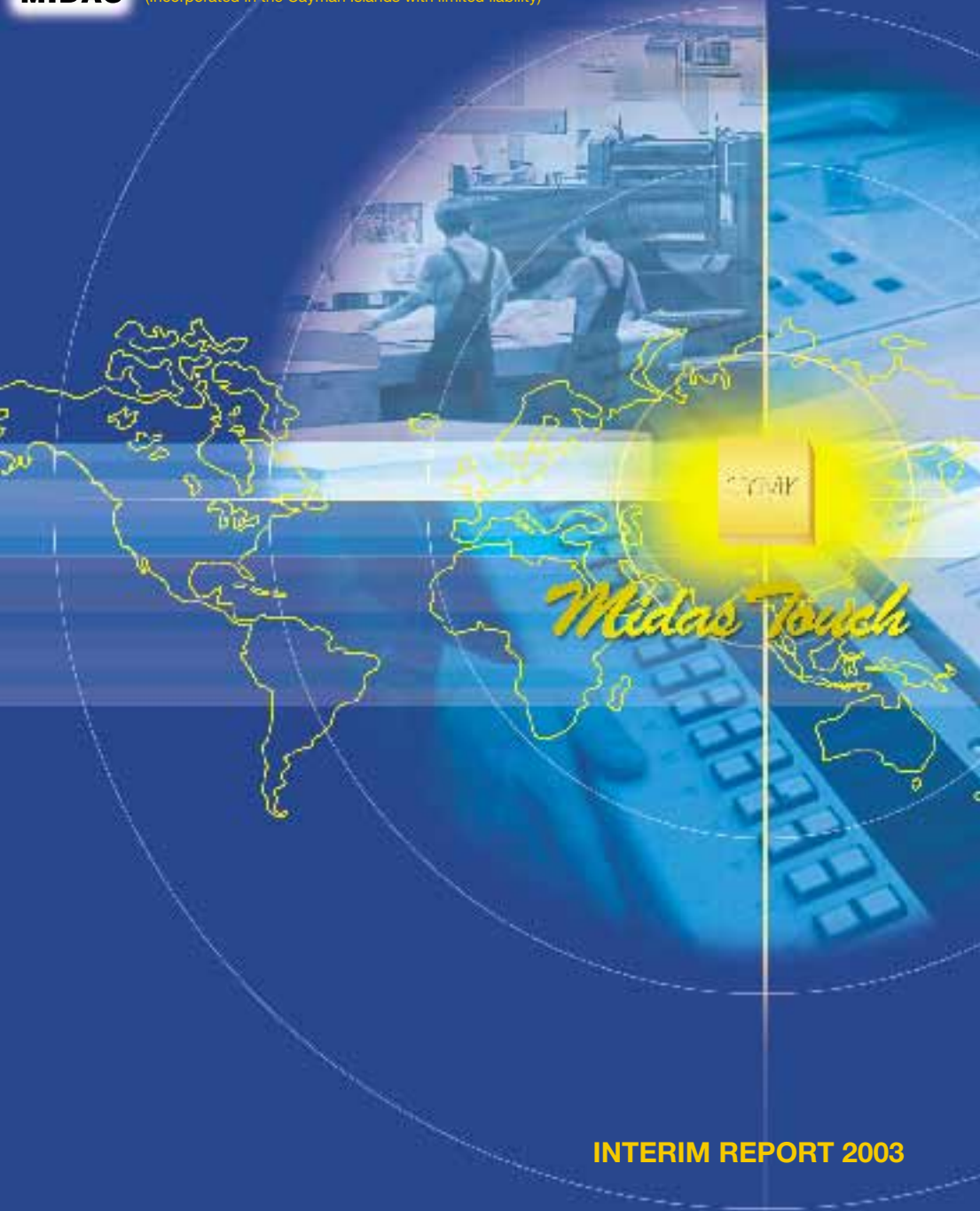




Midas International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT 2003

RESULTS

The Board of Directors (the "Directors") of Midas International Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2003 together with the comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

		For the six months ended 30th June,	
	<i>NOTES</i>	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited) (restated)
Turnover	3	274,634	205,526
Direct expenses		(189,683)	(141,307)
Gross profit		84,951	64,219
Other operating income		9,499	5,788
Selling expenses		(8,136)	(6,348)
Administrative expenses		(58,711)	(48,921)
Profit from operations	4	27,603	14,738
Finance costs		(3,231)	(1,802)
Profit before taxation		24,372	12,936
Taxation	5	(3,954)	(767)
Net profit before minority interest		20,418	12,169
Minority interest		(121)	-
Net profit for the period		20,297	12,169
Dividends	6	17,542	10,833
Earnings per share	7		
– Basic		4.7 cents	2.4 cents
– Diluted		3.4 cents	1.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2003

