

# Corporate Governance

The Board of Next Media has been a firm believer in high level of corporate governance standards and practices since day one. The Group's unstinting commitment to this concept is evident in all areas of Next Media's operations to this day.

In order to ensure compliance with the new Code on Corporate Governance Practices which came into effect on 1 January 2005, the Company has implemented a range of additional governance structures and procedures.

## Board of Directors

### Board Responsibilities and Composition

The Board is responsible for overseeing the successful management of Next Media and devising the Company's future strategy. The Board delegates the running of Next Media's day-to-day operations to carefully chosen Executive Directors and senior Management (the "Management"). The Management also takes charge of specific operations, preparing strategic directions, budgets and business plans for the Board's approval. The Board in its turn looks to the Management to ensure it is apprised of all significant developments that may affect the Company and its operations. All major acquisitions, dispositions, investments, financing and other significant issues pertaining to the Company are all subject to the Board's approval.

The Board is currently made up of seven members, three of whom are Independent Non-executive Directors. The Board's size and composition reflects a comprehensive range of backgrounds and skill sets that have been deemed vital for the effective governance of a company involved in the media industry. Detailed profiles outlining the role, function and status of all seven current Board members are posted on the Company's website for all to see. The profiles can be accessed by clicking on to <http://www.nextmedia.com>.

At time of publication, the Board has three Independent Non-executive Directors. These Directors have been granted specific terms of two years up to 31 March 2007, and are subject to the re-election provisions laid down in Next Media's Articles of Association. The Articles of Association state that Directors appointed to fill casual vacancies shall only hold office until the next Annual General Meeting ("AGM"), and shall be eligible for re-appointment. Other than Directors appointed to fill casual vacancy/ies that may arise during any given year, one-third of all Directors

are required to retire on a rotation basis at each AGM. Since there are a total of seven Directors, each Director is thus effectively appointed for an average term of three years.

All newly appointed Directors to Next Media's Board will receive a comprehensive, formal and tailored induction to the Company. Directors will subsequently receive all relevant briefings and professional development updates as are deemed necessary to ensure their detailed understanding of all aspects of the Company's business, and their full awareness of their responsibilities under the prevailing rules and regulations. All seven Directors are also encouraged to attend refresher seminars organized by the Company in conjunction with outside legal expertise. Such a policy ensures that individual Directors' skill sets and knowledge remain consistent with all relevant legal and regulatory requirements.

Directors are empowered with all sufficient resources as are deemed necessary to carry out their duties to the best of their abilities. Directors also enjoy access to the advice and services of the Company Secretary, and are given full and timely access to all information relevant to Next Media's operations. Directors may also seek independent professional advice at the Company's expense should the need arise.

Next Media has taken out comprehensive Directors' and Officers' liabilities insurance coverage for the Directors and Officers of the Company and its subsidiaries. This covers the Company's Directors and Officers against all costs, charges, losses, expenses and liabilities incurred by them in their capacity as Directors or Officers of the Company, subject to the provisions of the Companies Ordinance and other applicable legislation.

Each of the Board's seven members is required to make regular six-monthly disclosures to Next Media regarding the number and nature of offices they hold in other public companies or organisations. The seven Directors are also required to declare all other significant commitments, including the identity of the public company/ies or organisation/s and an indication of the time involved.

All three of the Board's Independent Non-executive Directors have provided the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with written confirmation in respect of the factors set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") concerning his independence. After careful consideration, the Company has ruled that all three Independent Non-executive Directors are independent, and that no family or material or relevant relationship exists between any of the Directors in question.

**Board Activities**

Action by the Board or its committees is taken at regularly held meetings, or at meetings held by conference call, or by written consent. Regular Board meetings aimed at reviewing/considering Next Media's performance, financial results and other relevant matters identified by the Directors are held on a quarterly basis. Additional meetings may also be organized as and when circumstances demand them.

