



# Midas International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1172

Interim Report 2007



## RESULTS

The Board of Directors (the “Directors”) of Midas International Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 together with the comparative figures for the previous period are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	NOTES	For the six months ended 30th June, 2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover		<b>323,919</b>	299,489
Direct expenses		<b>(245,037)</b>	(219,462)
Gross profit		<b>78,882</b>	80,027
Other income	4	<b>6,526</b>	6,504
Increase in fair value of investment properties		<b>11,145</b>	–
Selling expenses		<b>(28,765)</b>	(26,785)
Administrative and other expenses		<b>(56,215)</b>	(47,701)
Finance costs		<b>(3,356)</b>	(3,516)
Profit before taxation	5	<b>8,217</b>	8,529
Income tax expenses	6	<b>(4,577)</b>	(2,355)
Profit for the period		<b>3,640</b>	6,174
Attributable to:			
Ordinary shareholders of the Company		<b>3,640</b>	6,174
Dividends	7	<b>6,411</b>	17,632
Earnings per share	8		
Basic		<b>0.7 HK cents</b>	1.2 HK cents
Diluted		<b>0.7 HK cents</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	NOTES	30th June, 2007 HK\$'000 (unaudited)	31st December, 2006 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Investment properties	9	191,960	175,500
Prepaid lease payments		8,249	8,361
Property, plant and equipment	9	207,894	220,596
Deposits paid for acquisition of property, plant and equipment		950	703
Contractual reimbursement from related companies		21,019	21,019
		<u>430,072</u>	<u>426,179</u>
Current assets			
Inventories		136,850	98,126
Accounts receivables	10	227,403	220,727
Deposits, prepayments and other receivables		18,218	12,705
Prepaid lease payments		229	229
Tax recoverable		3,622	2,507
Bank balances and cash		124,331	86,430
		<u>510,653</u>	<u>420,724</u>
Current liabilities			
Accounts payables	11	149,700	152,466
Accrued charges and other payables		76,512	59,437
Tax payable		8,273	7,561
Borrowings	12	55,437	38,050
		<u>289,922</u>	<u>257,514</u>
Net current assets		<u>220,731</u>	<u>163,210</u>
Total assets less current liabilities		<u>650,803</u>	<u>589,389</u>

## CONDENSED CONSOLIDATED BALANCE SHEET *(cont'd)*

AT 30TH JUNE, 2007

		<b>30th June, 2007 HK\$'000 (unaudited)</b>	31st December, 2006 HK\$'000 (audited)
	NOTES		
Non-current liabilities			
Borrowings	12	<b>90,450</b>	80,113
Convertible note	13	<b>40,045</b>	–
Deferred tax		<b>32,405</b>	29,892
		<hr/> <b>162,900</b>	<hr/> 110,005
<b>NET ASSETS</b>		<hr/> <b>487,903</b>	<hr/> 479,384
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>53,429</b>	53,429
Reserves		<b>434,474</b>	425,955
		<hr/> <b>487,903</b>	<hr/> 479,384

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to ordinary shareholders of the Company							
	Share capital	Share premium	Other reserve	Merger reserve	Translation reserve	Con- vertible note equity reserve	Acc- umulated profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006 (audited)	53,429	164,773	4,000	24,000	239	-	234,137	480,578
Profit and the total recognised income for the period	-	-	-	-	-	-	6,174	6,174
Dividends	-	-	-	-	-	-	(17,632)	(17,632)
	<u>53,429</u>	<u>164,773</u>	<u>4,000</u>	<u>24,000</u>	<u>239</u>	<u>-</u>	<u>222,679</u>	<u>469,120</u>
At 30th June, 2006 (unaudited)	53,429	164,773	4,000	24,000	239	-	222,679	469,120
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	5,219	-	-	5,219
Profit for the period	-	-	-	-	-	-	11,456	11,456
	<u>53,429</u>	<u>164,773</u>	<u>4,000</u>	<u>24,000</u>	<u>5,219</u>	<u>-</u>	<u>11,456</u>	<u>16,675</u>
Total recognised income for the period	-	-	-	-	5,219	-	11,456	16,675
Dividends	-	-	-	-	-	-	(6,411)	(6,411)
	<u>53,429</u>	<u>164,773</u>	<u>4,000</u>	<u>24,000</u>	<u>5,458</u>	<u>-</u>	<u>227,724</u>	<u>479,384</u>
At 31st December, 2006 (audited)	53,429	164,773	4,000	24,000	5,458	-	227,724	479,384
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	1,820	-	-	1,820
Profit for the period	-	-	-	-	-	-	3,640	3,640
	<u>53,429</u>	<u>164,773</u>	<u>4,000</u>	<u>24,000</u>	<u>1,820</u>	<u>-</u>	<u>3,640</u>	<u>5,460</u>
Total recognised income for the period	-	-	-	-	1,820	-	3,640	5,460
Recognition of equity component of convertible note	-	-	-	-	-	9,470	-	9,470
Dividends	-	-	-	-	-	-	(6,411)	(6,411)
	<u>53,429</u>	<u>164,773</u>	<u>4,000</u>	<u>24,000</u>	<u>7,278</u>	<u>9,470</u>	<u>224,953</u>	<u>487,903</u>
At 30th June, 2007 (unaudited)	53,429	164,773	4,000	24,000	7,278	9,470	224,953	487,903