	NOTES	30th June, 2003 HK\$'000 (unaudited)	31st December, 2002 HK\$'000 (audited) (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	382,700	382,700
Property, plant and equipment	8	245,975	197,273
Contractual reimbursement from related companies	9	34,628	53,720
Negative goodwill	10	(647)	(647)
		<hr/>	<hr/>
		662,656	633,046
Current assets			
Inventories		93,488	44,534
Trade receivables	11	182,239	155,238
Deposits, prepayments and other receivables		22,844	14,285
Taxation recoverable		–	99
Bank balances and cash		114,580	182,129
		<hr/>	<hr/>
		413,151	396,285
Current liabilities			
Trade payables	12	147,080	115,493
Accrued charges and other payables		133,517	85,798
Taxation payable		8,119	4,454
Dividend payable		6,528	–
Borrowings – due within one year	13	43,968	46,025
Amount due to a minority shareholder			
– due within one year	14	–	32,546
Obligations under finance leases			
– due within one year		1,820	1,788
		<hr/>	<hr/>
		341,032	286,104
Net current assets			
		<hr/>	<hr/>
		72,119	110,181
Total assets less current liabilities			
		<hr/>	<hr/>
		734,775	743,227

CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*

AT 30TH JUNE, 2003

	NOTES	30th June, 2003 HK\$'000 (unaudited)	31st December, 2002 HK\$'000 (audited) (restated)
Non-current liabilities			
Borrowings – due after one year	13	42,500	37,350
Obligations under finance leases			
– due after one year		621	1,540
Retirement benefit obligations		425	283
Amount due to a minority shareholder			
– due after one year	14	52,671	18,720
Deferred taxation	15	51,187	51,159
		<hr/>	<hr/>
		147,404	109,052
		<hr/>	<hr/>
MINORITY INTEREST		40,414	40,293
		<hr/>	<hr/>
NET ASSETS		546,957	593,882
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	16		
– Ordinary shares		53,429	38,929
– Preference shares		2,475	4,095
Share premium		311,168	377,728
Other reserves		179,885	173,130
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		546,957	593,882
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Ordinary share capital HK\$'000	Preference share capital HK\$'000	Ordinary share premium HK\$'000	Preference share premium HK\$'000	Capital redemp- tion reserve HK\$'000	Merger reserve HK\$'000	Goodwill HK\$'000	Invest- ments revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000 (restated)	Total HK\$'000 (restated)
At 1st January, 2002 (audited)	36,529	4,215	131,323	248,685	-	24,000	(33,216)	(2)	239	146,263	558,036
Conversion from preference shares to ordinary shares	2,400	(120)	4,800	(7,080)	-	-	-	-	-	-	-
Realised on disposal of investments in securities	-	-	-	-	-	-	-	2	-	-	2
Net profit for the period	-	-	-	-	-	-	-	-	-	12,169	12,169
Dividends	-	-	-	-	-	-	-	-	-	(10,833)	(10,833)
At 30th June, 2002 (unaudited)	38,929	4,095	136,123	241,605	-	24,000	(33,216)	-	239	147,599	559,374
Net profit for the period	-	-	-	-	-	-	-	-	-	37,603	37,603
Dividends	-	-	-	-	-	-	-	-	-	(3,095)	(3,095)
At 31st December, 2002 (audited)	38,929	4,095	136,123	241,605	-	24,000	(33,216)	-	239	182,107	593,882
Issue of ordinary shares on exercise of share options	100	-	220	-	-	-	-	-	-	-	320
Conversion from preference shares to ordinary shares	14,400	(720)	28,800	(42,480)	-	-	-	-	-	-	-
Redemption of preference shares	-	(900)	-	(53,100)	4,000	-	-	-	-	-	(50,000)
Net profit for the period	-	-	-	-	-	-	-	-	-	20,297	20,297
Dividends	-	-	-	-	-	-	-	-	-	(17,542)	(17,542)
At 30th June, 2003 (unaudited)	53,429	2,475	165,143	146,025	4,000	24,000	(33,216)	-	239	184,862	546,957

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	For the six months ended 30th June,	
	2003 <i>HK\$'000</i> (unaudited)	2002 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(2,166)	(2,707)
Net cash used in investing activities	(8,301)	(22,678)
Net cash (used in) from financing activities	(57,082)	9,981
Net decrease in cash and cash equivalents	(67,549)	(15,404)
Cash and cash equivalents at 1st January	182,129	136,255
Cash and cash equivalents at 30th June	114,580	120,851

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

1. BASIS OF PREPARATION

The condensed 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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investments properties.

