

The Group's financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP"), which differ in certain significant respects from those in the United States ("US GAAP"). The significant differences relate principally to the following items and the adjustments considered necessary to restate profit attributable to shareholders (net income) and shareholders' funds (shareholders' equity) in accordance with US GAAP are shown in the tables set out below.

1. Capitalisation of interest

Under HK GAAP, interest on bank loans, including the related costs of raising the loans, taken out to finance construction of satellites is capitalised during the period of construction. Under US GAAP, the interest capitalised is computed by applying an average borrowing rate to the total amount of qualifying assets under construction, not to exceed total interest costs incurred.

2. Proposed final dividend

Under HK GAAP, a dividend proposed after the end of the accounting period in respect of that accounting period is deducted in arriving at retained earnings at the end of the period. US GAAP does not recognise a proposed dividend as a reduction of retained earnings if it is declared after the year end.

SUPPLEMENTARY INFORMATION FOR ADR HOLDERS

The following table summarises the effect on profit attributable to shareholders (net income) of differences between HK GAAP and US GAAP:

	Note	Year ended 31st December		
		2000 US\$	2000 HK\$	1999 HK\$
(in million, except per share)				
Profit attributable to shareholders (net income) as reported under HK GAAP		73.9	576.3	353.6
US GAAP material adjustments:				
Capitalisation of interest, net of amortisation of interest capitalised		(1.1)	(8.9)	16.1
Tax effect of reconciling items		0.1	0.7	(1.3)
Profit attributable to shareholders (net income) under US GAAP		72.9	568.1	368.4
Basic earnings per share under US GAAP		0.19	1.46	0.94
Diluted earnings per share under US GAAP		0.19	1.46	0.94
Basic earnings per American Depositary Share ("ADS") under US GAAP	1	1.87	14.56	9.44
Diluted earnings per ADS under US GAAP	1	1.86	14.52	9.44
Shares used in computation of earnings per share (in thousands):				
Basic		390,241	390,241	390,003
Diluted		391,155	391,155	390,209

SUPPLEMENTARY INFORMATION FOR ADR HOLDERS

The following table summarises the effect on shareholders' funds (shareholders' equity) of the differences between HK GAAP and US GAAP:

	At 31st December		
	2000 US\$	2000 HK\$	1999 HK\$
	(in million)		
Shareholders' funds (shareholders' equity) as reported under HK GAAP	298.8	2,330.5	1,829.0
US GAAP material adjustments:			
Capitalisation of interest, net of amortisation of interest capitalised	12.0	93.9	102.9
Tax effect of reconciling items	(1.4)	(11.3)	(12.0)
Proposed final dividend	7.0	54.6	54.6
Shareholders' funds (shareholders' equity) under US GAAP	316.4	2,467.7	1,974.5

Notes:

1. One ADS is equivalent to 10 shares.
2. The translations of HK\$ amounts into US\$ are for convenience only and have been made at a rate of HK\$7.8 to US\$1, the approximate rate of exchange at 31st December, 2000. Such translations should not be construed as representations that the HK\$ amounts could be converted into US\$ at that or any other rate.