

## C. DIFFERENCES BETWEEN INTERIM ACCOUNTS PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS AND IAS

Other than the differences in the classification of certain financial statement assertions and the accounting treatment of the items described below, there are no material differences between the Group's interim accounts prepared under the PRC Accounting Rules and Regulations and IAS. The major differences are:

### (i) DEPRECIATION OF OIL AND GAS PROPERTIES

Under the PRC Accounting Rules and Regulations, oil and gas properties are depreciated on a straight-line basis. Under IAS, oil and gas properties are depreciated on the unit of production method.

### (ii) CAPITALISATION OF GENERAL BORROWING COSTS

Under IAS, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs should be capitalised as part of the cost of that asset. Under the PRC Accounting Rules and Regulations, only borrowing costs on funds that are specifically borrowed for construction are eligible for capitalisation as fixed assets.

### (iii) IMPAIRMENT LOSSES OF LONG-LIVED ASSETS

Under the PRC Accounting Rules and Regulation and IAS, provisions for impairment losses are recognised when the carrying value of long-lived assets exceeds the higher of their net selling price and the value in use. Value in use involves discounting the estimated future cash flows of the assets. Due to the difference in the depreciation method of oil and gas properties discussed in (i) above, the provision for impairment losses and reversal of impairment loss under the PRC Accounting Rules and Regulations would be different from the amounts recorded under IAS.

### (iv) ALLOCATION OF STAFF QUARTERS

Under IAS, the loss on allocation of staff quarters should be charged to the profit and loss account. Under the PRC Accounting Rules and Regulations, losses arising from such allocation are debited in the Housing Revolving Fund in accordance with "Cai Kui Zi [1995] No. 14" issued by the Ministry of Finance on 3 March 1995. Effects on deferred taxation that had been recognised in the accounts prepared under IAS were reversed to the profit and loss account during 2000. In accordance with notices "Cai Qi [2000] No. 295" and "Cai Kui Zi [2001] No. 5" issued by the Ministry of Finance on 6 September 2000 and 7 January 2001, respectively, the Group's debit balance of the Housing Revolving Fund at 31 December 2000, net of the amount attributable to minority interests, was written-off against the undistributed profits brought forward in 2001. Accordingly, there was no difference in shareholders' funds under IAS and the PRC Accounting Rules and Regulations in this respect at 30 June 2001.

### (v) DIVIDENDS DECLARED AFTER THE BALANCE SHEET DATE

Under IAS, dividends are recognised as liability and stated in the accounts only on the date of its declaration. Under the PRC Accounting Rules and Regulations, dividends relating to an accounting period declared after the period end date are recognised as a liability in that accounting period.

Effects of major differences between the PRC Accounting Rules and Regulations and IAS on net profit are analysed as follows:

		Six-month periods ended 30 June	
		2001	2000
		RMB	RMB
		millions	millions
Net profit under the PRC Accounting Rules and Regulations		8,107	6,047
IAS adjustments:			
Depreciation of oil and gas properties	(i)	1,955	2,341
Capitalisation of general borrowing costs	(ii)	235	—
Reversal of provision for impairment losses of long-lived assets in previous year	(iii)	—	(113)
Effects of the above adjustments on taxation		(717)	(762)
Net profit under IAS		9,580	7,513

## C. DIFFERENCES BETWEEN INTERIM ACCOUNTS PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS AND IAS (CONTINUED)

Effect of major differences between the PRC Accounting Rules and Regulations and IAS on shareholders' funds are analysed as follows:

		At 30 June 2001 RMB millions	At 31 December 2000 RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations		128,416	120,793
IAS adjustments:			
Depreciation of oil and gas properties	(i)	6,327	4,372
Capitalisation of general borrowing costs	(ii)	235	—
Reversal of provision for impairment losses of long-lived assets in previous year	(iii)	(113)	(113)
Allocation of staff quarters	(iv)	—	(545)
Dividends declared after the balance sheet date	(v)	—	6,712
Effects of the above adjustments on taxation		(2,126)	(1,348)
Shareholders' funds under IAS		132,739	129,871