MIDAS

MIDAS
International Holdings Limited

Interim Report 2010

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

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RESULTS

The Board of Directors (the "Board") 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, 2010 together with the comparative figures for 2009 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	NOTES	For the six months ended 30th June, 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Turnover		**138,287**	130,860
Direct expenses		**(111,293)**	(97,707)
Gross profit		**26,994**	33,153
Other income		**4,083**	27,705
Selling expenses		**(14,586)**	(16,634)
Administrative and general expenses		**(45,165)**	(47,883)
Finance costs		**(7,178)**	(7,135)
Loss before taxation		**(35,852)**	(10,794)
Income tax credit	*4*	**1,211**	814
Loss for the period	*5*	**(34,641)**	(9,980)
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		**195**	–
Total comprehensive expense for the period		**(34,446)**	(9,980)
Loss for the period attributable to:			
Owners of the Company		**(33,644)**	(9,184)
Non-controlling interests		**(997)**	(796)
		(34,641)	(9,980)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(33,449)**	(9,184)
Non-controlling interests		**(997)**	(796)
		(34,446)	(9,980)
Basic and diluted loss per share	*7*	**HK(3.2) cents**	HK(1.0) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	NOTES	**30th June, 2010 HK$'000 (unaudited)**	31st December, 2009 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid lease payments	*8*	**49,399**	49,946
Property, plant and equipment	*8*	**137,193**	148,294
Deposit paid for acquisition of land use rights		**4,089**	4,054
Cemetery assets	*9*	**412,284**	416,650
		602,965	618,944
Current assets			
Inventories	*10*	**141,763**	127,556
Accounts receivables	*11*	**89,542**	81,690
Deposits, prepayments and other receivables		**14,957**	7,332
Prepaid lease payments		**1,149**	1,148
Bank balances and cash		**118,626**	126,045
		366,037	343,771
Current liabilities			
Accounts payables	*12*	**50,610**	42,926
Accrued charges and other payables		**40,570**	35,853
Amount due to a minority shareholder		**1,366**	1,366
Convertible notes	*14*	**15,372**	–
Deferred income		**19**	16
Tax payable		**6,549**	6,549
Bank borrowings	*13*	**73,138**	68,540
		187,624	155,250
Net current assets		**178,413**	188,521
Total assets less current liabilities		**781,378**	807,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

AT 30TH JUNE, 2010

	NOTES	30th June, 2010 HK$'000 (unaudited)	31st December, 2009 HK$'000 (audited)
Non-current liabilities			
Convertible notes	14	**73,418**	88,761
Deferred income		**535**	450
Bank borrowings	13	**19,550**	–
Deferred tax		**122,424**	123,635
		215,927	212,846
NET ASSETS		**565,451**	594,619
CAPITAL AND RESERVES			
Share capital	15	**107,060**	103,560
Reserves		**395,962**	427,633
Equity attributable to owners of the Company		**503,022**	531,193
Non-controlling interests		**62,429**	63,426
TOTAL EQUITY		**565,451**	594,619

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Other reserve	Merger reserve	Translation reserve	Convertible notes equity reserve	Acc-umulated profits	Total	Attributable to non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2009 (audited)	94,551	267,428	4,000	24,000	147	38,757	74,190	503,073	65,287	568,360
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(9,184)	(9,184)	(796)	(9,980)
At 30th June, 2009 (unaudited)	94,551	267,428	4,000	24,000	147	38,757	65,006	493,889	64,491	558,380
Loss for the period	–	–	–	–	–	–	(34,210)	(34,210)	(1,065)	(35,275)
Exchange differences arising on translation of foreign operations	–	–	–	–	22	–	–	22	–	22
Total comprehensive income (expense) for the period	–	–	–	–	22	–	(34,210)	(34,188)	(1,065)	(35,253)
Conversion of convertible notes	9,009	18,105	–	–	–	(7,114)	–	20,000	–	20,000
Recognition of equity component of convertible notes upon issuance of new notes	–	–	–	–	–	27,973	–	27,973	–	27,973
Derecognition of original equity component of convertible notes	–	–	–	–	–	(28,457)	28,457	–	–	–
Recognition of new equity component upon modification of convertible notes	–	–	–	–	–	23,519	–	23,519	–	23,519
At 31st December, 2009 (audited)	103,560	285,533	4,000	24,000	169	54,678	59,253	531,193	63,426	594,619
Loss for the period	–	–	–	–	–	–	(33,644)	(33,644)	(997)	(34,641)
Exchange differences arising on translation of foreign operations	–	–	–	–	195	–	–	195	–	195
Total comprehensive income (expense) for the period	–	–	–	–	195	–	(33,644)	(33,449)	(997)	(34,446)
Conversion of convertible notes	3,500	5,857	–	–	–	(4,079)	–	5,278	–	5,278
At 30th June, 2010 (unaudited)	107,060	291,390	4,000	24,000	364	50,599	25,609	503,022	62,429	565,451

