Midas International Holdings Limited

Interim Report 08

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

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RESULTS

The Board of Directors (the "Directors") of Midas International Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2008 together with the comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

		For the six months ended 30th June,	
	NOTES	**2008** ***HK$'000*** **(unaudited)**	2007 *HK$'000* (unaudited)
Turnover		**244,268**	323,919
Direct expenses		**(199,789)**	(245,037)
Gross profit		**44,479**	78,882
Other income		**13,236**	6,526
Increase in fair value of investment properties		**–**	11,145
Selling expenses		**(29,943)**	(28,765)
Administrative and general expenses		**(56,855)**	(56,215)
Finance costs		**(7,564)**	(3,356)
(Loss) profit before taxation	*4*	**(36,647)**	8,217
Income tax credit (expenses)	*5*	**877**	(4,577)
(Loss) profit for the period		**(35,770)**	3,640
Attributable to:			
Ordinary shareholders of the Company		**(34,826)**	3,640
Minority interests		**(944)**	–
		(35,770)	3,640
Dividend	*6*	**–**	6,411
(Loss) earnings per share	*7*		
Basic		**HK (5.5) cents**	HK 0.7 cents
Diluted		**N/A**	HK 0.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	NOTES	**30th June, 2008 *HK$'000* (unaudited)**	31st December, 2007 *HK$'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**500**	500
Prepaid lease payments	*8*	**52,354**	11,295
Property, plant and equipment	*8*	**215,439**	225,809
Goodwill		**1,956**	1,956
Deposits paid for acquisition of property, plant and equipment		**372**	305
Deposits paid for acquisition of land use rights		**4,054**	3,840
Premium on prepaid lease payments	*9*	**80,485**	81,383
Other intangible assets	*10*	**448,664**	448,664
		803,824	773,752
Current assets			
Inventories		**97,760**	73,761
Accounts receivables	*11*	**191,233**	209,031
Deposits, prepayments and other receivables		**18,186**	10,749
Prepaid lease payments		**1,158**	300
Tax recoverable		**2,460**	3,495
Bank balances and cash		**146,961**	120,611
		457,758	417,947
Assets classified as held for sale	*12*	**–**	27,708
		457,758	445,655
Current liabilities			
Accounts payables	*13*	**121,941**	126,734
Accrued charges and other payables		**68,456**	63,711
Amount due to a minority shareholder		**1,366**	1,366
Deferred income		**29**	13
Tax payable		**6,586**	6,377
Borrowings	*14*	**118,315**	115,300
		316,693	313,501

CONDENSED CONSOLIDATED BALANCE SHEET *(cont'd)*

AT 30TH JUNE, 2008

	NOTES	30th June, 2008 HK$'000 (unaudited)	31st December, 2007 HK$'000 (audited)
Liabilities associated with assets classified as held for sale	12	–	1,963
		316,693	315,464
Net current assets		141,065	130,191
Total assets less current liabilities		944,889	903,943
Non-current liabilities			
Loan note		42,509	40,922
Convertible notes		114,428	110,823
Deferred income		1,161	502
Deferred tax		135,295	136,254
		293,393	288,501
NET ASSETS		651,496	615,442
CAPITAL AND RESERVES			
Share capital	15	91,394	60,929
Reserves		483,811	477,278
Equity attributable to equity holders of the Company		575,205	538,207
Minority interests		76,291	77,235
TOTAL EQUITY		651,496	615,442

