

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of the principal subsidiaries are set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2002 are set out in the consolidated income statement on page 22 of the annual report and in the accompanying notes to the financial statements.

A preference share dividend calculated on a daily basis amounting to HK\$6,142,000 has been paid to the preference shareholders for the year ended 31st December, 2002.

The directors now recommend the payment of a final dividend of HK 2.8 cents per share to the ordinary shareholders on the register of members on 6th May, 2003, amounting to approximately HK\$10,928,000 for the year ended 31st December, 2002.

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 71 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest suppliers and customers of the Group accounted for approximately 37% and 34% of the Group's purchases and turnover, respectively. The largest supplier accounted for approximately 12% of the purchases of the Group. The largest customer accounted for approximately 14% of the turnover of the Group.

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

During the year, properties under development amounting to approximately HK\$239,000,000 were completed and transferred to investment properties.

At 31st December, 2002, 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 these movements in 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\$11,640,000 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.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

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

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 28 to the financial statements.

RESERVES

In addition to the retained profits of the Company, the ordinary share premium and the contributed surplus accounts of the Company are also available for distribution to 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, 2002 amounted to approximately HK\$221,149,000 (2001: HK\$231,383,000).

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 26 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. LAI Dominic
Mr. SHEK Lai Him, Abraham
Mr. TANG Wei, Donald (resigned on 1st September, 2002)

In accordance with article 116 of the Company's Articles of Association, Ms. LI Mee Sum, Ann and Mr. LEE Sai Wai retire by rotation and, being eligible, offer themselves for re-election.

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 IN SHARES

At 31st December, 2002, the interests of the directors and chief executive and their associates in the securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), 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 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are as follows:

Name of director	Nature of interest	Number of ordinary shares of the Company held
Mr. SHEK Lai Him, Abraham	Personal interests	10,000

Other than as disclosed above, at 31st December, 2002, none of the directors or chief executive of the Company, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executive, nor their spouses or their children under the age of 18, had any rights to subscribe for the securities of the Company or had exercised any such rights during the year.

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/RELATED PARTY TRANSACTIONS

During the year, the Group made advances to its 51% owned subsidiary, Chengdu Chuang's Centre Development Company Limited, for working capital purposes, and amounted to approximately HK\$53,916,000. The advance is unsecured and is repayable over a period of one to three years. A portion of the advance is interest free and the rest bears interest at approximately 0.6 percent (2001: ranging from 0.8 percent to 1 percent) per month.

Details of other transactions entered into by the Group during the year are set out in notes 24 and 36 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders as having an interest of 10 percent or more in the Company's issued ordinary share capital:

Name of shareholder	Number of ordinary shares held
Gold Throne Finance Limited	84,000,000
Chuang's China Investments Limited ("Chuang's China")	84,000,000 <i>(note)</i>
Profit Stability Investments Limited ("PSI")	84,000,000 <i>(note)</i>
Chuang's Consortium International Limited ("CCIL")	84,000,000 <i>(note)</i>

Note: Such interests arose through the ownership of relevant shares by Gold Throne Finance Limited, 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.

Other than as disclosed above, the Company has not been notified of any other interests representing 10 percent or more of the Company's issued ordinary share capital at 31st December, 2002.

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.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 37 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 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.

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, 10th March, 2003