

NOTES TO THE CONSOLIDATED 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	32,275	19,011
Add: Allowance for doubtful accounts	2,050	1,902
Provision for diminution in value of inventories	433	114
Depreciation of fixed assets	30,766	27,151
Amortisation of intangible assets	476	520
Impairment losses on fixed assets	4,628	940
Impairment losses on long-term investments	88	115
Net loss on disposal of fixed assets and intangible assets	3,989	3,291
Financial expenses	4,331	4,129
Dry hole costs	2,976	2,789
Investment income	(843)	(515)
Deferred tax liabilities (less: assets)	(2,439)	(1,580)
(Increase)/decrease in inventories	(16,927)	676
Increase in operating receivables	(4,245)	(866)
Increase in operating payables	6,911	4,885
Minority interests	5,670	1,886
Net cash flows from operating activities	70,139	64,448
(b) Financing activities not requiring the use of cash		
Current portion of convertible bonds	—	1,500
(c) Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the end of the year	16,381	15,221
Less: Cash and cash equivalents at the beginning of the year	15,221	17,699
Net increase/(decrease) in cash and cash equivalents	1,160	(2,478)

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.