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Attributable to ordinary shareholders of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserve** *HK$'000*	**Merger reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Convertible notes equity reserve** *HK$'000*	**Accumulated profits** *HK$'000*	**Subtotal** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
At 1st January, 2007 (audited)	53,429	164,773	4,000	24,000	5,458	–	227,724	479,384	–	479,384
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	1,820	–	–	1,820	–	1,820
Profit for the period	–	–	–	–	–	–	3,640	3,640	–	3,640
Total recognised income for the period	–	–	–	–	1,820	–	3,640	5,460	–	5,460
Recognition of equity component of convertible note	–	–	–	–	–	9,470	–	9,470	–	9,470
Dividends	–	–	–	–	–	–	(6,411)	(6,411)	–	(6,411)
At 30th June, 2007 (unaudited)	53,429	164,773	4,000	24,000	7,278	9,470	224,953	487,903	–	487,903
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	6,794	–	–	6,794	148	6,942
Loss for the period	–	–	–	–	–	–	(31,968)	(31,968)	(161)	(32,129)
Total recognised income and expense for the period	–	–	–	–	6,794	–	(31,968)	(25,174)	(13)	(25,187)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	77,248	77,248
Reserve realised upon disposal of subsidiaries	–	–	–	–	(9,878)	–	–	(9,878)	–	(9,878)
Recognition of equity component of convertible note	–	–	–	–	–	46,242	–	46,242	–	46,242
Conversion of convertible notes	7,500	49,131	–	–	–	(14,545)	–	42,086	–	42,086
Dividends	–	–	–	–	–	–	(2,972)	(2,972)	–	(2,972)
At 31st December, 2007 (audited)	60,929	213,904	4,000	24,000	4,194	41,167	190,013	538,207	77,235	615,442
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	–	1,604	–	–	1,604	–	1,604
Reserve realised upon disposal of a subsidiary	–	–	–	–	(3,272)	–	–	(3,272)	–	(3,272)
Loss for the period	–	–	–	–	–	–	(34,826)	(34,826)	(944)	(35,770)
Total recognised income and expense for the period	–	–	–	–	(1,668)	–	(34,826)	(36,494)	(944)	(37,438)
Shares issued	30,465	45,697	–	–	–	–	–	76,162	–	76,162
Transaction costs attributable to issue of shares	–	(2,670)	–	–	–	–	–	(2,670)	–	(2,670)
At 30th June, 2008 (unaudited)	91,394	256,931	4,000	24,000	2,526	41,167	155,187	575,205	76,291	651,496

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	NOTES	For the six months ended 30th June, 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Net cash used in operating activities		**(28,939)**	(22,335)
Investing activities			
Acquisition of a subsidiary	8	**(15,757)**	–
Disposal of a subsidiary	16	**(619)**	–
Purchases of property, plant and equipment and investment properties		**(4,789)**	(8,629)
Other investing cash flows		**2,318**	1,393
Net cash used in investing activities		**(18,847)**	(7,236)
Financing activities			
Proceeds from issuance of new shares		**73,492**	–
Proceeds from issuance of convertible note		**–**	49,500
New bank loans raised		**41,206**	47,436
Repayment of bank loans		**(38,191)**	(19,712)
Dividends paid		**–**	(6,411)
Other financing activities		**(2,371)**	(3,341)
Net cash from financing activities		**74,136**	67,472
Net increase in cash and cash equivalents		**26,350**	37,901
Cash and cash equivalents at 1st January		**120,611**	86,430
Cash and cash equivalents at 30th June represented by bank balances and cash		**146,961**	124,331

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the following interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2008.

HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. Principal accounting policies *(cont'd)*

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
Hong Kong Financial Reporting Standard ("HKFRS") 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st July, 2008
4 Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

Business segments

The Group is currently operating in three business segments, namely printing, property investment and cemetery investment. These activities form the basis on which the Group reports its primary segment information.

Six months ended 30th June, 2008

	Printing *HK$'000*	Cemetery investment *HK'000*	Property investment *HK$'000*	Consolidated *HK$'000*
TURNOVER – external	**243,667**	**307**	**294**	**244,268**
SEGMENT RESULTS	**(23,551)**	**(7,553)**	**4,526**	**(26,578)**
Unallocated income				**996**
Unallocated expenses				**(3,501)**
Finance costs				**(7,564)**
Loss before taxation				**(36,647)**
Income tax credit				**877**
LOSS FOR THE PERIOD				**(35,770)**

3. **Segment information** *(cont'd)*

Business segments *(cont'd)*

Six months ended 30th June, 2007

	Printing *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
TURNOVER – external	322,929	990	323,919
SEGMENT RESULTS	867	10,329	11,196
Unallocated income			1,576
Unallocated expenses			(1,199)
Finance costs			(3,356)
Profit before taxation			8,217
Income tax expenses			(4,577)
PROFIT FOR THE PERIOD			3,640

