The consolidated financial statements of the Group have been prepared in accordance with Hong Kong GAAP, which differs in certain material respects from U.S. GAAP. Differences between Hong Kong GAAP and U.S. GAAP, which may have significant impacts on the consolidated net profit/(loss) and the consolidated shareholders' equity are described below.

The effect on net profit/(loss) of significant differences between Hong Kong GAAP and U.S. GAAP for the years ended December 31, 2002, 2003 and 2004 is as follows:

		Years ended December 31,			
	Note	2002	2003	**2004**	**2004**
		RMB in million except per share data			**US$ million except per share data**
Consolidated profit/(loss) for the year under Hong Kong GAAP		6,520	(11,111)	**9,248**	**1,117**
U.S. GAAP adjustments:					
Revaluation of fixed assets	(a)	—	25,778	**—**	**—**
Depreciation of revalued fixed assets	(a)	—	—	**(3,529)**	**(426)**
Share-based compensation	(b)	(20)	(2)	**—**	**—**
Amortisation of goodwill	(f)	—	—	**10**	**1**
Amortisation of negative goodwill	(g)	—	—	**(7)**	**(1)**
Others		(39)	3	**14**	**2**
Tax effect on the above adjustments	(e)	13	(8,508)	**1,160**	**140**
Consolidated profit for the year under U.S. GAAP		6,474	6,160	**6,896**	**833**
Shares used in computing basic earnings per share		5,492	5,492	**5,623**	**5,623**
Shares used in computing diluted earnings per share		5,500	5,500	**5,630**	**5,630**
Basic earnings per share under U.S. GAAP		RMB1.18	RMB1.12	**RMB1.23**	**USD0.15**
Diluted earnings per share under U.S. GAAP		RMB1.18	RMB1.12	**RMB1.22**	**USD0.15**

The effect on shareholders' equity of significant differences between Hong Kong GAAP and U.S. GAAP as at December 31, 2002, 2003 and 2004 is as follows:

		Years ended December 31,			
	Note	2002	2003	**2004**	**2004**
			RMB in million		US$ in million
Consolidated shareholders' equity under Hong Kong GAAP		62,213	43,376	**55,165**	**6,665**
U.S. GAAP adjustments:					
Revaluation of fixed assets	(a)	—	22,796	**22,796**	**2,754**
Depreciation of revalued fixed assets	(a)	—	—	**(3,529)**	**(426)**
Convertible preference shares and corresponding share premium	(d)	(2,637)	(2,637)	**—**	**—**
Difference in distribution to owners upon Reorganisation	(f)	—	—	**166**	**20**
Amortisation of goodwill/negative goodwill	(f)	—	—	**3**	**—**
Others		(16)	(13)	**1**	**—**
Tax effect on the above adjustments	(e)	2	(7,522)	**(6,362)**	**(768)**
Consolidated shareholders' equity under U.S. GAAP		59,562	56,000	**68,240**	**8,245**

(a) Revaluation of fixed assets

Certain classes of fixed assets of the Group were revalued as at December 31, 2003. The revaluation was performed based on the depreciated replacement costs of the fixed assets and was not based upon the expected future cash flows of the fixed assets. The revaluation resulted in a charge of RMB25,778 million to the Group's consolidated income statement for the year ended December 31, 2003 with respect to the reduction in carrying amounts of certain fixed assets below their historical cost bases. In addition, a surplus arising from the revaluation of certain other fixed assets totalling RMB2,982 million has been credited to the revaluation reserve. The effect of the reduction in depreciation of the revalued assets amounted to RMB3,529 million in the year ended December 31, 2004.

