Significant differences between the Accounting Principles Generally Accepted in Hong Kong and PRC Accounting Regulations

Other than the differences in classification of certain financial statement items and the accounting treatment of the items described below, there are no material differences between the Group's financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and PRC accounting regulations. The main difference affecting the Group's consolidated loss attributable to shareholders and consolidated net assets value is as follows:

1. NET DEFICIT ARISING FROM THE SALES OF EMPLOYEE QUARTERS

With respect to employee quarters purchased after 1 January 1995, following regulations issued by the Ministry of Finance and Shenyang Finance Bureau, the net deficit arising from the sales of these quarters was held as a deferred expense under the housing fund account, whereas under accounting principles generally accepted in Hong Kong, the net deficit was amortised on a straight line basis over 20 years, which reflects the directors' estimation of the average service period of the employees. During the year, according to the latest national and local government regulations (see note 20), the unamortised net deficit arising from the sales of employee quarters up to 1 July 2000 was transferred to the accumulated loss and the discretionary common reserve. Any loss arising from the sales of employee quarters thereafter was recognised as an expense when incurred. Accordingly, the net asset values as at 31 December 2000 do not record any difference between the two accounting regulations.

The impact of the difference in consolidated profit and loss account is summarised below:

	2000 Rmb'000
Consolidated loss attributable to shareholders	
Under the PRC accounting regulations	(363,597)
Adjustment in respect of current year's charge for amortisation of net deficit arising from the sales of employee quarters up to 30 June 2000	(1,140)
Under accounting principles generally accepted in Hong Kong	(364,737)

2. AMORTISATION OF PRE-OPERATING EXPENSES

Under the PRC accounting regulations, the Group's pre-operating expenses are accounted for as long term deferred assets in the balance sheet and amortised on a straight line basis over 5 years. Under the accounting principles generally accepted in Hong Kong, pre-operating expenses are recognised as an expense in the profit and loss account when incurred. During the year, when the wholly owned subsidiary, Kingdom Hotel Shenyang, was acquired, its net assets included an unamortised balance of pre-operating expenses amounting to Rmb1,625,000, which has been written off on acquisition.