MIDAS International Holdings Limited

2012 Interim Report

(Financial period from 1/1/2011 to 31/12/2011)

(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 interim results of the Company and its subsidiaries (the "Group") for the twelve months ended 31st December, 2011 together with the comparative figures for 2010 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 2011

	NOTES	**2011**	2010
		HK$'000	*HK$'000*
		(unaudited)	(restated)
Turnover		**302,117**	293,584
Direct expenses		**(244,641)**	(240,120)
Gross profit		**57,476**	53,464
Other income		**7,914**	6,303
Selling expenses		**(31,286)**	(30,333)
Administrative and general expenses		**(89,079)**	(90,548)
Finance costs		**(17,241)**	(14,986)
Loss before taxation		**(72,216)**	(76,100)
Income tax credit	*4*	**3,594**	499
Loss for the period	*5*	**(68,622)**	(75,601)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**17,726**	15,676
Total comprehensive expense for the period		**(50,896)**	(59,925)
Loss for the period attributable to:			
Owners of the Company		**(66,901)**	(73,896)
Non-controlling interests		**(1,721)**	(1,705)
		(68,622)	(75,601)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(52,118)**	(60,792)
Non-controlling interests		**1,222**	867
		(50,896)	(59,925)
Basic and diluted loss per share	*7*	**HK(4.0) cents**	HK(6.2) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2011

	NOTES	**2011** **HK$'000** **(unaudited)**	2010 HK$'000 (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid lease payments	*8*	**47,860**	48,878
Property, plant and equipment	*8*	**118,156**	127,642
Deposit paid for acquisition of land use rights		**4,374**	4,196
Cemetery assets	*9*	**489,542**	476,467
		659,932	657,183
Current assets			
Inventories	*10*	**130,342**	124,092
Accounts receivables	*11*	**78,402**	83,810
Deposits, prepayments and other receivables		**14,939**	17,794
Prepaid lease payments		**1,156**	1,153
Tax recoverable		**355**	260
Bank balances and cash		**144,211**	107,616
		369,405	334,725
Current liabilities			
Accounts payables	*12*	**47,902**	39,453
Accrued charges and other payables		**48,319**	43,072
Amount due to a minority shareholder		**1,366**	1,366
Deferred income		**35**	24
Tax payable		**7,300**	7,300
Bank borrowings – due within one year	*13*	**49,623**	74,115
Convertible notes – due within one year	*14*	**–**	15,927
		154,545	181,257
Net current assets		**214,860**	153,468
Total assets less current liabilities		**874,792**	810,651

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

AT 31ST DECEMBER, 2011

	NOTES	**2011** **HK$'000** **(unaudited)**	2010 HK$'000 (restated)
Non-current liabilities			
Bank borrowings – due after one year	*13*	**13,530**	17,700
Convertible notes – due after one year	*14*	**81,914**	72,345
Deferred income		**971**	641
Deferred tax		**141,301**	139,225
		237,716	229,911
NET ASSETS		**637,076**	580,740
CAPITAL AND RESERVES			
Share capital	*15*	**220,721**	110,360
Reserves		**344,903**	400,150
Equity attributable to owners of the Company		**565,624**	510,510
Non-controlling interests		**71,452**	70,230
TOTAL EQUITY		**637,076**	580,740

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Other reserve	Merger reserve	Translation reserve	Convertible notes equity reserve	Accumulated profits (losses)	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2010, as previously stated	103,560	285,533	4,000	24,000	169	54,678	59,253	531,193	63,426	594,619
Adjustments *(Note 17)*	–	–	–	–	29,829	–	–	29,829	5,937	35,766
At 1st January, 2010 (restated)	103,560	285,533	4,000	24,000	29,998	54,678	59,253	561,022	69,363	630,385
Loss for the period	–	–	–	–	–	–	(73,896)	(73,896)	(1,705)	(75,601)
Exchange differences arising on translation of foreign operations	–	–	–	–	13,104	–	–	13,104	2,572	15,676
Total comprehensive income (expense) for the period	–	–	–	–	13,104	–	(73,896)	(60,792)	867	(59,925)
Conversion of convertible notes	6,800	11,441	–	–	–	(7,961)	–	10,280	–	10,280
At 31st December, 2010 (restated)	110,360	296,974	4,000	24,000	43,102	46,717	(14,643)	510,510	70,230	580,740
Loss for the period	–	–	–	–	–	–	(66,901)	(66,901)	(1,721)	(68,622)
Exchange differences arising on translation of foreign operations	–	–	–	–	14,783	–	–	14,783	2,943	17,726
Total comprehensive income (expense) for the period	–	–	–	–	14,783	–	(66,901)	(52,118)	1,222	(50,896)
Issue of shares	110,361	(3,129)	–	–	–	–	–	107,232	–	107,232
Release upon redemption of convertible notes	–	–	–	–	–	(3,185)	3,185	–	–	–
At 31st December, 2011 (unaudited)	220,721	293,845	4,000	24,000	57,885	43,532	(78,359)	565,624	71,452	637,076