During the year ended 31 March 2005, the Board met four times. Individual attendance at these meetings were as follows:

Director	Number of meetings attended	Attendance rate
Lai Chee Ying, Jimmy	1/4	25%
Ting Ka Yu, Stephen	4/4	100%
Ip Yut Kin	1/4	25%
Tung Chuen Cheuk	4/4	100%
Yeh V-nee	4/4	100%
Fok Kwong Hang, Terry	3/4	75%
Kao Kuen, Charles	2/4	50%

The Board has established the following Committees and Sub-committees which have been granted the clearly defined duties, powers and functions as below:

- (i) A Committee comprising any two Executive Directors for the purpose of approving the issue and allotment of Shares pursuant to the exercise of share options under the Company's share option schemes;
- (ii) An Audit Committee;
- (iii) A Remuneration Committee; and
- (iv) An ad hoc Sub-committee made up of the financial heads of all major operating subsidiaries, the Company Secretary, the Financial Controller and the Deputy Chief Financial Officer which reviews all possible connected transactions to be undertaken by the Group, and monitors the full disclosure of such transactions as laid down in the Listing Rules.

**Audit Committee****Audit Committee Structure & Membership**

The Audit Committee was established in March 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by The Hong Kong Society of Accountants (currently known as "The Hong Kong Institute of Certified Public Accountants"). On 15 March 2005, Next Media adopted revised terms of reference for the Audit Committee in order to ensure its continued full compliance with the provisions of the Code. The Audit Committee's membership is comprised solely

of Independent Non-executive Directors, namely, Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles. All three Committee members possess all necessary qualifications and practical financial experience. None of the three is, or has previously been, a member of the Company's current or previous external auditors. The Audit Committee is chaired by Mr. Yeh V-Nee.

### **Audit Committee Functions**

The functions of the Audit Committee are as follows:

1. To assist the Board in its overseeing of the integrity of Next Media's financial statements; the Company's full compliance with all legal and regulatory requirements; the investigation of external auditors' qualifications and independence; and the performance of the Company's internal audit function (if any) and external auditors;
2. To consider the appointment of the Company's external auditors, the audit fee involved, and any questions involving the auditors' resignation or dismissal;
3. To review the effectiveness and objectivity of the financial reporting process;
4. To review and approve any and all material accounting policy changes;
5. To review the adequacy of any and all financial controls, internal control and risk management systems;
6. To facilitate liaison between the Company's shareholders, Management, external auditors and internal audit department (if any); and
7. To provide all relevant information and materials in relation to any or all of the above that merits the attention of the Board.

For full details of the Audit Committee's role and terms of reference, please refer to the website <http://www.nextmedia.com>.

### **Audit Committee Activities**

During the year under review, the Audit Committee met twice with the external auditors without the Executive Board members present. With the exception of Dr. Kao Kuen, Charles who was only able to attend one meeting, both meetings were attended by the full Audit Committee.

The Audit Committee is entrusted with reviewing all Next Media interim and annual financial statements before their submission to the Board. The Company's Deputy Chief Financial Officer and Financial Controller were both invited to attend these meetings. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2005 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors, the Audit Committee also reviewed the adequacy and effectiveness of the Company's internal control measures and subsequently made appropriate recommendations to the Board.

### **Relationship with External Auditors**

The Audit Committee is charged with reviewing the external auditors' audit review reports and ensuring that the Management makes timely responses to any and all issues raised therein. In order to ensure the full independence of the external auditors, the Audit Committee also reviews all non-audit related services provided by the external auditors. During the year ended 31 March 2005, the total fees paid and payable to the external auditors for non-audit related services amounted to HK\$480,000. This sum included some HK\$180,000 for taxation services and HK\$300,000 for the interim review.

As PricewaterhouseCoopers had acted as Next Media's external auditors for five years, the Directors considered it good corporate governance to appoint new external auditors in order to ensure the auditors' full independence and objectivity in financial reporting. Following careful consideration, Deloitte Touche Tohmatsu were appointed as the Company's new external auditors during the year ended 31 March 2005.

### **Remuneration Committee**

#### **Remuneration Committee Structure & Membership**

On 15 March 2005, Next Media established a Remuneration Committee with specific terms of reference that specify its authority and duties.

The majority of the Remuneration Committee's five members are Independent Non-executive Directors. The current members of the Committee are Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles, all three of whom are Independent Non-executive directors, and Mr. Ting Ka Yu, Stephen and Mr. Tung Chuen Cheuk, both of whom are Executive Directors.

#### **Remuneration Committee Functions**

The Remuneration Committee is responsible for the review and development of any and all policies pertaining to the remuneration of the Company's Directors and the Management. The Committee is also entrusted with the making of any and all recommendations in relation to such policies to the Board.