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	<u>(22,335)</u>	<u>(15,787)</u>
Investing activities		
Purchases of property, plant and equipment and investment properties	(8,629)	(17,558)
Other investing cash flows	<u>1,393</u>	<u>(4,170)</u>
Net cash used in investing activities	<u>(7,236)</u>	<u>(21,728)</u>
Financing activities		
Proceeds from issuance of convertible note	49,500	–
New bank loans raised	47,436	22,475
Repayment of bank loans	(19,712)	(28,682)
Dividends paid	(6,411)	(17,632)
Other financing activities	<u>(3,341)</u>	<u>(3,516)</u>
Net cash from (used in) financing activities	<u>67,472</u>	<u>(27,355)</u>
Net increase (decrease) in cash and cash equivalents	37,901	(64,870)
Cash and cash equivalents at 1st January	<u>86,430</u>	<u>138,214</u>
Cash and cash equivalents at 30th June represented by bank balances and cash	<u>124,331</u>	<u>73,344</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

## 1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 2. Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006. In addition, the Group has applied the following accounting policy for convertible note issued during the current interim period:

### **Convertible note**

Convertible note issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised in which case the balance stated in convertible note equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

## 2. Principal accounting policies (cont'd)

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new HKFRSs”), which are effective for the Group’s financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 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, 2007**

	<b>Printing HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
TURNOVER – external	<u>322,929</u>	<u>990</u>	<u>323,919</u>
SEGMENT RESULTS	<u>867</u>	<u>10,329</u>	<u>11,196</u>
Unallocated corporate income			<b>1,576</b>
Unallocated corporate expenses			<b>(1,199)</b>
Finance costs			<u><b>(3,356)</b></u>
Profit before taxation			<b>8,217</b>
Income tax expenses			<u><b>(4,577)</b></u>
PROFIT FOR THE PERIOD			<u><b>3,640</b></u>

#### Six months ended 30th June, 2006

	<b>Printing HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
TURNOVER – external	<u>297,207</u>	<u>2,282</u>	<u>299,489</u>
SEGMENT RESULTS	<u>10,338</u>	<u>696</u>	<u>11,034</u>
Unallocated corporate income			1,631
Unallocated corporate expenses			(620)
Finance costs			<u>(3,516)</u>
Profit before taxation			8,529
Income tax expenses			<u>(2,355)</u>
PROFIT FOR THE PERIOD			<u>6,174</u>

#### 4. Other income

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Income from sale of scrap	2,951	3,824
Interest income	1,576	1,631
Sundry income	1,999	1,049
	<u>6,526</u>	<u>6,504</u>

#### 5. Profit before taxation

Profit before taxation has been arrived at after charging (crediting):

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories recognised as an expense	244,587	216,273
Depreciation of property, plant and equipment	18,191	17,924
Interest earned on bank deposits	(1,576)	(1,631)

#### 6. Income tax expenses

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,729	2,394
The People's Republic of China ("PRC") Enterprise Income Tax	764	376
Deferred tax – current year	2,084	(415)
	<u>4,577</u>	<u>2,355</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the six months ended 30th June, 2006 and 2007.

PRC Enterprise Income Tax is calculated at the applicable rates relevant to the PRC subsidiaries.

On 16th March, 2007, the PRC promulgated the Law of People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the PRC which will change the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008.

