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MIDAS

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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

The Board of Directors (the "Board") of Midas International Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2009 together with the comparative figures for 2008 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Turnover	*4*	**299,573**	510,504
Direct expenses		**(230,007)**	(416,265)
Gross profit		**69,566**	94,239
Other income		**26,765**	21,333
Selling expenses		**(29,182)**	(61,504)
Administrative and general expenses		**(100,517)**	(135,331)
Impairment loss on property, plant and equipment		**–**	(8,000)
Impairment loss on goodwill on acquisition of subsidiaries		**–**	(14,635)
Finance costs		**(14,835)**	(18,252)
Loss before taxation		**(48,203)**	(122,150)
Income tax credit	*5*	**2,948**	3,362
Loss for the year	*6*	**(45,255)**	(118,788)

* *For identification purposes only*

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Other comprehensive income (expense):			
Exchange difference arising on translation of foreign operations		**22**	(887)
Translation reserve realised upon disposal of subsidiaries		**–**	(3,272)
Other comprehensive income (expense) for the year		**22**	(4,159)
Total comprehensive expense for the year		**(45,233)**	(122,947)
Loss for the year attributable to:			
Owners of the Company		**(43,394)**	(115,823)
Minority interests		**(1,861)**	(2,965)
		(45,255)	(118,788)
Total comprehensive expense attributable to:			
Owners of the Company		**(43,372)**	(119,870)
Minority interests		**(1,861)**	(3,077)
		(45,233)	(122,947)
Basic and diluted loss per share	*8*	**HK(4.4) cents**	HK(15.9) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31.12.2009**	31.12.2008	1.1.2008
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties		**–**	500	500
Prepaid lease payments		**49,946**	51,355	10,875
Property, plant and equipment		**148,294**	169,186	200,165
Goodwill		**–**	–	14,635
Deposits paid for acquisition of property, plant and equipment		**–**	–	305
Deposits paid for acquisition of land use rights		**4,054**	4,054	3,840
Cemetery assets		**416,650**	425,384	438,416
		618,944	650,479	668,736
Current assets				
Inventories		**127,556**	146,787	170,466
Accounts receivables	*9*	**81,690**	110,710	209,031
Deposits, prepayments and other receivables		**7,332**	11,895	10,749
Prepaid lease payments		**1,148**	1,148	290
Tax recoverable		**–**	2,583	3,495
Bank balances and cash		**126,045**	100,008	120,611
		343,771	373,131	514,642
Assets classified as held for sale		**–**	–	27,708
		343,771	373,131	542,350
Current liabilities				
Accounts payables	*10*	**42,926**	63,667	126,734
Accrued charges and other payables		**35,853**	44,354	63,711
Amount due to a minority shareholder		**1,366**	1,366	1,366
Deferred income		**16**	54	13
Tax payable		**6,549**	6,549	6,377
Bank borrowings		**68,540**	87,436	115,300
		155,250	203,426	313,501
Liabilities associated with assets classified as held for sale		**–**	–	1,963
		155,250	203,426	315,464
Net current assets		**188,521**	169,705	226,886
Total assets less current liabilities		**807,465**	820,184	895,622

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Non-current liabilities			
Loan note	**–**	16,710	40,922
Convertible notes	**88,761**	105,818	110,823
Deferred income	**450**	2,223	502
Deferred tax	**123,635**	127,073	131,004
	212,846	251,824	283,251
NET ASSETS	**594,619**	568,360	612,371
CAPITAL AND RESERVES			
Share capital	**103,560**	94,551	60,929
Reserves	**427,633**	408,522	477,278
Equity attributable to owners of the Company	**531,193**	503,073	538,207
Minority interests	**63,426**	65,287	74,164
TOTAL EQUITY	**594,619**	568,360	612,371

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. CHANGE IN ACCOUNTING POLICY

Change in accounting policy in relation to the conveyance of cemetery burial right

Revenue recognition

In previous years, revenue from grave plots and niches for cremation urns was regarded as a long-term contract to provide burial services and the amount received for such transaction was initially recognised as deferred income and subsequently recognised as revenue on a straight-line basis over the duration of the right which was conveyed to the buyers, which is the same duration as the remaining term of the cemetery land. Amount received in excess of the amount recognised as revenue was accounted for as deferred income. Expenses directly attributable to such deferred income were similarly deferred.

