

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### CORPORATE GOVERNANCE

#### The Company

In the interests of its shareholders, the Company is committed to high standards of corporate governance and devotes considerable effort to identifying and formalising best practices.

The Company is listed on the stock exchanges of Hong Kong and New York, and its shares are majority held by a private company, Bowenvale Limited (“Bowenvale”), incorporated in British Virgin Islands, with a 68.9% holding. Bowenvale is, in turn, held by China International Trust and Investment Corporation (“CITIC”) and SES GLOBAL S.A. (“SES GLOBAL”). CITIC controls 50.5% of the economic interest and 50% of voting rights of Bowenvale whilst SES GLOBAL controls 49.5% and 50%, respectively. Under the shareholders agreement of Bowenvale, CITIC and SES GLOBAL are each entitled to appoint, and remove, up to four directors to the Board of the Company.

#### The Board

The Board is composed of 13 members, eight of whom are appointed by the shareholders of Bowenvale, CITIC and SES GLOBAL, three independent non-executive directors and two executive directors, who are also the Chief Executive Officer and the Deputy Chief Executive Officer of the Company.

The Chairman and the Deputy Chairman of the Board are appointed by CITIC and SES GLOBAL from one of their nominated directors, and the posts are rotated biennially between CITIC and SES GLOBAL.

The Board is scheduled to meet on a quarterly basis and additional Board meetings are held if and when required. The Board also holds private sessions at least once a year without the presence of management.

The Board deals with strategic and policy issues and approves corporate plans, budgets, and monitors the performance of the management. The day to day operation of the Company is delegated to the management. The Board has established a framework of corporate governance and is supported by three committees, the Audit Committee, the Business Development Committee and the Remuneration Committee, each of which has defined terms of reference covering its authorities and duties. The chairman of these committees reports regularly to the Board on the matters discussed.

#### Audit Committee

The Audit Committee, chaired by an independent non-executive director, is composed of five members, two non-executive directors and three independent non-executive directors. The Chairman and some of its members have extensive knowledge and experience in financial matters. The Chief Executive Officer, the General Manager Finance and other management staff attend meetings by invitation, as do the external auditors. The Committee examines any matters relating to accounting principles and practices adopted by the Company, and discusses auditing, internal control and financial reporting matters.

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### **Audit Committee (continued)**

In recognition of the fact that the independent auditors are ultimately accountable to the Audit Committee, the Audit Committee shall have the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors for shareholders approval), and shall approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Audit Committee shall consult with management, including the principal financial officer, but shall not delegate these responsibilities.

The Audit Committee is scheduled to meet at least two times a year to review the audit reports, status of the Company's audits, internal controls, and the interim and final results of the Company prior to recommending them to the Board for approval.

The Audit Committee also holds private sessions with the external auditors without the presence of management.

### **Business Development Committee**

The Business Development Committee is composed of three non-executive directors. The Committee meets quarterly before each Board meeting. The Chief Executive Officer and other management staff also attend the quarterly meetings. The Committee is tasked to review all corporate plans, budgets and any new and ongoing projects or ventures and make recommendations to the Board for consideration and approval.

### **Remuneration Committee**

The Remuneration Committee is composed of three members, of whom one is an independent non-executive director and the other two, non-executive directors. The Committee is chaired by the independent non-executive director. The Committee is scheduled to meet at least once a year. The Committee also holds private sessions without the presence of management.

The Committee formulates the remuneration guidelines and policies for the Board's approval. The Committee ensures that the remuneration offered is appropriate for the duties, and in line with market practice. The Committee may engage external professional advisors to assist and/or advise the Committee, if and when necessary.

### **Disclosure Committee**

To conform to recommendations arising from the Sarbanes-Oxley Act, a Disclosure Committee has been formed. The Committee is composed of seven management staff and chaired by the Deputy Chief Executive Officer.

The Committee's prime function is to ensure that the Chief Executive Officer and the Chief Financial Officer are informed of any material facts concerning the Company that should be publicly disclosed.

