**

The amount is unsecured, carries interest at 0.8% per month and repayable on demand.

**18. SHARE CAPITAL**

	Number of shares	Amount
Ordinary share of USD1 each		
Authorised	50,000	USD50,000
Issued and fully paid	<u>10,000</u>	<u>USD10,000</u>
Shown on balance sheet as		<u>HK\$78,000</u>

**19. ACCUMULATED LOSSES**

	HK\$'000
At 1 January 2004	53
Loss for the year	<u>116</u>
At 31 December 2004	169
Loss for the year	<u>644</u>
At 31 December 2005	813
Loss for the year	<u>1,226</u>
At 31 December 2006	2,039
Loss for the period	<u>848</u>
At 30 June 2007	<u>2,887</u>

## 20. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Premises	<u>34</u>	<u>37</u>	<u>69</u>	<u>20</u>	<u>46</u>

At the respective balance sheet dates, the Profitable Industries Group had outstanding commitments payable for its premises under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	36	38	66	49
In the second to fifth years inclusive	<u>69</u>	<u>31</u>	<u>119</u>	<u>107</u>
	<u>105</u>	<u>69</u>	<u>185</u>	<u>156</u>

Leases are negotiated and rentals are fixed for a range of one to two years.

## 21. CAPITAL COMMITMENTS

	THE PROFITABLE INDUSTRIES GROUP			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of construction of property, plant and equipment:				
– contracted for but not provided in the Financial Information	<u>8,726</u>	<u>4,648</u>	<u>291</u>	<u>–</u>
– authorised but not contracted for	<u>15,252</u>	<u>15,605</u>	<u>16,187</u>	<u>16,684</u>

**22. RELATED PARTY DISCLOSURES**

During the Relevant Periods, the Profitable Industries Group entered into the following transactions with related parties:

Relationship	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Shareholder	Interest expense paid	<u>112</u>	<u>639</u>	<u>2,077</u>	<u>879</u>	<u>1,366</u>

In addition, the minority shareholder of Fortune Wealth (Si Hui) has agreed, as part of the relevant joint venture agreement, to procure a total of 5,000 mu of land for which the Profitable Industries Group could apply for the development of its cemetery business.

**23. SUBSEQUENT EVENT**

In July 2007, the relevant PRC authorities have approved the increase of Fortune Wealth (Si Hui)'s registered capital to HK\$34,000,000.

**B. DISTRIBUTABLE RESERVES**

At 30 June 2007, Profitable Industries had no reserve available for distribution to its equity holder.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Profitable Industries, the Profitable Industries Group or any of its subsidiaries have been prepared subsequent to 30 June 2007.

Yours faithfully

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

**2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROFITABLE INDUSTRIES GROUP****Business Review**

*For the year ended 31 December 2004*

## Review of operations

In the year of 2004, the Profitable Industries Group was mainly engaged in the site formation and landscaping of the Existing Area. Construction works of the entrance square, the sales and administrative building, the three graveyards for the Grave Plots and the mausoleum for the Niches had commenced.

There was no revenue recorded and a loss of HK\$794,000 was incurred. This was made up of administrative expenses of HK\$711,000 and interest paid to a shareholder of HK\$112,000. Interest income of HK\$29,000 was recorded.

## Material acquisitions and disposals

The Profitable Industries Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year.

## Liquidity and financial resources

The expenditure of the Profitable Industries Group during the year was financed by loans from shareholders.

## Capital commitments

As at 31 December 2004, the Profitable Industries Group had capital commitments in respect of construction of property, plant and equipment contracted for but not provided in the financial statements of HK\$8,726,000.

## Contingent liabilities

The Profitable Industries Group did not have any contingent liabilities as at 31 December 2004.

## Employees

The Profitable Industries Group had 13 employees as at 31 December 2004 and all of them were stationed in the PRC.

#### Foreign currency exposure

The transactions of the Profitable Industries Group were mainly denominated in RMB. Accordingly, the foreign exchange risk is not material.

*For the year ended 31 December 2005*

#### Review of operations

In the year of 2005, construction works of the entrance square, the sales and administrative building, one of the three aforesaid graveyards and the mausoleum which could accommodate 3,294 Niches were completed. The Profitable Industries Group concentrated its efforts in the construction of the remaining two graveyards and other ancillary structures. Design works on the business operations and management systems in preparation for the full operation of the cemetery had commenced.

No revenue had been recorded and a loss of HK\$1,567,000 was incurred. This was made up of administrative expenses of HK\$968,000 and interest paid to a shareholder of HK\$639,000. Interest income of HK\$40,000 was recorded.

#### Material acquisitions and disposals

The profitable Industries Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year.

#### Liquidity and financial resources

The expenditure of the Profitable Industries Group during the year was financed by loans from shareholders.

#### Capital commitments

As at 31 December 2005, the Profitable Industries Group had capital commitments in respect of construction of property, plant and equipment contracted for but not provided in the financial statements of HK\$4,648,000.

#### Contingent liabilities

The Profitable Industries Group did not have any contingent liabilities as at 31 December 2005.