As a result of the adoption of HKFRS 8 "Operating Segments" with effect from 1st January, 2009, management of the Group has re-assessed the substance of the transactions for conveyance of cemetery burial rights taking into consideration the manner in which the chief operating decision maker (i.e. Chairman and Managing Director of the Company) assessed and measured the performance of the Group's cemetery operation. Consistent with the business model which management developed at the time when the cemetery operation was acquired, management believes that the conveyance of a right to use grave plots and niches for cremation urns is in substance a sale of a portion of the Group's cemetery assets. Management has also considered the management service arrangement in respect of the cemetery operation. Based on the agreements with the customers, management fee would be received by the Group for management services to be provided for the next twenty years. As the amount of management fee is insignificant to the sales transaction, it is considered that substantial risks and rewards of ownership of the grave plots and niches for cremation urns have been passed to the customers upon execution of the agreements. Accordingly, management of the Group is of the opinion that it is more appropriate to account for such conveyance as sale of the grave plots and niches for cremation urns rather than as a long-term contract for the provision of services. Therefore, the Group has revised its accounting policy in relation to its cemetery operation as follows:

A conveyance of the right to use grave plots and niches for cremation urns is recognised as a sale of the grave plots and niches for cremation urns when the customers have the right to use the grave plots and niches for cremation urns upon the execution of a binding agreement.

Cemetery assets

Upon commencement of development of the grave plots and niches for cremation urns with the intention of sale in the ordinary course of business of the Group, the costs of cemetery assets attributable to the grave plots and niches for cremation urns being developed are recognised as costs of inventories. These inventory assets are stated at the lower of cost and net realisable value. Cost of such assets is charged to profit or loss by reference to the area of the grave plots and niches for cremation urns sold in relation to the estimated total saleable area.

Cemetery assets and the related prepaid lease payments and property, plant and equipment for which no development has commenced are classified as non-current assets.

The Directors of the Company believe that the revised accounting policy will provide more relevant information about the substance of the transaction and are consistent with the way management assesses and measures its performance. Such a change in accounting policy did not have a significant impact to the Group's reported results for the prior year and the current year, accordingly, prior year's results have not been restated. An amount of approximately HK$2,042,000 included in deferred income as at 31st December, 2008 under the old accounting policy, which relates to conveyance of grave plots and niches for cremation urns transacted on or before 31st December, 2008, has been recognised as revenue during the year ended 31st December, 2009. The change in accounting policy has resulted in reclassification of certain asset items in the consolidated statement of financial position as at 1st January, 2008 and 31st December, 2008, in respect of grave plots and niches for cremation urns whose development have been completed in prior years as follows:

	Prepaid lease payments *HK$'000*	**Property, plant and equipment** *HK$'000*	**Cemetery assets** *HK$'000*	**Cemetery inventories** *HK$'000*
As at 1st January, 2008 (originally stated)	11,595	218,809	516,047	–
Effect of change in accounting policy	(430)	(18,644)	(77,631)	96,705
As at 1st January, 2008 (restated)	11,165	200,165	438,416	96,705
As at 31st December, 2008 (originally stated)	52,933	187,830	503,015	–
Effect of change in accounting policy	(430)	(18,644)	(77,631)	96,705
As at 31st December, 2008 (restated)	52,503	169,186	425,384	96,705

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except the new and revised HKFRSs affecting presentation and disclosure as described below, the adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1st January, 2008 as the Group has reclassified comparative financial information in its financial statements during the current financial year as set out in Note 2.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 4) and has had no impact on the reported results or financial position of the Group.

