



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, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 33 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2003 are set out in the consolidated income statement on page 27 of the annual report and in the accompanying notes to the financial statements.

A semi-annual preference share dividend calculated on a daily basis amounting to HK\$3,801,000 has been paid to the preference shareholders for the year ended 31st December, 2003.

During the year, the holder of Series A preference shares agreed with the Company to waive the dividend payable on Series A preference shares for the period from 1st January, 2003 to 30th June, 2003.

An interim dividend of HK1.0 cent per share amounting to HK\$5,343,000 and a special dividend of HK1.2 cents per share amounting to HK\$4,684,000 were paid to the ordinary shareholders during the year.

The directors now recommend the payment of a final dividend of HK3.0 cents per share to the ordinary shareholders whose names appear on the Company's register of members on 20th May, 2004, amounting to approximately HK\$16,029,000 for the year ended 31st December, 2003.

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 73 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 13% and 32% respectively of the Group's total purchases for the year.

The aggregate sale attributable to the Group's five largest customers taken together was less than 30% 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.



INVESTMENT PROPERTIES

At 31st December, 2003, the investment properties of the Group were revalued by a firm of independent professional valuers on an open market value basis at HK\$382,700,000. There was no surplus or deficit arising on the revaluation.

Details of the investment properties of the Group are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$75 million in aggregate on factory premises and other equipment 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 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 25 and 26 respectively 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, 2003 amounted to approximately HK\$257,988,000.

Detail of movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 31 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.



DIRECTORS

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

Executive directors:

Mr. CHAN Sheung Chiu (*Chairman*)
Mr. KWONG Tin Lap (*Managing Director*)
Mr. KWOK Chi Fai (*Deputy Managing Director*)
Ms. LI Mee Sum, Ann
Mr. TANG Chow Ming, Paul

Non-executive director:

Mr. LEE Sai Wai

Independent non-executive directors:

Mr. Dominic LAI
Mr. SHEK Lai Him, Abraham

In accordance with article 116 of the Company's Articles of Association, Mr. Dominic LAI and Mr. KWOK Chi Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

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.



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

At 31st December, 2003, 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 (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of issued ordinary shares of the Company held	Capacity	Approximate percentage of issued ordinary share capital of the Company
Mr. SHEK Lai Him, Abraham	10,000	Beneficial owner	0.002%

Other than as disclosed above, none of the directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2003.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 26 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/RELATED PARTY TRANSACTIONS

In previous years, the Group made advances in proportion to the Group's equity interests to its 51% owned subsidiary, Chengdu Chuang's Centre Development Company Limited, for working capital purposes. At the balance sheet date, the advance amounted to approximately HK\$56,842,000. The advance is unsecured and has no fixed repayment term. A portion of the advance is interest free and the rest bears interest at approximately 0.57% per month.

CONNECTED/RELATED PARTY TRANSACTIONS *(cont'd)*

Details of other connected/related party transactions entered into by the Group during the year are set out in notes 8, 21 and 31 respectively to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that other than the interests disclosed above in respect of a director, the following persons had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company.

Name of Shareholder	Number of issued ordinary shares of the Company held	Capacity
Gold Throne Finance Limited ("Gold Throne")	228,000,000 <i>(note 1)</i>	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	228,000,000 <i>(note 1)</i>	<i>(note 2)</i>
Profit Stability Investments Limited ("PSI")	228,000,000 <i>(note 1)</i>	<i>(note 2)</i>
Chuang's Consortium International Limited ("CCIL")	228,000,000 <i>(note 1)</i>	<i>(note 2)</i>
Value Partners Limited ("VPL")	33,604,000 <i>(note 3)</i>	Investment manager
Cheah Cheng Hye ("Mr. Cheah")	33,604,000 <i>(note 3)</i>	<i>(note 4)</i>

Notes:

1. Such interests represented approximately 42.67% 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 in which CCIL is entitled to exercise or control the exercise of one third or more of voting power in general meetings through its wholly owned subsidiary, PSI. As at 31st December, 2003, CCIL held approximately 60.0% shareholding interests in Chuang's China.
3. Such interests represented approximately 6.29% of the issued ordinary share capital.
4. 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, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31st December, 2003.



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 PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE ("LISTING RULES")

During the year, the Group has accepted certain banking facilities with an aggregate amount of HK\$85.5 million (the "Banking Facilities"), which required Chuang's China and Mr. CHUANG Shaw Swee, Alan to remain as the combined single largest shareholder of the Company at all times during the subsistence of the Banking Facilities.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 32 to the financial statements.

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

CHAN Sheung Chiu

Chairman

Hong Kong, 25th March, 2004