



Midas International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



COLOR our
World

Interim Report 2004



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, 2004 together with the comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

		For the six months ended 30th June,	
		2004	2003
	NOTES	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Turnover	3	307,662	274,634
Direct expenses		(206,943)	(190,846)
Gross profit		100,719	83,788
Other operating income		3,614	9,499
Selling expenses		(11,555)	(8,136)
Administrative and operating expenses		(64,263)	(57,548)
Profit from operations	4	28,515	27,603
Finance costs		(2,832)	(3,231)
Profit before taxation		25,683	24,372
Income tax expenses	5	(2,853)	(3,954)
Profit before minority interest		22,830	20,418
Minority interest		(605)	(121)
Net profit for the period		22,225	20,297
Dividends	6	17,390	17,542
Earnings per share	7		
– Basic		HK3.9 cents	HK4.7 cents
– Diluted		HK3.9 cents	HK3.4 cents



CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2004

	NOTES	30th June, 2004 HK\$'000 (unaudited)	31st December, 2003 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	382,700	382,700
Property, plant and equipment	8	228,941	237,591
Contractual reimbursement from related companies		32,719	32,719
		<hr/> 644,360 <hr/>	<hr/> 653,010 <hr/>
Current assets			
Inventories		107,916	61,015
Trade receivables	9	192,683	192,609
Deposits, prepayments and other receivables		14,504	9,464
Bank balances and cash		75,512	169,028
		<hr/> 390,615 <hr/>	<hr/> 432,116 <hr/>
Current liabilities			
Trade payables	10	170,593	154,915
Accrued charges and other payables		82,494	85,246
Taxation payable		7,294	9,008
Borrowings	11	38,560	44,969
Obligations under finance leases		618	1,537
		<hr/> 299,559 <hr/>	<hr/> 295,675 <hr/>
Net current assets		<hr/> 91,056 <hr/>	<hr/> 136,441 <hr/>
Total assets less current liabilities		<hr/> 735,416 <hr/>	<hr/> 789,451 <hr/>



CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*

AT 30TH JUNE, 2004

	NOTES	30th June, 2004 HK\$'000 (unaudited)	31st December, 2003 HK\$'000 (audited)
Non-current liabilities			
Borrowings	11	60,300	71,300
Amount due to a minority shareholder	12	55,482	54,076
Deferred taxation		50,701	50,724
Retirement benefit obligations		1,155	1,013
		<hr/>	<hr/>
		167,638	177,113
		<hr/>	<hr/>
MINORITY INTEREST			
		41,505	40,900
		<hr/>	<hr/>
NET ASSETS			
		526,273	571,438
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	13		
Ordinary shares		53,429	53,429
Preference shares		1,642	2,475
Share premium		261,631	310,798
Other reserves		209,571	204,736
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS			
		526,273	571,438
		<hr/>	<hr/>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Ordinary share capital HK\$'000	Preference share capital HK\$'000	Ordinary share premium HK\$'000	Preference share premium HK\$'000	Other reserve HK\$'000	Merger reserve HK\$'000	Goodwill HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2003 (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 Series A 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
Share issue expenses	-	-	(370)	-	-	-	-	-	-	(370)
Net profit for the period	-	-	-	-	-	-	-	-	32,065	32,065
Dividends	-	-	-	-	-	-	-	-	(7,214)	(7,214)
At 31st December, 2003 (audited)	53,429	2,475	164,773	146,025	4,000	24,000	(33,216)	239	209,713	571,438
Redemption of preference shares	-	(833)	-	(49,167)	-	-	-	-	-	(50,000)
Net profit for the period	-	-	-	-	-	-	-	-	22,225	22,225
Dividends	-	-	-	-	-	-	-	-	(17,390)	(17,390)
At 30th June, 2004 (unaudited)	53,429	1,642	164,773	96,858	4,000	24,000	(33,216)	239	214,548	526,273



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	For the six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from (used in) operating activities	835	(2,166)
Net cash used in investing activities	(8,633)	(8,301)
Net cash used in financing activities	(85,718)	(57,082)
Net decrease in cash and cash equivalents	(93,516)	(67,549)
Cash and cash equivalents at 1st January	169,028	182,129
Cash and cash equivalents at 30th June	75,512	114,580



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

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 No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment 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, 2003.

