Midas International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2005

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, 2005 together with the comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	NOTES	For the six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited and restated)
Turnover	4	**351,868**	307,662
Direct expenses		**(249,625)**	(206,943)
Gross profit		**102,243**	100,719
Other operating income	5	**10,687**	3,614
Selling expenses		**(14,649)**	(11,555)
Administrative and operating expenses		**(69,962)**	(64,263)
Finance costs		**(3,481)**	(4,193)
Profit before taxation	6	**24,838**	24,322
Income tax expenses	7	**(6,559)**	(2,853)
Profit for the period		**18,279**	21,469
Attributable to:			
Ordinary shareholders of the Company		**18,680**	20,864
Minority interests		**(401)**	605
		18,279	21,469
Dividends	8	**17,632**	16,029
Basic earnings per share	9	**HK3.5 cents**	HK3.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2005

	NOTES	30th June, 2005 HK$'000 (unaudited)	31st December, 2004 HK$'000 (audited and restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	**163,520**	393,700
Property, plant and equipment	10	**224,890**	232,188
Prepaid lease payments		**8,704**	8,819
Contractual reimbursement from related companies	11	**21,019**	32,719
Deposits paid for acquisition of property, plant and equipment		**8,425**	–
		426,558	667,426
Current assets			
Inventories		**110,134**	70,261
Trade receivables	12	**221,749**	208,424
Deposits, prepayments and other receivables		**8,950**	12,655
Prepaid lease payments		**229**	229
Tax recoverable		**215**	212
Bank balances and cash		**148,957**	96,040
		490,234	387,821
Current liabilities			
Trade payables	13	**179,579**	154,904
Accrued charges and other payables		**66,744**	82,805
Deposits received in respect of disposal of a subsidiary		**–**	936
Tax payable		**11,202**	5,740
Borrowings	14	**36,763**	35,849
		294,288	280,234
Net current assets		**195,946**	107,587
Total assets less current liabilities		**622,504**	775,013

CONDENSED CONSOLIDATED BALANCE SHEET – *Continued*

AT 30TH JUNE, 2005

	NOTES	30th June, 2005 HK$'000 (unaudited)	31st December, 2004 HK$'000 (audited and restated)
Non-current liabilities			
Borrowings	14	**108,400**	107,000
Amount due to a minority shareholder	15	**–**	56,887
Redeemable preference shares	16	**23,500**	48,500
Deferred tax	17	**27,949**	56,354
		159,849	268,741
NET ASSETS		**462,655**	506,272
CAPITAL AND RESERVES			
Share capital	18	**53,429**	53,429
Share premium		**164,773**	164,773
Other reserves		**244,453**	243,405
Equity attributable to ordinary shareholders of the Company		**462,655**	461,607
Minority interests		**–**	44,665
TOTAL EQUITY		**462,655**	506,272

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Attributable to ordinary shareholders of the Company												
	Ordinary share capital	Preference share capital	Ordinary share premium	Preference share premium	Other reserve	Merger reserve	Goodwill	Investment property revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004 (audited)	53,429	2,475	164,773	146,025	4,000	24,000	(33,216)	–	239	209,713	571,438	40,900	612,338
On adoption of new standards	–	(2,475)	–	(146,025)	–	–	–	–	–	–	(148,500)	–	(148,500)
As restated	53,429	–	164,773	–	4,000	24,000	(33,216)	–	239	209,713	422,938	40,900	463,838
Profit and the total recognised income and expense for the period (restated)	–	–	–	–	–	–	–	–	–	20,864	20,864	605	21,469
Dividends (restated)	–	–	–	–	–	–	–	–	–	(16,029)	(16,029)	–	(16,029)
At 30th June, 2004 (unaudited and restated)	53,429	–	164,773	–	4,000	24,000	(33,216)	–	239	214,548	427,773	41,505	469,278
Revaluation increase for the period	–	–	–	–	–	–	–	5,610	–	–	5,610	5,390	11,000
Deferred tax liability arising on revaluation of investment properties	–	–	–	–	–	–	–	(2,830)	–	–	(2,830)	(2,719)	(5,549)
Profit and the total recognised income and expense for the period (restated)	–	–	–	–	–	–	–	–	–	37,466	37,466	489	37,955
Dividends (restated)	–	–	–	–	–	–	–	–	–	(6,412)	(6,412)	–	(6,412)
At 31st December, 2004 (audited and restated)	53,429	–	164,773	–	4,000	24,000	(33,216)	2,780	239	245,602	461,607	44,665	506,272
At 1st January, 2005	53,429	–	164,773	–	4,000	24,000	(33,216)	2,780	239	245,602	461,607	44,665	506,272
On adoption of new standards	–	–	–	–	–	–	33,216	(2,780)	–	(30,436)	–	–	–
As restated	53,429	–	164,773	–	4,000	24,000	–	–	239	215,166	461,607	44,665	506,272
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(44,264)	(44,264)
Profit and the total recognised income and expense for the period	–	–	–	–	–	–	–	–	–	18,680	18,680	(401)	18,279
Dividends	–	–	–	–	–	–	–	–	–	(17,632)	(17,632)	–	(17,632)
At 30th June, 2005 (unaudited)	53,429	–	164,773	–	4,000	24,000	–	–	239	216,214	462,655	–	462,655

