

INFORMATION FOR U.S. INVESTORS

The Group's financial statements are prepared in accordance with generally accepted accounting principles applicable in Hong Kong (HKGAAP), which differ in certain significant respects from accounting principles generally accepted in the United States (USGAAP). Differences between HKGAAP and USGAAP which have significant effects on the profit attributable to shareholders (net income) and shareholders' funds (shareholders' equity) of the Group are summarised as follows:

Year ended 31st August

		2003	2002	2001
	Note	HK\$'000	HK\$'000	HK\$'000
Profit attributable to shareholders (net income)				
As stated under HKGAAP		257,822	91,129	53,927
USGAAP adjustments:				
Compensation benefit cost associated with share options	(a)	2,731	(21,586)	(184)
Amortisation of goodwill (acquired prior to 30th June 2001)	(b)	–	(1,019)	(1,019)
Reversal of amortisation of goodwill (acquired after 30th June 2001)	(b)	1,065	1,065	–
Deferred tax on accelerated depreciation	(c)	(79)	(624)	1,242
Profit attributable to shareholders (net income) under USGAAP		261,539	68,965	53,966
Profit from continuing operations (less taxation 2003: HK\$17,778,000, 2002: HK\$14,562,000, 2001: HK\$18,770,000)		264,151	69,317	65,389
Profit/(loss) from discontinued operations (less taxation 2003: HK\$ Nil, 2002: HK\$4,000, 2001: HK\$5,000)	(d)	83	(352)	(11,423)
Loss arising from disposal of discontinued operations	(d)	(2,695)	–	–
Profit attributable to shareholders (net income) under USGAAP		261,539	68,965	53,966
Earnings/(loss) per share under USGAAP				
Basic:				
Continuing operations		HK\$47.8 cents	HK\$14.0 cents	HK\$13.3 cents
Discontinued operations	(d)	HK\$(0.5) cents	HK\$(0.1) cents	HK\$(2.3) cents
Total		HK\$47.3 cents	HK\$13.9 cents	HK\$11.0 cents
Diluted:				
Continuing operations		HK\$42.9 cents	HK\$12.3 cents	HK\$13.2 cents
Discontinued operations	(d)	HK\$(0.4) cents	HK\$(0.1) cents	HK\$(2.3) cents
Total		HK\$42.5 cents	HK\$12.2 cents	HK\$10.9 cents

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		31st August	
		2003	2002
		HK\$'000	HK\$'000
		Note	
Shareholders' funds (shareholders' equity)			
As stated under HKGAAP		1,184,449	910,183
USGAAP adjustments:			
Goodwill	(b)	5,092	5,092
Accumulated amortisation of goodwill	(b)	(3,735)	(3,735)
Reversal of amortisation of goodwill	(b)	2,130	1,065
Deferred tax liabilities, net	(c)	(5,274)	(5,195)
Shareholders' funds (shareholders' equity) under USGAAP		1,182,662	907,410

(a) Compensation cost for share options

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations have been applied in the computation of the compensation cost for the outstanding share options granted to the Group's employees.

Under HKGAAP, no compensation cost to staff is required to be recognised in respect of the grant of share options. Proceeds from issue of shares upon the exercise of share options are credited to share capital and share premium account respectively and there is no effect on the results of the Company in connection with any share option schemes.

On 19th September 1997, the Company issued 1,500,000 options to certain executive directors of the Group at an exercise price fixed at HK\$1.20 on 19th September 1997. The difference of HK\$0.30 per share between the exercise price of HK\$1.20 and the market value of the shares on 19th September 1997 of HK\$1.50 was being amortised to the statements of income over the vesting period of the options of three years up to 18th September 2000. Pursuant to a board resolution passed on 20th October 2000, the options were cancelled and on the same date, 1,500,000 options were issued to the same executive directors at an exercise price fixed at HK\$0.58 per share. Due to this repricing arrangement, under USGAAP the 1,500,000 options have been accounted for as variable options since that date in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation", an interpretation of APB 25. Compensation expense is recognised based on the difference between the exercise price of HK\$0.58 and the Company's share price at the date on which they are exercised or at each balance sheet date if they are still outstanding.

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(a) Compensation cost for share options *(Cont'd)*

Pursuant to a board resolution passed on 20th October 2000, 20,908,000 options out of 21,030,000 options granted to certain employees including three executive directors on 2nd June 2000 at an exercise price of HK\$1.50 were cancelled. On the same date, 20,908,000 new options were issued to the same employees including the three executive directors at an exercise price fixed at HK\$0.58. Because of this repricing arrangement, these options have been accounted for as variable options and compensation expense is recognised based on the difference between the exercise price of HK\$0.58 and the Company's share price at the date on which they are exercised or recalculated at each balance sheet date if they are still outstanding and amortised to the profit and loss account over the vesting period of the options. All options were fully vested as of 31st August 2002 and 2003. A benefit was recorded in 2003 in calculating the final cost amount associated with options that were exercised during the year.