4. (Loss) profit before taxation

(Loss) profit before taxation has been arrived at after charging:

	For the six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**197,877**	244,587
Depreciation of property, plant and equipment	**16,516**	18,191

5. Income tax (credit) expenses

	For the six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax	**–**	1,729
The People's Republic of China (the "PRC") Enterprise Income Tax	**82**	764
Deferred tax		
– current year	**(780)**	2,084
– attributable to a change in tax rate	**(179)**	–
	(877)	4,577

Hong Kong Profits Tax is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which included the reduction in corporate profit tax rate by 1% to 16.5 % effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.

5. **Income tax (credit) expenses** *(cont'd)*

PRC Enterprise Income Tax is calculated at the applicable rates relevant to the PRC subsidiaries.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law ("Implementation Regulation"). The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1st January, 2008.

6. **Dividend**

The board has determined not to declare an interim dividend for the period. The dividend for the period ended 30th June, 2007 represented a final dividend of HK 1.2 cents per ordinary share for the year ended 31st December, 2006.

7. **(Loss) earnings per share**

The calculation of basic and diluted (loss) earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	For the six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) profit for the period attributable to ordinary shareholders of the Company for the purpose of basic (loss) earnings per share	**(34,826)**	3,640
Effect of dilutive potential ordinary shares:		
Interest on convertible note	**N/A**	15
(Loss) profit for the period attributable to ordinary shareholders of the Company for the purpose of diluted (loss) earnings per share	**(34,826)**	3,655

7. (Loss) earnings per share *(cont'd)*

	For the six months ended 30th June,	
	2008	2007
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**634,398**	534,290
Effect of dilutive potential ordinary shares:		
Convertible note	**N/A**	603
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**634,398**	534,893

No diluted loss per share for the six months ended 30th June, 2008 is presented as the conversion of convertible notes would result in a decrease in loss per share.

The weighted average number of shares have been adjusted for the rights issue on 16th June, 2008.

8. Movements in prepaid lease payments and property, plant and equipment

During the six months ended 30th June, 2008, the Group acquired property, plant and equipment at a cost of approximately HK$4,789,000 (2007: HK$8,629,000). In addition, it also acquired a piece of land in Dongguan, the PRC, (the "Dongguan Land") through the acquisition of the entire interest of Success Gain Investment Limited ("Success Gain") at a consideration of approximately HK$42,103,000 (2007: Nil), comprising cash consideration paid of approximately HK$15,757,000 and the entire equity interest of Chuang's Development (Chengdu) Limited ("CD Chengdu") held by the Company (Note 16).

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

9. Premium on prepaid lease payments

The amount represents the excess of provisional fair value of the prepaid lease payments of 100 mu of land over its carrying amount upon the acquisition of a subsidiary, Profitable Industries Limited ("Profitable") on 19th September, 2007. The amount is amortised over the remaining lease term of the respective land use rights.

As the fair value was determined on a provisional basis which arose on a business combination on 19th September, 2007, upon its final determination, adjustments may give rise to goodwill or other identifiable intangible assets.

10. Other intangible assets

The fair value of intangible assets acquired upon acquisition of Profitable have been determined on a provisional basis which arose on a business combination on 19th September, 2007.

Upon final determination of fair value of these intangible assets, adjustments may give rise to goodwill.

11. Accounts receivables

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

	30th June, 2008	31st December, 2007
	HK$'000	*HK$'000*
0 to 30 days	**54,275**	49,476
31 to 60 days	**40,205**	36,263
61 to 90 days	**35,049**	38,389
91 to 120 days	**18,459**	40,846
121 to 180 days	**10,619**	34,560
More than 180 days	**32,626**	9,497
	191,233	209,031

12. Assets and liabilities held for sale

CD Chengdu was a property holding subsidiary of the Group. As it was the subject of an agreed disposal pursuant to the agreement which was entered into on 11th May, 2007 (note 18(a)), its assets and liabilities were re-classified as a disposal group and presented separately in the balance sheet as at 31st December, 2007.