Under U.S. GAAP, the carrying values of fixed assets are stated at their historical costs less accumulated depreciation and provision for impairment without making reference to their respective depreciated replacement costs. An impairment loss on fixed assets is recorded under U.S. GAAP if the carrying value of such assets exceeds its future undiscounted cash flow resulting from the use of the assets and their eventual disposition. The future undiscounted cash flows of the Group's fixed assets, whose carrying amounts were reduced in connection with the Reorganisation, exceed the historical costs of such fixed assets and, therefore, no impairment of such assets is recognised under U.S. GAAP. Accordingly, the deficit on revaluation of fixed assets charged to the Group's consolidated income statements and the surplus credited to revaluation reserve recorded under Hong Kong GAAP as at December 31, 2003 and the corresponding effect on the depreciation of the revalued assets in the periods subsequent to December 31, 2003 are reversed for U.S. GAAP purposes.

(b) Share-based compensation in the years ended December 31, 2002 and 2003

The Group had share based compensation arrangements in the years ended December 31, 2002 and 2003. Under Hong Kong GAAP, the Group accounts for shares issued to employees as ordinary share issuance and the difference between the amounts paid by the employees and the par values of the share were recognised as share premium.

Under U.S. GAAP, the Group accounts for share-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Shares Issued to Employees" and related interpretations thereof. Accordingly, the difference between the estimated fair value of the ordinary shares issued and the issuance prices at the issuance dates is recorded as deferred stock compensation, which is an item in the equity of the Group, and amortised over two years on a straight-line basis from the date of employment of each individual employee.

The estimated fair value of the ordinary shares issued to the employees was US$2.45 per share, which was based on a valuation report from an independent appraiser dated July 31, 2001 and derived on a non-marketable aggregate minority basis as of February 7, 2001. The directors of the Company believe that the assumptions that were used in the valuation report as of February 7, 2001 did not change significantly in the subsequent periods. As at December 31, 2004 the difference between the estimated fair value of the ordinary shares issued and the issuance price at the issuance date has been fully amortised.

(c) Grants of share options in the year ended December 31, 2004

The Group granted share options to directors and employees in the year ended December 31, 2004 pursuant to the Company's Stock Option Scheme as set out in note 33. Under Hong Kong GAAP no charge is recorded to the income statement and the proceeds received are recognised as an increase to capital upon the exercise of the share options.

Under U.S. GAAP, in accordance with the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure", the Group has selected to apply the disclosure only provisions related to employee stock options and share purchases and follows the provisions of Accounting Principles Board Opinion No. 25 ("APB 25") in accounting for stock options and shares issued to employees. Under APB 25, compensation expense, if any, is recognised as the difference between the exercise price and the estimated fair value of the ordinary shares on the measurement date, which is typically the date of grant, and is expensed ratably over the service period, which is typically the vesting period. Since the options exercise price equal to the shares issue price at the time of initial public offering, the expense charged to the profit and loss account is zero at the date of grant.

The following table illustrates the effect on net income and earnings per share if the Group had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation.

	2004 RMB million	**2004 USD million**
Consolidated profit under U.S. GAAP,		
As reported	**6,896**	**833**
Less: Additional stock-based employee compensation expense determined under fair value based method for all awards	**(18)**	**(2)**
Pro forma	**6,878**	**831**
Basic net earnings per ordinary share:		
As reported	**1.23**	**0.15**
Pro forma	**1.22**	**0.15**
Diluted net earnings per ordinary share:		
As reported	**1.22**	**0.14**
Pro forma	**1.21**	**0.14**

(c) Grants of share options in the year ended December 31, 2004 *(continued)*

The estimated grant date fair value, as defined by SFAS 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), was calculated using the Black-Scholes model. The Black-Scholes model was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's Stock Options Scheme. This model requires highly subjective assumptions, including future share price volatility and expected time until exercise, which greatly affects the calculated grant date fair value. The following assumptions were included in the estimated grant date fair value calculations for the Stock Options Scheme. Key assumptions are:

Risk free interest rate (%)	4.3%
Expected life (years)	5
Expected dividend	35%
Volatility (%)	23.6%
Weighted average estimated grant date fair value ($)	1.22

(d) Convertible preference shares

Under Hong Kong GAAP, the convertible preference shares and the corresponding share premium are classified as equity while under U.S. GAAP they are presented as balances between liabilities and owners' equity because of the mandatorily redeemable feature of the convertible preference shares. This difference resulted in a reduction of the owners' equity by RMB2,637 million at both December 31, 2002 and 2003 under U.S. GAAP. The convertible preference shares were converted to ordinary shares on August 30, 2004 and therefore the GAAP difference ceased to exist from that date.

