

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN HONG KONG AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements are prepared in accordance with Hong Kong Generally Accepted Accounting Principles ("HK GAAP"), which differ in certain significant respects from United States Generally Accepted Accounting Principles ("US GAAP"). Differences which have a significant effect on the consolidated net income and shareholders' equity are set out below.

(a) Recognition of revenue

Certain of the Group's transponder lease agreements for transponder capacity contain pre-determined escalations over the terms of the agreements. The Group recognises revenue on an accrual basis under the contract terms. Under US GAAP, revenue in the consolidated financial statements prepared under HKGAAP under these agreements is recognised on a straight-line basis over the terms of the agreements.

(b) Investment properties

Under HK GAAP, investment properties are stated at valuation and are not depreciated. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Under US GAAP, such investment properties would be stated at cost and depreciated over the lease terms.

(c) Deferred taxation

Under HK GAAP, deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Under US GAAP, the tax effects of both taxable and deductible temporary differences are recognised as deferred tax liabilities and assets, respectively. A valuation allowance is recorded to the extent it is considered more likely than not that the deferred tax assets will not be realised.

(d) 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 accumulated profits at the end of the period. US GAAP does not recognise a proposed dividend as a reduction of accumulated profits if declared after the year end.

The effect on net income of significant differences between HK GAAP and US GAAP are as follows:

	2000	1999
	HK\$'000	HK\$'000
Net income as reported in the consolidated financial statements prepared under HK GAAP	142,996	374,539
Adjustments:		
Recognition of revenue	(3,635)	(17,138)
Investment properties	–	(49)
Tax effect of reconciling items	582	2,881
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Approximate net income as reported under US GAAP	<u>139,943</u>	<u>360,233</u>
Earnings per share under US GAAP	<u>33.52 cents</u>	<u>85.77 cents</u>

The effect on shareholders' equity of significant differences between HK GAAP and US GAAP is as follows:

	2000	1999
	HK\$'000	HK\$'000
Shareholders' equity as reported under HK GAAP	2,386,820	2,358,798
Adjustments:		
Recognition of revenue	5,173	8,808
Investment properties	447	447
Tax effect of reconciling items	(827)	(1,409)
Final dividend declared subsequent to the balance sheet date	61,920	147,000
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Shareholders' equity as reported under US GAAP	<u>2,453,533</u>	<u>2,513,644</u>