

Reconciliation between US GAAP and HK GAAP – For Information Only

For the year ended 31 December 2005

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

The Group maintains several share-based employee compensation plans, which are described more fully in note 19 to the financial statements. In previous years, the Group did not recognise the financial effect of share-based payments until such payments were settled in accordance with the then prevailing HK GAAP requirements. From 1 January 2005 onwards, the Group has adopted FRS 2, which is effective for accounting periods beginning on or after 1 January 2005. As mentioned in note 7 to the financial statements, the adoption of FRS 2 had no impact on the results and financial position of the current and prior accounting periods.

Under US GAAP, through 31 December 2005, the Group accounted for its employee share-based compensation programs under US GAAP using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and related interpretations to measure employee stock compensation. Under APB 25, 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 was principally designed to serve as recognition or acknowledgement of the contributions that eligible employees have made to the Company, no amortisation of the stock compensation cost over the vesting period has been made.

Accordingly, stock compensation costs of HK\$3,354,000 and HK\$256,000 was reversed during each of the years ended 31 December 2004 and 2005, respectively, upon the termination of certain participants in the Old Share Option Scheme.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" ("SFAS 123R"), which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. Subsequently, in May 2005, the Securities and Exchange Commission approved the rule delaying the effective date of SFAS 123R to the annual period beginning after 15 June 2005. SFAS 123R will be effective for the Group on 1 January 2006 and the Group will continue to evaluate the impact of SFAS 123R on its operating results and financial condition.

(ii) Investment in marketable equity securities

Under HK GAAP, as at 1 January 2005, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application.

Prior to 1 January 2005, investments in marketable equity securities were classified as either investment securities or other investments. Investment securities were included in the balance sheet at cost and subject to impairment review at each reporting date to reflect any diminution in their value expected to be other than temporary. Losses were recognised in the income statement in the period in which other-than-temporary declines occurred. Other investments are carried at fair value in the balance sheet and any unrealised holding gains or losses were included in the income statement. Upon the adoption of HKAS 32 and 39, the Group has redesignated its "investment securities" as "available-for-sale investments" and details of the relevant accounting policy are set out in note 1 to the financial statements. The redesignation of financial assets had no material effect on the results of the current period. The adoption of the HKFRS 32 and 39 are summarised in note 7 to the financial statements.

Under US GAAP, the listed marketable securities are classified as available-for-sale and carried at aggregate fair value with gross unrealised holding gains and losses reported as a component of other comprehensive income/(loss). Investments in equity securities that are not traded on a public market are carried at historical cost.

As the investment securities held by the Group as at 31 December 2005 and 2004 represent securities which are not marketable and do not have readily determinable fair values, they are stated at cost less impairment in value other than temporary under US GAAP.

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

	Year ended December 31		
	2005 US\$'000	2005 HK\$'000	2004 HK\$'000
Reconciliation of net profit/(loss) attributable to shareholders			
Net profit/(loss) attributable to shareholders as reported under HK GAAP	6,035	47,076	(131,607)
US GAAP adjustment:			
Write-back of stock compensation cost previously recognised under US GAAP	33	256	3,354
Net profit/(loss) attributable to shareholders under US GAAP	<u>6,068</u>	<u>47,332</u>	<u>(128,253)</u>
Earnings/(Loss) per share under US GAAP			
Basic	<u>US\$0.01</u>	<u>HK\$0.10</u>	<u>(HK\$0.27)</u>
	As at December 31		
	2005 US\$'000	2005 HK\$'000	2004 HK\$'000
Reconciliation of shareholders' equity			
Shareholders' equity as reported under HK GAAP	11,676	91,072	43,623
US GAAP adjustments:			
Stock compensation cost	(606)	(4,728)	(4,984)
Additional paid-in capital in respect of compensation cost for share options	606	4,728	4,984
Shareholders' equity under US GAAP	<u>11,676</u>	<u>91,072</u>	<u>43,623</u>