

The financial statements as set out on pages 19 to 34 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"), as follows:

Capitalisation of Interests and Other Borrowing Costs

Under HK GAAP, interest on bank loans and the related costs of obtaining the loans (including costs incurred in connection with loan facilities) taken out to finance construction of satellites is capitalised during the period of construction. Under US GAAP, the interest capitalised is computed by applying an average borrowing rate of outstanding debt to the total amount of qualifying assets under construction, not to exceed total interest costs incurred.

In addition, under US GAAP, certain related borrowing cost payable to lenders is excluded from the amounts capitalised.

Goodwill

Under HK GAAP, goodwill is amortised on a systematic basis over its useful life. Under US GAAP, effective 1st January, 2002, goodwill is: (i) no longer amortised; (ii) assigned to a reporting unit; and (iii) tested for impairment at least annually using fair value.

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:

		Six months ended 30th June (unaudited - in millions, except per share)		
Note	2004 US\$	2004 HK\$	2003 HK\$	
Profit attributable to shareholders (net income) as reported under HK GAAP	32.5	253.6	240.1	
US GAAP material adjustments:				
Capitalisation of interest and other borrowing costs, including effects of its amortisation	(0.5)	(4.0)	(7.7)	
Amortisation of goodwill	—	0.1	3.3	
Tax effect of reconciling items	—	0.3	(0.2)	
Profit attributable to shareholders (net income) under US GAAP	32.0	250.0	235.5	
Basic and diluted earnings per share under US GAAP	0.08	0.64	0.60	
Basic and diluted earnings per American Depositary Share (“ADS”) under US GAAP	1 0.82	6.41	6.03	
Shares used in computation of basic and diluted earnings per share (in thousands)	390,266	390,266	390,266	

Supplementary Information for ADR Holders

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

	30.6.2004	30.6.2004	31.12.2003
	US\$	HK\$	HK\$
	(in millions)	(in millions)	(in millions)
	(unaudited)	(unaudited)	(audited)
Shareholders' equity as reported under HK GAAP	478.0	3,728.2	3,568.3
US GAAP material adjustments:			
Capitalisation of interest and other borrowing costs, including effects of its amortisation	7.0	54.5	58.5
Amortisation of goodwill	—	0.1	—
Tax effect of reconciling items	(1.1)	(8.9)	(9.2)
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Shareholders' equity under US GAAP	483.9	3,773.9	3,617.6
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Notes:

1. One ADS is equivalent to 10 ordinary shares.
2. The translation of HK\$ amounts into US\$ 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, 2004. Such translations should not be construed as representations that the HK\$ amounts could be converted into US\$ at that or any other rate.