

Supplementary Information

for ADR Holders

The Group's 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 relating principally to the following items and the adjustments considered necessary to restate profit for the year (net income) and shareholders' funds (shareholders' equity) in accordance with US GAAP are shown in the tables set out below.

The following table summarises the effect on profit (net income) of differences between HK GAAP and US GAAP for the period:

	Six months ended 30 June (unaudited)		
	2005 US\$'000 (Note 1)	2005 HK\$'000	2004 HK\$'000
Profit for the period (net income) as reported under HK GAAP	23,749	185,240	253,619
US GAAP adjustments:			
Amortisation of interest and borrowing costs (a)	(517)	(4,036)	(4,036)
Amortisation of goodwill (b)	—	—	55
Tax effect on reconciling items (c)	45	354	354
Profit for the period (net income) under US GAAP	23,277	181,558	249,992
Basic and diluted earnings per share under US GAAP	US\$0.06	HK\$0.47	HK\$0.64
Basic and diluted earnings per American Depositary Share ("ADS") under US GAAP (Note 2)	US\$0.60	HK\$4.65	HK\$6.41
Shares used in computation of basic earnings per share (in thousands)	390,266	390,266	390,266
Shares used in computation of diluted earnings per share (in thousands)	390,319	390,319	390,266

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

	30 June 2005	30 June 2005	31 December 2004
	US\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
	(Note 1)		
Shareholders' equity			
as reported under HK GAAP	506,983	3,954,465	3,874,597
US GAAP adjustments:			
Capitalisation of interest and borrowing costs (a)	15,767	122,980	122,980
Amortisation of interest and borrowing costs (a)	(9,818)	(76,581)	(72,545)
Amortisation of goodwill (b)	1,452	11,325	11,325
Impairment loss of goodwill (b)	(1,424)	(11,104)	(11,104)
Tax effect of reconciling items (c)	(1,049)	(8,183)	(8,537)
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Shareholders' equity under US GAAP	511,911	3,992,902	3,916,716
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(a) Capitalisation of interest and borrowing costs

Under HK GAAP, interest on bank loans and 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 cost incurred during the period of construction that could have been avoided if the construction of satellites had not been made, is capitalised. 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 costs payable to lenders are excluded from the amounts capitalised.

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(b) Amortisation and impairment loss of goodwill

Under HK GAAP, HKFRS 3 requires all business combinations for which the agreement date is on or after 1 January 2005 to be accounted for using the purchase method. Goodwill acquired in a business combination will no longer be amortised but will be subject to impairment tests at least annually in accordance with HKAS 36. Upon the adoption of HKFRS 3, the net carrying amount of goodwill carried on the balance sheet is frozen and will be tested for impairment. Goodwill previously taken directly to reserves will no longer be subject to impairment testing and will not be recognised in the income statement when all or part of the business to which the goodwill relates is disposed of. Accordingly, goodwill previously taken directly to reserves will not impact the income statement in the future upon the adoption of HKAS 36.

Under US GAAP, effective from 1 January 2002, goodwill is: (i) no longer amortised, (ii) assigned to a reporting unit and (iii) tested for impairment at least annually. Prior to 1 January 2002, goodwill was amortised over its estimated useful life, not to exceed 40 years under US GAAP.

(c) The amounts included in the reconciliation show the income tax effects of the differences between HK GAAP and US GAAP as described above.

Notes:

1. The translations of Hong Kong dollar amounts into United States 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 30 June 2005. Such translations should not be construed as representations that the Hong Kong dollar amounts could be converted into United States dollars at that or any other rate.
2. One ADS is equivalent to 10 ordinary shares.