#### Employees

The Profitable Industries Group had 19 employees as at 31 December 2005 and all of them were stationed in the PRC.

### Foreign currency exposure

The transactions of the Profitable Industries Group were mainly denominated in RMB. Accordingly, the foreign exchange risk is not material.

*For the year ended 31 December 2006*

### Review of operations

In the year of 2006, construction works of the remaining two graveyards and other ancillary structures were completed. The three completed graveyards could provide a total of 1,660 Grave Plots. Development works on the fourth graveyard providing 123 Grave Plots had commenced. The management had completed the design and implementation of both the operations and the management systems. Design and development of the internet website for the cemetery had commenced and completed during the year. The Profitable Industries Group obtained the approval from the Department of Civil Affairs of Guangdong Province, the PRC to commence business. Two sales and marketing offices, one in the Municipality of Sihui and one in Zhaoqing of Guangdong Province, the PRC, were set up and marketing and promotional programs had been implemented.

The Profitable Industries Group recorded revenue of HK\$23,000 and cost of sales of HK\$1,172,000. Other income of HK\$306,000 was recorded, mainly comprised interest income and exchange gain. Administrative expenses of HK\$2,276,000, selling expenses of HK\$729,000 and interest paid to a shareholder of HK\$2,077,000 were recorded. Taking into account the above, the Profitable Industries Group incurred a loss of HK\$5,925,000.

### Material acquisitions and disposals

The Profitable Industries Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year.

### Liquidity and financial resources

The expenditure of the Profitable Industries Group during the year was financed by loans from shareholders.

### Capital commitments

As at 31 December 2006, the Profitable Industries Group had capital commitments in respect of construction of property, plant and equipment contracted for but not provided in the financial statements of HK\$291,000.

### Contingent liabilities

The Profitable Industries Group did not have any contingent liabilities as at 31 December 2006.

### Employees

The Profitable Industries Group had 54 employees as at 31 December 2006 and all of them were stationed in the PRC.

### Foreign currency exposure

The transactions of the Profitable Industries Group were mainly denominated in RMB. Accordingly, the foreign exchange risk is not material.

### *For the six months ended 30 June 2007*

### Review of operations

The Profitable Industries Group completed the development of the fourth graveyard. The four graveyards provided a total of 1,783 Grave Plots. Following the approval from the Minzhengju of the Municipality of Sihui to set up sales and marketing offices overseas, a sales office was set up in Hong Kong.

The Profitable Industries Group recorded revenue of HK\$39,000 and cost of sales of HK\$728,000. Other income of HK\$351,000 was recorded, mainly comprised interest income and exchange gain. Administrative expenses of HK\$1,310,000, selling expenses of HK\$299,000 and interest paid to a shareholder of HK\$1,366,000 were recorded. Taking into account the above, the Profitable Industries Group incurred a loss of HK\$3,313,000.

### Material acquisitions and disposals

The Profitable Industries Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year.

### Liquidity and financial resources

The expenditure of the Profitable Industries Group during the period was financed by loans from shareholders.

### Capital commitments

As at 30 June 2007, the Profitable Industries Group did not have any material capital commitments.

### Contingent liabilities

The Profitable Industries Group did not have any contingent liabilities as at 30 June 2007.

### Employees

The Profitable Industries Group had 49 employees as at 30 June 2007 of which 47 of them were stationed in the PRC and 2 were stationed in Hong Kong.

### Foreign currency exposure

The transactions of the Profitable Industries Group were mainly denominated in RMB. Accordingly, the foreign exchange risk is not material.

### Future plans and prospects

At present, development works on 100 mu (equivalent to approximately 66,553 sq.m.) of land within the Existing Area has been completed which provides 1,783 Grave Plots and 3,294 Niches for lease. Within the next 3 to 5 years, the Profitable Industries Group expects to complete the development of the Existing Area, providing a total of approximately 16,200 additional Grave Plots and approximately 210,700 additional Niches. Upon nearly full development of the Existing Area, the Profitable Industries Group may, after taking into account the Share of Revenue by the Vendor, commence the development of the Reserved Area.

Looking ahead, the Profitable Industries Group believes that, with the management expertise already in place and the support by the Group after Completion, a well-managed cemetery providing quality burial services will be developed in the Existing Area and, if applicable, the Reserved Area.

**1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP**

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed Acquisition and the proposed Transfer.

The unaudited pro forma combined balance sheet of the Enlarged Group is prepared based on (i) the audited consolidated balance sheet of the Group as at 31 December 2006, which has been extracted from the Company's annual report for the year then ended as set out in Appendix I to this circular; and (ii) the audited consolidated balance sheet of Profitable Industries as at 30 June 2007 as extracted from the accountants' report thereon set out in Appendix II to this circular, after making pro forma adjustments that are (a) directly attributable to the Acquisition and the Transfer; and (b) factually supportable as if the Acquisition and the Transfer had been completed on 31 December 2006.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the Completion. As it is prepared for illustration purpose only, it does not purport to represent what the financial position of the Enlarged Group will be on Completion.

