

CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	2006 RMB millions	2005 RMB millions
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		940,422	645,438
Rentals received		263	273
Government grants received		3,016	6,584
Other cash received relating to operating activities		18,379	2,929
Sub-total of cash inflows		962,080	655,224
Cash paid for goods and services		(775,915)	(568,978)
Cash paid for operating leases		(5,445)	(4,991)
Cash paid to and on behalf of employees		(14,938)	(9,946)
Value added tax paid		(23,127)	(13,623)
Income tax paid		(13,013)	(3,396)
Taxes paid other than value added tax and income tax		(22,021)	(11,372)
Other cash paid relating to operating activities		(15,638)	(16,231)
Sub-total of cash outflows		(870,097)	(628,537)
Net cash flow from operating activities	(a)	91,983	26,687
Cash flows from investing activities:			
Cash received from sale of investments		69	102
Dividends received		2,843	36,700
Net cash received from sale of fixed assets and intangible assets		122	169
Cash received on maturity of time deposits with financial institutions		90	184
Other cash received relating to investing activities		234	123
Sub-total of cash inflows		3,358	37,278
Cash paid for acquisition of fixed assets and intangible assets		(60,182)	(44,167)
Cash paid for purchase of investments		(7,356)	(6,927)
Cash paid for purchase of time deposits with financial institutions		(200)	(46)
Cash paid for acquisition of operating assets and related liabilities from Sinopec Group Company		—	(3,128)
Cash paid for acquisition of subsidiaries		(21,971)	(4,324)
Sub-total of cash outflows		(89,709)	(58,592)
Net cash flow from investing activities		(86,351)	(21,314)
Cash flows from financing activities:			
Cash received from issuance of corporate bonds, net of issuing expenses		19,711	9,875
Cash received from borrowings		507,716	348,381
Sub-total of cash inflows		527,427	358,256
Cash repayments of corporate bonds		(20,000)	—
Cash repayments of borrowings		(498,050)	(349,794)
Cash paid for dividends, profits distribution or interest expenses		(17,260)	(14,872)
Sub-total of cash outflows		(535,310)	(364,666)
Net cash flow from financing activities		(7,883)	(6,410)
Net decrease in cash and cash equivalents	(b)	(2,251)	(1,037)

The notes on pages 86 to 115 form part of these financial statements.

CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2006
notes to the cash flow statement

	2006	2005
	RMB millions	RMB millions
(a) Reconciliation of net profit to cash flow from operating activities:		
Net profit	50,151	39,531
Add: Provision/(reversal of) for allowance for doubtful accounts	132	(448)
Provision/(reversal of) for diminution in value of inventories	113	(17)
Depreciation of fixed assets	24,822	15,186
Amortisation of intangible assets	368	755
Impairment losses on fixed assets	531	1,082
Impairment losses on long-term investments	20	14
Net loss on disposal of fixed assets and intangible assets	1,416	1,681
Financial expenses	5,283	3,539
Dry hole costs	3,950	2,271
Investment income	(14,658)	(34,690)
Deferred tax liabilities (less: assets)	(554)	489
Increase in inventories	(3,450)	(16,356)
(Increase)/decrease in operating receivables	(4,935)	12,853
Increase in operating payables	28,794	797
Net cash flow from operating activities	91,983	26,687
(b) Net decrease in cash and cash equivalents:		
Cash and cash equivalents at the end of the year	2,763	5,014
Less: Cash and cash equivalents at the beginning of the year	5,014	6,051
Net decrease in cash and cash equivalents	(2,251)	(1,037)

These financial statements have been approved by the board of directors on 6 April 2007.

Chen Tonghai
Chairman
(Authorised representative)

Wang Tianpu
Director,
President

Dai Houliang
Director,
Senior Vice President and
Chief Financial Officer

Liu Yun
Head of Corporate Finance
Department

The notes on pages 86 to 115 form part of these financial statements.