

Supplementary Financial Information

The Group has prepared a separate set of accounts for the year ended 31st December, 2003 in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

Differences between HK GAAP and US GAAP give rise to differences in the reported balances of assets, liabilities and profit attributable to shareholders of the Group. The financial effects of the material differences between HK GAAP and US GAAP are summarised and explained as follows:

	Note	2003 RMB'000	2002 RMB'000
Profit attributable to shareholders reported under HK GAAP		936,447	650,847
Stock-based compensation	(a)	(173,213)	(10,329)
Capitalisation of borrowing costs	(b)	—	(1,311)
Write-off of development costs	(c)	(35,835)	(70,382)
Non-amortisation of goodwill	(d)	47,553	49,007
Others		5,890	(7,367)

Profit attributable to shareholders reported under US GAAP		780,842	610,465
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		2003 RMB'000	2002 RMB'000
Net assets reported under HK GAAP		6,891,652	6,028,255
Capitalisation of borrowing costs	(b)	11,803	11,803
Write-off of development costs	(c)	(106,217)	(70,382)
Non-amortisation of goodwill	(d)	96,560	49,007
Others		(7,491)	(13,381)

Net assets reported under US GAAP		6,886,307	6,005,302
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- (a) On 18th December, 2002, Huachen, the then single largest shareholder of the Company, granted call options to certain directors of the Company entitling them to purchase from Huachen a total of 346,305,630 ordinary shares of the Company at an exercise price of HK\$0.95 per share, while the market price at the same date was HK\$1.45 per share.

US GAAP requires that discounts granted to employees under a compensatory share option scheme be recognised as compensation and charged to expense over the periods expected to be benefited, to the extent that the fair value of the equity instrument exceeds the exercise price of the option on the date of

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grant. Consequently, a portion of the compensation expense amounting to approximately RMB173.2 million (2002: RMB10.3 million) associated with the call options was charged to the consolidated profit and loss account for the year ended 31st December, 2003 under US GAAP.

Under HK GAAP, there is no specific accounting standard to account for the compensation element in these call options.

- (b) Under HK GAAP, the amount of borrowing costs eligible for capitalisation includes the actual borrowing costs incurred on that borrowing less any investment income earned on the temporary investment of funds pending their expenditure on the qualified assets. Under US GAAP, temporary investment income earned is ignored. As a result, the amount of the net interest capitalised under HK GAAP is lower than that under US GAAP. In subsequent years, the annual depreciation for the net interest capitalised under HK GAAP is lower than that under US GAAP.
- (c) Under HK GAAP, costs incurred on development projects relating to the design and testing of new or improved projects are recognised as an intangible asset if certain criteria could be fulfilled. Under US GAAP, such development costs should be expensed as incurred.
- (d) Under HK GAAP, goodwill is amortised on a straight-line method over the shorter of the expected future economic life of 20 years or the remaining lives of the respective joint ventures from their initial recognition. Under US GAAP, the Group adopted SFAS No. 142 since 1st January, 2002 and goodwill has not been amortised but rather is tested annually for impairment. The Group has tested the goodwill for impairment on 31st December, 2003 noting no impairment.