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	For the six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited and restated)
Net cash generated from operating activities	**40,705**	2,261
Investing activities		
Disposal of a subsidiary	**73,025**	–
Other movements in investing activities	**(18,186)**	(8,633)
Net cash from (used in) investing activities	**54,839**	(8,633)
Net cash used in financing activities	**(42,627)**	(87,144)
Net increase (decrease) in cash and cash equivalents	**52,917**	(93,516)
Cash and cash equivalents at 1st January	**96,040**	169,028
Cash and cash equivalents at 30th June	**148,957**	75,512

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

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 Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for the investment properties and financial instruments, which are measured at fair value as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), HKASs and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed in accordance with HKAS 1 "Presentation of Financial Statements". These changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

(1) Business Combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the applications of HKFRS 3 to the Group are summarised below:

Goodwill

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's retained profits on 1st January, 2005. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses after initial recognition and is presented at the balance sheet as assets. The adoption of the standard has no material impact to the results and net assets for 2004 and 2005.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

(2) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively and the financial impact on the Group is set out in note 3.

(3) Investment Properties

In previous periods, the Group's investment properties were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the Group's retained profits and the financial impact on the Group is set out in note 3.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

(4) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Redeemable preference shares

HKAS 32 requires an issuer of a financial instrument to classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. The principle impact of HKAS 32 on the Group is in relation to redeemable preference shares issued by the Company that have contractual obligation to deliver cash to the holder. Previously, redeemable preference shares were classified as equity on the balance sheet. On adoption of HKAS 32, the redeemable preference shares were reclassified as financial liabilities retrospectively. Comparative profit for 2004 has been restated in order to reflect the interest on the redeemable preference shares as finance costs and the financial impact on the Group is set out in note 3.

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities, other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practices 24), in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's retained profits.

2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above are an increase in finance costs of approximately HK$442,000 in respect of the reclassification of preference shares dividends for the current period (2004: HK$1,361,000).

The effects on the balance sheet of the changes in the accounting policies described in note 2 above are as follows:

	As at 31st December, 2004 (originally stated) *HK$'000*	Adjustment *HK$'000*	As at 31st December, 2004 (restated) *HK$'000*	Adjustment *HK$'000*	**As at 1st January, 2005 (restated)** ***HK$'000***
Property, plant and equipment	241,236	(9,048)	232,188	–	**232,188**
Prepaid lease payments	–	9,048	9,048	–	**9,048**
Redeemable preference shares	–	(48,500)	(48,500)	–	**(48,500)**
Total effects on assets and liabilities	241,236	(48,500)	192,736	–	**192,736**
Preference share capital	808	(808)	–	–	**–**
Preference share premium	47,692	(47,692)	–	–	**–**
Investment property revaluation reserve	2,780	–	2,780	(2,780)	**–**
Goodwill	(33,216)	–	(33,216)	33,216	**–**
Retained profits	245,602	–	245,602	(30,436)	**215,166**
Total effects on equity	263,666	(48,500)	215,166	–	**215,166**

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – *Continued*

The financial effects of the application of the new HKFRSs to the Group equity at 1st January, 2004 are summarised below:

	As originally stated *HK$'000*	Adjustment *HK$'000*	As restated *HK$'000*
Preference share capital	2,475	(2,475)	–
Preference share premium	146,025	(146,025)	–
Total effect on equity	148,500	(148,500)	–