**APPENDIX III**
**UNAUDITED PRO FORMA STATEMENT OF ASSETS  
AND LIABILITIES OF THE ENLARGED GROUP**

		Pro forma adjustments					
	The Group <i>HK\$'000</i>	Fair value adjustment to Profitable Industries <i>HK\$'000</i> <i>(note i)</i>	Profitable Industries at fair value <i>HK\$'000</i>	Acquisition of Profitable Industries <i>HK\$'000</i> <i>(note ii)</i>	Acquisition of Far Hero <i>HK\$'000</i> <i>(note iii)</i>	Disposal of subsidiaries <i>HK\$'000</i> <i>(note iv)</i>	The Enlarged Group <i>HK\$'000</i>
<b>Non-current Assets</b>							
Investment properties	175,500	-	-		3,065	(153,065)	25,500
Prepaid lease payments	8,361	3,040	3,040				11,401
Property, plant and equipment	220,596	25,722	8,838	34,560			255,156
Deposits paid for acquisition of property, plant, equipment	703	-	-				703
Deposits paid for acquisition of land use rights	-	3,652	3,652				3,652
Premium on prepaid lease payments	-	-	81,892	81,892			81,892
Other intangible asset	-	-	448,664	448,664			448,664
Contractual reimbursement from related companies	21,019	-	-			(21,019)	-
	<u>426,179</u>	<u>32,414</u>	<u>571,808</u>				<u>826,968</u>
<b>Current Assets</b>							
Inventories	98,126	-	-				98,126
Accounts receivables	220,727	-	-				220,727
Deposits, prepayments and other receivables	12,705	383	383		77		13,165
Prepaid lease payments	229	68	68				297
Tax recoverable	2,507	-	-				2,507
Bank balances and cash	86,430	1,672	1,672		(1,448)		86,654
	<u>420,724</u>	<u>2,123</u>	<u>2,123</u>				<u>421,476</u>
<b>Current Liabilities</b>							
Accounts payables	(152,466)	-	-				(152,466)
Accrued charges and other payables	(59,437)	(2,533)	(2,533)		(1,694)		(63,664)
Amounts due to shareholders	-	(10,926)	(10,926)	9,560		-	(1,366)
Deferred income	-	(6)	(6)				(6)
Tax payable	(7,561)	-	-				(7,561)
Borrowings	(38,050)	-	-				(38,050)
Consideration payable for Acquisition	-	-	-	(170,000)		170,000	-
	<u>(257,514)</u>	<u>(13,465)</u>	<u>(13,465)</u>				<u>(263,113)</u>
<b>Net Current Assets (Liabilities)</b>	<u>163,210</u>	<u>(11,342)</u>	<u>(11,342)</u>				<u>158,363</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>589,389</u>	<u>21,072</u>	<u>560,466</u>				<u>985,331</u>

	Pro forma adjustments							
	The Group HK\$'000	Profitable Industries HK\$'000	Fair value adjustment to Profitable Industries HK\$'000 (note i)	Profitable Industries at fair value HK\$'000	Acquisition of Profitable Industries HK\$'000 (note ii)	Acquisition of Far Hero HK\$'000 (note iii)	Disposal of subsidiaries HK\$'000 (note iv)	The Enlarged Group HK\$'000
<b>Non-current Liabilities</b>								
Amount due to a shareholder	-	(32,528)		(32,528)	32,528			-
Loan Note	-	-		-	(41,022)			(41,022)
Convertible note	-	-		-	(111,420)			(111,420)
Borrowings	(80,113)	-		-				(80,113)
Deferred income	-	(251)		(251)				(251)
Deferred tax	(29,892)	-	(134,848)	(134,848)			27,390	(137,350)
	(110,005)	(32,779)		(167,627)				(370,156)
<b>NET ASSETS</b>	<b>479,384</b>	<b>(11,707)</b>		<b>392,839</b>				<b>615,175</b>
<b>Capital and Reserves</b>								
Share capital	(53,429)	(78)		(78)	78			(53,429)
Reserves	(425,955)	11,785	(372,182)	(360,397)	325,335		(23,306)	(484,323)
	(479,384)	11,707		(360,475)				(537,752)
Minority interests	-	-	(32,364)	(32,364)	(45,059)			(77,423)
	(479,384)	11,707		(392,839)				(615,175)

**Notes:**

(i) The adjustments represent the excess of fair values of the buildings and prepaid lease payments for 100 mu of land and other intangible assets for the right to use 418 mu of land over their carrying amounts as at 30 June 2007. The valuation of these assets was carried out by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected to the Group. Deferred tax on the fair value adjustment, calculated at the income tax rate of 25%, amounts to HK\$134,848,000 and the portion of the net valuation surplus attributable to the minority shareholder amounts to HK\$32,364,000.