## 7. Dividends

	<b>For the six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
2005 final dividend of HK3.3 cents per share	–	17,632
2006 final dividend of HK1.2 cents per share	<b>6,411</b>	–
	<hr/> <b>6,411</b>	<hr/> 17,632

Subsequent to the interim period end, the directors have recommended that an interim dividend of HK0.5 cents (2006: HK1.2 cents) per share to be paid to the ordinary shareholders of the Company whose names appear on the register of members on 17th October, 2007.

## 8. Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	<b>For the six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>Earnings:</b>		
Profit for the period attributable to ordinary shareholders of the Company for the purpose of basic earnings per share	<b>3,640</b>	6,174
Effect of dilutive potential ordinary shares:		
Interest on convertible note	<b>15</b>	–
	<hr/> <b>3,655</b>	<hr/> 6,174

	<b>For the six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>'000</b>	'000
<b>Number of shares:</b>		
Number of ordinary shares for the purpose of basic earnings per share	<b>534,290</b>	534,290
Effect of dilutive potential ordinary share:		
Convertible note	<b>603</b>	–
	<hr/>	<hr/>
Number of ordinary shares for the purpose of diluted earnings per share	<b>534,893</b>	534,290
	<hr/>	<hr/>

Diluted earnings per share for the six months ended 30th June, 2006 are not applicable as there were no potential ordinary shares in existence for that period.

## 9. Movements in investment properties and property, plant and equipment

Certain of the investment properties of the Group are held for rental purposes under operating leases and were fair valued at 30th June, 2007 by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, by reference to market evidence of transaction prices of similar properties. The resulting increase in fair value of investment properties is approximately HK\$11,145,000 which has been recognised directly in the condensed consolidated income statement.

During the six months ended 30th June, 2007, the Group acquired property, plant and equipment and investment property at a cost of approximately HK\$5,563,000 and HK\$3,066,000 respectively (2006: HK\$17,558,000 and Nil).

## 10. Accounts 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 accounts receivables prepared on the basis of sales invoice date is stated as follows:

	<b>30th June, 2007</b>	31st December, 2006
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>77,059</b>	57,277
31 to 60 days	<b>51,384</b>	43,953
61 to 90 days	<b>49,424</b>	39,727
91 to 120 days	<b>21,406</b>	34,598
121 to 180 days	<b>20,424</b>	36,372
More than 180 days	<b>7,706</b>	8,800
	<hr/>	<hr/>
	<b>227,403</b>	220,727
	<hr/>	<hr/>

## 11. Accounts payables

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
0 to 30 days	<b>52,230</b>	37,764
31 to 60 days	<b>40,848</b>	45,016
61 to 90 days	<b>31,452</b>	18,952
91 to 120 days	<b>15,197</b>	29,279
More than 120 days	<b>9,973</b>	21,455
	<b>149,700</b>	152,466

## 12. Borrowings

During the period, the Group obtained new bank loans in the amount of approximately HK\$47,436,000 (2006: HK\$22,475,000) and made repayments of approximately HK\$19,712,000 (2006: HK\$28,682,000). The new loans bear interest ranging from 4.73% to 5.36% and are repayable in one to four years.

## 13. Convertible note

On 29th June, 2007, the Company issued 1.5% unsecured convertible note to Chuang's Consortium International Limited ("CCIL"), with principal amount of HK\$49,500,000, for cash in the same amount (the "Convertible Note"). The Convertible Note is denominated in Hong Kong dollars. The Convertible Note entitles the holder to convert, in whole or in part, the principal amount into ordinary shares of the Company on any business day prior to five business days before the fourth anniversary from the date of issue of the Convertible Note, at the conversion price of HK\$0.45 per share (subject to anti-dilutive adjustment). If the Convertible Note has not been converted, it will be redeemed at par on 28th June, 2011. Interest of 1.5% will be payable in arrears every twelve months until the settlement date. The effective interest rate of the liability component of the Convertible Note is 7.17%.

The movement of the liability component of the Convertible Note for the period is set out below:

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Liability component at date of issue – at fair value	<b>40,030</b>	–
Interest charge	<b>15</b>	–
Liability component at end of the period	<b>40,045</b>	–

The fair value of the liability component of the Convertible Note at the date of issue was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible note at that date.

The equity portion of the Convertible Note at the date of issue is HK\$9,470,000.