(e) Deferred income tax

Hong Kong GAAP and U.S. GAAP are substantially the same with respect to the accounting treatment of deferred income tax expenses or benefits that affect the Group.

The amounts included in the reconciliation show the income tax effects of the differences between Hong Kong GAAP and U.S. GAAP as described above.

(f) Goodwill and negative goodwill

Under Hong Kong GAAP, goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than 12 years. Negative goodwill is presented in the same balance sheet classification as goodwill and recognised in the income statement over the remaining weighted average useful life of the related fixed assets.

Under U.S. GAAP, goodwill is not amortised but tested for impairment annually and whenever events or circumstances occur indicating that goodwill might be impaired. When negative goodwill results from an acquisition, the acquirer must reassess whether all acquired assets and assumed liabilities have been identified and properly valued and then allocate negative goodwill to certain acquired non-monetary assets on a pro rata basis as applicable. Any remaining unallocated negative goodwill must be recognised immediately as an extraordinary gain.

(f) Goodwill and negative goodwill *(continued)*

There are no net effects on the consolidated income statements and consolidated shareholders' equity between Hong Kong GAAP and U.S. GAAP during the year ended December 31, 2003 as described above.

Goodwill was recognised from the acquisition of the 49% equity interest in Asia Netcom on December 31, 2003. Accordingly, the amortisation of goodwill of RMB10 million during the year ended December 31, 2004 under Hong Kong GAAP is reversed for U.S. GAAP purposes.

Upon the Reorganisation on June 30, 2004, the value of the fixed assets transferred to China Netcom Group under Hong Kong GAAP was larger than that under U.S. GAAP by RMB166 million due to the difference in treatment on negative goodwill arising from the acquisition of certain entities of Asia Global Crossing through Asia Netcom. The negative goodwill of RMB166 million was retained in the balance sheet under Hong Kong GAAP while it was netted off against fixed assets under U.S. GAAP and the corresponding fixed assets were distributed to the owners upon to the Reorganisation. Accordingly, the distribution to owners for the year ended December 31, 2004 under U.S. GAAP was lower than that under Hong Kong GAAP by RMB166 million and the consolidated shareholders' equity under U.S. GAAP on the same date was higher than that under Hong Kong GAAP by the same amount. As a result, the amortisation of negative goodwill of RMB 7 million recognised under Hong Kong GAAP for the year ended December 31, 2004 is reversed under U.S. GAAP.

(g) Presentation of revenue

Under Hong Kong GAAP, revenues are presented net of the PRC business taxes and government levies which amounted to RMB1,663 million, RMB1,838 million and RMB 1,907 million for the years ended December 31, 2002, 2003 and 2004 respectively.

Under U.S. GAAP, revenues should be presented gross with these types of taxes classified as a cost of revenue.

(h) Presentation of depreciation expenses

Under Hong Kong GAAP, depreciation expenses can be excluded from "Network, operations and support" and separately disclosed on the face of income statement.

Under U.S. GAAP, "Network, operations and support" expenses should include charges for depreciation of property, plant and equipment and amortisation of intangibles. Industry practice adopted by the Chinese telecommunications sector is to present these costs of operations net of depreciation charges. In such circumstances, U.S. GAAP requires such fact to be highlighted on the face of the income statement.

(i) Presentation of amortisation of subscriber acquisition costs

Under Hong Kong GAAP, amortisation of capitalised subscriber acquisition costs, being RMB 46 million, RMB340 million and RMB2,006 million for the years ended December 31, 2002, 2003 and 2004 respectively is classified as selling expenses due to the marketing and promotional nature of the expenditure.