(ii) The adjustments represent the acquisition by the Group of 87.5% equity interests in Profitable Industries for a consideration of HK\$350,000,000 to be satisfied as to (1) HK\$170,000,000 by the transfer of the entire issued share capitals of, and the shareholders' loans to, Sino Stream, Riverside Trinity and Far Hero to the Vendor; (2) HK\$130,000,000 by the issue of the Convertible Note; and (3) HK\$50,000,000 by the issue of the Loan Note. The fair value of the liability portion and the equity portion of the Convertible Note at 30 June 2007 are HK\$111,420,000 and HK\$18,580,000, respectively, and the fair value of the Loan Note at 30 June 2007 is HK\$41,022,000. The valuation of the Convertible Note and the Loan Note at 30 June 2007 was carried out by Greater China Appraisal Limited.

The adjustment to reserves of HK\$325,335,000 represents the elimination of Profitable Industries Group's reserves of HK\$360,397,000, net of the discount on Acquisition of HK\$16,482,000 and the equity portion of the Convertible Note of HK\$18,580,000.

As the amounts due to shareholders included in current liabilities of HK\$9,560,000 and in non-current liabilities of HK\$32,528,000 by Profitable Industries will be taken over by the Group, the amounts are eliminated.

The adjustment of HK\$45,059,000 to minority interests represents 12.5% of the Profitable Industries Group's adjusted net assets of HK\$360,475,000.

(iii) Far Hero was acquired by the Group in January 2007 but will be disposed as part of the Transfer as explained in Note (iv). These adjustments represent the effect of the acquisition by the Group of Far Hero on the basis that such acquisition was completed at 31 December 2006.

(iv) The adjustments represent the elimination of the relevant assets and liabilities of Sino Stream, Riverside Trinity and Far Hero, the three subsidiaries which will be disposed for a consideration of HK\$170,000,000 in order to satisfy part of the Acquisition consideration. The Transfer will result in an increase in the Group's reserves by HK\$23,306,000.

**2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

*The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the sole purpose of inclusion in this circular.*

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

Dear Sirs

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MIDAS INTERNATIONAL HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Midas International Holdings Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) set out on pages 85 to 87 in Appendix III to the circular dated 21 August 2007 issued by the Company to its shareholders (the “Circular”), which has been prepared by the directors of the Company for illustration purpose only, to provide information about how the acquisition of 87.5% equity interests in Profitable Industries Limited and the disposal of 100% equity interests in Sino Stream Limited, Riverside Trinity Limited and Far Hero Limited might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

**Respective responsibilities of directors of the Company and the reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustration purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2007 or at any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

21 August 2007

## APPENDIX IV PROPERTY VALUATION ON THE EXISTING AREA

*The following is the text of a letter and valuation certificate prepared by Grant Sherman Appraisal Limited, an independent valuer, for the purpose of inclusion in this circular.*



**GRANT SHERMAN APPRAISAL LIMITED**

Room 904  
9th Floor, Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

21 August 2007

The Board of Directors  
Midas International Holdings Limited  
1st Floor, 100 Texaco Road  
Tsuen Wan  
New Territories  
Hong Kong

Dear Sirs or Madams,

In accordance with the instruction of Midas International Holdings Limited (“the Company”) to value the property interests of Fortune Wealth Memorial Park《四會聚福寶華僑陵園》(the “Existing Area”) held by Fortune Wealth Memorial Park (Si Hui) Limited《四會聚福寶華僑陵園有限公司》(the “PRC Company”) located at Jiang Gu, Si Hui, Guangdong Province, the People’s Republic of China (the “PRC”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of the market values of the property interests as at 30 June 2007 (the “Valuation Date”).

Our valuation of the property interests is our opinion of the market value of the concerned property which we would define as intended to mean “the estimated amount for which a property should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property by comparison approach assuming sale in their existing state by making reference to comparable sales evidences as available in the relevant market.

Our valuations have been made on the assumption that the property interests are sold in the genuine market in their existing states without the effect of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the property interests. In addition, no account has been taken of any opinion or right of pre-emption concerning or affecting the sale of the property interests, and no allowance is made for the properties to be sold to a single party and/or as a portfolio or portfolios.

## **APPENDIX IV      PROPERTY VALUATION ON THE EXISTING AREA**

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the property in the PRC, we have relied to the considerable extent on the legal opinion provided by the Company's legal adviser on the PRC laws regarding the titles of the property in the PRC. All documents have been used for reference only.

No site investigation has been carried out to determine the suitability of the ground conditions or the services for any property development thereon. Our valuation is carried out on the assumption that these aspects are satisfactory. We have also assumed that all consents, approvals and licenses from relevant government authorities for the proposals have been or will be granted without onerous conditions or delay.

Other special assumptions for the property, if any, have been stated in the footnotes of the valuation certificate.

We have inspected the exterior and wherever possible, the interior of the properties included in the attached valuation certificates. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects. No tests were carried out on any of the services.

Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, and have been advised by the Company that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are therefore only approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

**APPENDIX IV      PROPERTY VALUATION ON THE EXISTING AREA**

Unless otherwise stated, all property values are denominated in Hong Kong Dollars. The exchange rate used in our valuation as at the Valuation Date is HK\$1 to RMB0.9736.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,  
For and on behalf of  
**GRANT SHERMAN APPRAISAL LIMITED**  
**Peggy Y. Y. Lai**  
*MRICS MHKIS RPS*  
*Associate Director*  
Real Estate Group

*Note:* Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Register Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

## VALUATION CERTIFICATE

## Property interests held by the PRC Company in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2007 HK\$
Graveyards, buildings and structures built on the land with a site area of 518 mu (345,162 sq.m.) ("Existing Area") located at Jiang Gu, Si Hui, Guangdong Province, the PRC	<p>The Existing Area is in the process of being developed into a cemetery known as Fortune Wealth Memorial Park (四會聚福寶華僑陵園).</p> <p>Existing Area comprises 3 adjoining pieces of land ("Plot A", "Plot B" and "Plot C") with a site area of approximately 518 mu 345,162 sq.m..</p> <p>The land areas of Plot A, Plot B and Plot C are 100 mu (66,553 sq.m), 98 mu (65,334 sq.m.) and 320 mu (213,275 sq.m.) respectively.</p> <p>An administrative building, 4 graveyards on which about 1,783 grave plots and a mausoleum which can accommodate about 3,294 niches together with some ancillary structures have been built on Plot A and completed in 2007.</p> <p>As at the Valuation Date, Plot B and Plot C are vacant.</p> <p>As advised by the Company, about 18,000 grave plots and 214,000 niches could be provided in the Existing Area and the development is planned to be completed within 3 to 5 years.</p>	The property is currently used for cemetery purpose.	117,000,000 (see note iii)

## APPENDIX IV      PROPERTY VALUATION ON THE EXISTING AREA

*Notes:*

(i) Pursuant to a State-owned Land Use Right Certificate Si Guo Yong (2006) No. 001917 (四國用(2006)第001917號 dated 30 May 2006, the land use right of Plot A with a site area of 66,553 sq.m. has been granted to the PRC Company for a term up to 28 April 2053 for cemetery purpose.

(ii) As advised by the Company, the land use right status of the Existing Area is as follows:

<b>Land</b>	<b>Land Use Right</b>
Plot A 100 mu (66,553 sq.m.)	Obtained State-owned Land Use Right Certificate ( <i>note (i)</i> )
Plot B 98 mu (65,334 sq.m.)	State-owned Land Use Right Certificate under application
Plot C 320 mu (213,275 sq.m.)	State-owned Land Use Right Certificate will be applied for in due course

(iii) The capital value of Plot A together with all structures erected thereon as at 30 June 2007 was HK\$117,000,000. In view of the lack of title certificates for Plot B and Plot C, we have attributed no commercial value to them. For reference purpose, the respective capital values of Plot B and Plot C as at 30 June 2007 would be HK\$119,000,000 and HK\$350,000,000 respectively assuming all relevant title certificates have been obtained, making total capital values of Plot A, Plot B and Plot C together with all structures erected thereon to be HK\$586,000,000.

(iv) In the course of our valuation, we have assumed that all premium (if any) has been paid by the PRC Company.

(v) The PRC legal adviser has advised, inter alia, that:

- (a) the PRC Company has obtained the State-owned Land Use Right Certificate for Plot A;
- (b) the PRC Company is entitled to occupy, use, let or mortgage and transfer the land use right of Plot A;
- (c) no material encumbrances have been created against the land use right of Plot A;
- (d) the PRC Company is entitled to use, let or mortgage and transfer the administrative building and the mausoleum erected on Plot A, subject to the application of the building ownership certificates; and
- (e) subject to payment of land premium and compensation (if any), there is no major obstacle to obtain the State-owned Land Use Right Certificates regarding Plot B and Plot C of about 418 mu (278,609) sq.m..

(vi) For reference purpose, the value for land portion of Plot A is HK\$85,000,000 and the value for building portion of Plot A is HK\$32,000,000.

*The following is the text of a letter, summary of valuations and valuation certificates prepared by DTZ Debenham Tie Leung Limited, an independent valuer, for the purpose of inclusion in this circular.*



10th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

21 August 2007

The Directors  
Midas International Holdings Limited  
1st Floor, 100 Texaco Road  
Tsuen Wan  
New Territories  
Hong Kong

Dear Sirs,

**Instructions, Purpose & Date of Valuation** In accordance with the instruction of Midas International Holdings Limited (the “Company”) to value the interests held by the Company and its subsidiaries (together the “Group”) in certain properties (as per the “Summary of Valuations” attached below) situated in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of these property interests as at 30 June 2007 (the “date of valuation”).

**Definition of Open Market Value** Our valuation of each of the properties represents our opinion of its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

**Valuation Bases & Assumption** Our valuation excludes estimated prices inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In undertaking our valuation of the properties which are situated in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal annual land use fees have been granted and that, unless otherwise stated, any premium payable has already been fully paid. We have also assumed that the Group has free and uninterrupted rights to use or to assign the respective properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect value.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 of and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

**Method of  
Valuation**

In valuing the properties which are held for investment purpose, we have valued them by Direct Comparison Method by make reference to the comparable sale prices in the relevant locality, and where appropriate by Investment Method by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

**Source of  
Information**

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approval or statutory notices, easements, tenure, particulars of occupancy and tenancies, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificate attached are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**Title  
Investigation**

We have been provided with extracts of the title documents relating to the properties in the PRC. However, we have not carried out searches to verify the ownership of the properties and to ascertain any amendment which may not appear on the copies handed to us.

