

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2005.

CHANGE OF COMPANY NAME

The name of the Company was changed to “Midland Holdings Limited” in April 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 41 to the financial statements.

An analysis of the Group’s performance for the year by business segments is set out in note 5 to the financial statements.

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 47.

The Directors have declared an interim dividend of HK\$0.10 per ordinary share, totalling HK\$74,283,000 was paid on 10th October 2005.

The Directors recommend the payment of a final dividend of HK\$0.016 per ordinary share to shareholders whose names appear on the register of members of the Company on 20th April 2006. Taking into account of the interim dividend payment, total dividends for the year would amount to HK\$86,038,000, a decrease of 37% over last year. The final dividend will be paid on or before 26th April 2006.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in notes 29 and 30 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$1,549,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on pages 118 and 119.



Midland Holdings Limited

Report of the Directors (continued)

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company and in share options of its non-wholly owned subsidiary are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

DISTRIBUTABLE RESERVES

At 31st December 2005, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$412,299,000.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, a total of 8,166,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$3.35 to HK\$3.875 per share through the Stock Exchange. The Directors considered the share purchases would lead to an enhancement of the Group's earnings per share.

On 21st March 2005, the Company entered into a placing agreement with Sunluck Services Limited ("Sunluck"), a substantial equity holders of the Company, and a third-party placing agent under which Sunluck sold 48,049,281 existing ordinary shares of HK\$0.10 each in the Company at a price of HK\$4.87 per share, by way of a private placement effected by the placing agent, to certain independent investors identified by the placing agent (the "Placing"). On the same day, the Company entered into a subscription agreement with Sunluck under which Sunluck subscribed for 38,439,425 new shares in the Company at a price of HK\$4.87 each (the price of subscription net of expenses is approximately HK\$4.76 per share) (the "Subscription"). The market price of the shares on 21st March 2005, being the date on which the terms of the issue were fixed, was HK\$5.30.

The Directors believed that the Placing and the Subscription were in the interests of the Company and its shareholders as a whole, represented a good opportunity to raise capital for the Company and to broaden the shareholder's base and capital base of the Company and would strengthen the financial position of the Company.

The net proceeds of the Subscription is approximately HK\$183 million. In line with the announcement of the Company issued on 22nd March 2005 (the "Announcement"), the Group had utilised about HK\$89 million for branch expansion in which 132 branches had been opened as at 31st December 2005.

According to the Announcement, the Group would use approximately HK\$20 million for upgrading and enhancement of its computer hardware and software. As at the date of this report, the Group had utilised about HK\$11 million for infrastructure improvement and the procurement of computer hardware. The remaining balances of the proceeds amounting to about HK\$9 million will also be utilised for upgrading and enhancement of the Group's computer hardware and software.

Save as disclosed above, neither the Company nor its subsidiary companies had purchased or sold any of the Company's shares and the Company had not redeemed any of its shares during the year.

Report of the Directors (continued)

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

Midland's Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30th April 2002, the Company adopted the 2002 share option scheme (the "2002 Share Option Scheme"). A summary of the 2002 Share Option Scheme is as follows:

(1) Purpose

The principal purposes of the 2002 Share Option Scheme are to enable the Group to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity"), to recognise the significant contribution of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(2) Eligible persons

- (i) any employee (whether full or part time and including executive director) of any member(s) of the Group or any Invested Entity; or
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; or
- (iii) any supplier, customer, consultant, adviser or agent to and of any member of the Group or any Invested Entity.

(3) Total number of shares available for issue

Total number of shares available for issue are 42,895,583, representing approximately 5.84% of the issued share capital of the Company as at the date of this report.

(4) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of options granted under the 2002 Share Option Scheme and any other share option schemes of the Company to each eligible person (including cancelled, exercised and outstanding options), in any 12-month period must not exceed 1% of the shares in issue.



