



Directors' Report

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2005 are set out in the consolidated income statement on page 29 of the annual report and in the accompanying notes to the financial statements.

An interim dividend of HK1.2 cents per share amounting to approximately HK\$6,411,000 were paid to the ordinary shareholders during the year.

The Directors now recommend the payment of a final dividend of HK3.3 cents per share to the ordinary shareholders whose names appear on the Company's register of members on 29th May, 2006, amounting to approximately HK\$17,632,000 for the year ended 31st December, 2005.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 79 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 11.7% and 33.0% respectively of the Group's total purchases for the year.

The aggregate sale attributable to the Group's largest customer and five largest customers taken together accounted for 9.9% and 33.3% respectively of the Group's total turnover for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the five largest suppliers or customers.



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INVESTMENT PROPERTIES

During the year, the Group had disposals of certain investment properties through disposal of a subsidiary.

Details of the investment properties of the Group are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$38 million in aggregate on plant and machinery and furniture and fixtures to expand and upgrade its production capacity.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 27 to the financial statements.

RESERVES

In addition to the retained profits of the Company, the ordinary share premium, other reserve and the contributed surplus accounts of the Company are also available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders at 31st December, 2005 amounted to approximately HK\$255,439,000.

Detail of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32 of the annual report.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



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DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. KO Sheung Chi (*Chairman*) (appointed on 28th June, 2005)
Mr. KWONG Tin Lap (*Managing Director*)
Mr. KWOK Chi Fai (*Deputy Managing Director*)
Miss LI Mee Sum, Ann
Mr. TANG Chow Ming, Paul
Mr. WONG Chi Sing
Mr. CHAN Sheung Chiu (passed away on 27th June, 2005)

Non-Executive Directors:

Mr. Dominic LAI
Mr. LEE Sai Wai (resigned on 10th October, 2005)

Independent Non-Executive Directors:

Mr. SHEK Lai Him, Abraham
Dr. LI Sau Hung, Eddy
Mr. YAU Chi Ming

In accordance with Articles 99 and 116 of the Company's Articles of Association and Appendix 14 of the Listing Rules, Mr. KO Sheung Chi, Mr. KWONG Tin Lap, Miss LI Mee Sum, Ann and Mr. Dominic LAI will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Board approved the term of office of each Non-Executive Director and Independent Non-Executive Director to be three years from 1st January, 2005, subject to retirement by rotation and re-election at least once every 3 years.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.



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

As at 31st December, 2005, the interests and short positions of the Directors and the 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 in the Company
Mr. SHEK Lai Him, Abraham	10,000	Beneficial owner	Personal interest	0.002%

Other than as disclosed herein, as at 31st December, 2005, none of the Directors and the chief executive of the Company had any interest or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

During the year, none of the Directors and the chief executive nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.



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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 28 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTION

Details of the connected transaction are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company and save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st December, 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")	238,800,000 <i>(note 1)</i>	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	238,800,000 <i>(note 1)</i>	<i>(note 2)</i>
Profit Stability Investments Limited ("PSI")	238,800,000 <i>(note 1)</i>	<i>(note 2)</i>
Chuang's Consortium International Limited ("CCIL")	238,800,000 <i>(note 1)</i>	<i>(note 2)</i>
CHUANG Shaw Swee, Alan ("Mr. CHUANG")	238,800,000 <i>(note 1)</i>	<i>(note 2)</i>
CHONG HO Pik Yu	238,800,000 <i>(note 1)</i>	<i>(note 3)</i>
Value Partners Limited ("VPL")	36,734,000 <i>(note 4)</i>	Investment manager
CHEAH Cheng Hye ("Mr. CHEAH")	36,734,000 <i>(note 4)</i>	<i>(note 5)</i>



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SUBSTANTIAL SHAREHOLDERS *(cont'd)*

Notes:

1. Such interests represented 44.69% 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 31st December, 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

During the year, the Group has maintained banking facilities with an aggregate amount of HK\$85.5 million (the "Banking Facilities") comprising a five year 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.



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SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board of

Midas International Holdings Limited

KO Sheung Chi

Chairman

Hong Kong, 18th April, 2006