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	For the six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(29,008)**	(716)
Net cash used in investing activities		
Purchases of property, plant and equipment	**(774)**	(3,629)
Other investing cash flows	**86**	1,851
	(688)	(1,778)
Net cash from (used in) financing activities		
New bank loans raised	**71,106**	66,878
Repayment of bank loans	**(46,958)**	(74,291)
Repayment of loan note	**–**	(9,700)
Other financing activities	**(1,871)**	(1,633)
	22,277	(18,746)
Net decrease in cash and cash equivalents	**(7,419)**	(21,240)
Cash and cash equivalents at beginning of the period	**126,045**	100,008
Cash and cash equivalents at end of the period, represented by bank balances and cash	**118,626**	78,768

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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.

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, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

In addition, as part of improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. The application of amendment to HKAS 17 has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

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

The directors of the Company (the "Directors") anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments based on information reported to the chief operating decision maker (i.e. Chairman and Managing Director of the Company) for the purposes of resources allocation and performance assessment are as follows:

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

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

3. **SEGMENT INFORMATION** *(cont'd)*

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

Six months ended 30th June, 2010

	Printing *HK$'000*	**Cemetery** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT TURNOVER			
– external	**137,071**	**1,216**	**138,287**
SEGMENT LOSS	**(15,716)**	**(9,168)**	**(24,884)**
Unallocated income			**6**
Unallocated expenses			**(3,796)**
Finance costs			**(7,178)**
Loss before taxation			**(35,852)**

Six months ended 30th June, 2009

	Printing *HK$'000*	Cemetery *HK$'000*	Consolidated *HK$'000*
SEGMENT TURNOVER			
– external	128,143	2,717	130,860
SEGMENT LOSS	(15,979)	(7,569)	(23,548)
Unallocated income			24,141
Unallocated expenses			(4,252)
Finance costs			(7,135)
Loss before taxation			(10,794)

3. SEGMENT INFORMATION *(cont'd)*

Segment loss represents loss attributable to each segment without allocation of corporate income, corporate expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Printing	**326,951**	308,370
Cemetery	**523,425**	528,300
Total segment assets	**850,376**	836,670

4. INCOME TAX CREDIT

	For the six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
The credit comprises:		
People's Republic of China (the "PRC")		
Enterprise Income Tax		
current year	**–**	–
underprovision in prior years	**–**	915
	–	915
Deferred tax	**(1,211)**	(1,729)
	(1,211)	(814)

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

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2010 as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong.

PRC Enterprise Income Tax has been calculated on the estimated assessable profit for the period at a rate of 25% (2009: 25%).

5. LOSS FOR THE PERIOD

	For the six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**111,066**	97,453
Depreciation of property, plant and equipment	**12,101**	12,254
Amortisation of cemetery assets	**4,367**	4,367
Loss arising on modification of terms of a convertible note	**–**	285
Gain arising on extension right on convertible note	**–**	(23,790)

6. INTERIM DIVIDEND

The Board has determined not to declare an interim dividend for both periods.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on loss for the period attributable to the owners of the Company of approximately HK$33,644,000 (2009: approximately HK$9,184,000) and approximately 1,036,958,000 (2009: approximately 945,514,000) weighted average number of ordinary shares.

The potential ordinary shares attributable to the assumed conversion of convertible notes have anti-dilutive effect for the periods ended 30th June, 2010 and 2009.

8. PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2010, the Group acquired property, plant and equipment at a cost of approximately HK$774,000 (2009: HK$3,629,000).

