

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005
(Amounts in millions)

(a) Reconciliation of profit before taxation to net cash generated from operating activities

| | 2005 | 2004 |
|--|----------------|----------------|
| | RMB | RMB |
| Operating activities | | |
| Profit before taxation | 63,228 | 59,606 |
| Adjustments for: | | |
| Depreciation, depletion and amortisation | 31,413 | 32,342 |
| Dry hole costs | 2,992 | 2,976 |
| Share of profits less losses from associates | (857) | (797) |
| Investment income | (178) | (111) |
| Interest income | (382) | (374) |
| Interest expense | 5,920 | 4,583 |
| Unrealised foreign exchange (gains)/losses | (852) | 150 |
| Loss on disposal of property, plant and equipment, net | 2,095 | 1,686 |
| Impairment losses on long-lived assets | 1,851 | 3,919 |
| Operating profit before changes in working capital | 105,230 | 103,980 |
| Increase in trade accounts receivable | (4,773) | (494) |
| Decrease/(increase) in bills receivable | 669 | (1,529) |
| Increase in inventories | (24,998) | (16,526) |
| Decrease in prepaid expenses and other current assets | 1,647 | 3,022 |
| (Increase)/decrease in lease prepayments | (715) | 60 |
| Increase in long-term prepayments and other assets | (2,628) | (4,199) |
| Increase in trade accounts payable | 28,799 | 599 |
| (Decrease)/increase in bills payable | (7,554) | 6,530 |
| Increase/(decrease) in accrued expenses and other payables | 7,952 | (391) |
| Decrease in other liabilities | (227) | (334) |
| Cash generated from operations | 103,402 | 90,718 |
| Interest received | 386 | 374 |
| Interest paid | (6,961) | (5,450) |
| Investment and dividend income received | 668 | 322 |
| Income tax paid | (20,998) | (16,883) |
| Net cash generated from operating activities | 76,497 | 69,081 |

The notes on pages 130 to 163 form part of these financial statements.