

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from operations	850,267	692,168
Adjustments for:		
Exchange gains/(losses), net	(16,802)	199
Loss/(gain) on disposal of items of property, plant and equipment	1,359	(236)
Depreciation of property, plant and equipment	755,676	666,971
Provision/(write-back of provision) for doubtful debts	(59,683)	35,002
Provision against inventories	901	1,594
Gain on disposal of scrap materials	(670)	-
Operating profit before working capital changes	1,531,048	1,395,698
Increase in inventories	(14,162)	(16,688)
Increase/(decrease) in accounts receivable	14,070	(130,534)
Increase/(decrease) in net balance with the ultimate holding company and other CNOOC group companies	(27,060)	32,231
Increase in prepayments, deposits and other receivables	(86,223)	(46,766)
Increase in trade and other payables	171,603	286,478
Increase/(decrease) in salary and bonus payables	(21,356)	156,796
Cash generated from operations	1,567,920	1,677,215
Interest paid	(104)	-
Taxes paid:		
Mainland China corporate income tax paid	(464,107)	(316,913)
Mainland China corporate income tax refund	191,280	151,611
Overseas income taxes paid	(33,582)	(271)
Net cash inflow from operating activities	1,261,407	1,511,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(2,071,173)	(1,611,848)
Proceeds from disposal of items of property, plant and equipment	1,144	8,512
Increase in net balances with jointly-controlled entities	(3,466)	-
Decrease in entrusted loans receivable	-	8,352
Decrease in time deposits with original maturity of more than three months	640,755	662,970
Decrease/(increase) in pledged time deposits	3,162	(1,231)
Interest received	16,956	34,300
Dividend received from jointly-controlled entities	54,410	35,737
Net cash outflow from investing activities	(1,358,212)	(863,208)
Net cash inflow/(outflow) before financing activities	(96,805)	648,434

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Year ended 31 December 2005

	Notes	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New short term bank loans		90,000	-
Repayment of short term loans		(90,000)	-
Settlements of balance due to the ultimate holding company		(200,000)	-
Dividend payments		(230,930)	(182,187)
Net cash outflow from financing activities		(430,930)	(182,187)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(527,735)	466,247
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		1,258,861	792,614
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		731,126	1,258,861
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institution	22	1,014,888	2,166,537
Less: Pledged time deposits for letter of credit facilities	22	(1,093)	(4,255)
CASH AND CASH EQUIVALENTS FOR THE CONSOLIDATED BALANCE SHEET			
	22	1,013,795	2,162,282
Less: Non-pledged time deposits at banks with original maturity of more than three months when acquired		(282,669)	(923,424)
Add: short term investments with original maturity of less than three months when acquired	21	-	20,003
CASH AND CASH EQUIVALENTS FOR THE CONSOLIDATED CASH FLOW STATEMENT			
		731,126	1,258,861