Report of the Directors (continued)

SHARE OPTION SCHEME (continued)

Midland's Share Option Scheme (continued)

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the directors to each eligible person who accepts an offer in accordance with the terms of the 2002 Share Option Scheme, provided that it shall commence on a date not be more than ten years from the date of grant.

(6) Acceptance of offer

An offer for the grant of an option must be accepted within twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.00.

(7) Basis of determining the subscription price

The subscription price under the 2002 Share Option Scheme shall be a price determined by the Directors at its absolute discretion and shall be no less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of a share.

Report of the Directors (continued)

SHARE OPTION SCHEME (continued)

Midland's Share Option Scheme (continued)

(8) The remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme became effective on 30th April 2002 and will remain in force for a period of 10 years from that date.

Certain participants of the Company have been granted options under the 2002 Share Option Scheme to subscribe for shares in the Company. Particulars and movements of share options outstanding during the year under the 2002 Share Option Scheme are as follows:

Participant	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2005	Options granted during the year	Balance outstanding as at 31st December 2005	Exercisable period
Group Consultant	6th December 2005	3.52	–	918,329	918,329	1st June 2006 to 31st May 2009*
		3.52	–	918,329	918,329	1st December 2006 to 30th November 2009*
		3.52	–	918,329	918,329	1st June 2007 to 31st May 2010*
		3.52	–	918,330	918,330	1st December 2007 to 30th November 2010*
Total			–	3,673,317	3,673,317	

* In the event that the Group discontinue the Group Consultant's service during good behavior under the appointment agreement dated 1st December 2005 entered into between the Group and the Group Consultant, all the options shall become immediately exercisable without condition except those inherent terms of the 2002 Share Option Scheme.

Fair Value of options granted under the 2002 Share Option Scheme

Date of grant/ Date of valuation	Vesting period	Fair value
6th December 2005	6th December 2005 to 1st June 2006	HK\$401,069
6th December 2005	6th December 2005 to 1st December 2006	HK\$575,750
6th December 2005	6th December 2005 to 1st June 2007	HK\$698,835
6th December 2005	6th December 2005 to 1st December 2007	HK\$795,901
	Total	<u>HK\$2,471,555</u>



Midland Holdings Limited

Report of the Directors (continued)

SHARE OPTION SCHEME (continued)

Midland's Share Option Scheme (continued)

Fair Value of options granted under the 2002 Share Option Scheme (continued)

Note: The fair value of the options granted during the year is HK\$2,471,555, based on the Black-Scholes valuation model and the valuation was carried out on a market value basis. The significant inputs into the model were share price of HK\$3.425 at the date of grant, exercise price of HK\$3.52, dividend yield of 4% (based on yearly dividend paid in 2003 and 2004 and interim dividend paid in 2005) and risk free rates of the above options were 3.68%, 3.9%, 4% and 4.105% respectively (the rates represented the yields to maturity of respective Hong Kong Exchange Fund Note as at 6th December 2005). The volatility of the options is 51.434%.

The fair values calculated with assumptions which affected the estimation of the fair value of an option, namely a continuation of prudent management policies over whatever period of time considered to be necessary in order to maintain the character and integrity of the assets valued; there were no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value and no responsibility for changes in market conditions after the valuation day.

EVI's Share Option Scheme

At EVI's extraordinary general meeting held on 6th June 2005, a new share option scheme (the "2005 EVI Share Option Scheme") of EVI was adopted and approved by its shareholders. No share options were granted under the 2005 EVI Share Option Scheme during the fifteen-month period ended 31st December 2005 nor share options were outstanding as at 31st December 2005.

On 16th January 2006, share options were granted under the 2005 EVI Share Option Scheme to Mr TSANG Link Carl, Brian, non-executive director of EVI, for the subscription of 83,000,000 shares of EVI at the exercise price of HK\$0.06 each.