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 2011

	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Net cash used in operating activities	**(10,411)**	(34,019)
Net cash used in investing activities		
Purchases of property, plant and equipment	**(10,716)**	(2,708)
Other investing cash flows	**2,153**	101
	(8,563)	(2,607)
Net cash from financing activities		
New bank loans raised	**80,568**	170,217
Proceeds from issue of shares	**110,361**	–
Repayment of bank loans	**(109,230)**	(146,942)
Redemption of convertible notes	**(16,650)**	–
Share issue expenses	**(3,129)**	–
Other financing activities	**(6,499)**	(5,195)
	55,421	18,080
Net increase (decrease) in cash and cash equivalents	**36,447**	(18,546)
Cash and cash equivalents at 1st January	**107,616**	126,045
Effect of foreign exchange rate changes	**148**	117
Cash and cash equivalents at 31st December, represented by bank balances and cash	**144,211**	107,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and its subsidiaries (the "Group") 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").

The financial year end date of the Company and the Group has been changed from 31st December to 31st March to conform with the financial year end date of Chuang's Consortium International Limited, which became the ultimate holding company of the Company after the completion of a rights issue by the Company in July 2011. Accordingly, the current interim financial period covered a twelve-month period from 1st January, 2011 to 31st December, 2011 and the comparatives covered a twelve-month period from 1st January, 2010 to 31st December, 2010.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 31st December, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the twelve months ended 31st December, 2010, except for the adjustments to certain financial statement items as described in Note 17.

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

The application of the above new and revised HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The following new and revised HKFRSs have been issued after the date the consolidated financial statements for the twelve months ended 31st December, 2010 were authorised for issuance and are not yet effective:

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st January, 2015.
3 Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

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

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors of the Company (the "Directors") anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

Twelve months ended 31st December, 2011

	Printing *HK$'000*	Cemetery *HK$'000*	Consolidated *HK$'000*
SEGMENT TURNOVER – external	**293,064**	**9,053**	**302,117**
SEGMENT LOSS	**(31,340)**	**(18,918)**	**(50,258)**
Unallocated income			**724**
Unallocated expenses			**(5,441)**
Finance costs			**(17,241)**
Loss before taxation			**(72,216)**

3. SEGMENT INFORMATION *(cont'd)*

Twelve months ended 31st December, 2010

	Printing *HK$'000*	Cemetery *HK$'000*	Consolidated *HK$'000*
SEGMENT TURNOVER – external	286,435	7,149	293,584
SEGMENT LOSS	(39,016)	(17,138)	(56,154)
Unallocated income			27
Unallocated expenses			(4,987)
Finance costs			(14,986)
Loss before taxation			(76,100)

The following is an analysis of the Group's assets by reportable and operating segments:

	2011 ***HK$'000***	2010 *HK$'000*
Printing	**290,251**	299,643
Cemetery	**594,520**	584,389
Total segment assets	**884,771**	884,032

4. INCOME TAX CREDIT

	2011	2010
	HK$'000	*HK$'000*
The credit comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	469
Enterprises Income Tax ("EIT") of the People's Republic of China ("PRC")	**–**	294
	–	763
Deferred tax:		
Current year	**(3,594)**	(1,262)
	(3,594)	(499)

No provision for Hong Kong Profits Tax has been made for the twelve months ended 31st December, 2011 as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the twelve months ended 31st December, 2010.

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%. No provision for EIT of the PRC has been made for the twelve months ended 31st December, 2011 as the Group incurred tax losses for the period.