3. SEGMENT INFORMATION

Business segments

The Group is currently operating in two business segments, namely printing and property investment. Turnover of the Group represents net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income during the period. Segmental information about these businesses is presented below.

Six months ended 30th June, 2004

	Printing HK\$'000	Property investment HK\$'000	Total HK\$'000
TURNOVER – external	299,066	8,596	307,662
SEGMENT RESULTS	23,369	5,304	28,673
Unallocated corporate income			466
Unallocated corporate expenses			(624)
PROFIT FROM OPERATIONS			28,515



3. SEGMENT INFORMATION – *Continued*

Business segments – *Continued*

Six months ended 30th June, 2003

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

4. PROFIT FROM OPERATIONS

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

	For the six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Depreciation and amortisation	17,348	16,389
Interest earned on bank deposits	<u>(466)</u>	<u>(909)</u>



5. INCOME TAX EXPENSES

For the six months
ended 30th June,
2004 2003
HK\$'000 HK\$'000

The charge (credit) comprises:

Hong Kong Profits Tax	2,210	2,812
The People's Republic of China (the "PRC") income tax	666	1,114
Deferred taxation	(23)	28
	<u>2,853</u>	<u>3,954</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30th June 2003 and 2004.

Income tax in 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,
2004 2003
HK\$'000 HK\$'000

2002 final dividend of HK2.8 cents per share paid to ordinary shareholders	–	10,928
2003 final dividend of HK3.0 cents per share paid to ordinary shareholders	16,029	–
2003 special dividend of HK1.2 cents per share paid to ordinary shareholders (<i>note a</i>)	–	4,684
Dividend to Series B preference shareholders (<i>note b</i>)	1,361	1,930
	<u>17,390</u>	<u>17,542</u>



6. DIVIDENDS – Continued

Notes:

- a. On 22nd May, 2003, the Company and GoldThrone 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 transaction “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 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,	
	2004	2003
	HK\$'000	HK\$'000
Net profit for the period	22,225	20,297
Dividend on preference shares	(1,361)	(1,930)
	<hr/>	<hr/>
Earnings for the purposes of basic earnings per share and diluted earnings per share	20,864	18,367



7. EARNINGS PER SHARE – *Continued*

	Number of shares For the six months ended 30th June,	
	2004	2003
Weighted average number of ordinary shares for the purposes of basic earnings per share	534,290,068	390,168,521
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	–	144,000,000
– Share options	–	21,816
	<hr/> 534,290,068	<hr/> 534,190,337
Weighted average number of ordinary shares for the purposes of diluted earnings per share	534,290,068	534,190,337

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, 2003 on an open market value basis by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers.

At 30th June, 2004, 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, 2003. Accordingly, no revaluation surplus or deficit has been recognised in the current period.

During the six months ended 30th June, 2004, the Group acquired property, plant and equipment at a cost of approximately HK\$10,059,000.

9. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 180 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, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 30 days	68,641	46,350
31 to 60 days	43,168	35,925
61 to 90 days	36,501	46,185
91 to 120 days	27,311	28,986
More than 120 days	17,062	35,163
	<hr/> 192,683	<hr/> 192,609



10. TRADE PAYABLES

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

	30th June, 2004	31st December, 2003
	HK\$'000	HK\$'000
0 to 30 days	51,261	23,226
31 to 60 days	44,063	28,125
61 to 90 days	35,049	28,222
91 to 120 days	19,541	22,372
More than 120 days	20,679	52,970
	170,593	154,915

11. BORROWINGS

During the period, the Group obtained new bank and import loans in the amount of approximately HK\$6,307,000 and made repayment of approximately HK\$23,716,000. The new loans bear interest at prevailing market rates and are repayable in one to five years.

12. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured and repayable more than one year but not exceeding two years.