The major terms of the 2005 EVI Share Option Scheme are summarized as follows:

(a) Purposes of the 2005 EVI Share Option Scheme

The principal purposes of the 2005 EVI Share Option Scheme are to enable EVI and its subsidiaries ("EVI Group") and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the EVI Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the EVI Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in EVI and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the EVI Group or Invested Entities.

(b) Participants of the 2005 EVI Share Option Scheme

The board of EVI (the "EVI Board") may invite any Eligible Person as the EVI Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the EVI Group or Invested Entity.

(c) Total number of shares available for issue

Total number of shares available for issue is 830,000,000 representing approximately 10% of the issued share capital of EVI as at the date of this report.

Report of the Directors (continued)

SHARE OPTION SCHEME (continued)

EVI's Share Option Scheme (continued)

(d) Maximum entitlement of each Eligible Person

The maximum number of shares issued and to be issued upon exercise of options granted under the 2005 EVI Share Option Scheme and any other share option schemes of EVI to each eligible person, in any 12-month period must not exceed 1% of the shares in issue.

Any further grant of share options in excess of the abovementioned limit shall be separately approved by the shareholders of EVI and, for so long as EVI remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and / other requirements prescribed under the Listing Rules from time to time.

(e) Maximum entitlement of each Eligible Person who is a connected person

The maximum number of shares issued and to be issued upon exercise of options granted under the 2005 EVI Share Option Scheme and any other share option schemes of EVI to each eligible person who is a director, chief executive, management shareholder (if applicable) or substantial shareholder of EVI, in any 12-month period shall not exceed 0.1% of the shares in issue and an aggregate value which based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by EVI and shall be separately approved by the shareholders of EVI and, for so long as EVI remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/other requirements prescribed under the Listing Rules from time to time.

(f) Time of exercise of Option

The 2005 EVI Share Option Scheme will remain in force for a period of 10 years commencing from the Adoption Date, after which no further Options shall be granted. The options which are granted during the life of the 2005 EVI Share Option Scheme may, however continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the 2005 EVI Share Option Scheme shall remain in full force and effect.

(g) Basis of determining the subscription price

The subscription price for the shares under the 2005 EVI Share Option Scheme shall be a price determined by the EVI Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and
- (iii) the nominal value of a share.

(h) Remaining life of the 2005 EVI Share Option Scheme

The 2005 EVI Share Option Scheme became effective on 6 June 2005 will remain in force for a period of 10 years from the date of adoption.



Midland Holdings Limited

Report of the Directors (continued)

DIRECTORS' INTERESTS IN SHARES

As at 31st December 2005, the interests and short positions of each Director 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 were required (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Number of Ordinary Shares			Total	Percentage of Shareholding
	Personal Interests	Corporate Interests	Family Interests		
Mr WONG Kin Yip Freddie	29,636,000	107,494,144	–	137,130,144	18.67%
Ms TANG Mei Lai, Metty	–	–	137,130,144 (note)	137,130,144	18.67%
Ms LAM Fung Fong	14,000	–	–	14,000	0.002%

Note: These shares represent the same block of shares. These shares are held by Mr WONG Kin Yip, Freddie, the spouse of Ms TANG Mei Lai, Metty, as beneficial owner.

All the interests disclosed above represent long position in the shares of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31st December 2005, the interests or short positions of substantial shareholders and other persons of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name	Number of Shares	Capacity and nature of interest	Percentage of Shareholding
Sunluck Services Limited	107,494,144	Corporation interest	14.63% (Note)
Southern Field Trading Limited	107,494,144	Interest in controlled corporation	14.63% (Note)
J.P. Morgan Chase & Co.	42,309,200	Approved lending agent	5.76%
	238,000	Investment manager	0.03%
Universities Superannuation Scheme Limited	37,950,000	Trustee	5.16%
Oppenheimerfunds, Inc.	80,582,000	Investment manager	10.97%
Third Avenue Management LLC	51,756,000	Investment manager	7.03%

Note: These shares represent the same block of shares. Sunluck Services Limited is a wholly-owned subsidiary of Southern Field Trading Limited which interest duplicates those of Mr WONG Kin Yip, Freddie in the Company.