HKAS 23 (Revised 2007) Borrowings Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st January, 2009. As the Group does not have any qualifying assets in the past and current period, the change has had no impact on amounts reported in current or prior accounting periods.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31st December, 2009

	Printing	Cemetery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT TURNOVER – external	**295,013**	**4,560**	**299,573**
SEGMENT LOSS	**(25,709)**	**(17,957)**	**(43,666)**
Unallocated income			**15,152**
Unallocated expenses			**(4,854)**
Finance costs			**(14,835)**
Loss before taxation			**(48,203)**

For the year ended 31st December, 2008

	Printing	Cemetery	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT TURNOVER – external	509,751	459	294	510,504
SEGMENT (LOSS) PROFIT	(67,443)	(35,749)	4,101	(99,091)
Unallocated income				1,640
Unallocated expenses				(6,447)
Finance costs				(18,252)
Loss before taxation				(122,150)

5. INCOME TAX CREDIT

	2009	2008
	HK$'000	*HK$'000*
The credit comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT")	**–**	218
	–	218
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(426)**	(47)
PRC EIT	**916**	398
	490	351
Deferred tax:		
Current year	**(3,438)**	(3,855)
Attributable to change in tax rate	**–**	(76)
	(3,438)	(3,931)
	(2,948)	(3,362)

Hong Kong

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008, which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong.

PRC

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards. Certain group entities are also subject to PRC EIT on a deemed profit basis at 10%.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. No deferred tax has been provided for in the consolidated financial statements in respect of withholding tax as the PRC subsidiaries did not generate any distributable profit since 1st January, 2008.

6. LOSS FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Cost of inventories recognised as an expense	**225,863**	412,752
Depreciation of property, plant and equipment	**24,535**	30,902
Amortisation of cemetery assets	**8,734**	13,032

7. DIVIDENDS

No dividend was paid or declared during each of the two years ended 31st December, 2009.

The Board of Directors do not recommend the payment of a final dividend for the year ended 31st December, 2009 (2008: nil).

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK$43,394,000 (2008: HK$115,823,000) and on the weighted average number of 982,784,196 (2008: 727,841,381) shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31st December, 2008 has been adjusted for the rights issue on 16th June, 2008.

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

9. ACCOUNTS RECEIVABLES

The Group allows its customers a credit period ranging from 30 days to 180 days (2008: 30 days to 180 days). The following is an aged analysis of accounts receivables (net of allowance for doubtful debts) presented based on the sales invoice date at the end of the reporting period.

	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
0 to 30 days	**23,900**	31,131
31 to 60 days	**13,394**	23,745
61 to 90 days	**13,428**	14,588
91 to 120 days	**13,546**	18,219
121 to 180 days	**10,965**	14,572
More than 180 days	**6,457**	8,455
	81,690	110,710

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$35,100,000 (2008: HK$39,556,000) which were past due at the reporting date but for which the Group has not provided for impairment loss because management believes in the credit quality and the repayment ability of the relevant customers. The Group does not hold any collateral over these balances. The average age of these receivables is 105 days (2008: 96 days).

Ageing of accounts receivables which were past due but not impaired:

	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
31 to 60 days	**5,295**	8,831
61 to 90 days	**5,504**	4,058
91 to 120 days	**6,879**	7,112
121 to 180 days	**10,965**	11,041
More than 180 days	**6,457**	8,514
	35,100	39,556

10. ACCOUNTS PAYABLES

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

	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
0 to 30 days	**19,577**	16,429
31 to 60 days	**6,365**	15,483
61 to 90 days	**6,619**	14,433
91 to 120 days	**6,787**	7,556
More than 120 days	**3,578**	9,766
	42,926	63,667

MANAGEMENT DISCUSSION ON RESULTS

The recession in the global market caused by the financial tsunami has continuously affected the Group's operating results. The ongoing instability of the economies in North America and Europe has led to a reduction in printing demand, and thus affected printing orders from those regions. Orders from these markets were cut and customers generally requested more competitive prices, resulting in a setback in the Group's turnover.

For the year ended 31st December, 2009, the Group recorded a turnover of HK$299.6 million (2008: HK$510.5 million), a decline of 41.3% as compared with last year. Turnover of the Group comprised revenue from printing business of HK$295.0 million (2008: HK$509.8 million) and revenue from cemetery business of HK$4.6 million (2008: HK$0.5 million). As the Group had substantially disposed of all its investment property interests in 2008, there was no revenue generated from property investment business in the current year (2008: HK$0.3 million).