Under U.S. GAAP, amortisation of subscriber acquisition costs needs to be included in the line item "Network, operations and support" expense for the Company.

Other U.S. GAAP disclosures

(a) Related party transaction

Under Hong Kong GAAP, transactions with state-controlled enterprises other than China Netcom Corporation and its affiliates are not required to be disclosed as related party transactions. Furthermore, government departments and agencies are deemed not to be related parties to the extent that such transactions are in the normal course of business. Therefore, related party transactions as disclosed in Note 39 of the consolidated financial statements only refer to transactions with China Netcom Group.

Under U.S. GAAP, there are no similar exemptions. The Group's transactions with state-controlled enterprises were primarily with the PRC's telecommunications operators as follows:

	Years ended December 31,		
	2002	2003	**2004**
		(RMB in millions)	
Interconnection revenue	2,378	2,580	**3,903**
Interconnection charge	(700)	(617)	**(996)**
Leased line revenue	1,620	1,381	**1,010**

The amounts set out in the tables above represent the historical costs incurred by the related parties in carrying out such transactions.

(b) Fair values of financial instruments

The carrying value of the Group's financial assets including cash and bank deposits accounts receivable, amounts due from intermediate holding company and fellow subsidiaries and financial liabilities including accounts payable, amount due to ultimate holding company, short-term bank loans, current portion of capital lease obligations, and current portions of long-term bank loans and other borrowings approximate their fair values due to their short maturities.

The carrying value of the long term loans approximates their fair value due to their variable interest rates. The estimated fair value of the long term loans is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for debt with similar terms.

(c) Comprehensive income

U.S. GAAP requires that all items that are required to be recognised as components of comprehensive income be reported in a separate financial statement. There are no material differences between total recognised gains and losses for the periods shown in the Consolidated Statements of Changes in Equity presented under Hong Kong GAAP and U.S. GAAP comprehensive income, except for the differences between Hong Kong GAAP and U.S. GAAP profit attributable to shareholders shown above.

(d) Risk and uncertainties

The relevant telecommunications governing authorities have retained the right, to a certain extent, to modify the terms and conditions of licence agreements at any time if in its opinion it is necessary or expedient to do so in the interest of the general public or for the proper operation of the telecommunications sector. This includes the right to permit additional operators to enter the telecommunications sector at any time the government authorities see fit.

Further, the Group is exposed to the following types of market risk:

(i) Credit risk

The carrying amount of accounts receivable included in the balance sheet represents the Group's exposure to credit risk in relation to its financial assets. The Group's receivables are unsecured to the extent they are not covered by security deposits. The Group believes that adequate provision for uncollectible accounts receivable has been made.

(ii) Interest rate risk

The Group is exposed to changes in interest rates due to its long-term debt obligations. The Group enters into debt obligations to support general corporate purposes including capital expenditures, acquisitions, and working capital needs.

(iii) Foreign currency risk

The Group has assets and liabilities that are subject to fluctuations in foreign currency exchange rates. The Group has entered into certain forward foreign currency exchange contracts to reduce its economic exposure to changes in the exchange rates related to debt obligations. The Group also had foreign currency denominated bank balance amounting to RMB685 million and RMB8,185 million as of December 31, 2003 and 2004 respectively. The Group has foreign currency denominated bank loans, the details of which are disclosed in Note 27(b) of the consolidated financial statements.

(e) Investment in Asia Netcom

Under U.S. GAAP, pro forma financial information in respect of a subsidiary acquired during the year/period is required to be disclosed in the financial statements.

The following unaudited pro forma information presents a summary of the results of operations of the Group for the year ended December 31, 2003 under U.S. GAAP assuming Asia Netcom had been 100% owned by the Group since its establishment and assuming the 100% acquisition and consolidation of certain entities of Asia Global Crossing since March 10, 2003. Results of such entities of Asia Global Crossing before they were acquired by Asia Netcom have not been included below due to a lack of reliable financial data.