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2002, except as described below.

Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" which comes into effect for the accounting period beginning on or after 1st January, 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future, i.e. partial provision was made for deferred tax using the income statement liability method. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. The balance on the negative goodwill and minority interest at 1st January, 2002 has been reduced by approximately HK\$6,556,000 and HK\$8,160,000 respectively, representing the additional deferred tax liability arising on the acquisition of subsidiaries in previous years. The balance on the contractual reimbursement from related companies at 1st January, 2002 has been increased by approximately HK\$17,821,000 accordingly. The effect of the change is a decrease in the profit of HK\$901,000 during the six months ended 30th June, 2002.

3. SEGMENT INFORMATION

During the period, the management have reassessed the primary source of the Group's risks and return and redesignated business segments as the Group's primary reporting format.

Business segments

The Group is currently operating in two business segments, namely printing and property investment. Segmental information about these businesses is presented below.

Six months ended 30th June, 2003

	Printing HK\$'000	Property investment HK\$'000	Total HK\$'000
TURNOVER	267,462	7,172	274,634
RESULTS			
Segment results	22,597	6,082	28,679
Unallocated corporate income			909
Unallocated corporate expenses			(1,985)
PROFIT FROM OPERATIONS			27,603

Six months ended 30th June, 2002

	Printing HK\$'000 (restated)	Property investment HK\$'000 (restated)	Total HK\$'000 (restated)
TURNOVER	204,180	1,346	205,526
RESULTS			
Segment results	14,842	1,197	16,039
Unallocated corporate income			1,023
Unallocated corporate expenses			(2,324)
PROFIT FROM OPERATIONS			14,738

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	For the six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Depreciation and amortisation	16,389	16,904
Less: Amount capitalised in properties under development	—	(93)
	<u>16,389</u>	<u>16,811</u>
Dividend received from investments in securities	—	(1)
Interest earned on bank deposits	(909)	(990)
	<u>(909)</u>	<u>(990)</u>

5. TAXATION

	For the six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax	2,812	1,800
PRC income tax	1,114	117
Deferred taxation (note 15)	28	(1,150)
	<u>3,954</u>	<u>767</u>

Hong Kong Profits Tax is calculated at 17.5% (Six months ended 30th June, 2002: 16%) of the estimated assessable profit for the period.

Income tax from the People's Republic of China (the "PRC") is calculated at the applicable rates relevant to the PRC subsidiaries.

The Group had no significant unprovided deferred taxation for the period or at the balance sheet date.

6. DIVIDENDS

	For the six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
2001 final dividend of HK2 cents per share paid to ordinary shareholders	–	7,787
2002 final dividend of HK2.8 cents per share paid to ordinary shareholders	10,928	–
2003 special dividend of HK1.2 cents per share payable to ordinary shareholders (<i>note a</i>)	4,684	–
Dividends to Series A preference shareholders (<i>notes a and b</i>)	–	536
Dividends to Series B preference shareholders (<i>note b</i>)	1,930	2,510
	17,542	10,833

Notes:

- (a) On 22nd May, 2003, the Company and Gold Throne Finance Limited (“Gold Throne”), a substantial shareholder of the Company and the holder of Series A and Series B preference shares, entered into an agreement (the “Concession Agreement”) pursuant to which Gold Throne, among other things, would exercise the conversion right of converting 72,000,000 Series A preference shares of HK\$0.01 each into 144,000,000 new ordinary shares in the Company of HK\$0.10 each and waive any dividend payable on Series A preference shares for the period from 1st January, 2003 to 30th June, 2003. In addition, a special dividend of HK1.2 cents per share to the ordinary shareholders on the register of members on 30th June, 2003 (the date of an extraordinary general meeting of the shareholders of the Company in approving the aforesaid transactions, “EGM”) had been proposed by the directors pursuant to the Concession Agreement. The Concession Agreement became unconditional upon approval by the independent shareholders of the Company at the EGM, and accordingly the special dividend based on an aggregate of 390,290,068 ordinary shares, amounting to approximately HK\$4,684,000, was distributed in July 2003.
- (b) Subject to the Companies Law (Revised) of the Cayman Islands, the holders of Series A and Series B preference shares are entitled to receive dividends semi-annually at 2.5 percent per annum on the issue price of HK\$0.60 per preference share in arrears on a daily basis.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	For the six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000 (restated)
Net profit for the period	20,297	12,169
Dividend on preference shares	(1,930)	(3,046)
Earnings for the purposes of basic earnings per share	18,367	9,123
Effect of dilutive potential ordinary shares:		
– Dividend on convertible preference shares	–	536
Earnings for the purposes of diluted earnings per share	18,367	9,659
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	390,168,521	376,162,996
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	144,000,000	157,127,072
– Share options	21,816	12,689
Weighted average number of ordinary shares for the purposes of diluted earnings per share	534,190,337	533,302,757