**Site Inspection** We have inspected the exterior, and where possible, the interior of the Property. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structured defects. No tests were carried out to any of the services. We have not carried out on-site measurements to verify the site and floor area of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

**Currency** Unless otherwise stated, all money amounts expressed herein are in Renminbi, the official currency of the PRC.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K. F. Chan**  
*China Real Estate Appraiser*  
*R.P.S. (GP), MSc, M.H.K.I.S., M.R.I.C.S.*  
*Director*

*Note:* Mr Andrew K. F. Chan is a Registered Professional Surveyor who has over 19 years of experience in the valuation of properties in the PRC and Hong Kong.

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2007 <i>RMB</i>	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 June 2007 <i>RMB</i>
<b>Properties held for investment by the Group in the PRC</b>			
1. 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	52,000,000	100%	52,000,000
2. 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 PRC	103,000,000	100%	103,000,000
3. The Commercial Podium of Block Nos. 1, 2, 3, 12 and 13, Chuang's New Town, Kai Cheng Avenue, Danshui Town, Huiyang, Guangdong Province, the PRC	9,000,000	100%	9,000,000
		<b>Total:</b>	<b><u>164,000,000</u></b>

## VALUATION CERTIFICATE

## Properties held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2007
1. 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	<p>The property comprises two 2 to 4-storey composite blocks, namely Lambda Building and Yuen Sang Building, and three 8-storey residential blocks, namely Block Nos. D1, D2 and D3, in Chuang's New Town. The various blocks were all completed in 1993.</p> <p>Lambda Building, Yuen Sang Building and Block Nos. D1, D2 and D3 have gross floor areas of 12,890 sq.m. (138,748 sq.ft.), 13,905.35 sq.m. (149,677 sq.ft.) and 8,382.05 sq.m. (90,224 sq.ft.) respectively.</p> <p>The land use rights of the property have been granted for a term commencing from 21 October, 1993 and expiring on 20 October, 2063.</p>	<p>A portion of Yuen Sang Building with a gross floor area of 5,936.45 sq.m. and a portion of Block No. D2 with a gross floor area of 2,249.16 sq.m. are leased on a monthly basis at a monthly rental of HK\$82,800 inclusive of management fees but exclusive of utilities charges.</p> <p>The remaining portion of the property is vacant.</p>	RMB52,000,000

## Notes:-

- (1) According to Certificate for the Use of State-owned Land No. (93) 13210101836 issued by the People's Government of Guangdong Province on 30 December, 1993, the land use rights of the Chuang's New Town, comprising a total site area of 200,000 sq.m., have been granted to Chuang's Development (China) Limited for a term commencing from 21 October, 1993 and expiring on 20 October, 2063 for "Commercial/Residential" uses.
- (2) According to six Building Ownership Certificates, the title to the various buildings of the property is held by Chuang's Development (China) Limited. Details of the certificates are summarized as follows:

Certificate No.	Block	Use	Gross floor area
2861366	Lambda Building (part)	Non-residential	4,030.00 sq.m.
2861367	Lambda Building (part)	Non-residential	8,860.00 sq.m.
2861365	Yuen Sang Building	Non-residential	13,905.35 sq.m.
2931807	No. D1	Residential	2,625.91 sq.m.
2862403	No. D2	Residential	2,932.15 sq.m.
2862402	No. D3	Residential	2,823.99 sq.m.

- (3) According to Contract of Sale and Purchase of Commodity Housing No. 0001602 entered into between Chuang's Development (China) Limited ("Party A") and Sino Stream Limited ("Party B") on 12 October, 2001, Party A has agreed to sell the property to Party B at a consideration of HK\$30,000,000.

As advised by the Group, issuance of title certificate in favour of Sino Stream Limited is in the course of proceeding.

- (4) The opinion of the legal advisor on PRC law states, inter alia, that:
- (i) Sino Stream Limited is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) all land premium and other costs of ancillary utilities services have been settled in full; and
  - (iii) the property may be disposed of freely to both overseas and local purchasers.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Building Ownership Certificate	Yes
Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Works	Yes
Permit for Pre-sale	Yes
Permit for Overseas Sale	Yes
Business Licence	N/A

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2007
2. 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 PRC	<p>The property comprises three 18-storey (plus a commercial podium and basement) residential buildings, namely Block Nos. 1, 2 and 3, in Chuang's Garden of Chuang's New Town. The buildings were completed between 1995 and 1996.</p> <p>The property has a total gross floor area of 28,547.21 sq.m. (307,282 sq.ft.).</p> <p>The land use rights of the property have been granted for a term commencing from 21 October, 1993 and expiring on 20 October, 2063.</p>	The property is currently vacant.	RMB103,000,000