5. LOSS FOR THE PERIOD

	2011	2010
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**228,723**	222,964
Depreciation of property, plant and equipment	**21,313**	23,666
Allowance for inventories	**142**	879
Amortisation of cemetery assets	**9,605**	7,589
Impairment loss on accounts receivables	**485**	1,103
Release of prepaid lease payments	**1,154**	1,152
Gain on disposal of property, plant and equipment	**(1,428)**	(80)
Reversal of impairment loss recognised in respect of accounts receivables	**(523)**	(291)

6. INTERIM DIVIDENDS

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

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**66,901**	73,896

7. BASIC AND DILUTED LOSS PER SHARE *(cont'd)*

	Number of shares **'000**	Number of shares *'000* (restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,676,757**	1,197,148

The potential ordinary shares attributable to the assumed conversion of convertible notes have anti-dilutive effect for the periods ended 31st December, 2011 and 2010.

The weighted average number of ordinary shares for the purposes of basic and diluted loss per share for both periods have been adjusted for the effect of the bonus element in connection with the rights issue of the Company completed in July 2011.

8. PREPAID LEASE PAYMENT AND PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 31st December, 2011, the Group acquired property, plant and equipment for a cash consideration of approximately HK$10,716,000 (2010: HK$2,708,000).

The Directors conducted an impairment review of the cash generating unit of the Group's printing business ("Printing CGU") and determined the recoverable amount of the Printing CGU based on the value in use calculation taking into account the estimated useful lives of property, plant and equipment. This calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period and a discount rate of 6%. Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 4% for another 5-year period. The Directors determined that there is no impairment of the Printing CGU as at 31st December, 2011.

As at 31st December, 2011, the Group has pledged property, plant and equipment with an aggregate net book value of approximately HK$11,890,000 (2010: HK$27,994,000) to secure general banking facilities granted to the Group.

9. CEMETERY ASSETS

Cemetery assets represent premium on prepaid lease payments in respect of cemetery land, for which development had not yet commenced, and cemetery brand name in Zhaoqing, Guangdong, the PRC. At the end of the reporting period, the Group has not obtained the land use rights certificates and the Group will apply the land use rights certificates when they commence the development.

The recoverable amount of the cash generating unit of the Group's cemetery business ("Cemetery CGU") as at 31st December, 2011 has been determined based on the value in use calculation. This calculation uses cash flow projections based on financial budgets approved by the management covering a 10-year period, and a discount rate of 10%. Cash flows beyond the 10-year period are extrapolated using a steady growth rate of 10% for another 30-year period. The key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin based on management's expectation on the market development and past sales performance. The Directors determined that there is no impairment of the Cemetery CGU as at 31st December, 2011.

10. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Inventories of printing business		
– Raw materials	**28,624**	22,151
– Work in progress	**12,758**	9,532
– Finished goods	**5,541**	4,004
	46,923	35,687
Grave plots and niches for cremation urns of cemetery business	**83,419**	88,405
	130,342	124,092

At 31st December, 2011, inventories include an amount of approximately HK$79,383,000 which are expected to be realised after more than 12 months from the end of the reporting period.

11. ACCOUNTS RECEIVABLES

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

Sales proceeds receivable from sale of grave plots and niches for cremation urns of the cemetery business are settled in accordance with the terms of respective contracts.

The following is an aged analysis of accounts receivables (net of allowance for doubtful debts) presented based on the sales invoice date.

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**22,178**	20,889
31 to 60 days	**15,837**	13,160
61 to 90 days	**10,974**	13,950
91 to 120 days	**14,283**	13,278
121 to 180 days	**6,456**	12,895
More than 180 days	**8,674**	9,638
	78,402	83,810

12. ACCOUNTS PAYABLES

The following is an aged analysis of accounts payables presented based on the suppliers' invoice date.

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**12,926**	15,651
31 to 60 days	**9,720**	8,795
61 to 90 days	**9,594**	5,647
91 to 120 days	**6,565**	5,059
More than 120 days	**9,097**	4,301
	47,902	39,453

13. BANK BORROWINGS

During the twelve months ended 31st December, 2011, the Group obtained new bank loans of approximately HK$80,568,000 (2010: HK$170,217,000) and repaid bank loans of approximately HK$109,230,000 (2010: HK$146,942,000). As at 31st December, 2011, bank loans of HK$18,450,000 (2010: HK$46,020,000) are secured by the Group's property, plant and equipment with an aggregate net book value of approximately HK$11,890,000.

