

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2004

	2004 RMB'000	2003 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from operations	692,168	549,775
Adjustments for:		
Exchange gains/(losses), net	199	(716)
Loss /(gain) on disposal of property, plant and equipment	(236)	2,469
Depreciation of property, plant and equipment	666,971	594,003
Provision of doubtful debts	35,002	26,994
Provision for /(write back of) inventories	1,594	(359)
Gain on disposal of scrap materials	-	(106)
Operating profit before working capital changes	1,395,698	1,172,060
Decrease/(increase) in inventories	(16,688)	6,020
Increase in accounts receivable	(130,534)	(69,075)
Decrease/(increase) in net balance with ultimate holding company and other CNOOC group companies	32,231	(26,610)
Decrease/(increase) in prepayments, deposits and other receivables	(46,766)	14,727
Increase in trade and other payables	286,478	10,655
Increase/(decrease) in salary and bonus payables	156,796	(43,122)
Cash generated from operations	1,677,215	1,064,655
Tax paid:		
Mainland China corporate income tax paid	(316,913)	(238,803)
Mainland China corporate income tax refund	151,611	45,532
Overseas taxes paid	(271)	(89)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,511,642	871,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,611,848)	(1,114,192)
Proceeds from disposal of property, plant and equipment	8,512	7,604
Decrease in net balances with jointly-controlled entities	-	1,415
Decrease in entrusted loans receivable	8,352	-
Decrease/(increase) in time deposits with original maturity of more than three months	662,970	(1,562,164)
Decrease/(increase) in pledged time deposits	(1,231)	20,416
Interest received	34,300	32,175
Dividend received from jointly-controlled entities	35,737	29,504
Net cash outflow from investing activities	(863,208)	(2,585,242)
	648,434	(1,713,947)

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2004

	Notes	2004 RMB'000	2003 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend payment		(182,187)	(101,365)
Net cash outflow from financing activities		(182,187)	(101,365)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		792,614	2,607,926
CASH AND CASH EQUIVALENTS AT END OF YEAR			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances with banks and financial institutions		2,166,537	2,201,605
Less: Pledged time deposits for letter of credit facilities		(4,255)	(3,024)
CASH AND CASH EQUIVALENTS FOR BALANCE SHEET	22	2,162,282	2,198,581
Less: Non-pledged time deposits with original maturity of more than three months when acquired:			
- bank deposits		(923,424)	(1,486,394)
- CNOOC Finance Company		-	(100,000)
Add: short-term investments with original maturity of less than three months when acquired	21	20,003	180,427
CASH AND CASH EQUIVALENTS FOR CASH FLOW STATEMENT			
		1,258,861	792,614