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

All investment properties of the Group are held for rental purposes under operating leases and were revalued at 31st December, 2002 on an open market value basis by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers.

At 30th June, 2003, the directors have considered that the carrying amount of the Group's investment properties would not differ significantly from the professional valuation made as at 31st December, 2002. Accordingly, no revaluation surplus or deficit has been recognised in the current period.

During the six months ended 30th June, 2003, the Group acquired property, plant and equipment at a cost of approximately HK\$65,091,000.

9. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

Pursuant to a sale and purchase agreement entered into by the Group in 2001, the Group has acquired certain subsidiaries that engaged in property investment. The vendor had agreed and undertaken in favour of the Group to bear the relevant construction costs and certain taxation liabilities arising from the excess of fair value over historical cost of properties at the date of acquisition of subsidiaries. The amount represents reimbursement due from the vendor in respect of the construction costs of properties and those taxation liabilities. With the adoption of SSAP 12 (Revised), the taxation liabilities have been increased and accordingly, the reimbursement due from the vendor in respect of the taxation liabilities has been increased by HK\$17,821,000.

10. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i> (restated)
GROSS AMOUNT	
At 1st January, 2002	
– as previously reported	8,477
– adjustment on adoption of SSAP 12 (Revised)	(6,556)
	<hr/>
– as restated	1,921
Adjustments to fair values of net assets acquired and estimated guaranteed rental income	(235)
	<hr/>
At 30th June, 2002	1,686
Adjustment to estimated guaranteed rental income	1,940
	<hr/>
At 31st December, 2002	3,626
Adjustment to estimated guaranteed rental income	1,913
	<hr/>
At 30th June, 2003	5,539
	<hr/>
RELEASED TO INCOME	
Released in the period ended 30th June, 2002	
– as previously reported	1,940
– adjustment on adoption of SSAP 12 (Revised)	(901)
	<hr/>
– as restated and balance at 30th June, 2002	1,039
Released in the period ended 31st December, 2002	1,940
	<hr/>
At 31st December, 2002	2,979
Release in the period ended 30th June, 2003	1,913
	<hr/>
At 30th June, 2003	4,892
	<hr/>
CARRYING AMOUNT	
At 30th June, 2003	647
	<hr/>
At 31st December, 2002	647
	<hr/>

11. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 120 days to its trade customers. The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 to 30 days	65,721	43,072
31 to 60 days	42,000	34,502
61 to 90 days	33,755	33,100
91 to 120 days	26,368	28,270
More than 120 days	14,395	16,294
	182,239	155,238

12. TRADE PAYABLES

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

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 to 30 days	51,857	26,831
31 to 60 days	43,098	19,968
61 to 90 days	26,755	20,421
91 to 120 days	14,855	22,771
More than 120 days	10,515	25,502
	147,080	115,493

13. BORROWINGS

During the period, the Group obtained new bank and import loans in the amount of approximately HK\$62,029,000 and made repayment of approximately HK\$58,936,000. The new loans bear interest at prevailing market rates and repayable in one to five years.

14. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured and repayable as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000 (restated)
Within one year	-	32,546
More than one year but not exceeding two years	52,671	3,381
More than two years but not exceeding five years	-	15,339
	<hr/>	<hr/>
Total	52,671	51,266
Less: Amount repayable within one year and shown under current liabilities	-	(32,546)
	<hr/>	<hr/>
	52,671	18,720
	<hr/>	<hr/>
Analysed as:		
Interest bearing at approximately 0.6 percent (six months ended 30th June, 2002: 0.8 percent to 1 percent) per month	40,724	40,724
Interest-free	11,947	10,542
	<hr/>	<hr/>
	52,671	51,266
	<hr/>	<hr/>

15. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior periods:

