

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	Note	2005 RMB millions	2004 RMB millions
<b>Cash flows from operating activities</b>			
Cash received from sale of goods and rendering of services		965,505	712,682
Rentals received		387	368
Government grants received		9,415	—
Other cash received relating to operating activities		3,572	3,640
<b>Sub-total of cash inflows</b>		<b>978,879</b>	<b>716,690</b>
Cash paid for goods and services		(790,429)	(549,408)
Cash paid for operating leases		(5,629)	(6,871)
Cash paid to and on behalf of employees		(18,710)	(16,304)
Value added tax paid		(27,928)	(25,961)
Income tax paid		(20,998)	(16,858)
Taxes paid other than value added tax and income tax		(17,288)	(16,045)
Other cash paid relating to operating activities		(12,934)	(15,104)
<b>Sub-total of cash outflows</b>		<b>(893,916)</b>	<b>(646,551)</b>
<b>Net cash flow from operating activities</b>	(a)	<b>84,963</b>	<b>70,139</b>
<b>Cash flows from investing activities</b>			
Cash received from sale of investments		417	186
Dividends received		668	322
Net cash received from sale of fixed assets and intangible assets		510	315
Cash received on maturity of time deposits with financial institutions		1,462	2,217
Other cash received relating to investing activities		386	359
<b>Sub-total of cash inflows</b>		<b>3,443</b>	<b>3,399</b>
Cash paid for acquisition of fixed assets and intangible assets		(65,031)	(66,693)
Cash paid for acquisition of fixed assets and intangible assets of jointly controlled entities		(2,474)	(6,035)
Cash paid for purchase of investments		(3,605)	(1,225)
Cash paid for purchase of time deposits with financial institutions		(565)	(1,932)
Cash paid for acquisition of operating assets and related liabilities from Sinopec Group Company		(3,128)	(3,652)
Cash paid for acquisition of subsidiaries		(4,324)	—
<b>Sub-total of cash outflows</b>		<b>(79,127)</b>	<b>(79,537)</b>
<b>Net cash flow from investing activities</b>		<b>(75,684)</b>	<b>(76,138)</b>
<b>Cash flows from financing activities</b>			
Cash received from contribution from minority shareholders		129	1,008
Cash received from issuance of corporate bonds, net of issuing expenses		9,875	3,472
Cash received from borrowings		550,557	391,832
Cash received from borrowings of jointly controlled entities		3,954	3,014
<b>Sub-total of cash inflows</b>		<b>564,515</b>	<b>399,326</b>
Cash repayments of borrowings		(557,432)	(377,855)
Cash paid for dividends, profits distribution or interest expenses		(17,365)	(13,538)
Dividends paid to minority shareholders by subsidiaries		(1,611)	(775)
<b>Sub-total of cash outflows</b>		<b>(576,408)</b>	<b>(392,168)</b>
<b>Net cash flow from financing activities</b>		<b>(11,893)</b>	<b>7,158</b>
<b>Effects of changes in foreign exchange rate</b>		<b>(22)</b>	<b>1</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(b)	<b>(2,636)</b>	<b>1,160</b>

The notes on pages 92 to 122 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2005  
notes to the consolidated cash flow statement

	2005	2004
	RMB millions	RMB millions
<b>(a) Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	39,558	32,275
Add: (Reversal of)/provision for allowance for doubtful accounts	(144)	2,050
Provision for diminution in value of inventories	82	433
Depreciation of fixed assets	30,845	30,766
Amortisation of intangible assets	986	476
Impairment losses on fixed assets	1,851	4,628
Impairment losses on long-term investments	77	88
Net loss on disposal of fixed assets and intangible assets	2,202	3,989
Financial expenses	5,266	4,331
Dry hole costs	2,992	2,976
Investment income	(890)	(843)
Deferred tax liabilities (less: assets)	(1,733)	(2,439)
Increase in inventories	(25,078)	(16,927)
Increase in operating receivables	(2,256)	(4,245)
Increase in operating payables	28,303	6,911
Minority interests	2,902	5,670
<b>Net cash flow from operating activities</b>	<b>84,963</b>	<b>70,139</b>
<b>(b) Net (decrease)/increase in cash and cash equivalents:</b>		
Cash and cash equivalents at the end of the year	13,745	16,381
Less: Cash and cash equivalents at the beginning of the year	16,381	15,221
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,636)</b>	<b>1,160</b>

These financial statements have been approved by the Board of Directors on 31 March 2006.

**Chen Tonghai**  
Chairman  
(Authorised representative)

**Wang Tianpu**  
President

**Zhang Jiaren**  
Director and  
Chief Financial Officer

**Liu Yun**  
Head of Accounting  
Division

The notes on pages 92 to 122 form part of these financial statements.