13. Accounts payables

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

	30th June, 2008	31st December, 2007
	HK$'000	*HK$'000*
0 to 30 days	**38,850**	29,227
31 to 60 days	**37,787**	20,636
61 to 90 days	**18,250**	17,502
91 to 120 days	**12,565**	23,111
More than 120 days	**14,489**	36,258
	121,941	126,734

14. Borrowings

During the six months ended 30th June, 2008, the Group obtained new bank loans of approximately HK$41,206,000 (2007: HK$47,436,000) and made repayments of approximately HK$38,191,000 (2007: HK$19,712,000). The loans bear interest ranging from 2.09% to 5.87% (2007: from 4.73% to 5.36%) and are repayable on demand (2007: one to four years).

15. Share capital

	Number of shares		Share capital	
	30th June, 2008	31st December, 2007	**30th June, 2008**	31st December, 2007
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each				
At beginning of period/year	**1,000,000**	1,000,000	**100,000**	100,000
Increase on 21st May, 2008	**1,000,000**	–	**100,000**	–
At end of period/year	**2,000,000**	1,000,000	**200,000**	100,000
Preferences shares of HK$0.01 each				
Series A Preference shares	**1,000,000**	1,000,000	**10,000**	10,000
Series B Preference shares	**1,000,000**	1,000,000	**10,000**	10,000
At end of period/year	**2,000,000**	2,000,000	**20,000**	20,000

	Number of shares	Amount
	'000	*HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
Balance at 31st December, 2007	609,290	60,929
Rights issue of shares *(Note)*	304,645	30,465
	913,935	91,394

Note: On 16th June, 2008, the Company completed a rights issue by issuing and allotting 304,645,034 rights shares at a subscription price of HK$0.25 each on the basis of one rights share for every two shares held. The net proceeds from the rights issue of approximately HK$73,492,000 will be used as general working capital of the Company.

16. Disposal of a subsidiary

Pursuant to the agreement (note 18(a)), the Group disposed of its entire equity interest in CD Chengdu. The net assets of CD Chengdu at the date of the disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Investment property	27,472
Other receivables	25
Bank balance	619
Accrued charges and other payables	(1,415)
Tax payable	(605)
Deferred tax	(750)
Net assets	25,346
Exchange reserves realised	(3,272)
	22,074
Gain on disposal	4,272
Total consideration	26,346
Satisfied by:	
Partial consideration for acquisition of Dongguan Land *(Note 8)*	26,346
Net cash outflow from disposal	
Bank balance disposed of	(619)

17. Capital commitments

At 30th June, 2008, the Group had commitments of approximately HK$319,000 (31st December, 2007: HK$1,431,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

18. Related party disclosure

The relevant related party disclosure is as follows:

(a) Transactions with a substantial shareholder and its affiliates

Chuang's Consortium International Limited ("CCIL") is a controlling shareholder of the Company. Chuang's China Investments Limited ("Chuang's China") is a non-wholly owned subsidiary of CCIL. Chuang's China and its subsidiaries are referred to as the "Chuang's China Group". During the period, the Group had transactions with CCIL and Chuang's China Group as follows:

	For the six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Property rental income received from Chuang's China Group	**–**	497
Building management fee paid to Chuang's China Group	**–**	495
Subscription of convertible note by CCIL	**–**	49,500
Exchange of assets with Chuang's China *(Note)*	**42,103**	–

Note: On 26th March, 2008, pursuant to an agreement, the Company paid cash of HK$15,757,000 and transferred its entire equity interest in CD Chengdu, which contributed to the entire results of property investment segment during the period ended 30th June, 2008, to Chuang's China, in exchange for the entire interest in Success Gain whose sole asset is the Dongguan Land with a consideration of approximately HK$42,103,000.

(b) The remuneration of Directors and other members of key management during the period was as follows:

	For the six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	**2,914**	2,393
Post employment benefits	**66**	59
	2,980	2,452

19. Post balance sheet event

At 8th July, 2008, the Company has redeemed the principal amount of HK$20,000,000 of the loan note issued on 19th September, 2007.