#### 14. Capital commitments

At 30th June, 2007, the Group had commitments of approximately HK\$1,431,000 (31st December, 2006: HK\$1,263,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

#### 15. Related party disclosure

The relevant related party disclosure is as follows:

##### (a) *Transactions with a controlling shareholder and its affiliates*

CCIL is a controlling shareholder of the Company. Chuang's China Investments Limited ("Chuang's China") is a non-wholly owned subsidiary of CCIL. Chuang's China and its subsidiaries are referred to as the "Chuang's China Group". During the period, the Group had transactions with CCIL and Chuang's China Group as follows:

	<b>For the six months ended 30th June,</b>	
	<b>2007 HK\$'000</b>	2006 HK\$'000
Property rental income received from Chuang's China Group	<b>497</b>	497
Building management fee paid to Chuang's China Group	<b>495</b>	401
Subscription of Convertible Note by CCIL	<b>49,500</b>	–

In addition, on 11th May, 2007, the Company has conditionally agreed to pay HK\$13,195,000 together with a transfer to Chuang's China of a subsidiary, the sole asset of which is a property in Chengdu, PRC, in return for the transfer of a subsidiary by Chuang's China to the Company, the sole asset of which is a vacant industrial site in Dongguan, PRC. This exchange of assets has not been completed as at the date of this report. Further details of this transaction are set out in a circular published by the Company on 4th June, 2007.

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

	<b>For the six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	<b>2,393</b>	2,653
Post employment benefits	<b>59</b>	71
	<b><u>2,452</u></b>	<u>2,724</u>

**16. Post balance sheet events**

The following significant events took place subsequent to 30th June, 2007:

- (a) On 19th September, 2007, the Company completed its acquisition of 87.5% interest in Profitable Industries Limited which is engaged in the provision of cemetery services in the PRC for a consideration of HK\$350,000,000. The consideration is settled by the Company as to (i) HK\$170,000,000 by transfer of the entire issued share capital of, and shareholders' loans to subsidiaries, Sino Stream Limited, Riverside Trinity Limited and Far Hero Limited, of which investment properties are their sole assets; (ii) HK\$130,000,000 by the issue of a convertible note; and (iii) HK\$50,000,000 by issue of a loan note. Since the Group is still in the process of assessing the fair value of the relevant assets and liabilities of Profitable Industries Limited as of the date of completion, the financial effects of the acquisition cannot be reasonably estimated.
- (b) On 30th August 2007, CCIL converted part of its holding of the Convertible Note in the principal amount of HK\$6,750,000 at a conversion price of HK\$0.45 per share. After such conversion, CCIL's interest in the Company has increased from 44.7% to 46.2%.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.5 cents (2006: HK1.2 cents) per ordinary share payable on or before 25th October, 2007 to ordinary shareholders whose names appear on the Company's register of members on 17th October, 2007.

## MANAGEMENT DISCUSSION ON RESULTS

During the period under review, turnover of the Group increased by 8% to HK\$324 million from HK\$299 million in the last corresponding period. However, the Group's profit margin was dampened by the rise in paper, materials, labour costs and appreciation of Renminbi. Gross profit margin decreased from 27% to 24% and gross profit decreased by 1% to HK\$79 million (2006: HK\$80 million). Selling expenses increased slightly from HK\$27 million to HK\$29 million whereas administrative expenses increased from HK\$48 million to HK\$56 million mainly due to increase in staff, energy and logistic costs. During the period, the Group recorded an increase in fair value of investment properties of HK\$11 million.

Taking into account the above, profit before taxation during the period amounted to HK\$8 million (2006: HK\$9 million) and net profit attributable to ordinary shareholders of the Company for the period amounted to HK\$4 million (2006: HK\$6 million). EBITDA for the six months ended 30th June, 2007 amounted to HK\$28 million.

## BUSINESS REVIEW

### (a) Printing Division

The printing business of the Group comprised book printing and paper product printing. Book printing business focused mainly on multinational publishers and conglomerates in the USA, Europe, Australia and New Zealand. Paper product printing business concentrated on a comprehensive range of products including packaging products, commercial printing, premium gift products, greeting cards, stationery items and paper bags.

The trading environment of the printing industry continued to be highly competitive. Major materials costs and operating costs were rising which affected the Group's profit margin during the period. In order to alleviate this difficult business environment, the Group has taken proactive measures including strengthening the sales effort, implementing effective cost control and improving the profit margin.