*Notes:-*

- (1) According to Certificate for the Use of State-owned Land No. (93) 13210101836 issued by the People's Government of Guangdong Province on 30 December, 1993, the land use rights of the Chuang's New Town, comprising a total site area of 200,000 sq.m., have been granted to Chuang's Development (China) Limited for a term commencing from 21 October, 1993 and expiring on 20 October, 2063 for "Commercial/Residential" uses.
- (2) According to four Building Ownership Certificates, the title to the various blocks of the property is held by Chuang's Development (China) Limited. Details of the said certificates are summarized as follows:

Certificate No.	Block No(s).	Use	Gross floor area
3466625	1	Residential	9,231.66 sq.m.
3466626	2	Residential	9,231.66 sq.m.
3466627	3	Residential	9,231.66 sq.m.
3466621	1-3	Residential	852.23 sq.m.
	1-3	Non-residential	2,153.55 sq.m.

- (3) According to Contract of Sale and Purchase of Commodity Housing No. 0001603 entered into between Chuang's Development (China) Limited ("Party A") and Riverside Trinity Limited ("Party B") on 12 October, 2001, Party A has agreed to sell the property to Party B at a consideration of HK\$48,000,000.

As advised by the Group, issuance of title certificate in favour of Riverside Trinity Limited is in the course of proceeding.

- (4) The opinion of the legal advisor on PRC law states, inter alia, that:
- (i) Riverside Trinity Limited is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights with no additional land premium or other onerous payment payable to the government;
  - (ii) all land premium and other costs of ancillary utilities services have been settled in full; and
  - (iii) the property may be disposed of freely to both overseas and local purchasers.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Building Ownership Certificate	Yes
Certificate for the Use of State-owned Land	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Works	Yes
Permit for Pre-sale	Yes
Permit for Overseas Sale	Yes
Business Licence	N/A

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2007
3. The Commercial Podium of Block Nos. 1, 2, 3, 12 and 13, Chuang's New Town, Kai Cheng Avenue, Danshui Town, Huiyang, Guangdong Province, the PRC	<p>The property comprises a single-storey commercial podium of Block Nos. 1, 2, 3 and Block Nos. 12 and 13 in Chuang's New Town. The property was completed between 1995 and 1996.</p> <p>The total gross floor area of the property comprises approximately 3,256.76 sq.m. (35,056 sq.ft.) for commercial use.</p> <p>The land use rights of the property have been granted for a term of 70 years from 21 October 1993 to 20 October 2063 for commercial/residential uses.</p>	The property is currently vacant.	RMB9,000,000

*Notes:-*

- (1) According to Certificate for the Use of State-owned Land No. (93) 13210101836 issued by the People's Government of Guangdong Province on 30 December, 1993, the land use rights of the Chuang's New Town, comprising a site area of 200,000 sq.m., have been granted to Chuang's Development (China) Limited for a term commencing from 21 October 1993 and expiring on 20 October 2063 for "Commercial/Residential" uses.
- (2) According to two Certificates of Housing Ownership, the title to the property is held by Chuang's Development (China) Limited. Details of the certificates are summarized as follows:

Block	Certificate No.	Gross floor area
Residential Block Nos. 1-3 (Podium)	3466621	3,005.78 sq.m.
Residential Block Nos. 12, 13 and 15 (Podium)	3466629	3,005.78 sq.m.

- (3) According to Contract of Sale and Purchase of Commodity Housing No. 0000004 entered into between Chuang's Development (China) Limited ("Party A") and Far Hero Limited ("Party B") on 24 March, 1997, Party A has agreed to sell the property to Party B at a consideration of HK\$18,000,000.

As advised by the Group, issuance of title certificate in favour of Far Hero Limited is in the course of proceeding.

- (4) The opinion of the legal advisor on PRC law states, inter alia, that:
  - (i) Far Hero Limited is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights with no additional land premium or other onerous payment payable to the government;
  - (ii) all land premium and other costs of ancillary utilities services have been settled in full; and
  - (iii) the property may be disposed of freely to both overseas and local purchasers.

- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Building Ownership Certificate	Yes
Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Works	Yes
Permit for Pre-sale	Yes
Permit for Overseas Sale	Yes
Business Licence	N/A

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Interests in the Shares

Director	Number of Shares	Capacity	Approximate percentage of shareholding
Mr. Abraham Shek Lai Him	10,000	Beneficial owner	0.002

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## 3. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered into or had proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 4. INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 5. COMPETING BUSINESS

Mr. Richard Hung Ting Ho (the chairman of the Company and an executive Director) is a non-executive director of CNT Group, the principal activities of which include property investments in the PRC.

Miss Ann Li Mee Sum (an executive Director) is an executive director of Chuang's China Investment Limited ("Chuang's China"), whose issued shares are listed on the Stock Exchange and a subsidiary of CCIL, the principal activities of which include property investments in the PRC.

