

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2001

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants (the "HKSA"), except that, in this first year of implementation of SSAP 25, as permitted by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), no comparative amounts have been presented for the condensed consolidated cash flow statement.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the HKSA. The adoption of these new or revised SSAPs has no material effect on the current or prior period financial statements except:

- In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. Proposed final dividend of HK\$61,920,000 included in the dividend payable in the consolidated balance sheet of the Group as at 31 December 2000 has been reversed and the restated accumulated profits carried forward from 31 December 2000 is HK\$612,467,000.
- SSAP 26 "Segment Reporting" has introduced new principles for reporting financial information by segment. Segment disclosures for the six months ended 30 June 2000 have been presented in order to conform with the requirement of the standard.
- SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" has introduced a new definition of subsidiary, which is an enterprise that is controlled by the Company. In prior year, an investment in an enterprise has been accounted for as subsidiary not consolidated as the Company indirectly holds more than half of the issued share capital but does not control the composition of the board of directors. As this enterprise is jointly controlled by the Company and the other shareholder, it is no longer a subsidiary under SSAP 32. This has resulted in a reclassification of the investment from a subsidiary not consolidated to a jointly controlled entity. Comparative amounts have been adjusted retrospectively.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 3. SEGMENTAL INFORMATION

The Group only has one business segment, namely the maintenance and operation of satellite telecommunication systems.

The Group's geographical segment analysis of turnover by location of customers is as follows:

	For the six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Hong Kong	18,016	8,048
Other regions in the People's Republic of China	137,064	128,899
United states of America	10,521	11,387
Singapore	9,750	–
Others	12,480	14,761
	<b>187,831</b>	<b>163,095</b>

A segment analysis of result by location of customers has not been presented as substantially all costs are central in nature and do not directly relate to provision of services to individual location.

### 4. DEPRECIATION

During the period, depreciation of HK\$108,460,000 (2000: HK\$108,226,000) was charged in respect of the Group's property, plant and equipment.

### 5. TAXATION

	For the six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	2,934	1,798
Overseas tax calculated at rates prevailing in respective jurisdictions	12,833	11,862
Deferred taxation	1,146	1,232
	<b>16,913</b>	<b>14,892</b>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**6. DIVIDENDS**

On 22 June, 2001, a dividend of HK15 cents per share was paid to shareholders as the final dividend for 2000.

In line with the need of Group's future development, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2001 (2000: HK5 cents per share).

**7. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>For the six months ended 30 June</b>	
	<b>2001 HK\$'000</b>	2000 HK\$'000
<i>Earnings</i>		
Earnings for the purposes of calculating basic and diluted earnings per share (net profit for the period)	<b>52,882</b>	29,597
	<b>'000</b>	'000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	<b>412,800</b>	420,000
Effect of dilutive share options	<b>282</b>	
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<b>413,082</b>	

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)****8. ADDITIONS TO INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group reclassified a property situated in the PRC from leasehold land and buildings to investment property at a carrying value of HK\$2,425,000.

In addition, the Group spent HK\$88,632,000 on additions to property, plant and equipment during the period.

**9. TRADE RECEIVABLES**

The Group allows an average credit period of 0 – 10 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30.6.2001</b>	31.12.2000
	<b>HK\$'000</b>	HK\$'000
Not yet due	–	1,707
Overdue 0 – 30 days	<b>35,731</b>	37,370
Overdue 31 – 60 days	<b>2,465</b>	6,327
Overdue 61 – 90 days	<b>12,336</b>	747
Overdue 91 – 120 days	<b>142</b>	9,534
Overdue more than 120 days	<b>4,993</b>	4,243
	<b>55,667</b>	59,928

**10. LOANS TO A JOINTLY CONTROLLED ENTITY**

The loans granted to a jointly controlled entity are unsecured. An outstanding loan balance of HK\$1,240,000 is interest-free for the first six months from the date of the advance and thereafter bears interest at 6% per annum and is repayable in 2005. Another loan amounting to HK\$6,200,000 is interest free and is also repayable in 2005. Other loan amounting to HK\$46,500,000 bear interest at 8.25% per annum and is repayable in 2001.

**11. BANK BORROWINGS**

During the period, the Group repaid bank loans of approximately HK\$147 million.

**12. SHARE CAPITAL**

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 13. CONTINGENT LIABILITIES

In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder lease income derived from the overseas lessees. From 1999, overseas withholding tax has been charged on certain transponder lease income of the Group and full provision for such withholding tax for the years from 1999 has been made in the financial statements. The Directors of the Company are discussing with the relevant tax authority on whether the transponder lease income of the Group earned before 1999 is subject to the new withholding tax rule. The Directors of the Company are of the opinion that the new tax rules should take effect from 1999 and, accordingly, no provision for the withholding tax in respect of the years before 1999 is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant transponder lease income earned in those years, not provided for in the financial statements amounted to approximately HK\$65,198,000.

### 14. CAPITAL COMMITMENTS

At 30 June 2001, the Group had authorized but not contracted capital commitments of HK\$306,829,000 and contracted but not provided for capital commitments of HK\$1,388,549,000 in respect of the procurement and launch of a new satellite APSTAR V.

Also, the Group's share of the capital commitments of the jointly controlled entities not included in the above are as follows:

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Authorised but not contracted	103,582	6,274
Contracted but not provided for in the financial statements	22,983	21,157
<b>Total commitments</b>	<b>126,565</b>	<b>27,431</b>

### 15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties in relation to the APSTAR V project:

	For the six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Services fee to a shareholder of the Company (Note i)	1,560	-
Services fee to a fellow subsidiary of a shareholder of the Company (Note i)	46,722	-

Note:

- (i) The directors consider that the services fees were charged according to prices and conditions similar to those offered to other customers by the launch services provider.