The Directors conducted an impairment review on the Group's property, plant and equipment and determined that there is no impairment on the property, plant and equipment as at 30th June, 2010.

As at 30th June, 2010, the Group has pledged prepaid lease payments and property, plant and equipment with aggregate net book value of approximately HK$38,142,000 (31st December, 2009: HK$21,119,000) to secure general banking facilities granted to the Group.

9. CEMETERY ASSETS

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

The recoverable amount of the operation of cemetery as a cash generating unit of the Group ("CGU") as at 30th June, 2010 has been determined based on value in use calculation. The Directors considered that the key assumptions and discount rate applied and disclosed in the 2009 annual financial statements remain appropriate. With reference to the recoverable amount, the Directors determined that there was no impairment on the CGU as at 30th June, 2010.

10. INVENTORIES

	30th June, 2010 *HK$'000*	31st December, 2009 *HK$'000*
Inventories of printing business		
Raw materials	**32,510**	21,631
Work in progress	**12,075**	8,836
Finished goods	**4,259**	3,694
	48,844	34,161
Grave plots and niches for cremation urns of cemetery business	**92,919**	93,395
	141,763	127,556

11. ACCOUNTS RECEIVABLES

The Group allows a credit period ranging from 30 days to 180 days to its trade customers.

The following is an analysis of accounts receivables by age, presented based on the sales invoice date.

	30th June, 2010 *HK$'000*	31st December, 2009 *HK$'000*
0 to 30 days	**26,225**	23,900
31 to 60 days	**23,739**	13,394
61 to 90 days	**21,423**	13,428
91 to 120 days	**7,163**	13,546
121 to 180 days	**1,626**	10,965
More than 180 days	**9,366**	6,457
	89,542	81,690

12. ACCOUNTS PAYABLES

The following is an analysis of accounts payables by age, presented based on the supplier invoice date.

	30th June, 2010 *HK$'000*	31st December, 2009 *HK$'000*
0 to 30 days	**18,424**	19,577
31 to 60 days	**13,192**	6,365
61 to 90 days	**10,826**	6,619
91 to 120 days	**6,262**	6,787
More than 120 days	**1,906**	3,578
	50,610	42,926

13. BANK BORROWINGS

During the six months ended 30th June, 2010, the Group obtained new bank loans of approximately HK$71,106,000 (2009: HK$66,878,000) and made repayments of approximately HK$46,958,000 (2009: HK$74,291,000). Except for an amount of HK$19,550,000 which is due over one year, the remaining loans are repayable on demand or within one year (2009: repayable on demand or within one year) and bear interest at Hong Kong Interbank Offered Rate or quoted lending rate of People's Bank of China plus a fixed margin. The effective interest rates range from 0.75% to 5.94% (2009: from 0.79% to 6.5%) per annum. At 30th June, 2010, bank loans of HK$52,900,000 (31st December, 2009: HK$31,920,000) are secured.

Bank borrowings amounting to approximately HK$36,869,000 as at 30th June, 2010 (31st December, 2009: HK$31,620,000) included covenants that require the maintenance of certain financial ratios. At 30th June, 2010, certain of these financial ratio covenants were not met by the Group and the Group had obtained written consent from the relevant bank that the bank agreed not to demand immediate payment as a result of financial covenants.

14. CONVERTIBLE NOTES

The Company has in issue convertible notes with total outstanding principal amount of HK$137,900,000 at 30th June, 2010. The conversion price of those convertible notes ranged from HK$0.25 to HK$0.399 per share.

During the period ended 30th June, 2010, principal amount of HK$8,750,000 of convertible notes was converted into 35,000,000 ordinary shares of HK$0.1 each. Included in the liability portion of the convertible notes at 30th June, 2010, convertible notes with carrying amount of approximately HK$15,372,000 is repayable on 28th June, 2011 and is classified as current liabilities.

15. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2009	2,000,000	200,000
Increase on 29th July, 2009	1,000,000	100,000
Balance at 31st December, 2009 and 30th June, 2010	3,000,000	300,000
Preference shares of HK$0.01 each		
Series A Preference Shares		
Balance at 1st January, 2009, 31st December, 2009 and 30th June, 2010	1,000,000	10,000
Series B Preference Shares		
Balance at 1st January, 2009, 31st December, 2009 and 30th June, 2010	1,000,000	10,000
	2,000,000	20,000

15. SHARE CAPITAL *(cont'd)*

	Number of shares *'000*	Amount *HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2009 and 30th June, 2009	945,514	94,551
Issue of shares upon conversion and modification of convertible note	90,090	9,009
Balance at 31st December, 2009	1,035,604	103,560
Conversion of convertible notes	35,000	3,500
Balance at 30th June, 2010	1,070,604	107,060

16. CAPITAL COMMITMENTS

At 30th June, 2010, the Group had commitments of approximately HK$1,022,000 (31st December, 2009: HK$780,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment.

17. RELATED PARTY DISCLOSURE

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

	For the six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**2,607**	3,167
Post employment benefits	**59**	71
	2,666	3,238

18. EVENT AFTER THE END OF THE INTERIM PERIOD

On 16th August, 2010, principal amount of HK$8,250,000 of convertible notes was converted into 33,000,000 ordinary shares of HK$0.1 each.

MANAGEMENT DISCUSSION ON RESULTS

For the six months ended 30th June, 2010, the Group recorded a turnover of HK$138.3 million (2009: HK$130.9 million), an increase of 5.7% as compared with last period. Turnover of the Group comprised revenue from printing business of HK$137.1 million (2009: HK$128.2 million) and revenue from cemetery business of HK$1.2 million (2009: HK$2.7 million).

During the period, the rapid increase of paper and materials costs and significant depreciation in Euro and Sterling Pound affected the Group's gross profit. As a result, gross profit decreased from HK$33.2 million in the last corresponding period to HK$27.0 million in the current period and gross profit margin also decreased from 25.3% to 19.5%.

Other income during the period decreased to HK$4.1 million (2009: HK$27.7 million) as in the last corresponding period, there was a one-off gain of HK$23.5 million arising on extension right of a convertible note.

As the Group has implemented effective costs control measures during the period, selling expenses decreased to HK$14.6 million (2009: HK$16.6 million) and administrative and general expenses decreased to HK$45.2 million (2009: HK$47.9 million). Finance costs maintained at HK$7.2 million (2009: HK$7.1 million).

Taking all the above factors into account, the Group recorded a loss attributable to owners of the Company of HK$33.7 million (2009: HK$9.2 million). Since a significant portion of the Group's loss was attributable to non-cash flow items, the following analysis illustrates the effect of the loss for the period on the overall cash flow of the Group. The analysis shows that on a cash flow basis, the Group's loss for the period is HK$12.3 million (2009: HK$10.9 million).

	Fox the six months ended 30th June, 2010 HK$' million	2009 HK$' million
Loss for the period	**34.6**	10.0
Less: Non-cash flow items		
Depreciation and amortisation	**(17.0)**	(17.1)
Non-cash interest expenses for convertible notes and loan notes	**(5.3)**	(3.9)
Realisation of loss due to early repayment of loan note	**–**	(1.6)
Non-cash flow profit included in other income	**–**	23.5
	12.3	10.9

INTERIM DIVIDEND

In view of the loss incurred by the Group during the period under review, the Directors have decided not to recommend the payment of an interim dividend for the period under review (2009: Nil).

BUSINESS REVIEW

(a) Printing Business

During the period under review, printing was still the core business of the Group. Turnover of the printing business amounted to HK$137.1 million, accounted for 99.1% of the Group's turnover. The Group's product range was wide, which varied from books, premium packaging products, greeting cards, commercial printing, stationery items to paper bags.

Children Book

European financial crises occurred in the first half of this financial year affected worldwide economy and the global printing demand has not yet fully recovered. However, through effective marketing effort, the Group recorded a turnover for the period of HK$137.1 million, representing a 7.0% increase compared to that of last corresponding period.

Softcover and Hardcover Books

Despite the increase in turnover, the rapid increase in paper and materials costs and the sudden drop in the exchange rate of Euro and Sterling Pound due to financial crises in certain European countries dampened the Group's gross profit margin. Furthermore, as mentioned below, the Group is in the process of combining all the Group's production facilities to the factory in Boluo, Huizhou and during this transitional period, relocation costs incurred and undoubtedly affected the Group's gross profit margin. However, the Group is confident that after completion of the above consolidation in 2010, synergy effect will arise and operating costs will reduce so as to improve the overall profit margin.