	30th June, 2004	31st December, 2003
	HK\$'000	HK\$'000
Interest bearing at approximately 0.6 percent (31st December, 2003: 0.6 percent) per month	40,724	40,724
Interest-free	14,758	13,352
	55,482	54,076



13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
– balance at 1st January, 2003, 30th June, 2003, 31st December, 2003 and 30th June, 2004	1,000,000,000	100,000
Preference shares of HK\$0.01 each		
Series A preference shares		
– balance at 1st January, 2003, 30th June, 2003, 31st December, 2003 and 30th June, 2004	1,000,000,000	10,000
Series B preference shares		
– balance at 1st January, 2003, 30th June, 2003, 31st December, 2003 and 30th June, 2004	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, 2003	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, 31st December, 2003 and 30th June, 2004	<u>534,290,068</u>	<u>53,429</u>
Preference shares of HK\$0.01 each		
Series A preference shares		
– balance at 1st January, 2003	72,000,000	720
– conversion to ordinary shares during the period	<u>(72,000,000)</u>	<u>(720)</u>
– balance at 30th June, 2003, 31st December, 2003 and 30th June, 2004	<u>–</u>	<u>–</u>
Series B preference shares		
– balance at 1st January, 2003	337,500,000	3,375
– redemption of shares during the period	<u>(90,000,000)</u>	<u>(900)</u>
– balance at 30th June, 2003 and 31st December, 2003	247,500,000	2,475
– redemption of shares during the period	<u>(83,333,332)</u>	<u>(833)</u>
– balance at 30th June, 2004	<u>164,166,668</u>	<u>1,642</u>



13. SHARE CAPITAL – *Continued*

On 14th December, 2001, the Company issued 84 million Series A preference shares and 337.5 million Series B preference shares at a subscription price of HK\$0.60 per share. The preference shares are non-voting, redeemable and their holders are entitled to a fixed cumulative preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK\$0.60 of each preference share. In addition, the preference shares rank in priority to the ordinary shares in the Company as to dividend and return of capital. Subject to adjustment in accordance with the terms of Series A preference shares, each of the Series A preference shares is convertible into two ordinary shares in the Company of HK\$0.10 each ("Conversion Shares") at the option of the holders at any time from 14th December, 2001 prior to the fifth anniversary from the date of their issue. The Conversion Shares shall, when issued, rank *pari passu* in all respects with the then existing ordinary shares of the Company. Subject to the Companies Law, unless previously converted, the preference shares are redeemable by the Company at any time prior to the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash. Further, the Company shall redeem all outstanding preference shares which have not been previously redeemed or converted on the fifth anniversary from 14th December, 2001 at their outstanding subscription amount together with any unpaid dividend in cash.

Pursuant to two resolutions in writing of all the directors of the Company passed on 7th January, 2004 and 2nd February, 2004 respectively, written requests were made by the Company to the holder of Series B preference shares of the Company to redeem 83,333,332 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 were completed in February 2004.

14. CAPITAL COMMITMENTS

At 30th June, 2004, the Group had commitments of approximately HK\$18,124,000 (31st December, 2003: HK\$2,160,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

15. 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, 2004	31st December, 2003
	HK\$'000	HK\$'000
Investment properties	71,562	71,562
Leasehold land and buildings	28,343	29,086
Plant and machinery	5,207	5,623
	105,112	106,271



16. CONNECTED AND RELATED PARTIES TRANSACTIONS

During the six months ended 30th June, 2004, the Group entered into the following material transactions with connected and related parties:

- (a) Property rental income amounting to approximately HK\$534,000 (six months ended 30th June, 2003: HK\$534,000) was received from Yuen Sang Hardware Co. (1988) Limited, a wholly owned subsidiary of Chuang's China Investments Limited ("Chuang's China"). 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, directors of the Company, are also directors of Chuang's China.
- (b) Interest amounting to approximately HK\$1,406,000 (six months ended 30th June, 2003: HK\$1,406,000) was charged on amount due to a minority shareholder.
- (c) Building management fee amounting to approximately HK\$401,000 (six months ended 30th June, 2003: HK\$401,000) was paid to Chuang's Development (China) Limited ("CDC"), a wholly owned subsidiary of Chuang's China.
- (d) Guaranteed rental income amounting to approximately HK\$1,913,000 for the six months ended 30th June, 2003 was received from Chuang's China Commercial Limited ("CCC") and Chuang's China pursuant to an agreement entered into in 2001. CCC is a wholly owned subsidiary of Chuang's China.
- (e) Certain plant and machinery amounting to approximately HK\$849,000 for the six months ended 30th June, 2003 were acquired from CDC.



INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1.2 cents (2003: HK1.0 cent) per ordinary share, representing a growth of 20%, payable on or before 8th October, 2004 to ordinary shareholders whose names appear on the Company's register of members on 28th September, 2004.

BUSINESS REVIEW

During the first half of the year, the Group met with challenges in rise in paper costs, insufficient labor and unstable electricity supply in the Guangdong province. Despite all these, with the growing momentum of book printing and paper product printing, the Group was able to achieve an increase in both turnover and net profit.

During the period under review, the Group recorded a growth in turnover by 12% to about HK\$308 million and increase in gross profit by 20% to about HK\$101 million. As a result of increase in sales, selling expenses rose to about HK\$12 million from HK\$8 million. Furthermore, administrative and operating expenses increased by 10% to HK\$64 million which was principally due to rise in freight and logistics expenses whereas finance costs reduced in light of lower interest rate. Taking all these into account, net profit of the Group increased by 10% to HK\$22 million. EBITDA for the six months ended 30th June, 2004 amounted to HK\$45 million.

(a) Printing Division

During the period under review, the Group's printing business climbed by 12% and attained a turnover of HK\$299 million, accounted for 97% of the Group's turnover. The core business of the Group comprised book printing and paper product printing. For the first six months of the year, the Group improved its utilization of production capacity and resources to cope with the strong demand for printing products.

(1) Book Printing

Book printing business focused on multinational publishers and conglomerates in the United States, Europe, Australia and New Zealand. During the period under review, book printing division achieved a growth in sales by 20% under the proactive sales and marketing strategy.

Consistent high quality standard and reputation is of paramount importance to the Group in the printing industry, and great emphasis on product and service quality had been put to uplift corporate image on the international platform. This year, the Group won 16 awards in 2004 Premier Print Awards in the United States, of which we are honored to be awarded 2 Benny awards in the Trade Book and Special Finishing Technique categories. Being winners of Benny award are appraised as the highest honor in the global printing industry. Besides, the Group participated in several international trade fairs namely the Bologna Children's Book Fair and the Book Expo of America to promote its corporate awareness and to expand new business.



BUSINESS REVIEW – *Continued*

(a) Printing Division – *Continued*

(1) Book Printing – Continued

The book printing production of the Group is carried out in the following plants:–

(i) Yuanzhou plant

The Yuanzhou plant occupied a gross floor area of about 410,000 sq.ft., which is well equipped primarily for book printing business. To cater for the growing demand for book printing business during the period under review, the Group installed two new 5-color printing presses and an additional hard cover binding and other auxiliary post press facilities. Besides, the Group is in progress to upgrade its prepress capabilities and CTP systems in order to maintain its pioneering position in providing advanced printing services to clients.

(ii) Processing plant in Dongguan

The processing plant in Dongguan occupied a four-storey leased premise with over 250,000 sq.ft. and has been providing strong back-up support to the book printing business. With the realignment of the operational team and the strengthening of production flow, efficiency of this plant has improved during the period under review. The processing plant is able to provide the Group with an additional printing capacity to cater for the growth in book printing business.

(2) Paper Product Printing

Paper product business provided a diversified range of products including packaging products, commercial printing products, premium gift products, greeting cards, stationery items and paper gift bags. The division is supported by the Dongguan plant which has a total gross area of 410,000 sq.ft. and is fully equipped to provide full fledged services for paper products.

During the period under review, paper product division achieved a small growth in turnover with its strategy to adjust its product mix and to improve its profit margin. In view of the keen competition in paper product business, the Group has implemented prudent pricing strategy to maintain an appropriate balance among its sales volume, gross profit and market share. To improve its competitiveness, the Group has been providing value added services by promoting a series of paper product designs and concepts to cope with the more sophisticated market demand. This direction won positive feedback from customers.



BUSINESS REVIEW – *Continued*

(a) Printing Division – *Continued*

(2) Paper Product Printing – Continued

The Group had implemented proactive strategy in new business development in local and overseas markets and had invested substantial efforts in expanding its product ranges. In early 2004, the Group had actively participated in the Frankfurt Paper World 2004 and the Total Processing and Packaging Fair to develop new customers and exploring additional sales revenue.

