

# Consolidated Cash Flow Statement

Year ended December 31, 2003

| Notes  | Consolidated for<br>the year ended<br>December 31,<br>2003<br>RMB'000 | Pro forma<br>combined for<br>the year ended<br>December 31,<br>2002<br>RMB'000 | Consolidated for<br>the period from<br>December 25,<br>2001 (date of<br>establishment) to<br>December 31,<br>2002<br>RMB'000 |
|--|---|--|--|
|  |   | (note a)   | (note b)   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |   |  |  |
| Profit from operations   | 549,775   | 483,022  | 275,879  |
| Adjustments for:   |   |  |  |
| Exchange losses, net   | (716)   | (973)  | (869)  |
| Loss on disposal of property, plant and equipment                    | 2,469   | 2,236  | 2,062  |
| Depreciation of property, plant and equipment                        | 594,003   | 552,523  | 406,043  |
| Provision/(write back) of doubtful debts                             | 26,994  | (1,040)  | (3,489)  |
| Provision for/(write back) of inventories                            | (359)   | (911)  | 146  |
| Gain on disposal of scrap materials                                  | (106)   | (2)  | (2)  |
| Operating profit before working capital changes                      | 1,172,060   | 1,034,855  | 679,770  |
| Decrease/(increase) in inventories                                   | 6,020   | (11,812)   | (47,056)   |
| Decrease/(increase) in accounts receivable                           | (69,075)  | (172,521)  | 83,157   |
| Decrease/(increase) in net balance with ultimate holding company     | (26,559)  | (82,894)   | 4,181  |
| Increase/(decrease) in net balances with other CNOOC group companies | (51)  | 7,172  | (12,435)   |
| Decrease in prepayments, deposits and other receivables              | 14,727  | 42,509   | 69,947   |
| Increase/(decrease) in trade and other payables                      | 10,655  | (94,256)   | (109,921)  |
| Decrease in salary and welfare payables                              | (43,122)  | (9,774)  | (740)  |
| Cash generated from operations                                       | 1,064,655   | 713,279  | 666,903  |
| Interest paid  | —   | (5,289)  | (3,545)  |
| Tax paid:  |   |  |  |
| Mainland China corporate income tax paid                             | (238,803)   | (111,754)  | —  |
| Mainland China corporate income tax refund                           | 45,532  | —  | —  |
| Overseas taxes paid  | (89)  | (271)  | (226)  |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                     | <b>871,295</b>  | <b>595,965</b>   | <b>663,132</b>   |

# Consolidated Cash Flow Statement

Year ended December 31, 2003

|  | Notes | Consolidated for<br>the year ended<br>December 31,<br>2003<br>RMB'000 | Pro forma<br>combined for<br>the year ended<br>December 31,<br>2002<br>RMB'000 | Consolidated for<br>the period from<br>December 25,<br>2001 (date of<br>establishment) to,<br>December 31<br>2002<br>RMB'000 |
|--|-------|---|--|--|
|  |       |   | (note a)   | (note b)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |       |   |  |  |
| Purchases of property, plant and equipment   |       | (1,114,192)   | (763,492)  | (621,285)  |
| Proceeds from disposal of property, plant<br>and equipment                               |       | 7,604   | 144,587  | 29,212   |
| Decrease in net balances with jointly-controlled entities                                |       | 1,415   | 51,906   | 8,341  |
| Decrease in entrusted loans receivable   |       | —   | 70,000   | —  |
| Decrease/(increase) in time deposits with original<br>maturity of more than three months |       | (1,562,164)   | 73,343   | (24,230)   |
| Decrease/(increase) in pledged time deposits   |       | 20,416  | 125,430  | (23,440)   |
| Interest received  |       | 32,175  | 11,216   | 7,847  |
| Dividend received from jointly-controlled entities                                       |       | 29,504  | 36,644   | 19,693   |
| Net cash inflow in respect of the net assets acquired<br>upon Reorganisation             | 31    | —   | —  | 6,880  |
| Net cash outflow from investing activities   |       | (2,585,242)   | (250,366)  | (596,982)  |
|  |       | (1,713,947)   | 345,599  | 66,150   |

Notes: a. See basis of presentation in note 1 to the financial statements.

b. The Company did not acquire the Relevant Businesses and the Relevant Companies as set out in note 1 to the financial statements until April 30, 2002. As such, there were no results of operations prior to April 30, 2002.

# Consolidated Cash Flow Statement

Year ended December 31, 2003

|   | Notes | Consolidated for<br>the year ended<br>December 31,<br>2003<br>RMB'000 | Pro forma<br>combined for<br>the year ended<br>December 31,<br>2002<br>RMB'000<br>(note a) | Consolidated for<br>the period from<br>December 25,<br>2001 (date of<br>establishment) to<br>December 31,<br>2002<br>RMB'000<br>(note b) |
|---|-------|---|--|--|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |   |  |  |
| New bank loans and other loans  |       | —   | 35,000   | —  |
| Repayment of bank and other loans   |       | —   | (230,000)  | (130,000)  |
| Settlements of balance due to ultimate holding company  |       | —   | (926,000)  | (238,000)  |
| Advance from ultimate holding company   |       | —   | 238,000  | 238,000  |
| Capital contributions from CNOOC  |       | —   | —  | 300,000  |
| Issue of shares   |       | —   | 2,487,485  | 2,487,485  |
| Shares issuing expenses   |       | —   | (115,709)  | (115,709)  |
| Dividend payment  |       | <b>(101,365)</b>  | —  | —  |
| Net cash inflow/(outflow) from financing activities   |       | <b>(101,365)</b>  | 1,488,776  | 2,541,776  |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>   |       |   |  |  |
|   |       | <b>(1,815,312)</b>  | 1,834,375  | 2,607,926  |
| Cash and cash equivalents at beginning of year  |       | <b>2,607,926</b>  | 773,551  | —  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   |       | <b>792,614</b>  | 2,607,926  | 2,607,926  |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>  |       |   |  |  |
| Cash and bank balances with banks and financial institutions                                    |       | <b>2,201,605</b>  | 2,655,596  | 2,655,596  |
| Less: Pledged time deposits for letter of credit facilities                                     |       | <b>(3,024)</b>  | (23,440)   | (23,440)   |
| <b>CASH AND CASH EQUIVALENTS FOR BALANCE SHEET</b>  | 24    | <b>2,198,581</b>  | 2,632,156  | 2,632,156  |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired: |       |   |  |  |
| - bank deposits   |       | <b>(1,486,394)</b>  | —  | —  |
| - CNOOC Finance Company   |       | <b>(100,000)</b>  | —  | —  |
| - CNOOC Trust Company   |       | —   | (24,230)   | (24,230)   |
| Add: short-term investments with original maturity of less than three months when acquired      | 23    | <b>180,427</b>  | —  | —  |
| <b>CASH AND CASH EQUIVALENTS FOR CASH FLOW STATEMENT</b>  |       | <b>792,614</b>  | 2,607,926  | 2,607,926  |

Notes: a. See basis of presentation in note 1 to the financial statements.

b. The Company did not acquire the Relevant Businesses and the Relevant Companies as set out in note 1 to the financial statements until April 30, 2002. As such, there were no results of operations prior to April 30, 2002.