

## SUPPLEMENTARY INFORMATION FOR ADR HOLDERS

The Group's interim 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 item 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.

### **CAPITALISATION OF INTEREST**

Under HK GAAP, interest on bank loans, including the related costs of raising the loans, taken out to finance the 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.

### **PROVISION FOR MAINTENANCE COST OF TRANSPONDERS SOLD**

Prior to 2001, under HK GAAP, the estimated future costs of maintaining the transponders sold under transponder purchase agreements, after the 50 months warranty period provided to the customers, were accrued on a straight line basis over the warranty period and were to be released to the income statement on a straight line basis over a period of 104 months. In 2001, the Group has changed its accounting policy, following the implementation of SSAP 28 "*Provisions, Contingent Liabilities and Contingent Assets*" issued by the Hong Kong Society of Accountants in that provisions are recognised when there is a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of provision for maintenance cost of transponders sold for the HK GAAP.

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	Six months ended 30th June		2000 HK\$
		2001 US\$	2001 HK\$	
(unaudited - in millions, except per share)				
Profit attributable to shareholders (net income) as reported under HK GAAP		<b>35.1</b>	<b>274.0</b>	286.0
US GAAP material adjustments:				
Capitalisation of interest, net of amortisation of interest capitalised		<b>(0.6)</b>	<b>(4.9)</b>	(5.0)
Recognition of deferred revenue on transponder sold		<b>0.6</b>	<b>4.7</b>	—
Tax effect of reconciling items		<b>—</b>	<b>—</b>	0.4
Profit attributable to shareholders (net income) under US GAAP		<b>35.1</b>	<b>273.8</b>	281.4
Basic earnings per share under US GAAP		<b>0.09</b>	<b>0.70</b>	0.72
Diluted earnings per share under US GAAP		<b>N/A</b>	<b>N/A</b>	0.72
Basic earnings per American Depositary Share ("ADS") under US GAAP	1	<b>0.90</b>	<b>7.02</b>	7.21
Diluted earnings per ADS under US GAAP	1	<b>N/A</b>	<b>N/A</b>	7.19
Shares used in computation of earnings per share (in thousands):				
Basic		<b>390,266</b>	<b>390,266</b>	390,218
Diluted		<b>N/A</b>	<b>N/A</b>	391,504

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

	<b>30.6.2001</b>	<b>30.6.2001</b>	31.12.2000
	<b>US\$</b>	<b>HK\$</b>	HK\$
	(unaudited)	(unaudited)	(audited and restated)
		(in millions)	
Shareholders' funds (shareholders' equity) as reported under HK GAAP	<b>342.9</b>	<b>2,675.1</b>	2,385.1
US GAAP material adjustments:			
Capitalisation of interest, net of amortisation of interest capitalised	<b>11.4</b>	<b>89.0</b>	93.9
Provision for maintenance cost/deferred revenue of transponders sold	<b>(9.2)</b>	<b>(71.9)</b>	—
Tax effect of reconciling items	<b>(0.7)</b>	<b>(5.1)</b>	(11.3)
Shareholders' funds (shareholders' equity) under US GAAP	<b>344.4</b>	<b>2,687.1</b>	2,467.7

Notes:

1. One ADS is equivalent to 10 shares.
2. The translation of Hong Kong Dollar amounts into U.S. Dollars are for convenience only and have been made at a rate of HK\$7.8 to US\$1, the approximate rate of exchange at 30th June, 2001. Such translations should not be construed as representations that the Hong Kong Dollar amounts could be converted into U.S. Dollars at that or any other rate.

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