(b) Goodwill

Prior to 1st September 2001, under HKGAAP the Group charged goodwill on acquisition of a business, which represents the excess of the cost of investment over the fair value ascribed to the net underlying assets acquired, against available reserves. In accordance with the change in accounting standards on HKGAAP, goodwill on acquisitions occurring on or after 1st September 2001 is shown separately on the consolidated balance sheet and is amortised using the straight-line method over its estimated useful life (see Note 1(c) of the notes to the accounts). Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a period of five years. The Group has taken advantage of the transitional provisions of SSAP 30 'Business Combinations' and goodwill previously written off against reserves has not been restated. Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount with the charge being recorded in the Group's profit and loss accounts.

Under USGAAP, goodwill recorded on the acquisition of a business prior to 30th June 2001 was capitalised and amortised to the profit and loss account over its expected useful life of five years. In June 2001, FASB issued the Statement of Financial Accounting Standard ("SFAS") No. 142 "Goodwill and Other Intangible Assets" effective for fiscal years beginning after 15th December 2001. In connection with the adoption of this standard, in fiscal 2003 under USGAAP, the Group ceased amortizing goodwill recognised on business combinations initiated prior to 30th June 2001 and performed a transitional goodwill impairment assessment. Goodwill recognised on business combinations initiated after 30th June 2001, is not amortised under SFAS No. 142 in fiscal 2002 and is required to be tested annually for impairment in accordance with the provisions of SFAS No.142. The Group has performed the transitional goodwill impairment tests on the goodwill recorded prior to and after 30th June 2001 and no impairment loss was identified. The Group has also performed the impairment tests on the goodwill recorded prior to and after 30th June 2001 at the fiscal year end and no impairment loss was identified from the process for fiscal 2003.

(c) Deferred taxes

Under HKGAAP, deferred taxation is accounted for at the current taxation rate with respect to timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future. In determining whether a liability is expected to be payable in the foreseeable future the Group assesses the effect of its capital expenditures and other plans. If these plans indicate that sufficient accelerated tax allowances will be available to offset the effect of the reversal of timing differences, a deferred tax liability is not established for such timing differences, in accordance with the requirements of HKGAAP.

Under USGAAP, the Group is required to recognise deferred tax assets and liabilities for the expected future tax consequences of all events that have been included in the accounts or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits in respect of tax losses carry forward are also required to be recognised in full. A valuation allowance is required to be established for such assets if it is more likely than not that the Group will not be able to utilise such benefits in the future.

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(c) Deferred taxes *(Cont'd)*

As of 31st August 2003, the Company had accumulated tax losses amounting to HK\$598,583,000 (2002: HK\$754,899,000) may be carried forward and applied to reduce future taxable income which is carried in or derived from Hong Kong, Canada and the United States. The tax effect on the accumulated tax losses amounted to HK\$105,822,000 (2002: HK\$127,522,000).

The tax losses of the Hong Kong subsidiaries can be carried forward indefinitely while the tax losses of subsidiaries in the Mainland China and overseas expire within periods ranging from 5 to 20 years. Realisation of deferred tax assets associated with tax loss carry forwards is dependent upon generating sufficient taxable income. To the extent that companies with tax losses also have deferred tax liabilities, a valuation allowance is not considered necessary since it is more likely than not that the losses can be utilised to offset the liabilities in full. At 31st August 2003, a valuation allowance of HK\$15,171,000 (2002: HK\$62,739,000) had been provided for against the remaining deferred tax assets related to the tax losses carried forward since management believes it is more likely than not that insufficient taxable income will be generated in the foreseeable future to utilise the tax loss carry forwards.

(d) Discontinued operations

The discontinued operations of the Group for fiscal years 2001, 2002 and 2003 included the operating profit of approximately HK\$83,000, operating loss of approximately HK\$352,000 and operating loss of approximately HK\$455,000 respectively of the subsidiary operating in Japan. The discontinued operations of the Group for fiscal 2001 also included the operating loss of approximately HK\$10,968,000 of its internet advertising segment. Under HKGAAP, presentation of continuing and discontinued operations is not required to be disclosed on the face of the profit and loss account, while under USGAAP, profit or loss from discontinued operations would be shown on a separate line in the profit and loss statement below income from continuing operations.



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