	Tax losses <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Excess of fair value over historical cost of assets of certain subsidiaries at the date of acquisition by the Group <i>HK\$'000</i> (restated)	Others <i>HK\$'000</i>	Total <i>HK\$'000</i> (restated)
Balance at 1st January, 2002					
– as previously reported	–	6,200	15,304	89	21,593
– adjustment on adoption of SSAP 12 (Revised)	–	–	32,537	–	32,537
– as restated	–	6,200	47,841	89	54,130
Credit to income for the period	–	(1,150)	–	–	(1,150)
Balance at 30th June, 2002	–	5,050	47,841	89	52,980
Credit to income for the period	–	(1,750)	–	(71)	(1,821)
Balance at 31st December, 2002	–	3,300	47,841	18	51,159
(Credit)/charge to income for the period	(1,463)	1,199	–	(20)	(284)
Effect of change in tax rate – charge to income	–	310	–	2	312
Balance at 30th June, 2003	(1,463)	4,809	47,841	–	51,187

At 30th June, 2003, the Group has unused tax losses of approximately HK\$30,090,000 (31.12.2002: HK\$17,063,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$1,463,000 (31.12.2002: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$3,802,000 (31.12.2002: HK\$2,730,000) due to the unpredictability of future profit streams.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
– balance at 1st January, 2002, 30th June, 2002, 31st December, 2002 and 30th June, 2003	1,000,000,000	100,000
Preference shares of HK\$0.01 each		
Series A preference shares		
– balance at 1st January, 2002, 30th June, 2002, 31st December, 2002 and 30th June, 2003	1,000,000,000	10,000
Series B preference shares		
– balance at 1st January, 2002, 30th June, 2002, 31st December, 2002 and 30th June, 2003	1,000,000,000	10,000
	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
– balance at 1st January, 2002	365,290,068	36,529
– conversion from Series A preference shares during the period	24,000,000	2,400
– balance at 30th June, 2002 and 31st December, 2002	389,290,068	38,929
– issue of shares on exercise of share options	1,000,000	100
– conversion from Series A preference shares during the period	144,000,000	14,400
– balance at 30th June, 2003	<u>534,290,068</u>	<u>53,429</u>
Preference shares of HK\$0.01 each		
Series A preference shares		
– balance at 1st January, 2002	84,000,000	840
– conversion to ordinary shares during the period	(12,000,000)	(120)
– balance at 30th June, 2002 and 31st December, 2002	72,000,000	720
– conversion to ordinary shares during the period	(72,000,000)	(720)
– balance at 30th June, 2003	–	–
Series B preference shares		
– balance at 1st January, 2002, 30th June, 2002 and 31st December, 2002	337,500,000	3,375
– redemption of shares during the period	(90,000,000)	(900)
– balance at 30th June, 2003	247,500,000	2,475
	<u>247,500,000</u>	<u>2,475</u>

16. SHARE CAPITAL – *Continued*

During the period, the following changes in the ordinary and preference share capital of the Company took place:

- (a) Pursuant to a resolution in writing of all the directors of the Company passed on 6th January, 2003, a written request was made by the Company to the holder of Series B preference shares of the Company to redeem 83,333,333 Series B preference shares at a redemption price of HK\$0.60 each with an aggregate value of HK\$50,000,000. The redemption of the shares took place on 27th January, 2003.
- (b) Upon the Concession Agreement becoming unconditional on 30th June, 2003, 72,000,000 Series A preference shares of HK\$0.01 each, which were originally issued at a price of HK\$0.60 per preference share, were deemed to have been converted into 144,000,000 new ordinary shares in the Company of HK\$0.10 each on the same date. The new ordinary shares were issued on 4th July, 2003 and rank *pari passu* in all respects with the then existing issued ordinary shares of the Company. In addition, 6,666,667 Series B preference shares with an aggregate value of HK\$4,000,000 were deemed to have been redeemed at a nominal consideration of HK\$1 on 30th June, 2003, resulting in recognition of a capital redemption reserve in the Company of approximately HK\$4,000,000.