Bank borrowings amounting to HK$40,856,000 as at 31st December, 2011 included covenants that require the maintenance of certain financial ratios. As at 31st December, 2011, certain of these financial ratio covenants were not met by the Group. Consequently, these bank loans became repayable on demand as at 31st December, 2011 and are classified as current liabilities.

Subsequent to 31st December, 2011, the Group has obtained written consent from the relevant bank that the bank agreed not to demand immediate payment as a result of the breach of financial covenants. The Directors are of the opinion that the breach of covenants will not affect the financial position of the Group.

14. CONVERTIBLE NOTES

During the period ended 31st December, 2011, the Company redeemed convertible notes with the aggregate principal amount of HK$16,650,000 upon maturity.

The Company has convertible notes with total outstanding principal amount of HK$113,000,000 as at 31st December, 2011. The conversion price of these convertible notes has been adjusted from HK$0.25 per share to HK$0.223 per share upon the completion of the rights issue of the Company in July 2011 as set out in Note 15.

15. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2010 and 31st December, 2010	3,000,000	300,000
Increase on 27th June, 2011	1,000,000	100,000
Balance at 31st December, 2011	4,000,000	400,000
Preference shares of HK$0.01 each		
Series A Preference shares		
Balance at 1st January, 2010, 31st December, 2010 and 31st December, 2011	1,000,000	10,000
Series B Preference shares		
Balance at 1st January, 2010, 31st December, 2010 and 31st December, 2011	1,000,000	10,000
	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
Balance at 1st January, 2010	1,035,604	103,560
Issue of shares upon conversion of convertible notes	68,000	6,800
Balance at 31st December, 2010	1,103,604	110,360
Issue of shares under rights issue *(Note)*	1,103,604	110,361
Balance at 31st December, 2011	2,207,208	220,721

Note: On 20th July, 2011, a rights issue on the basis of one rights share for every one existing share held was completed at a subscription price of HK$0.10 per rights share. A total of 1,103,604,139 rights shares were issued resulting in gross proceeds of approximately HK$110 million to the Company.

16. RELATED PARTY DISCLOSURE

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

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**5,874**	5,392
Post employment benefits	**125**	118
	5,999	5,510

17. COMPARATIVE FIGURES

During the current period, the carrying amounts of cemetary assets, deferred tax liabilities and translation reserve have been adjusted to reflect the effects of translation of fair value adjustments arising on acquisition that took place in a prior year. Accordingly, the carrying amounts of cemetery assets, translation reserve and deferred tax liabilities as at 31st December, 2010 have been increased by HK$67,406,000, HK$42,162,000 and HK$16,852,000 (1st January, 2010: HK$40,156,000, HK$29,829,000 and HK$11,922,000) respectively, and the exchange differences arising on translation of foreign operations for the twelve months ended 31st December, 2010 have been increased by HK$12,333,000.

MANAGEMENT DISCUSSION ON RESULTS FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 2011

Turnover of the Group increased from HK$293.6 million in last period to HK$302.1 million in this period, representing a slight increase of 2.9%. Turnover derived from printing business amounted to HK$293.1 million (2010: HK$286.4 million), accounted for 97.0% (2010: 97.5%) of the Group's turnover whereas the remaining represented the revenue from cemetery operations.

Gross profit, principally derived from our printing business, increased by 7.5% to HK$57.5 million (2010: HK$53.5 million). Gross profit margin of the printing business increased from 18.1% in last period to 18.5% in this period. This was mainly attributable to the improved control on raw materials and production costs. The increase in other income by HK$1.6 million (from HK$6.3 million in 2010 to HK$7.9 million in 2011) was mainly due to the gain arising from disposal of property, plant and equipment during the period.

In order to solidify existing customers and attract new customers for sustainable growth, selling expenses increased slightly by 3.3% to HK$31.3 million (2010: HK$30.3 million). Administrative and general expenses decreased by 1.5% to HK$89.1 million (2010: HK$90.5 million) due to tight cost control and reduction of operating costs of the factory in Changan, Dongguan, which has been scaled down since 2010. Finance costs increased to HK$17.2 million (2010: HK$15.0 million) due to increase in level of bank borrowings during the period under review.

