



# Corporate Governance Report

## INTRODUCTION

The Company is committed to achieving high standard of corporate governance that properly protects and promotes the interests of its shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

## REPORT ON CORPORATE GOVERNANCE PRACTICES

### (A) The Board

#### (i) Board composition

The board of directors (the "Board") comprises 10 Directors, of which Mr. KO Sheung Chi, Mr. KWONG Tin Lap, Mr. KWOK Chi Fai, Miss LI Mee Sum, Ann, Mr. TANG Chow Ming, Paul and Mr. WONG Chi Sing are Executive Directors, Mr. Dominic LAI is a Non-Executive Director, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming are Independent Non-Executive Directors. The Board has on a regular basis reviewed the composition of the Board and the skills and experience required for both the Executive and Non-Executive Directors of the Board, in the context of the business and strategies of the Company. If the Board identifies a suitable qualified candidate to become a Board member, it will make recommendation to the Nomination Committee for him/her to be elected as a Director of the Company.

#### (ii) Appointment, re-election and removal of Directors

There are formal, considered and transparent procedures for the appointment and removal of Directors. All Directors newly appointed to fill a casual vacancy are subject to election at the first general meeting after their appointment. Every Director (including Non-Executive Director) is subject to retirement by rotation at least once every three years. All Non-Executive and Independent Non-Executive Directors are appointed for a specific term, subject to retirement by rotation as aforesaid, of three years commencing from 1st January, 2005.



# Corporate Governance Report

## REPORT ON CORPORATE GOVERNANCE PRACTICES *(cont'd)*

### (A) The Board *(cont'd)*

#### (iii) *Nomination Committee*

A Nomination Committee was established with clear terms of reference to review the composition of the Board. The Nomination Committee comprises two Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham and Dr. LI Sau Hung, Eddy and a Non-Executive Director, Mr. Dominic LAI. The committee met once during the year to discuss the structure, size and composition of the Board, to assess the independency of each Independent Non-Executive Director and to approve the recommended candidate to become a Board member. The attendance record of each committee member is as follows:

<b>Name</b>	<b>No. of meeting attended/held</b>
Mr. SHEK Lai Him, Abraham <i>(Note)</i>	1/1
Dr. LI Sau Hung, Eddy	1/1
Mr. Dominic LAI	1/1

*Note: Chairman of the Nomination Committee*

#### (iv) *Board meetings*

The Board held meetings four times during the year. Arrangements were in place to ensure that sufficient notice and adequate information were given to each Director prior to the Board meetings. The Chairman, together with the Managing Director, established the agenda for each Board meeting. Other Directors are invited to include items in the agenda. Minutes of Board meetings were kept in sufficient details to reflect the decisions made in the relevant meetings.



# Corporate Governance Report

## REPORT ON CORPORATE GOVERNANCE PRACTICES *(cont'd)*

### (A) The Board *(cont'd)*

#### (iv) Board meetings *(cont'd)*

The attendance record of each Director in Board meetings is as follows:

Name	Position	No. of meetings attended/held
Mr. KO Sheung Chi	Chairman	2/2 <i>(Note)</i>
Mr. KWONG Tin Lap	Managing Director	4/4
Mr. KWOK Chi Fai	Deputy Managing Director	4/4
Miss LI Mee Sum, Ann	Executive Director	4/4
Mr. TANG Chow Ming, Paul	Executive Director	4/4
Mr. WONG Chi Sing	Executive Director	4/4
Mr. Dominic LAI	Non-Executive Director	2/4
Mr. SHEK Lai Him, Abraham	Independent Non-Executive Director	3/4
Dr. LI Sau Hung, Eddy	Independent Non-Executive Director	4/4
Mr. YAU Chi Ming	Independent Non-Executive Director	4/4

*Note: Mr. KO Sheung Chi was appointed as Chairman on 28th June, 2005.*

#### (v) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are currently separated. Mr. KO Sheung Chi is the Chairman and Mr. KWONG Tin Lap, the Managing Director, is the Chief Executive Officer.

#### (vi) Responsibilities of Directors

Each Director of the Company is required to keep abreast of his/her responsibilities as a Director of the Company and each Director is provided in a timely manner with appropriate information of the Group to enable him/her to make an informed decision and to discharge his/her duties and responsibilities as a Director of the Company. On appointment, new Directors will be given a comprehensive introduction to the Group's business.

#### (vii) Directors' dealings in securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard as set out in the Model Code.



# Corporate Governance Report

## REPORT ON CORPORATE GOVERNANCE PRACTICES *(cont'd)*

### **(A) The Board** *(cont'd)*

#### *(viii) Independency of Independent Non-Executive Directors*

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 of the Independent Non-Executive Directors are independent.