INTERIM DIVIDEND

The Directors do not declare an interim dividend for the six months ended 30th June, 2008 (2007: HK0.5 cent).

FINANCIAL REVIEW

During the period under review, turnover of the Group was HK$244.3 million (2007: HK$323.9 million), representing a decrease of 24.6%. Turnover derived from printing business amounted to HK$243.7 million (2007: HK$322.9 million), accounted for 99.8% of the Group's turnover whereas the remaining turnover represented the revenue from cemetery and property investment operations.

Gross profit, principally derived from our printing business, decreased by 43.6% to HK$44.5 million (2007: HK$78.9 million), which was attributable to the decrease in turnover and the reduction in gross margin due to rising materials and production costs. Other income increased by 103.1% to HK$13.2 million (2007: HK$6.5 million), principally as a result of profit generated on disposal of investment properties. On the costs side, selling expenses increased by 3.8% to HK$29.9 million (2007: HK$28.8 million) whereas administrative and general expenses increased by 1.2% to HK$56.9 million (2007: HK$56.2 million). Finance costs increased by 123.5% to HK$7.6 million (2007: HK$3.4 million) due to outstanding convertible notes and loan note. Taking all these factors into account, the Group recorded a loss attributable to ordinary shareholders of HK$34.8 million (2007: profit of HK$3.6 million).

BUSINESS REVIEW

(a) Printing Business

Printing business of the Group comprises book printing and paper product printing. Our customers are mainly multinational publishers or conglomerates in the United States of America, Europe, Australia and Hong Kong and our products include board books, children books, premium gift products, greeting cards, stationery items and paper bags.

The ongoing instability of the economy in the North American region has led to a global reduction in printing demand and thus affected the Group's turnover. Furthermore, in line with our strategy mentioned in the 2007 Annual Report, the Group has since the beginning of 2008 substantially scaled down our low margin orders, in particular in the traditional low end packaging printing business, so as to redirect our resources towards developing higher margin business such as books and premium gift products. As a result of the foregoing, turnover of the printing business of the Group during the period decreased by 24.5% to HK$243.7 million.

During the period under review, the trading environment of the printing business continued to be difficult. The appreciation of Renminbi and the rising material, labour, energy and transportation costs dampened our margin. In order to alleviate the difficult trading environment and to restore the Group's printing business into profitability, the Group has taken proactive measures including strengthening the sales effort, improving profit margin and implementing effective cost control.

As regards strengthening the sales effort, the Group endeavored to strengthen the sales team and to explore new customers worldwide. In particular, the Group concentrated on developing clients with low season sales order so as to reduce its seasonal dependence. The Group also continued to develop innovative products and explore market opportunities for such items.

As regards improving profit margin, the Group has applied price increment to existing clients and placed great efforts to develop and secure high margin orders from existing and new clients. In this respect, the Group has been successful in securing new orders that have higher margin in the cosmetic, food and gift packaging products commencing from June 2008. The Group anticipates that such orders will continue in the second half of 2008 and, hopefully, will provide positive contribution thereafter.

As regards implementing effective cost control, the Group has streamlined its hand assembly operations through reorganising production process and retraining workers. These measures enabled the Group to improve productivity and efficiency while at the same time reduce headcounts. Furthermore, certain operating functions have been relocated to lower cost region in the PRC so as to reduce the overall operating costs of the Group. During the period, the Group implemented the initial phase of a new ERP (Enterprises Resources Planning) system which further enhanced the Group's operation efficiency by providing real-time management information and executing just-in-time production management.

By adopting all of the above measures during the period, the Group has effectively improved the gross profit margin ratio from 14.9% for the second half period in 2007 to 18.2% for the period under review. The Group will continue to strive for improvements and is confident that all these measures and efforts taken will generate positive results in the near future.

