

# Corporate Governance Report

## Statement

In the interest of its shareholders, the Company is committed to high standards of corporate governance and is devoted to identifying and formalising best practices. The Company is in compliance with the requirements of local and relevant overseas regulators in this regard.

Throughout the year of 2005, the Group has applied the principles and has complied with the Code on Corporate Governance Practices ("Model Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") with certain deviations as outlined below.

The Directors acknowledge that they are responsible for overseeing the preparation of accounts for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2005, the Directors have:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity to the International Financial Reporting Standards ("IFRSs"); and
- made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

## Code on Corporate Governance Practices

The Group has adopted all the provisions in the Model Code with the following exception:

The Model Code provides that a majority of the members of the Remuneration Committee should be Independent Non-executive Directors ("INEDs"). However, the Remuneration Committee is composed of three members, of whom one is an INED and the other two are Non-executive Directors ("NEDs"). The Committee is chaired by the INED. Having committee members representing the majority shareholders adds value as the representative of CITIC Group ("CITIC") brings in the knowledge of local market pay practices (China in general and Hong Kong more specifically), whereas the SES GLOBAL S.A. ("SES GLOBAL") representative adds the satellite industry specific dimension. It is logical to have a small Remuneration Committee as it allows open, frank and very focused discussions. In order not to lose the input from the main shareholder representatives,

## Code on Corporate Governance Practices (continued)

compliance would require the Committee size of at least 5 which would mean participation of all the independent Board members and involve close to half of all the NEDs.

### DIRECTORS' SECURITIES TRANSACTIONS: IN RESPECT OF MODEL CODE (APPENDIX 10)

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2005.

## The Company

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 CITIC and 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.

## Board of Directors

### DETAILS IN RELATION TO THE BOARD OF DIRECTORS OF ISSUER

#### Attendance of individual Directors at Board meetings in 2005

<b>Number of meetings</b>	<b>4</b>	
	Attendance	Attendance rate
<b>INEDs</b>		
Edward CHEN	3/4	75%
R. Donald FULLERTON	4/4	100%
Robert SZE	3/4	75%
<b>NEDs</b>		
Romain BAUSCH (Chairman)	3/4	75%
MI Zeng Xin (Deputy Chairman)	3/4	75%
Robert BEDNAREK	4/4	100%
Cynthia DICKINS (appointed on 17 November 2005)	1/1	100%
DING Yu Cheng	4/4	100%
JU Wei Min	4/4	100%
KO Fai Wong	4/4	100%
Mark RIGOLLE	3/4	75%
<b>Executive Directors</b>		
Peter JACKSON (Chief Executive Officer)	4/4	100%
William WADE (Deputy Chief Executive Officer)	4/4	100%
<b>Average attendance rate</b>	<b>89.75%</b>	

## Board of Directors (continued)

### DETAILS IN RELATION TO THE BOARD OF DIRECTORS OF ISSUER (CONTINUED)

The Board is currently composed of 13 members: eight appointed by the shareholders of Bowenvale, CITIC and SES GLOBAL as NEDs; three INEDs; 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.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each INED of his independence to the Company. The Company considers all of the INEDs to be independent.

Except for Mr. BEDNAREK and Ms. DICKINS, who are brother-in-law and sister-in-law, there are no family relationships between the Chairman and the Chief Executive Officer nor among members of the Board.

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 per 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 Nomination Committee and the Remuneration Committee, each of which has its own charter covering its authorities and duties. The Chairmen of these committees report regularly to the Board on the matters discussed.

The role of the Chairman and the Chief Executive Officer are segregated and not exercised by the same individual. For the current term (2005-2006), Mr. Romain BAUSCH acts as Chairman and Mr. MI Zeng Xin as Deputy Chairman whilst Peter JACKSON acts as Chief Executive Officer.

The Chairman of the Board is a NED, who is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is delegated with the authority and responsible for running the Group's business, and implementation of the Group's strategy in achieving the overall commercial objectives.

All the Independent Non-executive Directors and Non-executive Directors are not appointed for a specific term but are subject to retirement, rotation and re-election at the Company's Annual General Meeting ("AGM").

## Remuneration of Directors and Senior Management

The Remuneration Committee is established as a committee of the Board. It formulates the remuneration guidelines and policies for the Board's approval, and ensures that the remuneration offered is appropriate and is in line with market practice. It is responsible for considering and reviewing the remuneration packages of the executive directors.