4. 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, 2005

	Printing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
TURNOVER – external	**340,738**	**11,130**	**351,868**
SEGMENT RESULTS	**21,843**	**6,449**	**28,292**
Unallocated corporate income			**778**
Unallocated corporate expenses			**(751)**
Finance costs			**(3,481)**
Profit before taxation			**24,838**
Income tax expenses			**(6,559)**
PROFIT FOR THE PERIOD			**18,279**

4. SEGMENT INFORMATION – *Continued*

Business segments – *Continued*

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)
Finance costs			(4,193)
Profit before taxation			24,322
Income tax expenses			(2,853)
PROFIT FOR THE PERIOD			21,469

5. OTHER OPERATING INCOME

Included in other operating income is a gain on disposal of a subsidiary of approximately HK$5,828,000 (2004: Nil). Pursuant to a sale and purchase agreement dated 28th October, 2004 entered into with the minority shareholder of a 51%-owned subsidiary, 成都莊士中心開發有限公司 Chengdu Chuang's Centre Development Company Limited ("Chengdu Chuang's"), a company registered in the form of an equity joint venture and engaged in property investment in the People's Republic of China (the "PRC"), the Group agreed to dispose of its entire interests in Chengdu Chuang's (including the advance and accrued interest made by the Group to Chengdu Chuang's) at a consideration of RMB100 million (equivalent to approximately HK$93.5 million) and the 6th floor of the Chengdu Chuang's Centre. The cash consideration has been fully settled by the purchaser. As the substantial risk and reward had been transferred to the purchaser, the Group completed the disposal in the current period.

6. PROFIT BEFORE TAXATION

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

	For the six months ended 30th June, **2005** ***HK$'000***	 2004 *HK$'000*
Depreciation	**17,613**	17,289
Interest earned on bank deposits	**(778)**	(466)

7. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax	**1,945**	2,210
PRC income tax	**4,969**	666
Deferred tax	**(355)**	(23)
	6,559	2,853

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the six months ended 30th June, 2004 and 2005.

PRC income tax is calculated at the applicable rates relevant to the PRC subsidiaries.

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

8. DIVIDENDS

	For the six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
2003 final dividend of HK3.0 cents per share paid to ordinary shareholders	**–**	16,029
2004 final dividend of HK3.3 cents per share paid to ordinary shareholders	**17,632**	–
	17,632	16,029

The interim dividend of HK1.2 cents (2004: HK1.2 cents) per share will be paid to the ordinary shareholders of the Company whose names appear in the register of members on 14th October, 2005.

9. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary shareholders of the Company is based on the profit for the period attributable to ordinary shareholders of the Company of HK$18,680,000 (2004: HK$20,864,000 as restated) and on 534,290,068 (2004: 534,290,068) ordinary shares in issue during the period.

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

During the six months ended 30th June, 2005, the Group had disposed of its investment properties with an aggregate amount of HK$230,180,000 through disposal of a subsidiary as set out in note 5.

All investment properties of the Group are held for rental purposes under operating leases and were revalued at 31st December, 2004 on an open market value basis by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers. At 30th June, 2005, the Directors have considered that the carrying amount of the Group's investment properties carried at fair values and estimated that the carrying amounts do not differ significantly from the professional valuation made as at 31st December, 2004. Consequently, no fair value adjustment has been recognised in the current period.

During the six months ended 30th June, 2005, the Group acquired property, plant and equipment at a cost of approximately HK$10,539,000.

11. CONTRACTUAL REIMBURSEMENT FROM RELATED COMPANIES

The amount represents a reimbursement due from related companies in respect of certain deferred tax liabilities and construction costs payables arising from the properties acquired by the Group in 2001. The movement during the six months ended 30th June, 2005 related to the disposal of a subsidiary is set out in note 5.

12. 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, 2005	31st December, 2004
	HK$'000	*HK$'000*
0 to 30 days	**88,518**	55,567
31 to 60 days	**50,098**	32,427
61 to 90 days	**31,517**	36,304
91 to 120 days	**28,240**	40,025
121 to 180 days	**16,841**	36,110
More than 180 days	**6,535**	7,991
	221,749	208,424

13. TRADE PAYABLES

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

	30th June, 2005 *HK$'000*	31st December, 2004 *HK$'000*
0 to 30 days	**52,181**	31,863
31 to 60 days	**50,944**	28,616
61 to 90 days	**26,793**	22,085
91 to 120 days	**19,137**	18,012
More than 120 days	**30,524**	54,328
	179,579	154,904

14. BORROWINGS

During the period, the Group obtained new bank and import loans in the amount of approximately HK$25,000,000 and made repayment of approximately HK$22,686,000. The new loans bear interest at prevailing market rates and repayable in one to five years.