In March 2008, the Group has completed the acquisition of an industrial land site located at Coastal Industry Zone in Shatian, Dongguan, the PRC. The site is located nearby a new coastal highway and close to a metro route. It covers an area of approximately 78,000 sq. m. which is capable of being developed into a factory complex with total gross floor area of 120,000 sq. m.. The design of the entire factory layout has been finalised and the first phase of development will comprise factory premises and staff dormitory with total gross floor area of 21,000 sq. m.. Upon full development of the Shatian site, this will provide sufficient space for housing the production facilities relocated from the existing factory in Changan, Dongguan, and for the long-term production demand of the Group. Eventually the Group will vacate the Changan factory site for future development.

(b) Cemetery Business

In September 2007, the Group diversified its business through the acquisition of a business engaged in the operation of cemetery, namely Fortune Wealth Memorial Park, in Zhaoqing, Guangdong, the PRC. The cemetery comprised a site of 518 mu, of which 100 mu has been fully developed, and reserved an adjacent site of 4,482 mu for future development. Upon full development, the whole project will provide a total of 184,000 grave plots and 2,168,000 niches for lease of burial rights.

Since acquisition of the cemetery business, the Group has continued to strengthen its sales and marketing team. We have now established 6 sales offices in Hong Kong, Guangzhou, Foshan, Zhaoqing as well as Sihui in Guangdong, the PRC and we will, in the near future, set up additional offices in other cities within Guangdong Province. We have also established an extensive agency network with more than 270 agents in Hong Kong and the PRC, the number of which has been doubled compared to that of April 2008. Furthermore, the Group also plans to extend this agency network to Macau, Taiwan, Singapore and Malaysia for promoting our services to residents of Chinese origin in those areas.

For the sake of expanding our market presence to a larger extent, the Group has implemented a series of promotion campaign including regular tours of the cemetery for both the general public and members in the burial related organisations. Furthermore, the Group has organised 6 large scale blessing ceremonies in the cemetery, which hosted a total of over 5,000 people. Such guided tours and events will continue to be held in the future to boost our publicity. In April 2008, the Group participated in the Asia Funeral Expo 2008 in Macau, which was one of Asia's major exhibition and conference in the funeral field. Through this Expo, the Group has successfully extended its market presence. In the meantime our sales team has contacted insurance companies, charitable organisations and foundations to explore joint promotion opportunities.

In the coming months, the Group will hold another series of promotion events to enrich the general public about the importance of family love and piety, which will facilitate the Group to promote related service such as virtual memorial mausoleums, virtual and online broadcasting of ancestors' memorial services and other burial related services. With the comprehensive sales network established and our continuous commitment in marketing, we are optimistic about the long-term prospects of the cemetery business.

LIQUIDITY AND FINANCIAL POSITIONS

In June 2008, the Group raised net proceeds of approximately HK$73.0 million by way of a 1 for 2 rights issue to existing shareholders. The rights issue further solidified the Group's financial strength for its printing and cemetery businesses and the net proceeds will be used to finance the development of cemetery and new printing plant.

As at 30th June, 2008, the Group's bank balances and cash amounted to HK$147.0 million while bank borrowings amounted to HK$118.3 million. The calculation of net debt to equity ratio is not applicable as the Group has surplus cash of about HK$28.7 million over bank borrowings. Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi. Risk in exchange rate fluctuation would not be material. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC.

PROSPECTS

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

The Group has successfully diversified into the business of development and operation of cemetery in the PRC. We expect that this investment will generate a steady income to the Group in the near future. In the long run, the Group will leverage the experience in developing the existing cemetery to identify similar projects elsewhere in the PRC.

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

As at 30th June, 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of ordinary shares of the Company held	Capacity	Nature of Interest	Approximate % of shareholding in the Company
Mr. Shek Lai Him, Abraham	15,000	Beneficial owner	Personal interest	0.002%

