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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 SIX MONTHS ENDED 30TH JUNE, 2010**

The Board of Directors (the “Board”) of Midas International Holdings Limited (the “Company”) announces 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	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(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

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2010	31st December, 2009
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid lease payments		49,399	49,946
Property, plant and equipment		137,193	148,294
Deposit paid for acquisition of land use rights		4,089	4,054
Cemetery assets		412,284	416,650
		<u>602,965</u>	<u>618,944</u>
Current assets			
Inventories		141,763	127,556
Accounts receivables	8	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
		<u>366,037</u>	<u>343,771</u>
Current liabilities			
Accounts payables	9	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		15,372	–
Deferred income		19	16
Tax payable		6,549	6,549
Bank borrowings		73,138	68,540
		<u>187,624</u>	<u>155,250</u>
Net current assets		<u>178,413</u>	<u>188,521</u>
Total assets less current liabilities		<u>781,378</u>	<u>807,465</u>
Non-current liabilities			
Convertible notes		73,418	88,761
Deferred income		535	450
Bank borrowings		19,550	–
Deferred tax		122,424	123,635
		<u>215,927</u>	<u>212,846</u>
NET ASSETS		<u>565,451</u>	<u>594,619</u>
CAPITAL AND RESERVES			
Share capital		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		<u>565,451</u>	<u>594,619</u>

Notes:

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

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.

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 included printing and cemetery. 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	<u>137,071</u>	<u>1,216</u>	<u>138,287</u>
SEGMENT LOSS	<u>(15,716)</u>	<u>(9,168)</u>	<u>(24,884)</u>
Unallocated income			6
Unallocated expenses			(3,796)
Finance costs			<u>(7,178)</u>
Loss before taxation			<u>(35,852)</u>

Six months ended 30th June, 2009

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

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
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Deferred tax

(1,211)	(1,729)
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(1,211)	(814)
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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 Enterprises 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
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Depreciation of property, plant and equipment

12,101	12,254
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Amortisation of cemetery assets

4,367	4,367
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Loss arising on modification of terms of a convertible note

–	285
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Gain arising on extension right on a convertible note

–	(23,790)
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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. 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

9. 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

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	2009
	HK\$' million	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.

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.

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.

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.

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 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 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.

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, 31st August, 2010