

## Reconciliation between US GAAP and HK GAAP – For Information Only

For the year ended 31 December 2003

The Group's consolidated financial statements are prepared in accordance with the 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 between HK GAAP and US GAAP relate principally to the following items:

### (i) Compensation cost for share options

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

Under US GAAP, compensation cost for share options is recognised at its intrinsic value (i.e. the excess, if any, of the quoted market price of the shares over the exercise price) at the date of grant and amortised over the vesting period. If an employee forfeits the share options solely because of termination of employment, any compensation cost previously recognised would be reversed in the period of termination. As explained in Note 19 to the financial statements, all the outstanding share options as of the balance sheet date were granted under the Old Share Option Scheme. As the Old Share Option Scheme is principally designed to serve as recognition or acknowledgement of the contributions that eligible employees have made to the Group, no amortisation of the stock compensation cost over the vesting period has been made.

Accordingly, stock compensation cost of HK\$9,884,000 was charged to the accumulated losses and credited to the additional paid-in capital as of 1 January 2002, and HK\$1,546,000 was reversed during the year ended 31 December 2003 upon the termination of certain participants in the Old Share Options Scheme.

### (ii) Investment in marketable equity securities

Under HK GAAP, investments in marketable equity securities are classified as either investment securities or other investments. Investment securities are included in the balance sheet at cost and subject to impairment review at each reporting date to reflect any diminution in their value, which is expected to be other than temporary. Loss is recognised in the income statement in the period in which the other-than-temporary decline occurs. Other investments are carried at fair value in the balance sheet and any unrealised holding gains or losses are included in the income statement.

As both the investment securities and other investments held by the Group as of 31 December 2002 and 2003 represent securities which are not marketable and do not have readily determinable fair values, they are classified as other investments and are stated at cost less impairment in value other than temporary under US GAAP.

Management considers that the unrealised holding losses on other investments of HK\$3,117,000, which have been charged to the income statement during the year ended 31 December 2002, approximate the impairment in value which would have been provided under US GAAP. Therefore no adjustment is considered necessary in this respect.

The adjustments considered necessary to restate loss attributable to shareholders and shareholders' equity in accordance with US GAAP are shown in the tables set out below.

	Year ended December 31,		
	2003 <i>US\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
<b>Reconciliation of net loss attributable to shareholders</b>			
Net loss attributable to shareholders as reported under HK GAAP	(2,533)	(19,756)	(186,274)
US GAAP adjustment:			
Write-back of stock compensation cost previously recognised under US GAAP	198	1,546	–
Net loss attributable to shareholders under US GAAP	<u>(2,335)</u>	<u>(18,210)</u>	<u>(186,274)</u>
<b>Net loss attributable to shareholders under US GAAP</b>			
Continuing operations	(2,335)	(18,210)	(174,704)
Discontinued operations	–	–	(11,570)
	<u>(2,335)</u>	<u>(18,210)</u>	<u>(186,274)</u>
<b>Loss per share under US GAAP</b>			
Basic:			
Continuing operations	<u>(US\$0.005)</u>	<u>(HK\$0.04)</u>	<u>(HK\$0.69)</u>
Discontinued operations	<u>–</u>	<u>–</u>	<u>(HK\$0.05)</u>
<b>Reconciliation of shareholders' equity</b>			
Shareholders' equity as reported under HK GAAP	22,643	176,614	196,370
US GAAP adjustments:			
Stock compensation cost	(1,069)	(8,338)	(9,884)
Additional paid-in capital in respect of compensation cost for share options	1,069	8,338	9,884
Shareholders' equity under US GAAP	<u>22,643</u>	<u>176,614</u>	<u>196,370</u>