All the interests disclosed above (save and except those of 42,309,200 shares held by J.P. Morgan Chase & Co. in lending pool) represent long position in the shares of the Company.

Report of the Directors (continued)

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its services from its five largest suppliers. Sales to the five largest customers accounted less than 30% of the total sales for the year.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business. Further details are set out in note 40 to the financial statements.

Some of these transactions also constitute “connected transactions” (including “continuing connected transactions”) under Chapter 14A of the Listing Rules, are identified below.

CONNECTED TRANSACTIONS

- (a) On 15th April 2005, a tenancy agreement (the “Get Best Tenancy Agreement”) was entered into between Systems Gold Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Get Best Industries Limited (“Get Best”), a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, the Chairman of the Company and substantial shareholder of the Company (“Mr Freddie Wong”), as the landlord whereby the landlord agreed to let to the tenant a premises located at Ground Floor with cockloft, No.135 Thomson Road, Wanchai, Hong Kong as its shop for the term of twelve months commencing from 1st June 2005 to 31st May 2006 at a monthly rental of HK\$58,000 (the “Get Best Continuing Leasing Transaction”).
- (b) On 15th April 2005, a tenancy agreement (the “Vision Dynasty Tenancy Agreement”) was entered into between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Vision Dynasty Limited (“Vision Dynasty”), a company incorporated in Hong Kong and wholly-owned by Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at Shop E, Splendid Place, No.39 Tai Koo Shing Road/ No.16 Shipyard Lane, Hong Kong as its shop for the term of two years commencing from 16th April 2005 to 15th April 2007 at a monthly rental of HK\$73,000 (the “Vision Dynasty Continuing Leasing Transaction”).
- (c) On 15th April 2005, a tenancy agreement (the “Goal Precise Tenancy Agreement”) was entered into between Topwick Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Goal Precise Limited (“Goal Precise”), a company incorporated in Hong Kong and wholly-owned by Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at Shop F, Splendid Place, No.39 Tai Koo Shing Road/ No.16 Shipyard Lane, Hong Kong as its shop for the term of two years commencing from 16th April 2005 to 15th April 2007 at a monthly rental of HK\$75,000 (the “Goal Precise Continuing Leasing Transaction”).



Report of the Directors (continued)

CONNECTED TRANSACTIONS (continued)

- (d) On 30th May 2005, a tenancy agreement (the “Metty Tang Tenancy Agreement”) was entered into between 美聯物業代理 (深圳) 有限公司 (Midland Realty (Shenzhen) Limited), an indirect wholly-owned subsidiary of the Company, as the tenant and Ms TANG Mei Lai, Metty (“Ms Metty Tang”), the Company’s Deputy Chairman and Executive Director and the spouse of Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at 1B01, SEG Plaza, Huaqiang North Road, Shenzhen, the People’s Republic of China as its shop for the term of three years commencing from 1st June 2005 to 31st May 2008 at a monthly rental of HK\$37,736 (RMB40,000) (the “Metty Tang Continuing Leasing Transaction”).
- (e) On 30th June 2005, a tenancy agreement (the “Capital Delta Tenancy Agreement”) was entered into between Orient Sheen Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Capital Delta Profits Limited (“Capital Delta”), a company incorporated in Hong Kong and wholly-owned by Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at Units B1, B2 and B3 on 29th Floor, Tower 1, Admiralty Centre, No.18 Harcourt Road, Hong Kong as its office for the term of two years commencing from 1st July 2005 to 30th June 2007 at a monthly rental of HK\$214,000 with an option to renew for a further two years (the “Capital Delta Continuing Leasing Transaction”).