Other than as disclosed herein, as at 30th June, 2008, none of the Directors and chief executive of the Company had any interest or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company and save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 30th June, 2008, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Number of shareholder	Number of ordinary shares of the Company held	Capacity
Gold Throne Finance Limited ("Gold Throne")	499,008,270 *(note 1)*	Beneficial owner
Chuang's Consortium International Limited ("CCIL")	499,008,270 *(note 1)*	*(note 2)*
Evergain Holdings Limited ("Evergain")	499,008,270 *(note 1)*	*(note 2)*
Chuang Shaw Swee, Alan ("Mr. Chuang")	499,008,270 *(note 1)*	*(note 2)*
Chong Ho Pik Yu	499,008,270 *(note 1)*	*(note 3)*
Great Income Profits Limited ("Great Income")	154,920,817 *(note 4)*	Beneficial owner
Ching Eng Chin ("Mr. Ching")	154,920,817 *(note 4)*	Interest of controlled corporation
Keywise Greater China Master Fund	49,160,000 *(note 5)*	Beneficial owner
Keywise Capital Management (HK) Limited	49,160,000 *(note 5)*	Investment manager
UBS AG	81,564,000 *(note 6)*	Person having a security interest

Notes:

1. Such interests represented 54.60% of the issued ordinary share capital and comprised 425,700,000 shares and 73,308,270 conversion shares to be issued upon the exercise of conversion rights attached to the convertible note held by Gold Throne, a wholly-owned subsidiary of CCIL.

2. Such interests arose through the interests in the relevant shares owned by Gold Throne. Evergain, a company beneficially owned by Mr. Chuang, is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL. Mr. Chuang Ka Pun, Albert is a director of Evergain.

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

4. Such interests represented 16.95% of the issued ordinary share capital and comprised 42,054,000 shares and 112,866,817 conversion shares to be issued upon the exercise of conversion rights attached to the convertible note held by Great Income, a company beneficially owned by Mr. Ching.

5. Such interests represented approximately 5.38% of the issued ordinary share capital.

6. Such interests represented approximately 8.92% of the issued ordinary share capital.

Save as disclosed above, as at 30th June, 2008, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

On 13th December, 2001, a share option scheme (the “2001 Scheme”) was adopted by the Company. The purpose of the 2001 Scheme is to recognise the contribution of the employees, including Directors of the Company and its subsidiaries (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 sheet issued by the Stock Exchange on the day of offer; (ii) the average closing price of the Company’s ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange 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 issued and to be issued upon exercise of the options granted to any individual in any 12-month period is not permitted to exceed 1 percent 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 and any other share option schemes of the Company shall not exceed 30 percent 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 their date of acceptance, but none of them can be exercised later than ten years from their date of acceptance.

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

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30th June, 2008 with the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices of the Listing Rules.

The Audit Committee has been established by the Company to review and supervise the Company's financial reporting process, internal controls and review the relationship with auditors. The Audit Committee has held meetings in accordance with the relevant requirements and has reviewed the results for the six months ended 30th June, 2008. The current members of the Audit Committee are three Independent Non-Executive Directors, Mr. Shek Lai Him, Abraham, Dr. Li Sau Hung, Eddy and Mr. Yau Chi Ming and a Non-Executive Director, Mr. Dominic Lai.

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard set out in the Model Code.

The interim results have been reviewed by the Company's external auditors in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

During the six months ended 30th June, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 30th June, 2008, the Group, including its subcontracting processing plants, employed approximately 3,900 staff and workers, with their remuneration normally reviewed annually. The Group also provides its staff with other benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As at 30th June, 2008, the Group had certain banking facilities with an aggregate amount of HK$67.8 million (the "Banking Facilities"), comprising a term loan, an overdraft facility and other trade related facilities, which required CCIL to remain as the single largest shareholder of the Company at all time during the subsistence of the Banking Facilities.

GENERAL

As at the date of this report, Mr. Hung Ting Ho, Richard, Mr. Kwong Tin Lap, Mr. Kwok Chi Fai, Miss Li Mee Sum, Ann, Mr. Wong Chi Sing and Mr. Chuang Ka Pun, Albert are Executive Directors, Mr. Dominic Lai is a Non-Executive Director, Mr. Shek Lai Him, Abraham, Dr. Li Sau Hung, Eddy and Mr. Yau Chi Ming are Independent Non-Executive Directors of the Company.

By Order of the Board of
Midas International Holdings Limited

Hung Ting Ho, Richard
Chairman

Hong Kong, 10th September, 2008