Albeit in these market conditions, the Group managed to improve the profit margin by further exploring new customers with better margin, cutting direct costs in all aspects and enhancing efficiency by integrating operations. With these efforts, the Group was able to improve gross profit margin ratio to 23.2% (2008: 18.5%). However, due to substantial drop in turnover, gross profit for the year decreased by 26.1% to HK$69.6 million (2008: HK$94.2 million).

Other income increased to HK$26.8 million (2008: HK21.3 million) mainly due to the gain arose on convertible note modification. Selling expenses decreased to HK$29.2 million (2008: HK$61.5 million) which was in line with reduction in turnover. Administrative and general expenses decreased to HK$100.5 million (2008: HK$135.3 million) mainly due to reduction in provision for trade receivables, payroll and overhead costs. As the operating result was improving, the Group had made no further provision on impairment of property, plant and equipment (2008: HK$8.0 million) and cemetery assets (2008: HK$14.6 million). Finance costs decreased to HK$14.8 million (2008: HK$18.3 million) mainly due to reduction of bank loans and loan note.

Taking all the above factors into account, the Group recorded a loss attributable to ordinary equity holders of the Company of HK$43.4 million (2008: HK$115.8 million). Loss per share amounted to 4.4 HK cents (2008: 15.9 HK cents). 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 year on the overall cash flow of the Group. The analysis shows that on a cash flow basis, the Group's loss for the year is narrowed to HK$14.9 million (2008: HK$47.2 million).

	2009 ***HK$' million***	2008 *HK$' million*
Loss for the year	**45.3**	118.8
Less: Non-cash flow items		
Depreciation and amortisation	**33.3**	43.9
Non-cash interest expenses for convertible notes and loan notes	**8.0**	7.3
Realisation of loss due to early repayment of loan note	**2.6**	3.6
Impairment loss on property, plant and equipment	**–**	8.0
Impairment loss on goodwill on acquisition of subsidiaries	**–**	14.6
Non-cash flow profit included in other income	**(13.5)**	(5.8)
	14.9	47.2

DIVIDENDS

In view of the loss incurred by the Group during the year, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st December, 2009. No interim dividend (2008: Nil) was paid during the year.

BUSINESS REVIEW

(A) Printing Business

The printing business comprised book printing and paper product printing. Our customers are mainly multinational publishers and conglomerates in the United States, Europe, Australia, New Zealand and Hong Kong. Our products include board books, children books, premium gift products, greeting cards, stationery items and paper bags.

Turnover of the printing business of the Group during the year amounted to HK$295.0 million, representing a decrease of 42.1% when compared with that of last year. The decline in revenue was attributable to global economic crisis that prevailed during the year which led to a fall in printing demand. In addition, as the economic recession continued, many printing firms reduced their prices in exchange of orders. All these impacts affected both the quantity and pricing of overseas orders. At the same time the Group continued to scale down low margin orders, in particular in the traditional low end packaging printing business. As a result, both turnover and gross profit of the Group were adversely affected during the period.

Despite the difficulty ahead, the Group continuously strengthened its marketing force to attract more customers. We conducted regular visits to our existing customers and focused on exploring new customers worldwide by participating in major book fairs. The Group had set up booths in the Paperworld 2010 and the Bologna Children's Book Fair in Europe. It will have booth presence in the coming fairs of Cape Town Book Fair and Moscow International Book Fair. Our sales representatives will also visit customers at the London Book Fair, Bookexpo America and Frankfurt Book Fair. Through this proactive marketing strategy, we can enhance our corporate brand and explore new markets. Actually the Group has received 15% more incoming orders in the 1st quarter of 2010 compared to that of last year. At the same time, the Group continued to exercise extreme cautiousness in extending credit to our clients to reduce the exposure to bad debts. We only accepted orders from customers with good credit performance or with export insurance coverage or cash deposits in advance. This led to a substantial reduction of bad debt in 2009 compared to that of last year.

During the year under review, the Group had implemented a number of counter-measures and effectively mitigated the negative impact on its operating performance. The Group had successfully streamlined the operation, logistics and procurement flows to save costs. Headcounts were reduced while productivity and efficiency maintained. Tight inventory and procurement control was implemented so that the Group could maintain a minimum level of inventory with lower purchase price. In addition, the Group has implemented a new ERP (Enterprises Resources Planning) system which enhanced the Group's operation efficiency by reducing wastage and enhancing workflow process.