The Get Best Tenancy Agreement, the Vision Dynasty Tenancy Agreement, the Goal Precise Tenancy Agreement, the Metty Tang Tenancy Agreement and the Capital Delta Tenancy Agreement are collectively referred as the “Tenancy Agreements”.

The Get Best Continuing Leasing Transaction, the Vision Dynasty Continuing Leasing Transaction, the Goal Precise Continuing Leasing Transaction, the Metty Tang Continuing Leasing Transaction and the Capital Delta Continuing Leasing Transaction are collectively referred as the “Continuing Leasing Transactions”.

Get Best, Vision Dynasty, Goal Precise and Capital Delta are wholly-owned by Mr Freddie Wong, and Ms Metty Tang is the spouse of Mr Freddie Wong. Accordingly, Get Best, Vision Dynasty, Goal Precise, Capital Delta and Ms Metty Tang are connected persons of the Company and the entering into the Tenancy Agreements constitutes connected transactions under the Listing Rules.

As it is expected that the relevant percentage ratios involved under the Tenancy Agreements are more than 0.1% but less than 2.5%, the connected transactions as completed under the Tenancy Agreements are exempt from the independent shareholders’ approval requirements but subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Independent Non-executive Directors of the Company have reviewed the Continuing Leasing Transactions and confirmed that in their opinion, the Continuing Leasing Transactions were carried out:

- (i) in the ordinary and usual course of the business of the Company;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement (if applicable) on terms that are fair and reasonable and in the interests of the independent shareholders of the Company as a whole.

Report of the Directors (continued)

CONNECTED TRANSACTIONS (continued)

The auditors of the Company have performed certain procedures on the Continuing Leasing Transactions and reported that:

- (i) the Continuing Leasing Transactions received the approval of the Board of Directors of the Company;
- (ii) the Continuing Leasing Transactions were entered into in accordance with the terms as set out in the Tenancy Agreements;
- (iii) the aggregate amount of the Get Best Continuing Leasing Transaction for the period from 1st June 2005 to 31st December 2005 did not exceed the maximum annual cap of HK\$348,000 as set out in the announcement dated 18th April 2005;
- (iv) the aggregate amount of the Vision Dynasty Continuing Leasing Transaction for the period from 16th April 2005 to 31st December 2005 did not exceed the maximum annual cap of HK\$584,000 as set out in the announcement dated 18th April 2005;
- (v) the aggregate amount of the Goal Precise Continuing Leasing Transaction for the period from 16th April 2005 to 31st December 2005 did not exceed the maximum annual cap of HK\$600,000 as set out in the announcement dated 18th April 2005;
- (vi) the aggregate amount of the Metty Tang Continuing Leasing Transaction for the period from 1st June 2005 to 31st December 2005 did not exceed the maximum annual cap of HK\$245,283 (RMB260,000) as set out in the announcement dated 2nd June 2005; and
- (vii) the aggregate amount of the Capital Delta Continuing Leasing Transaction for the period from 1st July 2005 to 31st December 2005 did not exceed the maximum annual cap of HK\$1,070,000 as set out in the announcement dated 5th August 2005.

RETIREMENT SCHEME

Details of the Company's retirement scheme are set out in note 7 to the financial statements.

PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's principal subsidiaries and jointly controlled entities at 31st December 2005 are set out in note 41 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

An analysis of bank loans and overdrafts at 31st December 2005 is set out in note 32 to the financial statements. Apart from the above, the Group has no other borrowings at 31st December 2005.

EMOLUMENT POLICY

The emoluments of the Directors of the Company are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs, the Company's performance and the Company's remuneration policy.



Midland Holdings Limited

Report of the Directors (continued)

DIRECTORS' INTEREST IN COMPETING BUSINESS

No Director has an interest in any business constituting a competing business to the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors of the Company, at least 25% of the issued share capital of the Company were held by the public members as at 15th March 2006, the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the relevant information contained.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
WONG Kin Yip, Freddie
Chairman and Managing Director

Hong Kong, 9th March 2006