Net revenues	RMB60,938 million
Net income	RMB5,762 million
Basic earnings per share	RMB0.26
Diluted earnings per share	RMB0.26

Under Hong Kong GAAP, negative goodwill, which arose from acquiring certain entities of Asia Global Crossing by Asia Netcom on March 10, 2003, is presented in the same balance sheet classification as goodwill. Under U.S. GAAP, negative goodwill shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except (a) financial assets other than investments accounted for by the equity method, (b) assets to be disposed of by sale, (c) deferred tax assets, (d) prepaid assets relating to pension or other post retirement benefit plans, and (e) any other current assets.

(f) Recent HK Accounting Pronouncements

i. During 2004, the HKICPA issued the following Hong Kong Accounting Standards ("HKASs") and HKAS Interpretation ("HKAS-Int") that were converged with equivalent international Accounting Standards ("IASs") and SIC Interpretations issued by the International Accounting Standards Board (''IASB"), most of which were revised recently as a result of the IASB's "Improvements" Project:

- HKAS 1 "Presentation of Financial Statements"
- HKAS 2 "Inventories"
- HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- HKAS 10 "Events after the Balance Sheet Date"
- HKAS 16 "Property, Plant and Equipment"
- HKAS 21 "The Effects of Changes in Foreign Exchange Rates"
- HKAS 26 "Accounting and Reporting by Retirement Benefit Plans"
- HKAS 27 "Consolidated and Separate Financial Statements
- HKAS 28 "Investments in Associates"
- HKAS 29 "Financial Reporting in Hyperinflationary Economies"
- HKAS 32 "Financial Instruments: Disclosure and Presentation"
- HKAS 33 "Earnings Per Share" Recent US Accounting Pronouncements
- HKAS 36 "Impairment of Assets"
- HKAS 38 "Intangible Assets"
- HKAS 39 "Financial Instruments: Recognition and Measurement"
- HKAS 40 "Investment Property"
- HKAS 41 "Agriculture"
- HKAS-Int 12 "Consolidation - Special Purposes Entities"

The above HKASs and HKAS-Int will become effective for accounting periods beginning on or after January 1, 2005 and are required to be adopted by the Group for the year ending December 31, 2005. As a consequence, the following SSAPs and Interpretations of the HKICPA will be superseded at that time:

- SSAP 1 "Presentation of Financial Statements (revised 2001)"
- SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (revised 2001)"
- SSAP 5 "Earnings Per Share (revised 1998)"
- SSAP 9 "Events after the Balance Sheet Date (revised 2001)"
- SSAP 10 "Accounting for Investments in Associates (revised 2001)"
- SSAP 11 "Foreign Currency Translation (revised 2001)"
- SSAP 17 "Property, Plant and Equipment (revised 2001)"
- SSAP 22 "Inventories (revised 2001)"
- SSAP 24 "Accounting for Investments in Securities"
- SSAP 29 "Intangible Assets"
- SSAP 31 "Impairment of Assets"

(f) Recent HK Accounting Pronouncements *(continued)*

i. *(continued)*

- SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries (revised 2001)"
- Interpretation 1 "Costs of Modifying Existing Software"
- Interpretation 5 "Property, Plant and Equipment - Compensation for the Impairment or Loss of Items"
- Interpretation 8 "Presentation of Financial Statements - Current Assets: Classification of Restricted and Appropriated Cash Balance"
- Interpretation 10 "Earnings per Share - Financial Instruments and Other Contracts that may be Settled in Shares"
- Interpretation 18 "Consolidated and Equity Method - Potential Voting Rights and Allocation of Ownership Interests"

Given the HKICPA's policy to converge Hong Kong accounting standards with the IASB's financial reporting standards, the HKASs and HKAS-Int were issued to adopt the changes made as a result of the IASB Improvements Project as well as to eliminate, to the greatest extent possible, all differences that previously existed between Hong Kong accounting standards and the equivalent IASs. The Group is currently assessing the potential impact on the adoption of the above HKASs and HKAS-Int on January 1, 2005 may have on our financial statements presented in accordance with HK GAAP.

ii. During 2004, the HKICPA issued the following Hong Kong Financial Reporting Standards ("HKFRS"):

- HKFRS 2 "Share-based Payment"
- HKFRS 3 "Business Combinations"
- HKFRS 4 "Insurance Contracts"
- HKFRS 5 "Non-current Asset Held for Sale and Discontinued Operations"

These HKFRSs will become effective for accounting periods beginning on or after January 1, 2005 and are therefore required to be adopted by the Group for the year ending December 31, 2005.