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### **Disclosure Committee (continued)**

The Committee is responsible for considering the materiality of the information and determining disclosure obligations on a timely basis. The Committee will have overall coordinating responsibility for the Company's public disclosure, including announcements, statements and circulars to the public or stockholders, and reports to the regulatory bodies. The Committee will organise and supervise the disclosure process.

The Committee is also responsible for regularly reviewing the structure of the operations and principal reporting lines and confirming that the disclosure procedures take account of any changes in the structure and principal reporting lines.

### **Shareholder Relations**

The Board recognises its accountability to shareholders for the performance and activities of the Company and attaches considerable importance to the effectiveness of its communications with shareholders. To this end, an Investor Relations Sector has been established as part of the Company's website, [www.asiasat.com](http://www.asiasat.com), to provide information to shareholders about the Company. This is in addition to other corporate communications with shareholders, such as circulars, notices, announcements, interim reports and annual reports, copies of which can also be found on the website.

The interim report and annual report contain a full financial review and an operational review.

### **Guidelines on Conduct**

The Company periodically issues notices to its Directors and employees reminding them that there is a general prohibition on dealing in the Company's listed securities during the blackout periods before the announcement of the interim and annual results.

## **OTHER INFORMATION**

### **Directors' Interests**

As at 30th June, 2003, as recorded in the register required to be maintained under Section 352 of the Securities and Future Ordinance ("SFO") or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the following directors have the following interests in the shares in the Company:

(i) Ordinary shares

Peter Jackson and William Wade had a personal beneficial interest in 163,500 and 5,000 ordinary shares respectively in the Company.

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### Directors' Interests (continued)

(ii) Options to subscribe for ordinary shares in the Company under the Share Option Scheme.

The following table discloses movements in the Company's share options for the six months ended 30th June, 2003:

	Option type	Outstanding at beginning of the period	Granted during the period	Cancelled/ lapsed during the period	Outstanding at end of the period
<b>Directors</b>					
Mi Zengxin	C	100,000	—	—	100,000
Romain Bausch	C	100,000	—	—	100,000
Edward Chen	C	50,000	—	—	50,000
Ding Yu Cheng	C	50,000	—	—	50,000
R. Donald Fullerton	C	75,000	—	—	75,000
Ju Weimin	C	50,000	—	—	50,000
Li Tong Zhou	C	50,000	—	—	50,000
Jürgen Schulte	C	50,000	—	—	50,000
Robert Sze	C	75,000	—	—	75,000
Peter Jackson	A	335,000	—	—	335,000
	B	150,000	—	—	150,000
	C	430,000	—	—	430,000
William Wade	A	316,000	—	—	316,000
	B	114,000	—	—	114,000
	C	330,000	—	—	330,000
<b>Total Directors</b>		<b>2,275,000</b>	<b>—</b>	<b>—</b>	<b>2,275,000</b>
<b>Employees</b>					
	A	1,067,500	—	—	1,067,500
	B	1,574,000	—	—	1,574,000
	C	2,233,000	—	—	2,233,000
<b>Total Employees</b>		<b>4,874,500</b>	<b>—</b>	<b>—</b>	<b>4,874,500</b>
<b>Grand Total</b>		<b>7,149,500</b>	<b>—</b>	<b>—</b>	<b>7,149,500</b>

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price HK\$
A	4th February, 2002	Fully vested	4th February, 2002 - 25th November, 2006	17.48
B	4th February, 2002	Fully vested	1st October, 2002 - 30th September, 2009	17.48
C	4th February, 2002	4th February, 2002 - 3rd February, 2004	4th February, 2004 - 3rd February, 2012	14.35

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### Directors' Interests (continued)

The closing price of the Company's shares immediately before the date of grant on 4th February, 2002 was HK\$14.85.