## Remuneration of Directors and Senior Management (continued)

The Remuneration Committee is also responsible for the considering and reviewing the pay and conditions for other employees below the executive director level and emoluments of the INEDs and NEDs prior to approval of award by the Board before the commencement of each financial year.

The Remuneration Committee shall have the sole authority to retain or terminate consultants to assist the Remuneration Committee in the evaluation of director, Chief Executive Officer or senior executive compensation.

The Remuneration Committee shall have the sole authority to determine the terms of engagement and the extent of funding necessary for payment of compensation to any consultant retained to advise the Remuneration Committee.

The Remuneration Committee is composed of three members, of whom one is an INED and the other two are NEDs. The Committee is chaired by the INED. The Committee is scheduled to meet at least once per year. The Committee also holds private sessions without the presence of management.

### Attendance of individual member at Remuneration Committee meetings in 2005

<b>Number of meetings</b>	<b>4</b>	
	Attendance	Attendance rate
R. Donald FULLERTON (Chairman)	4/4	100%
JU Wei Min	4/4	100%
Mark RIGOLLE	4/4	100%
<b>Average attendance rate</b>	<b>100%</b>	

The following is a summary of the work of the Remuneration Committee during 2005:

- (i) commissioned an independent consultant to (a) review the compensation packages for directors and senior executives, (b) review the bonus system that is commensurate with the practice in Hong Kong for a dual listed company and (c) develop a framework for short and long-term incentive arrangements;
- (ii) reviewed the compensation report from the independent consultant;
- (iii) made recommendations to the Board on implementing some of the changes recommended by the independent consultant; and
- (iv) instructed management to implement the changes as approved.

## Remuneration of Directors and Senior Management (continued)

The Group has established a performance based appraisal system. The present remuneration package consists of salaries, housing benefits (applicable to certain grades of employees), performance bonuses, share options (applicable to certain grades of employees) and fringe benefits that are compatible with the market. The basis of determining the emolument payable to the directors is based on market survey of independent consultant's report.

Particulars of the share option scheme are set out in note 15 to the consolidated financial statements.

## Nomination of Directors

### RELATING APPOINTMENT AND REMOVAL OF DIRECTORS

The Nomination Committee is established as a committee of the Board. The Nomination Committee shall (a) identify individuals qualified to become Board members (consistent with criteria approved by the Board); (b) select, or recommend that the Board select, the director nominees for the next annual meeting of shareholders; (c) develop and recommend to the Board a set of corporate governance guidelines applicable to the Company; (d) oversee the evaluation of the Board and management and (e) develop a Chief Executive Officer's succession plan.

### Attendance of individual member at Nomination Committee meetings in 2005

Number of meetings	1	
	Attendance	Attendance rate
Edward CHEN (Chairman)	1/1	100%
Romain BAUSCH	1/1	100%
MI Zeng Xin	1/1	100%
<b>Average attendance rate</b>	<b>100%</b>	

The following is a summary of the work of the Nomination Committee during 2005:

- (i) for Board members that are due for re-election at the AGM in 2006, the Nomination Committee recommended these members' appointment to be approved at the AGM;
- (ii) considered the appointment of Ms. Cynthia DICKINS nominated by SES GLOBAL as director to the Board;
- (iii) reviewed model letter of appointment for Non-executive Directors of the Company;
- (iv) reviewed the succession planning of the Company; and
- (v) oversaw the self assessment of the Board and its Committees.

The Nomination Committee has the sole authority to retain and terminate a search firm to be used to identify director candidates and the authority to retain other professionals to assist it with any background checks, including sole authority to approve the search firm's and such other professionals' fees and retention terms.

## Auditors' Remuneration

Following the resignation of Deloitte Touche Tohmatsu ("DTT"), PricewaterhouseCoopers ("PwC") was appointed in November 2004 as the Group's Auditors. As both DTT and PwC served as Auditors of the Group during 2004, the fees incurred and described below for 2004 were for both Auditors.

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Audit Fees	<b>769</b>	697
Audit-Related Fees	<b>142</b>	9
Tax Fees	<b>89</b>	529
All Other Fees	<b>775</b>	314
	<hr/> <b>1,775</b> <hr/>	<hr/> 1,549 <hr/>

### AUDIT FEES

The aggregate fees incurred by the Group for professional services rendered by the Auditors for the audit or review of the Group's financial statements.