The Group has acquired an industrial land site located at Coastal Industry Zone in Shatian, Dongguan, which is capable of developing into a factory complex with total gross floor area of 120,000 sq. m.. The Group has a long term plan to first vacate the existing production operations in Changan, Dongguan, then consolidate the production in Yuanzhou, Huizhou and finally relocate all operations to our new factory in Shatian, Dongguan. The time frame of this plan depends on global economic situation. In case the present unfavourable economic environment is fully recovered and printing demand increases, we will pursue the new factory expansion. Meanwhile, the Changan factory site, after being vacated, will eventually be available for future redevelopment.

(B) Cemetery Business

The Group's another focus of investment is cemetery operations and development. During the year, the Group has continued to strengthen its sales effort. We have extended our agency network in both Hong Kong and Guangdong Province, the PRC. In November 2009, we have also established a new ground floor sales office in Hunghom of Hong Kong. As this is a traditional region for provision of funeral service, this new outlet has successfully expanded our market presence and attracted more customers. We now maintain 2 sales offices in Hong Kong and 5 sales offices in Guangzhou, Foshan, Zhaoqing and Sihui. Through this well established sales network, the Group achieved a substantial increase in turnover compared to that of 2008.

During the period under review, the Group has implemented a series of promotion campaigns to boost publicity. We have held regular visits to the cemetery for both the general public and members in the burial related organisations. In 2009, the cemetery has hosted 2,500 new visitors, which made up an accumulated number of visitors to over 9,000. Moreover, the Group has organized numerous events and lectures with the theme of family love and piety. In May 2009, the Group participated in the Asia Funeral Expo 2009 in Hong Kong, which was one of Asia's major exhibitions and conferences in the funeral field. By taking part in these promotional events, the Group could contact our target elderly and build up awareness among them. After having built up a long term relationship with them, we will gradually introduce and promote our services to them.

The Group has also arranged joint promotion programmes with a number of funeral parlors and funeral service providers in Sihui and Guangzhou, the PRC. The Group cooperated with these entities to provide one-stop funeral and burial related services to our customers. This strategy exposed the Group to different market segments and customer groups, so that we could in turn achieve further sales.

The new highway linking Guangzhou and Hezhou that bypasses Sihui is now near completion and is expected to be opened in the second half of 2010. The overall travel time from Guangzhou to Sihui where our cemetery is located will be reduced by half to about 1 hour. The Group expects that this improvement in infrastructure will advance the accessibility and demands of our graveyards, in particular, from the Guangzhou region.

Our cemetery comprised of a site of 518 mu, of which 100 mu was developed, and reserved an adjacent site of 4,482 mu, made up a total of 5,000 mu. Upon full development of the existing 518 mu of land, it will provide a total of 18,000 grave plots and 214,000 niches for cremation urns for sales. The prices of the grave plots are set within the range from RMB8,800 to RMB398,000 per plot and those for the niches for cremation urns are set within the range from RMB2,800 to RMB8,800. In view of brightening prospects towards cemetery investment, the Group has commenced negotiation with the local government to obtain an additional 250 mu of land out of 518 mu for further development. Also, the Group intends to engage a reputable and experienced consultant to study and draw up a design plan for an overall planned development of the whole 5,000 mu of land so that this will become one of the most outstanding and prestigious cemeteries in the Southern China region.

PROSPECTS

In view of the economic uncertainty in the global market, the trading environment for printing business will continue to be challenging in 2010. However, the Group remains optimistic about the prospect of the printing industry. The Group expects that, with a professional service team and efficient production infrastructure, we can overcome the turmoil.

In 2009, the Group has continued to scale down its operations in Changan, Dongguan and relocated substantially all the production facilities to our factory in Yuanzhou, Huizhou. By so doing the Group can optimize the use of its production capacity and management resources. The Group expects that the synergy effect arising from this can further enhance efficiency and reduce overhead cost.