The fair values of the options granted as at 30th June, 2003 measured as at the date of grant on 4th February, 2002 for option types A, B & C as defined below were HK\$6.00, HK\$6.90 and HK\$8.16 per option respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Option type	A	B	C
Expected life of options	4 <sup>5</sup> / <sub>6</sub> years	7 <sup>2</sup> / <sub>3</sub> years	10 years
Expected volatility based on historical volatility of share prices	56%	51%	51%
Hong Kong Exchange Fund Notes rate	5.08%	5.47%	5.99%
Expected annual dividend yield	1.62%	1.62%	1.62%

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

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### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, according to the register required to be kept under Section 336 of the SFO and information otherwise reported to the Company, the following persons held an interest of 5% or more in the shares in the Company:

Name	No. of shares	%
Bowenvale Limited	268,905,000	68.9
Able Star Associates Limited	268,905,000 <sup>(1)</sup>	68.9
China International Trust and Investment Corporation	268,905,000 <sup>(1)</sup>	68.9
SES Finance S.A.	268,905,000 <sup>(2)</sup>	68.9
SES GLOBAL S.A.	268,905,000 <sup>(2)</sup>	68.9
Commonwealth Bank of Australia	20,665,600 <sup>(3)</sup>	5.3

Notes:

- (1) Able Star Associates Limited ("Able Star") controls 50% of the voting rights of Bowenvale Limited ("Bowenvale"). Able Star is wholly-owned by CITIC Asia Limited ("CITIC Asia") which in turn is wholly-owned by CITIC International Holdings Limited ("CITIC International") which is a wholly-owned subsidiary of China International Trust and Investment Corporation ("CITIC"). Accordingly, Able Star, CITIC Asia, CITIC International and CITIC are deemed to be interested in the 268,905,000 shares in the Company held by Bowenvale.
- (2) SES Finance S.A. ("SES Finance") controls 50% of the voting rights of Bowenvale, SES Finance is a wholly-owned subsidiary of SES GLOBAL S.A. ("SES GLOBAL"). Accordingly, SES Finance and SES GLOBAL are deemed to be interested in the 268,905,000 shares in the Company held by Bowenvale.
- (3) Commonwealth Bank of Australia ("CBA") is interested in 20,665,600 shares in the Company by virtue of its corporate interest in the following companies which are interested in shares in the Company.

Companies controlled by CBA	No. of shares held
(i) First State Investments International Limited, an indirect wholly-owned subsidiary of CBA held under First State Investment Management (UK) Ltd, SI Holdings Ltd, First State Investments (UK Holdings) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	7,695,200
(ii) First State Investment Management (UK) Limited, an indirect wholly-owned subsidiary of CBA held under SI Holdings Ltd, First State Investments (UK Holdings) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	12,022,900
(iii) First State Investments (Hong Kong) Limited, an indirect wholly-owned subsidiary of CBA held under First State (Hong Kong) LLC, First State Investments (Bermuda) Ltd, First State Investment Managers (Asia) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	947,500
(iv) First State Investments (Singapore), an indirect wholly-owned subsidiary of CBA held under First State Investments Holdings (Singapore) Ltd, First State Investments (Bermuda) Ltd, First State Investment Managers (Asia) Ltd, Colonial First State Group Ltd, The Colonial Mutual Life Assurance Society Ltd, Colonial Holding Co (No. 2) Pty Ltd, Colonial Holding Co Pty Ltd and Colonial Ltd	907,500

*Note: First State Investments (Singapore) holds the 907,500 shares for First State Investments (Hong Kong) Limited. Accordingly, the interest of First State Investments (Singapore) duplicates the interest of First State Investments (Hong Kong) Limited.*

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### **Purchase, Sale or Redemption of Own Securities**

During the six months ended 30th June, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

### **Arrangement to Purchase Shares or Debenture**

Save as disclosed above, at no time during the period 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.

### **Code of Best Practice**

None of the directors of the Company are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **Practice Note 19 of the Listing Rules**

Pursuant to paragraph 3.7.1 of Practice Note 19 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the Company discloses that the covenants relating to the loan facility of HK\$1,950 million (US\$250 million) for a term of five years require (a) CITIC and SES GLOBAL between them to maintain beneficial ownership of more than 75% of the ordinary issued share capital of Bowenvale Limited, which is a substantial shareholder of the Company; and (b) Bowenvale Limited to maintain beneficial ownership of at least 51% of the issued share capital of the Company.

### **Closure of Register of Members**

The Register of shareholders of the Company will be closed from 9th to 16th October, 2003 (both days inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 8th October, 2003. The interim dividend will be paid on or about 18th November, 2003.