Taking all the above factors into account, the Group has achieved a reduction in loss of HK$7.0 million and recorded a loss attributable to owners of the Company of HK$66.9 million (2010: HK$73.9 million). Loss per share amounted to 4.0 HK cents (2010: 6.2 HK cents).

INTERIM DIVIDEND

In view of the loss incurred by the Group during the period, the Board does not recommend the payment of an interim dividend for the twelve months ended 31st December, 2011. No interim dividend had been paid during the period.

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 of America, Europe and Hong Kong. Our products included art books and children books with various binding styles, premium gift products, packaging boxes and paper bags.

European sovereign debt crisis and concern about the United States economy recovery have adversely affected the printing demand from these two major economic regions. Multinational publishers and distributors adopted cautious marketing strategies, causing them to size down or postpone their printing orders in 2011. In order to cope with this adverse economic horizon, our sales team strived hard to maintain orders with existing customers and explore new market. Through their marketing efforts, the Group achieved a turnover level of HK$293.1 million, representing a slight increase of 2.3% over that of last corresponding period.

Apart from the sales side, costs pressure was another major issue that hampered the operating performance of printing segment. Prevailing rise in material cost and increase in minimum wage impacted the printing industry in the People's Republic of China ("PRC"). The Group is aware of this and has, since 2010, continuously been implementing a number of costs control measures to cut down its operating costs. Firstly, the Group had further enhanced and optimized its operating procedures to save costs. Secondly, the Group had implemented rigid inventory and procurement control so as to keep a minimum level of inventory with competitive purchase price. All these measures have contributed to improve the profit margin and reduce the administrative expenses of the Group during the period under review.

The Group is confident that printing demand will eventually rebound after global economy has fully recovered. In view of this, the Group has acquired an industrial land site located at Coastal Industry Zone in Shatian, Dongguan. 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..

(B) CEMETERY BUSINESS

During the period under review, the Group recorded a turnover of HK$9.1 million (2010: HK$7.1 million) for its cemetery business, representing an increase of 28.2%. In 2011, the Group maintained 2 sales offices in Hong Kong and 5 sales offices in Southern China region. During the year, the Group continued to extend its agency network in both Hong Kong and the Guangdong Province, the PRC. Moreover, the Group has conducted various promotional campaigns so as to build up awareness among target elderly. Through all these measures, the Group has expanded its market presence and achieved a growth in the business.

Our cemetery comprises a site of 518 mu, of which 100 mu have commenced development, and an adjacent site of 4,482 mu has been reserved, making up a total of 5,000 mu. Upon full development of the cemetery, the Group will have a total of approximately 184,000 grave plots and 2,168,000 niches for cremation urns for sale.

In order to enhance the value of the cemetery, the Group has constructed a further 421 grave plots on a piece of vacant land within the existing 100 mu land. The Group continues to explore various proposals so as to further increase the number of grave plots for sale within this area.

In anticipation of the stronger demand for quality burial spaces in the PRC in the future, the Group has commenced negotiation with the local government with a view to commencing development of an additional 250 mu of land within the cemetery. The Group has a plan to develop the 250 mu of land by phases, with the initial phase providing approximately 10,000 grave plots and approximately 40,000 niches for cremation urns for sale.

LIQUIDITY AND FINANCIAL POSITIONS

As at 31st December, 2011, cash and bank balances of the Group amounted to HK$144.2 million (2010: HK$107.6 million) whereas bank borrowings as at the same date amounted to HK$63.2 million (2010: HK$91.8 million). The debt to equity ratio (calculated as a percentage of bank borrowings over net asset value attributable to equity owners of the Company) amounted to 11.2% (2010: 18.0%). 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 June 2011, the Group has fully repaid a convertible note with principal value of HK$16.7 million. After this repayment, the outstanding convertible notes of the Company now stand at HK$113.0 million and are repayable in 2014.

In July 2011, the Group raised net proceeds of approximately HK$107.0 million by way of a 1 for 1 rights issue to existing shareholders. The rights issue has solidified the Group's financial strength for its printing and cemetery businesses and the net proceeds will be used to finance the ongoing development of the printing and cemetery operations of the Group.

Net asset value attributable to equity holders as at 31st December, 2011 amounted to HK$565.6 million, equivalent to about HK$0.256 per share.