In Hong Kong and the Pearl River Delta region of the PRC, the demand for prestigious grave plots and niches for cremation urns is very high because of the limited supply of cemeteries and related establishments. The Group believes that cemetery business, in the long run, has ample growth opportunities due to rapid growth of aged population. Since 2007, the Department of Civil Affairs of Guangdong Province had accredited our cemetery as a premium cemetery. Based on the growing demand and our reputation, we are confident that this investment will provide solid and long term contributions to the Group.

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2009, cash and bank balances of the Group amounted to HK$126.0 million (2008: HK$100.0 million) whereas bank borrowings as at the same date amounted to HK$68.5 million (2008: 87.4 million). The calculation of net debt to equity ratio was not applicable as the Group has surplus cash of HK$57.5 million over its bank borrowings. Most of the Group's cash, bank balances and bank borrowings were denominated in Hong Kong dollars and Renminbi. Interest on bank borrowings was charged at variable commercial rates prevailing in Hong Kong and the PRC.

In January 2009, the holder of a convertible note of the Company agreed to extend the repayment date of the convertible note amounted to HK$100.0 million by 3 years to September 2013. In August 2009, the terms of this convertible note were further modified. Out of the original principal sum of HK$100.0 million, a sum of HK$10.0 million was haircut and HK$20.0 million was converted into approximately 90.1 million new ordinary shares of the Company at a conversion price of HK$0.222 per share. As to the remaining principal sum of HK$70.0 million, HK$50.0 million is subject to conversion at any time up to August 2014, at the option of the noteholder, into new ordinary shares of the Company at a conversion price of HK$0.25 per share (subject to adjustments) and the remaining balance of HK$20.0 million will be repayable at maturity in August 2014. In August 2009, the Company has also issued a new convertible note to Chuang's Consortium International Limited, its major shareholder, in the principal sum of HK$60.0 million for a term of 5 years with a conversion price of HK$0.25 per share (subject to adjustments). The cash proceeds will be used to finance the ongoing development of both the printing and cemetery business of the Group.

The aforesaid modifications to the terms of an existing convertible note and the issue of a new convertible note have strengthened the financial and working capital positions of the Group so that the Group is well placed to meet the challenges ahead. Details of the transactions were included in a circular to shareholders dated 10th July, 2009.

During the year, to take advantage of the discount on early redemption of the loan note, the Company has redeemed HK$20.0 million of the loan note before its maturity date. Accordingly, as at the date of this report, there is no loan note outstanding.

After the aforesaid restructure and new issue, the outstanding convertible notes of the Company now stand at HK$146.7 million. It can be seen from the table below that the majority of the notes is repayable in 2014.

Outstanding notes	**Due date for conversion**	**Due date for repayment**	**Amount in HK$ million**
Convertible Note 2011	June 2011	June 2011	16.7
Convertible Note 2014 (Restructured)	August 2014	August 2014	70.0
Convertible Note 2014 (New issue)	August 2014	August 2014	60.0

Net asset value of the Group as at 31st December, 2009 amounted to HK$594.6 million, equivalent to HK$0.57 per share.

CORPORATE GOVERNANCE

Since 15th January, 2009, Mr. Hung Ting Ho, Richard has taken up both roles as the Chairman and the Chief Executive Officer, being the Chairman and Managing Director of the Company, the roles of the chairman and the chief executive officer are not separated pursuant to Code A.2.1 of the code provision set out in Appendix 14 – Code on Corporate Governance Practices (the "CG Code") of the Listing Rules. 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 as mentioned above, the Company has complied throughout the year ended 31st December, 2009 with the code provisions set out in the CG Code.

An Audit Committee has been established by the Company to review and supervise the Company's financial reporting process and its internal controls, and review the relationship with the auditor. The Audit Committee has held meetings in accordance with the relevant requirements, and reviewed with the Directors and the auditor the accounting principles and practices adopted by the Group, the internal controls and financial reporting process and the Company's consolidated financial statements for the year ended 31st December, 2009. 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard set out in the Model Code.

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

During the year ended 31st December, 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 31st December, 2009, the Group, including its subcontracting processing plants, employed approximately 1,500 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.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31st December, 2009 containing all applicable information required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

GENERAL

As at the date of this announcement, 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, 20th April, 2010