

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 under these agreements is recognised on a straight line basis over the relevant lease term.

(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) Share options

Under HK GAAP, no compensation expense is recognised.

Under US GAAP, in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issue to Employees", compensation expense is recognised to the extent that the fair value of the equity instrument exceeds the exercise price of the option granted at a defined measurement date, which is generally the grant date unless certain conditions apply. Under Statement of Financial Accounting Standard No. 123 "Accounting for Stock-Based Compensation", an entity may alternatively compute compensation expense based on the fair value of the options granted.

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

	2001 HK\$'000	2000 HK\$'000
Net income as reported in the consolidated financial statements prepared under HK GAAP	78,009	142,996
Adjustments:		
Recognition of revenue	(1,476)	(3,635)
Investment property	(66)	–
Tax effect of reconciling items	236	582
Compensation expense of share options granted	(4,074)	–
Approximate net income as reported under US GAAP	72,629	139,943
Earnings per share under US GAAP		
– basic	HK17.60 cents	HK33.52 cents
– diluted	HK17.55 cents	N/A

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

	2001 HK\$'000	2000 HK\$'000 (Restated)
Shareholders' equity as reported under HK GAAP	2,464,637	2,448,740
Adjustments:		
Recognition of revenue	3,697	5,173
Investment property	381	447
Tax effect of reconciling items	(591)	(827)
Shareholders' equity as reported under US GAAP	2,468,124	2,453,533