PROSPECTS

While fully cognizant of the harsh economic outlook and challenges ahead, 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 2010, the Group has substantially scaled down our operations in Changan, Dongguan and relocated most of the production facilities to the factory in Yuanzhou, Huizhou. The Changan factory is located near the city centre of the Changan town and its surrounding area is well developed and occupied by premium residential and commercial buildings. In view of the redevelopment potential, the Group is negotiating with the local government to change the land use of the factory site to commercial/residential usage so as to enhance its value.

The rise of aged population and growth in per capita income in the PRC increases the demand of prestigious grave plots and niches. In 2011, the Group achieved a steady growth in cemetery turnover and believed that the upward trend will continue in the future. Based on our experienced sales team and reputation established in the past years, we are confident that this investment will provide long term contribution to the Group.

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

As at 31st December, 2011, 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:

Interests in the Company

Name of Director	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of shareholding
Mr. SHEK Lai Him, Abraham	30,000	Beneficial owner	Personal interest	0.0014%

Interests in Chuang's Consortium International Limited ("CCIL")

Name of Director	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of shareholding
Mr. CHUANG Ka Pun, Albert ("Mr. Albert CHUANG")	1,107,154	Beneficial owner	Personal interest	0.07%

Interests in Chuang's China Investments Limited

Name of Director	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of shareholding
Miss CHUANG Ka Wai, Candy ("Miss Candy CHUANG")	1,027,100	Beneficial owner	Personal interest	0.07%

Other than as disclosed herein, as at 31st December, 2011, 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 31st December, 2011, 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")	1,570,869,885	*(note 1)*	Beneficial owner
CCIL	1,570,869,885	*(note 1)*	*(note 2)*
Evergain Holdings Limited ("Evergain")	1,570,869,885	*(note 1)*	*(note 2)*
CHUANG Shaw Swee, Alan ("Mr. Alan CHUANG")	1,570,869,885	*(note 1)*	*(note 2)*
CHONG HO Pik Yu	1,570,869,885	*(note 1)*	*(note 3)*
Great Income Profits Limited ("Great Income")	293,095,820	*(note 4)*	Beneficial owner
CHING Eng Chin ("Mr. CHING")	293,095,820	*(note 4)*	Interest of controlled corporation

notes:

1. Such interests represented 71.17% of the issued ordinary share capital and comprised Gold Throne's interests in 1,341,049,258 shares and 229,820,627 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. Alan CHUANG, is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL. Mr. Albert CHUANG is a director of Gold Throne, CCIL and Evergain. Miss Candy CHUANG is a director of CCIL and Evergain. Mr. CHUANG Ka Kam, Geoffrey is a director of Evergain.

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

4. Such interests represented 13.28% of the issued ordinary share capital and comprised Great Income's interests in 105,876,090 shares and 187,219,730 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 31st December, 2011, 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

The share option scheme lapsed on 12th December, 2011. No options had been granted under the scheme.

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. 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 twelve months ended 31st December, 2011 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 the auditor. The Audit Committee has held meetings in accordance with the relevant requirements and has reviewed with the Directors and the auditors the accounting principles and practices adopted by the Group, the internal control and financial reporting process and the Company's consolidated financial statements for the twelve months ended 31st December, 2011. 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.

UPDATE ON INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of Directors since the date of the 2010 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Dr. LI Sau Hung, Eddy, an Independent Non-Executive Director of the Company, had been appointed as an independent non-executive director of Get Nice Holdings Limited with effect from 28th April, 2011.

Mr. Dominic LAI, a Non-Executive Director of the Company, ceased to act as an independent non-executive director of Winfoong International Limited with effect from 24th May, 2011.

Miss Candy CHUANG, an Executive Director of the Company, had been appointed as an executive director of CCIL with effect from 31st August, 2011.

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

During the twelve months ended 31st December, 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

STAFF

As at 31st December, 2011, the Group, including its subcontracting processing plants, employed approximately 1,650 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$92 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 31st December, 2011, no balance was outstanding. 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 31st December, 2011, the balance outstanding was HK$4 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$38 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 31st December, 2011, the balance outstanding was HK$21 million. The banking facilities are subject to annual review.

GENERAL

As at the date of this report, Mr. HUNG Ting Ho, Richard, Mr. CHUANG Ka Pun, Albert, Miss CHUANG Ka Wai, Candy and Mr. CHUANG Ka Kam, Geoffrey 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, 28th February, 2012