As regards strengthening the sales effort, the Group has increased its sales force by recruiting more experienced salesmen and marketing personnel to broaden its customer base. The Group has also participated in major printing fairs around the world so as to extend its market presence.

As regards implementing effective cost control, the Group has reviewed its operation flow and organisational structure. Certain operating functions have been streamlined and relocated to lower cost region in the PRC so as to reduce the overall operating cost of the Group.

As regards improving profit margin, the Group has negotiated and applied price increment to our clients. Besides, the Group has conducted a review of the existing product mix and reduced the orders for low margin products. At the same time the Group continued to concentrate its resources in developing and promoting innovative products with higher margin. In anticipation of production demand for high margin products, the Group has agreed to acquire a piece of industrial land in Shatian, Dongguan, with a site area of 830,000 sq.ft. for expansion. The Group has commenced the design of the factory layout and plans to develop the site into a plant with a total gross floor area of 1,200,000 sq.ft..

## **(b) Cemetery Division**

In September, 2007, the Group has completed the acquisition of an attributable interest of 80.5% in a cemetery business in Zhaoqing, Guangdong, PRC named 四會聚福寶華僑陵園 (Fortune Wealth Memorial Park) at a consideration of HK\$350 million. The cemetery operator has been approved by the Ministry of Civil Affairs of the PRC and the Department of Civil Affairs of Guangdong Province, the PRC to develop and operate a cemetery for the lease of burial spaces to the public in the PRC, to overseas Chinese, and to the residents of Hong Kong, Macau and Taiwan for profit purpose. It has also been authorized by the above government authorities to provide services such as the sale of tomb sets, headstones and stelae and the provision of management and burial related services.

The cemetery operator has acquired a site of 518 mu (the "Existing Area") and reserved an adjacent site of 4,482 mu (the "Reserved Area") for the development of the cemetery. According to its development blueprint, the two sites will provide a total of 184,000 grave plots and 2,168,000 niches for lease of burial rights upon full development.

Development work on 100 mu within the Existing Area has been completed on which an entrance square with a central fountain and encircled by waterways, a pond, a sales and administrative building, 4 graveyards with 1,783 grave plots and a mausoleum which can accommodate 3,294 niches have been built. Leases for burial rights of the grave plots are now priced within the range from RMB8,800 to RMB398,000 per plot and those for the niches are set within the range from RMB2,800 to RMB8,800 per niche. The entire lease payments for leasing of the grave plots or the niches will be received upfront in one lump sum.



Entrance of Fortune  
Wealth Memorial Park



The Mausoleum



Sales and Administrative Building

Since signing the acquisition agreement of the cemetery business in August, 2007, the Group has commenced detail design work for the development of the remaining 418 mu within the Existing Area and completion is scheduled to be within 3 to 5 years. Upon its completion, approximately 16,200 additional grave plots and approximately 210,700 additional niches will be available for leases. The Group has also commenced the process of obtaining the land use rights of a further 500 mu within the Reserved Area for future development purposes.

On the sale and marketing aspects, the cemetery operator has now established 3 sales offices, one in Hong Kong, one in the Municipality of Sihui and one in Zhaoqing of Guangdong, the PRC. In addition, it has also developed and operated an internet website which provides services such as the establishment of virtual memorial mausoleums, virtual and online broadcasting of ancestors' memorial services and periodic reports on conditions of burial spaces.

Upon taking over the management of the cemetery business, the Group will allocate resources to strengthen its management team particularly in the area of sales and marketing. The Group will commence work to set up additional sales offices for the cemetery business in Guangzhou, Faoshan and Sanshui to expand its market exposure in Guangdong, the PRC. The Group also plans to develop an extensive agency network in Hong Kong, Macau, Taiwan, Singapore and Malaysia for promoting the services of the cemetery to residents of Chinese origin in those areas. The Group has recently organized a familiarization tour of the cemetery for members of the Funeral Business Association of Hong Kong and will soon commence negotiations of agency arrangements with those interested members. Similar tours will be arranged for participants in the burial related industry for Macau, Taiwan, Singapore and Malaysia in due course.