15. AMOUNT DUE TO A MINORITY SHAREHOLDER

At 31st December, 2004, the amount was unsecured and a balance of HK$40,724,000 was interest bearing at approximately 0.6% per month and the remaining balance was interest free.

This amount had been fully settled through the disposal of a subsidiary during the period.

16. REDEEMABLE PREFERENCE SHARES

	Preference shares *HK$'000*	**Redemption premium** *HK$'000*	**Total** *HK$'000*
Series B Preference Shares			
– balance at 1st January, 2004	2,475	146,025	148,500
– redemption of shares during the period	(833)	(49,167)	(50,000)
– balance at 30th June, 2004	1,642	96,858	98,500
– redemption of shares during the period	(834)	(49,166)	(50,000)
– balance at 31st December, 2004	808	47,692	48,500
– redemption of shares during the period	(417)	(24,583)	(25,000)
– balance at 30th June, 2005	391	23,109	23,500

16. REDEEMABLE PREFERENCE SHARES – *Continued*

The Series B 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, Series B Preference Shares rank in priority to the ordinary shares in the Company as to dividend and return of capital. Subject to the Companies Law, Series B Preference Shares are redeemable by the Company at any time prior to 13th December, 2006 at their outstanding subscription amount together with any unpaid dividend in cash. Further, the Company shall mandatory redeem all outstanding Series B Preference Shares which have not been previously redeemed on or before 13th December, 2006 at their outstanding subscription amount together with any unpaid dividend in cash. The number of outstanding Series B Preference Shares issued and fully paid for was 39,166,668 at 30th June, 2005 (31st December, 2004: 80,833,334).

17. DEFERRED TAX

During the period, an amount of approximately HK$28,050,000 had released upon the disposal of a subsidiary.

18. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each – balance at 1st January, 2004, 30th June, 2004, 31st December, 2004 and 30th June, 2005	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each – balance at 1st January, 2004, 30th June, 2004, 31st December, 2004 and 30th June, 2005	534,290,068	53,429

19. CAPITAL COMMITMENTS

At 30th June, 2005, the Group had commitments of approximately HK$30,986,000 (31st December, 2004: HK$3,655,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

20. 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, 2005	31st December, 2004
	HK$'000	*HK$'000*
Investment properties	**–**	75,618
Buildings	**22,591**	23,278
Prepaid lease payments	**4,265**	4,321
	26,856	103,217

21. CONNECTED AND RELATED PARTIES TRANSACTIONS

During the period ended 30th June, 2005, the Group entered into the following material transactions with connected and related parties:

(a) Property rental income amounting to approximately HK$515,000 (Six months ended 30th June, 2004: HK$534,000) was received from Yuen Sang Hardware Company (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. Certain directors of the Company are also directors of Chuang's China. The rental income received by the Group was in accordance with the relevant agreement.

(b) Interest amounting to approximately HK$1,171,000 (Six months ended 30th June, 2004: HK$1,406,000) was charged on amount due to a minority shareholder at a prevailing market rate.

(c) Building management fee amounting to approximately HK$401,000 (Six months ended 30th June, 2004: HK$401,000) was paid to Chuang's Development (China) Limited, a wholly owned subsidiary of Chuang's China. The transaction was carried out in accordance with the terms agreed by both parties.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1.2 cents (2004: HK1.2 cents) per ordinary share payable on or before 21st October, 2005 to ordinary shareholders whose names appear on the Company's register of members on 14th October, 2005.

BUSINESS REVIEW

The Group's turnover rose by 14% to about HK$352 million in the first half of 2005. The growth is attributable to the continuous effort to widen our product mix together with the continuous increase in demand from customers. Nevertheless, the rise in paper and other materials costs have served to dampen the margin. Gross profit increased by 2% to HK$102 million and profit before taxation increased by 2% to HK$25 million. Income tax expenses increased to HK$7 million, mainly attributable to tax effect resulted from the disposal of interests in Chengdu Chuang's Centre during the period. As a result, profit attributable to ordinary shareholders decreased by 10% to about HK$19 million and EBITDA for the six months ended 30th June, 2005 amounted to HK$45 million.