In the cost aspects, rising operating costs in the People's Republic of China (the "PRC") is an irreversible trend. Continuous increase in labour wages and materials costs and appreciation in Renminbi impacted all manufacturing businesses in the PRC. The Group is well aware of this and has, during the period, successfully implemented a number of costs control measures to cut down operating costs. As a result, selling expenses per dollar turnover for printing division decreased to HK$0.09 (2009: HK$0.12) and administrative and general expenses per dollar turnover for printing division decreased to HK$0.25 (2009: HK$0.28). The Group will continue to streamline its operations in the second half of this financial year so that the Group can minimise its production costs while at the same time maintain production efficiency.

Currently, the Group operates two factories in the PRC, one in Boluo, Huizhou and another in Changan, Dongguan. The Changan factory is located near the city centre of Changan town. Its surrounding area is well developed and occupied by premium residential and commercial buildings. In view of the redevelopment potential of the Changan factory land site, the Group commenced to relocate its production facilities to Boluo factory at the end of 2009. The factory in Changan will eventually be vacated for future development. The relocation is still in progress and is expected to be completed by the end of 2010.

Albeit the challenging operating environment, the Group is confident that printing demand will eventually rebound once global economy has fully recovered. In anticipation of growth in the long term printing demand, the Group has acquired an industrial land site located at Coastal Industry Zone in Shatian, Dongguan, in 2008. It covers an area of approximately 78,000 sq. m. which is capable of developing into a factory complex with total gross floor area of 120,000 sq. m.. The Group will commence the foundation work of the first phase of factory premises, comprising a four-storey factory building with total gross floor area of 37,600 sq. m.. Upon completion, this building can provide additional space to satisfy further growth in printing demand.

(b) Cemetery Business

The Group's another focus of investment is cemetery operation and development. During the period, the Group has maintained 2 sales offices in Hong Kong and 5 sales offices in the PRC. Extensive agency network in both Hong Kong and the PRC was established to promote the cemetery and provision of funeral service. Regular cemetery visits and promotion campaign were held to build up market awareness. The Group commenced negotiation with a well established funeral parlor in Hong Kong to provide one-stop funeral and burial related services to our customers. Through all these marketing campaigns, the Group achieved a steady turnover in the period.

Exit to Fortune Wealth Memorial Park from highway linking Guangzhou to Hezhou, with toll station under construction

Highway linking Guangzhou and Hezhou, near completion stage

The new highway linking Guangzhou and Hezhou that passes through Sihui is now near completion and is expected to be opened by the end of 2010. This highway will shorten the travelling time by half to about 1 hour from Guangzhou to Sihui where our cemetery is located. The Group expects that this improvement in infrastructure will enhance the accessibility and demands of our graveyards, in particular, from the Guangzhou region.

LIQUIDITY AND FINANCIAL POSITIONS

As at 30th June, 2010, cash and bank balances of the Group amounted to HK$118.6 million (2009: HK$126.0 million) whereas bank borrowings as at the same date amounted to HK$92.7 million (2009: HK$68.5 million). The calculation of net debt to equity ratio was not applicable as the Group has surplus cash of HK$25.9 million over its bank borrowings. Most of the Group's cash, bank balances and bank borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC.

In June 2010, convertible notes amounting to HK$8.75 million have been converted into 35 million new shares of the Company. In August 2010, another HK$8.25 million of convertible notes have also been converted into 33 million new shares of the Company. Accordingly, as at the date of this report, outstanding convertible notes of the Company have been reduced to HK$129.7 million.

Net asset value attributable to owners of the Company as at 30th June, 2010 amounted to HK$503.0 million, equivalent to HK$0.47 per share.

PROSPECTS

In view of the economic uncertainty in the global market, the trading environment for printing business will continue to be challenging. The recovery of global economy is gradual. Increase in materials costs, labour shortage and appreciation of Renminbi will undoubtedly impose pressure to the Group. However, by maintaining high production quality standard and implementing tight costs control, the Group can provide quality printing solution at competitive prices to neutralise those negative impacts and achieve satisfactory results.