17. CAPITAL COMMITMENTS

At 30th June, 2003, the Group had commitments of approximately HK\$3,643,000 (31.12.2002: HK\$43,890,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

18. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to secure borrowings granted to the Group:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Investment properties	71,562	71,562
Leasehold land and buildings	29,829	30,573
Plant and machinery	6,040	6,387
	107,431	108,522

19. CONNECTED AND RELATED PARTIES TRANSACTIONS

In addition to those disclosed in notes 9 and 14, the Group entered into the following transactions with connected and related parties during the period:

- (a) Guaranteed rental income amounting to approximately HK\$1,913,000 (Six months ended 30th June, 2002: HK\$1,940,000) was received from Chuang's China Commercial Limited ("CCC") and Chuang's China Investments Limited ("Chuang's China") pursuant to an agreement entered into in 2001. Chuang's China is a substantial shareholder of the Company in which Mr. Chan Sheung Chiu, Ms. Li Mee Sum, Ann and Mr. Lee Sai Wai are also directors. CCC is a wholly owned subsidiary of Chuang's China.
- (b) Property rental income amounting to approximately HK\$534,000 (Six months ended 30th June, 2002: HK\$534,000) was received from Yuen Sang Hardware Co. (1988) Limited, a wholly owned subsidiary of Chuang's China.
- (c) Interest amounting to approximately HK\$1,406,000 (Six months ended 30th June, 2002: HK\$2,261,000) was charged on amount due to a minority shareholder.
- (d) Building management fee amounting to approximately HK\$401,000 (Six months ended 30th June, 2002: HK\$401,000) was paid to Chuang's Development (China) Limited ("CDC"), a wholly owned subsidiary of Chuang's China.
- (e) Certain plant and machinery amounting to approximately HK\$849,000 (Six months ended 30th June, 2002: Nil) were acquired from CDC.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK1.0 cent per ordinary share (2002: nil) payable on or before 6th October, 2003 to ordinary shareholders whose names appear on the Company's register of members on 26th September, 2003.

BUSINESS REVIEW

The Group achieved a significant growth of 34% in turnover to HK\$274.6 million for the first half of the year. It is attributable to the continuous effort to expand our product mix alongside the growth in sales from existing clients and new clients. Despite the rise in paper costs at the beginning of the year, the Group was able to maintain its gross profit margin at about 31%, with gross profit of HK\$85.0 million. For the first six months, administrative expenses increased by about 20%, which included an one-off severance payment of HK\$2.0 million due to closure of our Tsuen Wan Plant in May this year, as well as expenses incurred for relocation of production facilities and set-up costs of the new processing plant in Dongguan. As a result, profit before taxation increased by 88.4% to HK\$24.4 million and net profit attributable to shareholders increased 66.8% to HK\$20.3 million. EBITDA for the six months ended 30th June, 2003 amounted to HK\$43.1 million.

(a) Printing Division

For the six months ended 30th June, 2003, the Group's printing business grew by 31% and reached a turnover of HK\$267 million, accounted for 97% of the Group's turnover. The Group's printing business comprised book printing and paper product printing. For the first six months of the year, the total exports of printed matters from Hong Kong increased by about 12.3%. When compared with this average industry's growth, the Group has achieved much higher growth rate under the Group's right strategy to strengthen its sales and production capacity.

(1) Book Printing

During the period under review, book printing division achieved a remarkable growth in sales under our proactive marketing strategy. Book printing focused on serving multinational publishers and conglomerates in the United States, Europe, Australia and New Zealand. The Group placed strong emphasis on maintaining high quality standard. Each year the Group won various printing awards locally and overseas. This year, the Group is the winner of 15 awards in the 2003 Premier Print Awards in the United States, of which we are honoured to be awarded the industry's most prestigious "Benny Award", being the highest in the novelty book category.

BUSINESS REVIEW – *Continued*

(a) Printing Division – *Continued*

(1) Book Printing – Continued

(i) Yuanzhou Plant

To cater for the growth, the Group's expansion on production facilities of the Yuanzhou Plant was completed in the second quarter of this year, which included the installation of the new 8-colour perfector and the recent extension of the Yuanzhou Plant to a gross floor area of about 410,000 sq.ft.. After these expansions, book printing capacity of the Yuanzhou Plant has increased by 30%. Furthermore, the Group has recently agreed to acquire the land adjacent to the Yuanzhou Plant with a site area of approximately 40,000 sq.m. for future expansion.

(ii) Processing plant in Dongguan

In May 2003, the Group set up a processing plant in Dongguan. As a processing plant of the Group, it mainly supports our book printing, enabling the Group to reduce sub-contracting to outsiders and to maintain consistent quality standard. The processing plant occupied a four-storey leased premise with over 250,000 sq.ft. of production and storage space, and is equipped with six printing presses, binding machines, perfect binder, saddle stitcher relocated from the Tsuen Wan Plant as well as other additional facilities installed to increase printing capacity. With full production of this processing plant, it provides the Group with an additional 40% printing capacity to support our Yuanzhou Plant.

