

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, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 30 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2004 are set out in the consolidated income statement on page 25 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\$6,412,000 were paid to the ordinary shareholders during the year.

A semi-annual preference share dividend calculated on a daily basis amounting to approximately HK\$2,281,000 has been paid to the preference shareholders for the year ended 31st December, 2004.

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 25th May, 2005, amounting to approximately HK\$17,632,000 for the year ended 31st December, 2004.

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 65 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 17.9% and 36.5% respectively of the Group's total purchases for the year.

The aggregate sale attributable to the Group's five largest customers taken together were 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, 2004, the investment properties of the Group were revalued by a firm of independent professional valuers on an open market value basis at HK\$393,700,000. The revaluation increase of HK\$5,610,000, net of minority interests, has been credited to the investment property revaluation reserve.

The corresponding tax effect of the revaluation amounted to HK\$2,830,000 has also been charged to the investment property revaluation reserve.

Details of the investment properties of the Group are set out in note 10 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$40 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 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and the share option of the Company are set out in notes 23 and 24 to the financial statements respectively.

RESERVES

In addition to the retained profits of the Company, the ordinary share premium, the 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, 2004 amounted to approximately HK\$256,127,000.

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 29 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

Mr. WONG Chi Sing (appointed on 25th August, 2004)

Non-executive directors:

Mr. LEE Sai Wai

Mr. Dominic LAI (re-designated from independent non-executive director on 5th August, 2004)

Independent non-executive directors:

Mr. SHEK Lai Him, Abraham

Dr. LI Sau Hung, Eddy (appointed on 5th August, 2004)

Mr. YAU Chi Ming (appointed on 5th August, 2004)

In accordance with Articles 99 and 116 of the Company's Articles of Association, six directors, Mr. CHAN Sheung Chiu, Mr. TANG Chow Ming, Paul, Mr. WONG Chi Sing, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

There was no fixed term of office for each non-executive director and independent non-executive director of the Company prior to 1st January, 2005, the term of office of each of these directors was the period up to his retirement by rotation in accordance with the Company's Articles of Association.

In January 2005, the board of directors approved the term of office for each non-executive director and independent non-executive director to be 3 years from 1st January, 2005, subject to retirement by rotation and re-election at least once every 3 years, in compliance with the amendments to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which came into effect on 1st January, 2005.

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

As at 31st December, 2004, the interests and short positions of the directors and the chief executive of the Company in 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")) 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, 2004, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes detailed in note 24 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

Details of the connected/related party transactions are set out in note 29 to the financial statements.

The independent non-executive directors have reviewed the connected/related party transactions set out in note 29 to the financial statements and in their opinion, these transactions entered into by the Company were:

- (i) in the ordinary and usual course of business of the Company;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors or chief executive of the Company, as at 31st December, 2004, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name of shareholder	Number of ordinary shares of the Company held	Capacity
Gold Throne Finance Limited ("Gold Throne")	236,000,000 (note 1)	Beneficial owner
Chuang's China Investments Limited ("Chuang's China")	236,000,000 (note 1)	(note 2)
Profit Stability Investments Limited ("PSI")	236,000,000 (note 1)	(note 2)
Chuang's Consortium International Limited ("CCIL")	236,000,000 (note 1)	(note 2)
Value Partners Limited ("VPL")	36,734,000 (note 3)	Investment manager
Cheah Cheng Hye ("Mr. Cheah")	36,734,000 (note 3)	(note 4)

Notes:

1. Such interests represented 44.17% 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 the voting power in general meetings through its wholly owned subsidiary, PSI. As at 31st December, 2004, CCIL held approximately 60.1% shareholding interests in Chuang's China.
3. Such interests represented approximately 6.88% 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, as at 31st December, 2004, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

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

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 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, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all its independent non-executive directors are independent.

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 current members of the Audit Committee are the three independent non-executive directors, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming, and one non-executive director, Mr. Dominic LAI.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules throughout the year ended 31st December, 2004.

NOMINATION COMMITTEE

The nomination committee has been established by the Company in January 2005 and the current members are two independent non-executive directors, Mr. SHEK Lai Him, Abraham and Dr. LI Sau Hung, Eddy and one non-executive director, Mr. Dominic LAI. The committee is responsible for reviewing the nomination of directors and making recommendations to the board of directors on such appointments.

EMOLUMENT POLICY

The remuneration committee has been established by the Company in January 2005 and the current members are two independent non-executive directors, Mr. SHEK Lai Him, Abraham and Mr. YAU Chi Ming and one non-executive director, Mr. Dominic LAI. The emoluments of the directors and senior management of the Company will be approved by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistic.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 24 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2004.

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, 29th March, 2005