The Group believes that cemetery business, in the long run, has ample growth opportunities due to rapid growth of aged population. Based on our growing sales network and reputation, and improvement in infrastructure of nearby region, the Group is confident that this investment will provide steady contribution to the Group.

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

As at 30th June, 2010, 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	0.0014%

Other than as disclosed herein, as at 30th June, 2010, none of the Directors and the chief executive of the Company had any interest or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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, 2010, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name of shareholder	Number of ordinary shares of the Company held	Capacity
Gold Throne Finance Limited ("Gold Throne")	739,008,270 *(note 1)*	Beneficial owner
Chuang's Consortium International Limited ("CCIL")	739,008,270 *(note 1)*	*(note 2)*
Evergain Holdings Limited ("Evergain")	739,008,270 *(note 1)*	*(note 2)*
CHUANG Shaw Swee, Alan ("Mr. CHUANG")	739,008,270 *(note 1)*	*(note 2)*
CHONG HO Pik Yu	739,008,270 *(note 1)*	*(note 3)*
Great Income Profits Limited ("Great Income")	272,876,090 *(note 4)*	Beneficial owner
CHING Eng Chin ("Mr. CHING")	272,876,090 *(note 4)*	Interest of controlled corporation

notes:

1. Such interests represented 69.03% of the issued ordinary share capital and comprised Gold Throne's interests in 492,278,947 shares, 41,729,323 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2011 and 205,000,000 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2014. Gold Throne is a wholly-owned subsidiary of CCIL.

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

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

4. Such interests represented 25.49% of the issued ordinary share capital and comprised Great Income's interests in 72,876,090 shares and 200,000,000 conversion shares to be issued upon the exercise of conversion rights attached to a convertible note due 2014. Great Income is beneficially owned by Mr. CHING.

Save as disclosed above, as at 30th June, 2010, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

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 may grant options to the Eligible Persons to subscribe for ordinary shares in the Company at a price to be notified by the Directors and to be no less than the highest of: (i) the closing price of the Company's ordinary shares as stated in the daily quotation 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

Mr. HUNG Ting Ho, Richard took up both roles as the Chairman and the Chief Executive Officer, being the Chairman and Managing Director of the Company, the roles of the chairman and the chief executive officer are not separated pursuant to Code A.2.1 of the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "CG Code") of the Listing Rules on the Stock Exchange. The Board considers that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions efficiently and consistently.

Except mentioned above, the Company has complied throughout the six months ended 30th June, 2010 with the code provisions set out in the CG Code.

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, 2010. The current members of the Audit Committee are three Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming and a Non-Executive Director, Mr. Dominic LAI.

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

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

During the six months ended 30th June, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 30th June, 2010, the Group, including its subcontracting processing plants, employed approximately 1,800 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

1. The Group has entered into a facility letter, which still subsists as at the date of this report, with a bank for various term loans and trade related facilities of up to HK$95 million. Pursuant to the terms of the facility letter, CCIL is required to beneficially own no less than 38% of the issued share capital of the Company at all times during the subsistence of the banking facilities. As at 30th June, 2010, the balance outstanding was HK$8 million. The banking facilities are subject to annual review.

2. The Group has entered into a facility letter, which still subsists as at the date of this report, with a bank for various trade related facilities of up to HK$20 million. Pursuant to the terms of the facility letter, CCIL is required to maintain its shareholding in the Company for no less than 35% of the issued share capital of the Company at all times during the subsistence of the banking facilities. As at 30th June, 2010, the balance outstanding was HK$3 million. The banking facilities are subject to annual review.

3. The Group has entered into a facility letter, which still subsists as at the date of this report, with a bank for a term loan, an overdraft facility and trade related facilities of up to HK$61 million. Pursuant to the terms of the facility letter, CCIL is required to remain as the single largest shareholder of the Company at all times during the subsistence of the banking facilities. As at 30th June, 2010, the balance outstanding was HK$31 million. The banking facilities are subject to annual review.

GENERAL

As at the date of this report, Mr. HUNG Ting Ho, Richard, Mr. KWOK Chi Fai 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 and Managing Director

Hong Kong, 31st August, 2010