Full details of the Remuneration Committee and its terms of reference can be found at <http://www.nextmedia.com>.

#### **Remuneration Committee Activities**

The Remuneration Committee has reviewed the Company's 2005/06 salary review for its Executive Directors, the Management and staff.

## Codes of Conduct and Internal Control

### Compliance with the Code of Best Practice as laid down in the Listing Rules

Throughout the year ended 31 March 2005, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005.

On 1 January 2005, the Code of Best Practice set out in Appendix 14 of the Listing Rules was replaced by the "Code and Corporate Governance Report" (Appendices 14 and 23 of the Listing Rules). The Company's compliance of the new Code will come into effect in the year ending 31 March 2006.

### Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (The "Model Code")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed, that they have achieved full compliance with the required standards as laid down in the Model Code for the year ended 31 March 2005.

Specified Officers and employees of the Company who are likely to be in possession of unpublished price-sensitive information pertaining to Next Media or its activities are also subject to compliance with the Company's adopted Model Code.

### Internal Codes of Conduct

Next Media has always done everything in its power to ensure and promote integrity and ethical behaviour at all times and in all areas of its operations. To this end, the Group has laid down a series of stringent codes of conduct governing potential conflicts of interests, declaration of interests, anti-corruption practices and data privacy, etc. All members of Next Media, including its employees, Officers and Directors, are required to fully comply with these codes of conduct at all times. Such codes are subject to regular reviews and updates in order to ensure their continued compliance in line with changing circumstances and regulations.

### Internal Control

The Company holds regular monthly Management meetings to review its financial performance and strategic planning objectives. In addition to the Executive Directors, these meetings are attended by senior officers/managers from the Company's Marketing, Sales, Operations, Editorial and Finance Departments.

The Company acknowledges its responsibility for establishing an effective internal control system. Stringent internal control policies and procedures aimed at preventing unauthorized use or misappropriation of the Company's assets have long been in place. These measures ensure that anyone who carries out transactions may only do so by following the proper procedures and with the approval and instruction of the Management.

Working through the Audit Committee and with the assistance of the external auditors, the Board has conducted comprehensive six-monthly reviews of the

internal control system's effectiveness in the areas of financial reporting, operational controls, compliances and risk management.

## Communications with Shareholders

### Annual General Meeting

Next Media has always believed in nurturing a close and open relationship with its shareholders. Each year, the Company's AGM provides a forum at which the Company's Board and shareholders can come together to exchange opinions and ideas. At the AGM, shareholders are invited to direct questions to the Board. Those who are available to answer such questions include not only the Chairman of the Board, but also the Chairmen of the respective Committees, or in their absence, members of the Committees.

Next Media's 2004 AGM took place on 28 July 2004. All resolutions taken at the AGM were voted on by poll and the results of each poll was subsequently published in leading local newspapers and posted on the website <http://www.nextmedia.com>.

Substantially separate issues such as the election of a director at an AGM are dealt with by the proposal of a separate resolution by the Chairman of that particular meeting.

Details of all polls, the voting procedures and shareholders' right to demand a poll, are included in the Company's circulars to shareholders.

### Investor Relations

Next Media continues to go to great lengths to ensure that its dissemination of details of major activities, price sensitive information and transactions is fully compliant with the Listing Rules. To ensure compliance, the Company has detailed a series of procedures which must be used in communicating with analysts and the media. These measures were developed to ensure full compliance with the Hong Kong Stock Exchange's guidelines regarding the disclosure of price-sensitive information. The Company has also carefully selected certain of its Officers to act as its representatives when liaising with analysts and the media.

As a communications company, Next Media remains determined to further enhance the transparency of its operations by making full use of all appropriate communications channels when sharing information with third parties. During the year ended 31 March 2005, specific activities undertaken in this area included the publishing of news via press releases and formal announcements, the issuing of interim and annual reports. All of this information is freely accessible to anyone with an internet connection at <http://www.nextmedia.com>.

Shareholders and interested members of the public are welcome to communicate directly with Next Media by sending correspondence marked "for the attention of the Company Secretary" to the Company's registered office address, or via its designated investor relations e-mail account at [ir@nextmedia.com](mailto:ir@nextmedia.com).