Save as disclosed, as at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in any business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

## 6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given advice or opinion in this circular or contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Deloitte Touche Tohmatsu	Certified Public Accountants
Grant Sherman Appraisal Limited	An independent professional property valuer
DTZ Debenham Tie Leung Limited	An independent professional property valuer

Deloitte Touche Tohmatsu, Grant Sherman and DTZ have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and reports or references to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, Grant Sherman and DTZ was not beneficially interested in the share capital of any member of the Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interest, either direct or indirect, in any assets which have been, since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to, any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered into by members of the Group, within two years immediately preceding the date of this circular which may be material:

- (a) the conditional agreement dated 11 May 2007 entered into between the Company and CCIL in relation to the issue of the 1.5% convertible note due 2011 in the principal amount of HK\$49.5 million by the Company to CCIL (details of which were set out in the Company's circular dated 4 June 2007);
- (b) the conditional transfer agreement dated 11 May 2007 entered into between the Company and Chuang's China, in relation to the transfer to the Company by Chuang's China of all its rights, title, interest and benefit of and in the entire issued share capital of, and the shareholder's loan to, Success Gain Investment Limited in exchange for all the Company's rights, title, interest and benefit of and in the entire issued share capital of, and the shareholder's loan to, Chuang's Development (Chengdu) Limited and the payment of RMB13 million (equivalent to approximately HK\$13.3 million) (subject to adjustment) by the Company (details of which were set out in the Company's circular dated 4 June 2007); and
- (c) the Acquisition Agreement.

## 8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 9. PROCEDURES FOR DEMANDING A POLL

Pursuant to the articles of association of the Company, a poll may be demanded in relation to any resolution put to the vote of the EGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll by:

- (a) the chairman of the meeting; or
- (b) at least five Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

**10. GENERAL**

- (a) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose registered office is situated at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms. Lee Wai Ching who is a fellow of both of the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries.
- (c) The qualified accountant of the Company is Mr. Wong Chi Sing who is an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (d) The English texts of this circular and the accompanying form of proxy prevail over their respective Chinese texts.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays and public holidays) at the office of Iu, Lai & Li, Solicitors at 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the audited financial statements of the Group for the two years ended 31 December 2006;
- (c) the accountant's report on the Profitable Industries Group, the text of which is set out in Appendix II to this circular;
- (d) the report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;
- (e) the valuation report issued by Grant Sherman on the Existing Area as set out in Appendix IV to this circular;
- (f) the valuation report issued by DTZ on Property 1, Property 2 and Property 3 as set out in Appendix V to this circular;
- (g) copies of the contracts as disclosed under the section headed "Material contracts" in this appendix;
- (h) the written consents given by Deloitte Touche Tohmatsu, Grant Sherman and DTZ referred to in the section headed "Experts and consents" in this appendix; and
- (i) the circular of the Company dated 4 June 2007.

## NOTICE OF THE EGM



# 勤達集團國際有限公司\*

## Midas International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1172)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of Midas International Holdings Limited (the “Company”) will be held at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Wednesday, 12 September 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:–

#### ORDINARY RESOLUTION

“**THAT:**–

- (a) the entering into of the conditional agreement for sale and purchase dated 1 August 2007 (the “Agreement”), a copy of which has been produced to the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification, between, inter alia, Great Income Profits Limited (the “Vendor”) as vendor and the Company as purchaser, whereby the Vendor has conditionally agreed to sell and assign, and the Company has conditionally agreed to purchase and accept the assignment of, 87.5% of the entire issued share capital of Profitable Industries Limited (“Profitable Industries”) beneficially owned by the Vendor, and the entire amount of the shareholder’s loan owing by Profitable Industries to the Vendor as at the date of completion of the Agreement, at an aggregate consideration of HK\$350 million, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified;
- (b) the transfer and assignment by the Company or its wholly-owned subsidiary to the Vendor of the entire issued share capitals of, and the shareholders’ loans to, Sino Stream Limited, Riverside Trinity Limited and Far Hero Limited, all being wholly-owned subsidiaries of the Company, pursuant to the Agreement and the performance of all transactions contemplated under the Agreement by the Company, including but not limited to the signing of a deed of undertaking and guarantee, the issue of the 1.5% convertible note due 2010 in the principal amount of HK\$130 million (the “Convertible Note”) in partial settlement of the consideration under the Agreement and the allotment and issue of the conversion shares upon exercise of the conversion rights pursuant to the Convertible Note, be and are hereby approved; and

\* *For identification purpose only*

## NOTICE OF THE EGM

- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Agreement.”

By Order of the Board of  
**Midas International Holdings Limited**  
**Lee Wai Ching**  
*Company Secretary*

Hong Kong, 21 August 2007

*Principal place of business in Hong Kong:*

1st Floor  
100 Texaco Road  
Tsuen Wan  
New Territories  
Hong Kong

*Registered office:*

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

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. In the case of a recognised clearing house, it may authorise such other person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
5. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, then the holder whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder of the Company in whose name any share stands shall for this purpose be deemed joint holders thereof.