HKFRS 2 prescribes the recognition principles and fair value measurements basis for all share-based payment transactions, including (i) equity-settled share-based payment transactions, (ii) cash-settled share-based payment transactions; and (iii) transactions with a choice of whether they are settled in cash or by issuing equity instruments. It requires companies to reflect in their profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees. HKFRS 2 applies to grants of shares, share options or other equity instruments that were granted after November 7, 2002 and had not yet vested as at January 1, 2005, and it applies retrospectively to liabilities arising from share-based payment transactions existing as at January 1, 2005.

(f) Recent HK Accounting Pronouncement *(continued)*

ii. *(continued)*

HKFRS 3 requires that all business combinations within the scope of HKFRS 3 must be accounted for using the purchase method. Costs expected to be incurred to restructure an acquired entity's (or the acquirer's) activities must be treated as post-combination expenses, unless the acquired entity has a pre-existing liability for restructuring its activities. Intangible items acquired in a business combination must be recognised as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights, and their fair value can be measured reliably. Identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, must be measured initially at fair value. Amortisation of goodwill and intangible assets with indefinite useful lives is prohibited. Instead they must be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. Negative goodwill should be credited to the income statements immediately.

The Group is currently assessing the potential impact on the adoption of HKFRS 2 and HKFRS 3 may have on our financial statements presented in accordance with HK GAAP.

The Group considers that there is no significant impact on the adoption of HKFRS 4 and HKFRS 5 on our financial statements presented in accordance with HK GAAP.

(g) Recent US Accounting Pronouncements

In 2004, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standards No. 151, Inventory Costs – an amendment of ARB No. 43, Chapter 4 ("SFAS 151"), Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions ("SFAS 152"), Statement of Financial Accounting Standards No. 153, Exchange of Nonmonetary Assets ("SFAS 153") and revised Statement of Financial Accounting Standards No. 123, Share-Based Payment ("Revised SFAS 123").

SFAS 151 amends and clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). It requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during the fiscal years beginning after 15th June, 2005. The Company considered the effects of adoption SFAS 151 and does not expect any material impact on the financial statements.

SFAS 152 amends FASB Statement No. 66, Accounting for Sales of Real Estate to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position ("SOP") 04-2, Accounting for Real Estate Time-Sharing Transactions and FASB Statement No. 67 Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and cost is subject to the guidance in SOP 04-2. SFAS 152 is effective for financial statements for fiscal years beginning after 15th June, 2005. The Company has considered the effects of adoption SFAS 152 and does not expect any material impact on the financial statements.

(g) Recent US Accounting Pronouncements *(continued)*

SFAS 153 amends APB Opinion No. 29 on Accounting for Nonmonetary Transactions, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception of exchanges of nonmonetary assets that do not have commercial substance. It defines 'a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after 15th June, 2005. The Company has considered the effects of adoption SFAS 153 and does not expect any material impact on the financial statements.

Revised SFAS 123 is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation ("Original SFAS 123") and superseded APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. Revised SFAS 123 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. Revised SFAS 123 is effective a) as at the beginning of the first interim or annual reporting period that begins after 15th June, 2005 for public entities that do not file as small business issuers; b) as at the beginning of the first interim or annual reporting period that begins after 15th December, 2005 for public entities that file as small business issuers; and c) as of the beginning of the first annual reporting period that begins after 15th December, 2005 for non-public entities. The Company is assessing the impact of adoption Revised SFAS 123 on the financial statements.