(2) Paper Product Printing

Under the Group's strategy to broaden the product mix, the paper product printing recorded a significant turnover growth for the period under review. Paper product printing provided packaging products, premium gifts products, greeting cards and paper gift bags. The Dongguan Plant has a total gross floor area of 410,000 sq.ft.. During the period, the capital expenditure plan for the Dongguan Plant was fully implemented. Dongguan Plant had installed a new six-colour full size printing press to increase its production capacity.

In addition, The Group has continuously upgraded and adhered to international quality and management standard. The Dongguan Plant was accredited the OHSAS 18001 in June this year, which is a recognition of the occupational health and safety management system. Together with our accreditation of ISO 9001 and ISO 14001 in previous years, the Dongguan Plant has attained the requirement of the Integrated Management System.

BUSINESS REVIEW – *Continued*

(b) Property Division

The Group holds a total attributable gross floor area of 920,500 sq.ft. in the PRC, through the entire interests in Lambda Building, Yuen Sang Building and Chuang's Garden in Huiyang and 51% interests in the commercial podium and basements of Chengdu Chuang's Centre in Sichuan.

During the first six months of the year, rental income of the property division amounted to HK\$7.2 million, representing a growth of 4.3 times over the last corresponding period. It was attributable to the leases of the Chengdu Chuang's Centre which commenced in the fourth quarter of 2002. For the second half of this year, the property division will continue to generate stable rental income.

LIQUIDITY AND FINANCIAL POSITIONS

As at 30th June, 2003, the Group's bank balances and cash amounted to HK\$114,580,000 while bank borrowings and obligations under finance leases amounted to HK\$88,909,000, of which HK\$43,121,000 are due from the second to fifth year. Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of about HK\$25,671,000 over bank borrowings and obligations under finance leases. Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars, U.S. dollars and Renminbi, risk in exchange rate fluctuation would not be material. Interest on bank borrowings is charged at variable commercial rates prevailing in Hong Kong and the PRC. At the balance sheet date, certain assets of the Group with net book values of HK\$107,431,000 had been pledged to secure borrowings granted to the Group.

Chuang's China Investments Limited exercised its rights to convert all the remaining 72 million Series A preference shares of the Company into 144,000,000 ordinary shares of the Company. As at the date hereof, the Group has only in issue HK\$148.5 million Series B preference shares.

PROSPECTS

The outlook of the printing industry is positive and the Group will continue to benefit from the increasing outsource trend from overseas clients. We shall further explore and build up new customers' base from multinational publishers and conglomerates in the United States of America, Europe, Australia and New Zealand and the PRC to keep on our growth of book printing. In addition to our organic growth, we shall look for merger and acquisition opportunities, which are synergistic to our book printing growth. In the second half of the year, the Group will participate in the Frankfurt Book Fair, and to meet with new clients. The paper product printing will continue to expand on its product coverage and will further develop the domestic market in the PRC.

PROSPECTS – *Continued*

After the PRC joined the World Trade Organization, there will be enormous business opportunities in local market in the PRC, the Group will strategically prepare to capture it. The Group continued to invest strategically in plant and machineries to increase our production capacity, to innovate new technology and to provide up-to-date training to staff.

The Group anticipates recovery of economy worldwide and will adopt optimistic sale policies to seek for higher margin and growth products. At the same time, the Group will continue to adopt prudent cost control policies to enhance our profitability and competitiveness.

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

As at 30th June, 2003, the interests and short positions of the directors and chief executives 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 had 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 the 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 Companies, to be notified to the Company and the Stock Exchange were as follows:–

Name of Director	Number of ordinary shares of the Company held	Capacity	Nature of Interest	Approximate % of shareholding
Mr. SHEK Lai Him, Abraham	10,000	Beneficial owner	Personal interest	0.003%

Other than as disclosed herein, as at 30th June, 2003, none of the directors or 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 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 Companies, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any directors or chief executive of the Company, as at 30th June, 2003, 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	Capacity
Gold Throne Finance Limited ("Gold Throne")	228,000,000 <i>(note 1)</i>	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	228,000,000 <i>(note 1)</i>	<i>(note 3)</i>
Profit Stability Investments Limited ("PSI")	228,000,000 <i>(note 1)</i>	<i>(note 3)</i>
Chuang's Consortium International Limited ("CCIL")	228,000,000 <i>(note 1)</i>	<i>(note 3)</i>
Moscow Profits Limited ("MPL")	25,000,000 <i>(note 2)</i>	Beneficial owner
Chuang's Cutlery Holdings Limited ("CCHL")	25,000,000 <i>(note 2)</i>	<i>(note 4)</i>
Alan CHUANG Shaw Swee ("Mr. Chuang")	25,000,000 <i>(note 2)</i>	<i>(note 5)</i>
Alice SIU CHUANG Siu Suen ("Mrs. Siu")	25,000,000 <i>(note 2)</i>	<i>(note 5)</i>
CHONG HO Pik Yu	25,000,000 <i>(note 2)</i>	<i>(note 6)</i>
SIU Hok Chung	25,000,000 <i>(note 2)</i>	<i>(note 6)</i>

