

# HK GAAP and IAS Reconciliation

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## HK GAAP AND IAS

The Financial Statements of the Company are prepared in accordance with Hong Kong Generally Accepted Accounting Principles (HK GAAP). For the benefit of international investors, there follows a reconciliation between HK GAAP and International Accounting Standards (IAS) which sets out the principal differences between HK GAAP and IAS that would materially impact consolidated profit attributable to ordinary shareholders and shareholders' equity.

Goodwill, which is the difference between the consideration paid and the fair value of the identifiable net assets acquired, can be deducted from shareholders' equity under HK GAAP. This is the accounting treatment adopted by the Group. IAS requires such purchased goodwill to be recorded as an asset on the balance sheet and amortized through the profit and loss statement over the estimated useful life of the goodwill, which should not exceed 20 years.

HK GAAP requires that deferred tax liabilities and assets be recorded on the basis of the probability that such timing differences will reverse in the foreseeable future (partial recognition). However, deferred tax assets are recognized under HK GAAP only in very restrictive circumstances. IAS requires that liabilities and assets in respect of deferred taxation be accounted for in full (full recognition), except where it is "more likely than not" that an asset will not be realized. Therefore, under IAS, deferred tax assets should be recognized if it is probable a tax benefit will be realized.

Under HK GAAP, ordinary dividends are provided for in the same period in which they are recommended. Under IAS, dividends are not provided for until declared.

The following is a summary of the estimated material adjustments between HK GAAP and IAS.

## IAS RECONCILIATION

	2000 US\$m	1999 US\$m
<b>PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		
AS REPORTED UNDER HK GAAP	<b>51.2</b>	138.2
Estimated material IAS adjustments		
– Reversal of goodwill reinstated on disposals and dilutions	<b>82.2</b>	13.7
– Purchased goodwill amortization <sup>(i)</sup>	<b>(91.2)</b>	(68.5)
– Net deferred tax liabilities recognized	–	(1.5)
<b>ESTIMATED PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS UNDER IAS</b>	<b>42.2</b>	81.9
	U.S. cents	U.S. cents
<b>ESTIMATED BASIC EARNINGS PER SHARE UNDER IAS</b>	<b>1.4</b>	3.2
	2000 US\$m	1999 US\$m
<b>SHAREHOLDERS' EQUITY AS REPORTED UNDER HK GAAP</b>	<b>365.5</b>	591.5
Estimated material IAS adjustments		
– Capitalization of purchased goodwill	<b>1,785.0</b>	1,621.1
– Proposed dividends	<b>4.0</b>	7.5
– Net deferred tax liabilities recognized	<b>(18.1)</b>	(14.4)
<b>ESTIMATED SHAREHOLDERS' EQUITY UNDER IAS</b>	<b>2,136.4</b>	2,205.7
	U.S. cents	U.S. cents
<b>ESTIMATED SHAREHOLDERS' EQUITY PER SHARE UNDER IAS</b>	<b>68.0</b>	75.8

(i) Assumes goodwill is amortized over 20 years.