(b) Property Division

The Group holds a total attributable gross floor area of 920,500 sq.ft. in the PRC through the entire interest 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\$9 million. The property division will continue to generate stable rental income for the second half of 2004.

LIQUIDITY AND FINANCIAL POSITIONS

As at 30th June, 2004, the Group's bank balances and cash amounted to HK\$75,512,000 while bank borrowings and obligations under finance leases amounted to HK\$99,478,000, of which HK\$60,300,000 are due from the second to fifth year. The Group's net bank borrowings to equity ratio (being all bank and other borrowings less bank balances and cash as a ratio to shareholders' funds) is 4.6%. Most of the Group's bank balances and borrowings were dominated in Hong Kong dollars, U.S. dollars and Renminbi, risk in exchange 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\$105,112,000 had been pledged to secure borrowings granted to the Group.

As at the date hereof, the Group has in issue HK\$98.5 million Series B preference shares.



PROSPECTS

The Group is optimistic about the sales and business environment for printing business as the export trend to overseas market is increasing gradually and the domestic growth rate in the PRC market is steadily increasing. However, pricing competition continued to be keen. In view of such challenges, the Group will continue its effort to tighten cost control and apply effective measures to maintain a stable paper cost and supply. Meanwhile, the Group will improve its logistics workflow and to implement a stringent production, operations and management control.

To enrich its core competence, the Group will monitor the market demand and technological requirements and will continue to invest in new technology in prepress, additional printing and post-press machines, and expansion of plants and staff quarters.

With the confirmation and signatory of the Pan-PRD Regional Cooperation between Hong Kong and 9 provinces in the PRC and Macau, there will be enormous business opportunities for the trade activities, investment in printing business and the establishment of new plants within the said areas of the PRC. Feasibilities on formulating appropriate strategic plan will be studied.

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

As at 30th June, 2004, 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 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 Issuers, 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	0.002%



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – *Continued*

Other than as disclosed herein, as at 30th June, 2004, none of the Directors and 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 Issuers, 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, 2004, 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")	229,000,000 (<i>note 1</i>)	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	229,000,000 (<i>note 1</i>)	(<i>note 2</i>)
Profit Stability Investments Limited ("PSI")	229,000,000 (<i>note 1</i>)	(<i>note 2</i>)
Chuang's Consortium International Limited ("CCIL")	229,000,000 (<i>note 1</i>)	(<i>note 2</i>)
Value Partners Limited ("VPL")	38,582,000 (<i>note 3</i>)	Investment manager
Cheah Cheng Hye ("Mr. Cheah")	38,582,000 (<i>note 3</i>)	(<i>note 4</i>)

Notes:

- Such interests represented 42.86% of the issued ordinary share capital.
- 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 the voting power in general meetings through its wholly owned subsidiary, PSI. As at 30th June, 2004, CCIL held approximately 60.0% shareholding interests in Chuang's China.
- Such interests represented approximately 7.22% of the issued ordinary share capital.
- Such interests arose through the interests in the relevant shares owned by VPL, a funds management company, in which Mr. Cheah held approximately 31.82% shareholding interests in VPL.



SUBSTANTIAL SHAREHOLDERS – *Continued*

Save as disclosed above, as at 30th June, 2004, 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, 2004, 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.

The Directors wish to take this opportunity to welcome Mr. Wong Chi Sing as an Executive Director, and Dr. Li Sau Hung, Eddy and Mr. Yau Chi Ming to join as Independent Non-Executive Directors of the Company.

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 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 Group's auditors have carried out a review on the unaudited interim financial statements for the six months ended 30th June, 2004 in accordance with the Statement of Auditing Standards No. 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules.

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

During the six months ended 30th June, 2004, 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 Monday, 27th September, 2004 to Tuesday, 28th September, 2004, both days inclusive, during which period 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 Friday, 24th September, 2004.



STAFF

As at 30th June, 2004, the Group, including its subcontracting processing plant, employed approximately 3,900 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

The Company, together with various subsidiaries, have accepted certain banking facilities ("Banking Facilities") which required Chuang's China and Mr. Alan Chuang Shaw Swee 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, 8th September, 2004