(a) Printing Division

For the first half of the year, with the Group's proactive strategy to strengthen its sales and production capacity, the Group's printing business increased by 14% and reached a turnover of HK$341 million, accounting for 97% of the Group's turnover. The core printing business of the Group comprised book printing and paper product printing.

(1) Book Printing

Book printing business focused mainly on multinational publishers and conglomerates in the United States, Europe, Australia and New Zealand. During the period, the Group has diversified its customer base and provided value-added services and professional printing solutions to its customers. As a result, the Group has achieved a satisfactory growth in turnover in its book printing business.

Undeviating high quality standard and reputation in the global printing industry have become the core essence of the Group. Each year, the Group won various printing awards locally and overseas in the most prestigious and recognizable international printing competitions. This year, the Group won 31 awards in 2005 Premier Print Awards in the United States, of which we are honored to be awarded 2 Benny awards in the booklet and brochure series and product/service catalog categories.

BUSINESS REVIEW – *Continued*

(a) Printing Division – *Continued*

(1) Book Printing – Continued

To improve corporate awareness and develop new clients, the Group has exhibited in the Bologna Children's Book Fair, the Book Expo of America and the Beijing International Book Fair. In addition, the Group will participate the Frankfurt Book Fair in October 2005.

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

(i) Yuanzhou plant

The Yuanzhou plant is specialized in book printing business with a gross floor area of about 410,000 sq. ft.. To serve for the change in product mix and the rapid growth in book printing business, the Group has expanded its paper engineering and hand assembling teams and has already installed two new 5-color printing presses. To be in line with the expansion plan, a new staff quarter was being constructed with a gross floor area of about 24,700 sq. ft. and it will be completed by the third quarter of the year. The Group will continue to monitor its production capacity and technological advancement and will prepare for further investment if necessary.

(ii) Processing plant in Dongguan

The processing plant in Dongguan occupies a gross floor area of about 250,000 sq. ft. and has been providing strong back-up support to the book printing business and the overall operation worked well during the period under review. The Group has installed a new CTP system during the period in order to provide the most advanced printing services to its clients.

BUSINESS REVIEW – *Continued*

(a) Printing Division – *Continued*

(2) Paper Product Printing

Paper product business concentrated on a comprehensive range of products including packaging products, commercial printing, premium gift products, greeting cards, stationery items and paper bags. With its expansion in client base as a result of quick response and flexible alternatives in product range, the Group has accomplished a remarkable growth in turnover during the period. The Group has broadened its geographic reach and hired additional sales personnel to cater for the new business development. These coupled with its reliable and supportive customer service, the Group is able to maintain close business partnership with certain sizable corporations overseas and in the PRC. To develop new customers and explore new sales revenue, the Group has participated the Frankfurt Paper World 2005 and will exhibit in the Paper World USA in November 2005.

The Dongguan plant has a total gross floor area of 410,000 sq. ft. and is fully equipped to support the paper product printing. To cater for the growth in business and the digital prepress requirements, the Group has installed a new CTP system and a 2-color printing press during the period. In addition to the accreditation of ISO 9001, ISO 14001, OHSAS 18001 and the Integrated Management System Certificate, the Dongguan plant has accredited the Code of Business Practices Certificates by the International Council of Toy Industries during the period.

(b) Property Division

During the period, the Group has completed the disposal of its 51% interests in Chengdu Chuang's which holds the commercial podium and basements of Chengdu Chuang's Centre in Chengdu, at the consideration of RMB100 million (equivalent to approximately HK$93.5 million) in cash and the 6th floor of the Chengdu Chuang's Centre of about 45,800 sq. ft.. After the disposal, the Group holds a total gross floor area of 731,700 sq. ft. of investment properties in the PRC through the entire interests in Lambda Building, Yuen Sang Building and Chuang's Garden in Huiyang and the 6th floor of the Chengdu Chuang's Centre in Chengdu. These investment properties will continue to generate stable rental income for the second half of 2005.

LIQUIDITY AND FINANCIAL POSITIONS

As at 30th June, 2005, the Group's bank balances and cash amounted to HK$149 million while bank borrowings amounted to HK$145 million, of which HK$108 million are due from the second to fifth year. Therefore, the Group had surplus cash of about HK$4 million over bank borrowings and the calculation of net debt to equity ratio was not applicable. 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. At the balance sheet date, certain assets of the Group with net book value of HK$27 million had been pledged to secure borrowings granted to the Group.

