

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 2004

	2004 RMB millions	2003 RMB millions
(a) Reconciliation of net profit to cash flows from operating activities		
Net profit	32,518	18,768
Add: Allowance for doubtful accounts	2,159	1,956
Provision for diminution in value of inventories	190	30
Depreciation of fixed assets	13,349	11,734
Amortisation of intangible assets	346	442
Impairment losses on fixed assets	3,417	373
Impairment losses on long-term investments	—	21
Net loss on disposal of fixed assets and intangible assets	2,555	1,866
Financial expenses	2,770	2,337
Dry hole costs	2,184	1,780
Investment income	(27,948)	(15,211)
Deferred tax liabilities (less: assets)	(2,198)	(1,443)
(Increase)/decrease in inventories	(6,523)	2,700
Increase in operating receivables	(756)	(862)
Increase in operating payables	12,157	2,442
Net cash flows from operating activities	34,220	26,933
(b) Net decrease in cash and cash equivalents		
Cash and cash equivalents at the end of the year	6,051	6,345
Less: Cash and cash equivalents at the beginning of the year	6,345	8,207
Net decrease in cash and cash equivalents	(294)	(1,862)

Approved by the Board of Directors on 25 March 2005.

Chen Tonghai
Chairman
(Authorised representative)

Wang Jiming
Vice Chairman
and President

Zhang Jiaren
Director, Senior Vice President
and Chief Financial Officer

Liu Yun
Head of Accounting
Division

The notes on pages 94 to 125 form part of these financial statements.