Notes:

- Such interests included equity derivative interests of 72,000,000 Series A Preference Shares which were convertible into 144,000,000 ordinary shares, and represented 42.67% of the enlarged issued ordinary share capital upon the conversion aforesaid.
- Such interests represented 6.41% of the issued ordinary share capital as at 30th June, 2003 and 4.68% of the enlarged issued ordinary share capital upon the conversion of 72,000,000 Series A Preference Shares mentioned in note 1 above.
- Such interests arose through the interests in the relevant shares owned by Gold Throne, a wholly owned subsidiary of Chuang's China in which CCIL is entitled to exercise or control the exercise of one third or more of voting power in general meetings through its wholly owned subsidiary, PSI. As at 30th June, 2003, CCIL held approximately 59.4% shareholding interests in Chuang's China.
- Such interests arose through the ownership of the relevant shares by MPL, a wholly owned subsidiary of CCHL.
- Such interests arose through the ownership of relevant shares by corporations which the relevant person is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of these corporations. As at 30th June, 2003, Mr. Chuang and Mrs. Siu respectively held 66% and 34% shareholding interests in CCHL.
- Such interests arose by attribution through the spouse of the relevant person.

SUBSTANTIAL SHAREHOLDERS – *Continued*

Save as disclosed above, as at 30th June, 2003, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

On 13th December, 2001, a share option scheme (the “2001 Scheme”) was adopted by the Company. The purpose of the 2001 Scheme is to recognise the contribution of the employees, including directors of the Company and its subsidiaries (the “Eligible Persons”), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group’s long term prosperity.

Under the 2001 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the Eligible Persons to subscribe for ordinary shares in the Company at a price to be notified by the directors and to be no less than the higher of: (i) the closing price of the Company’s ordinary shares as stated in the daily quotation sheet issued by the Stock Exchange on the day of offer; (ii) the average closing price of the Company’s ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company’s ordinary shares. The number of ordinary shares issued and to be issued upon exercise of the options granted to any individual in any 12-month period is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at any point in time, without prior approval from the Company’s shareholders. The maximum number of ordinary shares in respect of which options may be granted under the 2001 Scheme and any other share option schemes of the Company shall not exceed 30 percent of the issued ordinary share capital of the Company from time to time.

Options granted under the 2001 Scheme must be taken up within 28 days from the date of grant, upon payment of a nominal price. Options may be exercised at any time after their date of acceptance, but none of them can be exercised later than ten years from their date of acceptance.

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

CORPORATE GOVERNANCE

During the six months ended 30th June, 2003, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

An audit committee has been established by the Company since 1999 to review and supervise the Company’s financial reporting process and internal controls. The current members of the Audit Committee are the two Independent Non-Executive directors, Messrs. Dominic LAI and SHEK Lai Him, Abraham.

CORPORATE GOVERNANCE – *Continued*

The Group's auditors have conducted a review on the unaudited interim financial statements for the six months ended 30th June, 2003 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

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

During the six months ended 30th June, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSING OF REGISTER

The register of members will be closed from Thursday, 25th September, 2003 to Friday, 26th September, 2003, both days inclusive, during which no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Wednesday, 24th September, 2003.

STAFF

As at 30th June, 2003, the Group directly and indirectly employed approximately 4,000 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 PRACTICE NOTE 19 OF THE LISTING RULES

The Company, together with various subsidiaries, have accepted certain banking facilities ("Banking Facilities") which required Chuang's China and Mr. Chuang to remain as the combined single largest shareholder of the Company at all times during the subsistence of the Banking Facilities. The Banking Facilities have an aggregate amount of HK\$85.5 million, comprising a 5-year term loan, an overdraft facility, and other trade related facilities.

By Order of the Board of
Midas International Holdings Limited

CHAN Sheung Chiu
Chairman

Hong Kong, 3rd September, 2003