During the period, the Group has redeemed HK$25 million of Series B preference shares. As at the date hereof, the Group has only in issue HK$23.5 million of Series B preference shares, which is redeemable by the Group in or before December 2006.

PROSPECTS

In view of the competitiveness in the field, 2005 will be a challenging year for the printing industry. Through the strength of its strong management and operation, the Group will continue to provide high quality printing service to customers. The Group remains reasonably confident for 2005 and onwards as the orders on hand and indication from customers serve as the best support for the growth.

The Group will look for business expansion opportunity and will continue to hire sales and marketing personnel in the overseas and the PRC. To be in line with the Group's 5-year plan, the Group will set its objective of increasing its share of higher margin business by optimizing its product mix with prudent pricing strategy. In the meantime, the Group will maintain strong measure in cost management relating to paper prices, administrative and operating expenses.

The Group is in the course of expanding its productivity and product variety especially in the area of children books, board books and gift and stationery items. As a result, the Group is actively reviewing the selection of suitable site in the PRC for the future expansion of its printing business.

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

As at 30th June, 2005, 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, 2005, 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, as at 30th June, 2005, 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")	238,000,000 *(note 1)*	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	238,000,000 *(note 1)*	*(note 2)*
Profit Stability Investments Limited ("PSI")	238,000,000 *(note 1)*	*(note 2)*
Chuang's Consortium International Limited ("CCIL")	238,000,000 *(note 1)*	*(note 2)*
Chuang Shaw Swee, Alan ("Mr. Chuang")	238,000,000 *(note 1)*	*(note 2)*
Chong Ho Pik Yu	238,000,000 *(note 1)*	*(note 3)*
Value Partners Limited ("VPL")	36,734,000 *(note 4)*	Investment manager
Cheah Cheng Hye ("Mr. Cheah")	36,734,000 *(note 4)*	*(note 5)*

Notes:

1. Such interests represented approximately 44.55% of the issued ordinary share capital.

2. Such interests arose through the interests in the relevant shares owned by Gold Throne, a wholly owned subsidiary of Chuang's China. PSI, a wholly owned subsidiary of CCIL, is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of Chuang's China. 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 6.88% of the issued ordinary share capital.

5. 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.

Save as disclosed above, as at 30th June, 2005, 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

In order to ensure the compliance with the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "CG Code") of the Listing Rules which came into effect on 1st January, 2005, the Directors had in January 2005 approved that the term of office for each of Non-Executive and Independent Non-Executive Directors shall be 3 years commencing from 1st January, 2005 subject to retirement by rotation at least once every three years. In the Annual General Meeting (the "AGM") of the Company held in May 2005, the Company had also approved certain amendments to its Articles of Association so as to bring them in line with the code provisions of the CG Code.

The Company has complied throughout the six months ended 30th June, 2005 with the code provisions of the CG Code except the former chairman had not attended the AGM in accordance with rule E.1.2 of the CG Code and the Company intends to comply with it in future.

The Audit Committee has been established by the Company since 1999 to review and supervise the Company's financial reporting process and internal controls. The Audit Committee has held meetings in accordance with the relevant requirements and has reviewed the results for the six months ended 30th June, 2005. The current members of the Audit Committee are three Independent Non-Executive Directors, Mr. Shek Lai Him, Abraham, Dr. Li Sau Hung, Eddy and Mr. Yau Chi Ming and a Non-Executive Director, Mr. Dominic Lai.

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors 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 the Statement of Auditing Standards 700 "Engagement to Review Interim Financial Report" issued by the HKICPA.

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

During the six months ended 30th June, 2005, 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 Wednesday, 12th October, 2005 to Friday, 14th October, 2005, 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 Monday, 10th October, 2005.

STAFF

As at 30th June, 2005, the Group, including its subcontracting processing plants, employed approximately 4,400 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 Group had certain banking facilities with an aggregate amount of HK$85.5 million (the "Banking Facilities") comprising a term loan, an overdraft facility, and other trade related 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.

GENERAL

As at the date of this report, Mr. Ko Sheung Chi, Mr. Kwong Tin Lap, Mr. Kwok Chi Fai, Ms. Li Mee Sum, Ann, Mr. Tang Chow Ming, Paul and Mr. Wong Chi Sing are Executive Directors, Mr. Lee Sai Wai and Mr. Dominic Lai are Non-Executive Directors, 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

Ko Sheung Chi
Chairman

Hong Kong, 21st September, 2005