

HK GAAP AND IAS RECONCILIATION

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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 the consolidated (loss)/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, could be written-off against reserves under HK GAAP prior to 2001. This was the accounting treatment adopted by the Group. IAS requires such purchased goodwill to be capitalized 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. From 1 January 2001, the introduction of SSAP 30 eliminated the option of writing off goodwill against reserves under HK GAAP, which has brought HK GAAP in line with IAS. However, for goodwill that was written off against reserves prior to 2001, the Group has elected not to reinstate the goodwill as an asset, as permitted by SSAP 30.

HK GAAP requires that deferred tax liabilities and assets be recorded on the basis of the probability that timing differences will reverse in the foreseeable future (partial recognition). However, under HK GAAP, deferred tax assets are recognized 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.

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

(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

	2001 US\$m	2000 US\$m
(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		
AS REPORTED UNDER HK GAAP	(1,797.0)	51.2
Estimated material IAS adjustments		
– Reversal of impairment provisions for goodwill	122.7	–
– Reversal of goodwill reinstated on disposals and dilutions	30.4	82.2
– Purchased goodwill amortization ⁽ⁱ⁾	(50.1)	(91.2)
– Net deferred tax liabilities recognized	(2.3)	–
ESTIMATED (LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS UNDER IAS	(1,696.3)	42.2
	U.S. cents	U.S. cents
ESTIMATED BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE UNDER IAS	(54.0)	1.4

SHAREHOLDERS' EQUITY

	2001 US\$m	2000 US\$m
SHAREHOLDERS' (DEFICIT)/EQUITY AS REPORTED UNDER HK GAAP	(191.2)	369.5
Estimated material IAS adjustments		
– Capitalization of purchased goodwill	960.0	1,785.0
– Net deferred tax liabilities recognized	(21.2)	(18.1)
ESTIMATED SHAREHOLDERS' EQUITY UNDER IAS	747.6	2,136.4
	U.S. cents	U.S. cents
ESTIMATED SHAREHOLDERS' EQUITY PER SHARE UNDER IAS	23.8	68.0

(i) Assumes goodwill is amortized over 20 years.