### **(B) Remuneration of Directors and senior management**

#### *(i) Remuneration policy of Executive Directors and senior management*

The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The Group will set levels of remuneration to ensure comparability and competitiveness with companies competing within a similar talent pool.

#### *(ii) Fees paid to Non-Executive Directors*

Each Non-Executive Director of the Company received an annual fee of HK\$80,000. In determining such fee, the Board has taken into account the current market conditions. Such fee is also subject to shareholders' approval in annual general meetings.

#### *(iii) Remuneration Committee*

A Remuneration Committee was established with clear terms of reference to review the remuneration of the Executive Directors and senior management. The Remuneration Committee comprises two Independent Non-Executive Directors, Mr. YAU Chi Ming and Mr. SHEK Lai Him, Abraham and a Non-Executive Director, Mr. Dominic LAI. The committee met once during the year to review the remuneration policy of the Group and to approve the remuneration of all Executive Directors and senior management of the Group. The attendance record of each committee member is as follows:

<b>Name</b>	<b>No. of meeting attended/held</b>
Mr. YAU Chi Ming <i>(Note)</i>	1/1
Mr. SHEK Lai Him, Abraham	1/1
Mr. Dominic LAI	1/1

*Note: Chairman of the Remuneration Committee*



# Corporate Governance Report

## REPORT ON CORPORATE GOVERNANCE PRACTICES *(cont'd)*

### (C) **Accountability and audit**

#### (i) *Financial reporting*

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in the interim and annual reports of the Company.

#### (ii) *Audit Committee*

An Audit Committee was established with clear terms of reference to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-Executive Directors, Mr. SHEK Lai Him, Abraham, Dr. LI Sau Hung, Eddy and Mr. YAU Chi Ming and a Non-Executive Director, Mr. Dominic LAI. The committee held two meetings during the year to discuss the relationship with the external auditors, to review the Company's interim and annual financial statements and to evaluate the Group's system of internal controls.

The attendance record of each committee member is as follows:

<b>Name</b>	<b>No. of meetings attended/held</b>
Mr. SHEK Lai Him, Abraham <i>(Note)</i>	2/2
Dr. LI Sau Hung, Eddy	2/2
Mr. YAU Chi Ming	2/2
Mr. Dominic LAI	2/2

*Note: Chairman of the Audit Committee*

#### (iii) *Auditors' remuneration*

During the year, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

<b>Services rendered</b>	<b>Fee paid/payable</b> <i>HK\$'000</i>
Audit services	918
Non-audit services – interim review	200
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	1,118



# Corporate Governance Report

## **REPORT ON CORPORATE GOVERNANCE PRACTICES** *(cont'd)*

### **(D) Delegation by the Board**

#### *(i) Board committees*

The Company has established three committees, namely Audit Committee, Nomination Committee and Remuneration Committee. These committees were formed with specific written terms of reference which deal clearly with the committees' authorities and duties.

#### *(ii) Management function*

The Board has determined which matters are to be retained by the full Board sanction and which matters are to be delegated to the executive management. The executive management has been given clear terms of reference, in particular, circumstances where the executive management should report back and obtain prior approval from the Board. All delegations to the executive management are reviewed periodically to ensure that they remain appropriate.

### **(E) Communication with shareholders**

#### *(i) Annual general meetings*

The Board regards annual general meetings as the principal opportunity to meet shareholders of the Company. In the annual general meeting of the Company held in May 2005 (the "AGM"), the former Chairman of the Company, due to personal reason, had not attended the AGM in accordance with Rule E.1.2 of the CG Code. However, The Managing Director of the Company and the chairman of the respective Board committees (or their delegates) attended the AGM to answer questions raised by shareholders.

In future, in order to comply with the code provisions of the CG Code, the Chairman of the Company will attend and will arrange for the chairman of the respective Board committees (or their delegates) to attend annual general meetings to answer any questions raised by shareholders.

#### *(ii) Significant issues*

The Company has ensured that any significant issue to be dealt with in general meetings will be proposed as a separate resolution.



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## **REPORT ON CORPORATE GOVERNANCE PRACTICES** *(cont'd)*

### **(E) Communication with shareholders** *(cont'd)*

#### *(iii) Voting by poll*

The procedures and requirements for demanding a poll in general meetings are fully disclosed in circulars to shareholders and communicated to shareholders prior to the commencement of general meetings.

## **CONCLUSION**

Save as disclosed in this corporate governance report, the Company has complied with the code provisions of the CG Code for the year ended 31st December, 2005.

On behalf of the Board of

**Midas International Holdings Limited**

**KO Sheung Chi**

*Chairman*

Hong Kong, 18th April, 2006