### AUDIT-RELATED FEES

The aggregate fees incurred by the Group for assurance and related services by the Auditors that are reasonably related to the performance of the audit or review of the Group's financial statements and were not otherwise reported under the paragraph entitled "Audit Fees" above.

### TAX FEES

The aggregate fees incurred by the Group for professional services rendered by the Auditors for tax compliance, tax advice and tax planning. The nature of the services includes services rendered in respect of tax in Hong Kong and, for 2004, services rendered by DTT in respect of tax in other tax jurisdictions amounting to HK\$449,000.

### ALL OTHER FEES

The aggregate fees incurred by the Group for products and services provided by the Auditors, other than for services described in the paragraphs above. The nature of the services includes the provision of professional advisory services in relation to the Group's Sarbanes-Oxley Act s.404 internal control assessment project.

## Audit Committee

The primary objective of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (a) the accounting and financial reporting processes of the Company, including the integrity of the financial statements and other financial information provided by the Company to its shareholders, the public, any stock exchange and others, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditors' qualifications and independence, (d) the audit of the Company's financial statements, and (e) the performance of the Company's internal audit function and independent auditors.

The members of the Audit Committee assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the external and internal audits.

The Audit Committee shall (a) have the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors for shareholder approval), (b) approve all audit engagement fees and terms and all non-audit engagements with the independent auditors, and (c) perform such other duties and responsibilities set forth in any applicable independence and regulatory requirements. The Audit Committee may consult with management, including the principal financial officer and the personnel responsible for the internal audit function, but shall not delegate these responsibilities.

## Resources

The Audit Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Audit Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

## Funding

The Audit Committee shall determine the extent of funding necessary for payment of (a) compensation to the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (b) compensation to any independent legal, accounting and other consultants retained to advise the Audit Committee and (c) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

## Composition

The Audit Committee comprises of five members, three of whom are Independent Non-executive Directors who satisfy independent, financial literacy and experience requirements, whilst the other two members are Non-executive Directors and have only observer status with no voting rights. The Committee is chaired by an Independent Non-executive Director, who possesses appropriate professional qualifications and experience in financial matters.

### Attendance of individual member at Audit Committee meetings in 2005

<b>Number of meetings</b>	<b>4</b>	
	Attendance	Attendance rate
Robert SZE (Chairman)	4/4	100%
Edward CHEN	4/4	100%
R. Donald FULLERTON	4/4	100%
JU Wei Min	4/4	100%
Mark RIGOLLE	4/4	100%
<b>Average attendance rate</b>	<b>100%</b>	

The following is a summary of the work of the Audit Committee during 2005:

- (i) reviewed the financial reports for the year ended 31 December 2004 and for the six months ended 30 June 2005;
- (ii) reviewed the effectiveness of the internal control system in conjunction with management and the external auditors;
- (iii) reviewed the external auditors' statutory audit plan and the Letters of Representation;
- (iv) considered and approved the 2005 audit fees;
- (v) considered and approved of the non-audit services fees for the Group;
- (vi) reviewed the revised Audit Committee charter to conform to the Corporate Governance Code;
- (vii) reviewed the "Continuing Connected Transactions" set forth on pages 44 to 45 prior to the review and confirmation by the Board; and
- (viii) reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2005 in conjunction with the Company's external auditors.

## 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 Section 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 in the website.

The interim report and annual report contain a full financial review and an operations review together with sections on corporate governance and a management discussion and analysis.

The AGM is the principal forum for direct dialogue with shareholders at which shareholders are invited to ask questions on the Company's operations or financial information.

At the AGM, shareholders can vote on each proposed resolution by a show of hands (unless otherwise required by the Listing Rules). All issues to be considered by shareholders will be proposed at the general meeting as separate resolutions. There are provisions in the articles of association where the Chairman of the meeting, or at least three members present in person or by proxy being entitled to vote at the meeting, or any member or members present in person or by proxy being and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting, or a member or members present in person or by proxy holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right, may demand for a poll.

Independent scrutineers are appointed to count the number of votes cast at a general meeting whether on a show of hand or on a poll.

## 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.

The Company has a Code of Business Conduct and Ethics available on its website, [www.asiasat.com](http://www.asiasat.com).