### **(c) Property Division**

The Group's property interests comprised Chuang's Garden, Lambda Building and Yuen Sang Building in Huiyang, Guangdong, the PRC, and 6/F of Chengdu Chuang's Centre in Chengdu, Sichuan, the PRC, with a total gross floor area of 731,700 sq.ft.. During the period under review, rental income from investment properties amounted to HK\$1 million. Subsequent to the balance sheet date, the Group has disposed of or agreed to dispose of all its investment properties and accordingly the Group will cease to hold any material interests in property investment in the PRC.

## LIQUIDITY AND FINANCIAL POSITIONS

As at 30th June, 2007, the Group's bank balances and cash amounted to HK\$124 million while bank borrowings amounted to HK\$146 million, of which HK\$90 million are due from the second to fifth year. The Group's net bank borrowings amounted to HK\$22 million and its net borrowings to equity ratio (being bank borrowings less bank balances and cash as a ratio to total equity) is 4.5%. 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 was charged at variable commercial rates prevailing in Hong Kong and the PRC.

## PROSPECTS

In view of the competitiveness in the printing industry, the trading environment for printing business will continue to be challenging in 2007. Nevertheless, the Group will implement effective measures to mitigate the adverse effect of those negative factors against the Group. With our commitments to provide quality service and professional printing solution to our customers, the Group is confident to meet the challenges ahead.

The Group has diversified into the business of development and operation of cemetery in the PRC. We expect that this investment will generate a steady income to the Group. In the long run, the Group will leverage the experience in developing the existing cemetery to identify similar projects elsewhere in the PRC.

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

As at 30th June, 2007, 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:—

Name of Director	Number of ordinary shares of the Company held	Capacity	Nature of Interest	Approximate % of shareholding in the Company
Mr. SHEK Lai Him, Abraham	10,000	Beneficial owner	Personal interest	0.002%

Other than as disclosed herein, as at 30th June, 2007, 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 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 30th June, 2007, 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")	348,800,000 <i>(note 1)</i>	Beneficial owner
Chuang's Consortium International Limited ("CCIL")	348,800,000 <i>(note 1)</i>	<i>(note 2)</i>
Evergain Holdings Limited ("Evergain")	348,800,000 <i>(note 1)</i>	<i>(note 2)</i>
Chuang Shaw Swee, Alan ("Mr. Chuang")	348,800,000 <i>(note 1)</i>	<i>(note 2)</i>
Chong Ho Pik Yu	348,800,000 <i>(note 1)</i>	<i>(note 3)</i>
Keywise Greater China Master Fund	33,158,000 <i>(note 4)</i>	Beneficial owner
Keywise Capital Management (HK) Limited	33,158,000 <i>(note 4)</i>	Investment Manager
UBS AG	33,158,000 <i>(note 4)</i>	Person having a security interest

*Notes:*

1. Such interests represented 65.28% of the issued ordinary share capital and comprised 238,800,000 shares and 110,000,000 conversion shares to be issued upon the exercise of conversion rights attached to the convertible note held by Gold Throne, 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. Chuang, is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL.
3. Such interests arose by attribution through her spouse, Mr. Chuang.
4. Such interests represented approximately 6.21% of the issued ordinary share capital.

Save as disclosed above, as at 30th June, 2007, 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**

The Company has complied throughout the six months ended 30th June, 2007 with the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices of the Listing Rules.

The Audit Committee has been established by the Company to review and supervise the Company's financial reporting process and internal controls, and review the relationship with auditors. The Audit Committee has held meetings in accordance with the relevant requirements and has reviewed the results for the six months ended 30th June, 2007. 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 (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard set out in the Model Code.

The interim results have been reviewed by the Company's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

During the six months ended 30th June, 2007, 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, 15th October, 2007 to Wednesday, 17th October, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, 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 4:30 p.m. on Friday, 12th October, 2007.

## **STAFF**

As at 30th June, 2007, the Group, including its subcontracting processing plants, employed approximately 5,300 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**

As at 30th June, 2007, the Group had certain banking facilities with an aggregate amount of HK\$64.3 million (the "Banking Facilities"), comprising a term loan, an overdraft facility and other trade related facilities, which required CCIL to remain as the single largest shareholder of the Company at all time during the subsistence of the Banking Facilities.



## **GENERAL**

As at the date of this report, Mr. Hung Ting Ho, Richard, Mr. Kwong Tin Lap, Mr. Kwok Chi Fai, Miss. Li Mee Sum, Ann and Mr. Wong Chi Sing 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*

Hong Kong, 19th September, 2007