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) Revenue recognition

Certain of the Group's transponder lease agreements for transponder capacity contain pre-determined escalations over the terms of the agreements. In previous years, revenue was recognised on an accrual basis under the contract terms. For US GAAP, revenue 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" ("APB 25"), compensation expense is recognised for options granted to employees 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 ("SFAS") No. 123, "Accounting for Stock-Based Compensation", an entity may alternatively compute compensation expense based on the fair value of the options granted. The Company has adopted APB 25 for purposes of accounting for stock option issued to employees.

(e) Goodwill

HK GAAP requires goodwill arising from an acquisition to be capitalised and amortised over its estimated useful life. Negative goodwill is presented as a deduction from positive goodwill and is released to income based on an analysis of the circumstances from which the balance of negative goodwill resulted. At each balance sheet date, the recoverable amount of goodwill must be estimated and any impairment loss should be taken to the income statement.

Under US GAAP effective 1 January 2002, SFAS No. 142, "Goodwill and Other Intangible Assets", requires that goodwill and other indefinite life assets acquired in a business combination no longer be amortised, instead, these assets must be tested for impairment at least annually. The excess fair value of net assets acquired over the purchase price shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except financial assets other than investments accounted for by the equity method, assets to be disposed of by sale, deferred tax assets, prepaid assets relating to pension or other postretirement benefit plans, and any other current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognised as an extraordinary gain. The extraordinary gain shall be recognised in the period in which the business combination is completed unless the acquisition involves contingent consideration that, if paid or issued, would be recognised as an additional element of cost of the acquired entity.

(f) Impairment of long-lived assets

HK GAAP requires that an enterprise assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the asset. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A reversal of previous impairment provisions is allowed to the extent of the loss previously recognised as expense in the income statement.

Under US GAAP, in according to the SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", long-lived assets (except goodwill and other indefinite life assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognised if the expected future cash flows (undiscounted) are less than the carrying amount of the assets. The impairment loss is measured based on the fair value of the asset (less disposal cost if to be disposed of). Subsequently reversal of the loss is prohibited.

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

	2002 HK$'000	2001 HK$'000
Net income as reported in the consolidated financial statements prepared under HK GAAP	**24,435**	78,009
Adjustments:		
Recognition of revenue	**(3,697)**	(1,476)
Investment property	**(13)**	(66)
Tax effect of reconciling items	**591**	236
Compensation expense of share options granted	**(7,553)**	(4,074)
Approximate net income as reported under US GAAP	**13,763**	72,629

Under US GAAP effective from 1 January 2002, goodwill is no longer be amortised but is subject to annual impairment review. Hence, amortisation of goodwill of approximately HK$660,000 which has been provided under HK GAAP during 2002 was reversed under US GAAP. However, as a result of the Group's impairment assessment, a provision was recorded to reduce goodwill to its estimated fair value for both HK GAAP and US GAAP. The impairment provision recorded under US GAAP was HK$660,000 higher than that recorded under HK GAAP.

Earnings per share under US GAAP – basic	**3.34 HK cents**	17.60 HK cents
– diluted	**3.34 HK cents**	17.55 HK cents

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

	2002 HK$'000	2001 HK$'000
Shareholders' equity as reported under HK GAAP	**2,468,311**	2,464,637
Adjustments:		
Recognition of revenue	**–**	3,697
Investment property	**368**	381
Tax effect of reconciling items	**–**	(591)
Shareholders' equity as reported under US GAAP	**2,468,679**	2,468,124