

CASH FLOW STATEMENT

for the year ended 31 December 2005

	Note	2005 RMB millions	2004 RMB millions
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		645,438	474,149
Rentals received		273	201
Government grants received		6,584	—
Other cash received relating to operating activities		2,929	2,760
Sub-total of cash inflows		655,224	477,110
Cash paid for goods and services		(568,978)	(382,856)
Cash paid for operating leases		(4,991)	(5,391)
Cash paid to and on behalf of employees		(9,946)	(8,539)
Value added tax paid		(13,623)	(13,460)
Income tax paid		(3,396)	(4,474)
Taxes paid other than value added tax and income tax		(11,372)	(10,319)
Other cash paid relating to operating activities		(16,231)	(17,851)
Sub-total of cash outflows		(628,537)	(442,890)
Net cash flow from operating activities	(a)	26,687	34,220
Cash flows from investing activities:			
Cash received from sale of investments		102	62
Dividends received		36,700	6,379
Net cash received from sale of fixed assets and intangible assets		169	178
Cash received on maturity of time deposits with financial institutions		184	605
Other cash received relating to investing activities		123	144
Sub-total of cash inflows		37,278	7,368
Cash paid for acquisition of fixed assets and intangible assets		(44,167)	(41,477)
Cash paid for purchase of investments		(6,927)	(3,156)
Cash paid for purchase of time deposits with financial institutions		(46)	(617)
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)	—
Sub-total of cash outflows		(58,592)	(48,902)
Net cash flow from investing activities		(21,314)	(41,534)
Cash flows from financing activities:			
Cash received from issuance of corporate bonds, net of issuing expenses		9,875	3,472
Cash received from borrowings		348,381	255,218
Sub-total of cash inflows		358,256	258,690
Cash repayments of borrowings		(349,794)	(239,933)
Cash paid for dividends, profits distribution or interest expenses		(14,872)	(11,737)
Sub-total of cash outflows		(364,666)	(251,670)
Net cash flow from financing activities		(6,410)	7,020
Net decrease in cash and cash equivalents	(b)	(1,037)	(294)

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

CASH FLOW STATEMENT (CONTINUED)

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

	2005	2004
	RMB millions	RMB millions
(a) Reconciliation of net profit to cash flow from operating activities:		
Net profit	39,531	32,518
Add: (Reversal of)/provision for allowance for doubtful accounts	(448)	2,159
(Reversal of)/provision for diminution in value of inventories	(17)	190
Depreciation of fixed assets	15,186	13,349
Amortisation of intangible assets	755	346
Impairment losses on fixed assets	1,082	3,417
Impairment losses on long-term investments	14	—
Net loss on disposal of fixed assets and intangible assets	1,681	2,555
Financial expenses	3,539	2,770
Dry hole costs	2,271	2,184
Investment income	(34,690)	(27,948)
Deferred tax liabilities (less: assets)	489	(2,198)
Increase in inventories	(16,356)	(6,523)
Decrease/(increase) in operating receivables	12,853	(756)
Increase in operating payables	797	12,157
Net cash flow from operating activities	26,687	34,220
(b) Net decrease in cash and cash equivalents:		
Cash and cash equivalents at the end of the year	5,014	6,051
Less: Cash and cash equivalents at the beginning of the year	6,051	6,345
Net decrease in cash and cash equivalents	(1,037)	(294)

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.