

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations		1,392,242	850,267
Adjustments for:			
Exchange losses, net		(46,694)	(16,802)
Loss on disposal of items of property, plant and equipment		20,780	1,359
Depreciation of property, plant and equipment		900,244	755,676
Impairment/(write-back of impairment) of accounts receivable		1,156	(59,683)
Provision against inventories		1,102	901
Gain on disposal of scrap materials		-	(670)
		2,268,830	1,531,048
Increase in inventories		(64,478)	(14,162)
(Increase)/decrease in accounts receivable		(278,802)	14,070
Increase in net balance with the ultimate holding company and other CNOOC group companies		(1,935)	(27,060)
Decrease/(increase) in prepayments, deposits and other receivables		127,124	(86,223)
Increase in trade and other payables, net of payable to property, plant and equipment purchases		140,870	171,603
Increase/(decrease) in salary and bonus payables		30,831	(21,356)
Cash generated from operations		2,222,440	1,567,920
Interest paid		(4,291)	(104)
Taxes paid:			
Mainland China corporate income tax paid		(542,539)	(464,107)
Mainland China corporate income tax refund		175,991	191,280
Overseas income taxes paid		(32,901)	(33,582)
Net cash inflow from operating activities		1,818,700	1,261,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,785,547)	(2,071,173)
Purchase of available-for-sale financial assets	22	(300,000)	-
Sale of available-for-sale financial assets	22	224,992	-
Proceeds from disposal of items of property, plant and equipment		9,701	1,144
Increase/(decrease) in net balances with jointly-controlled entities		5,037	(3,466)
Decrease in time deposits with original maturity of more than three months		165,538	640,755

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
(Increase)/decrease in pledged time deposits		(21,373)	3,162
Interest received		27,856	16,956
Dividends received from jointly-controlled entities		80,188	54,410
Investment in a jointly-controlled entity and a subsidiary		(164,698)	-
Net cash outflow from investing activities		(1,758,306)	(1,358,212)
Net cash inflow/(outflow) before financing activities		60,394	(96,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of short term debentures		965,000	-
New long term bank loans		600,000	-
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)
Dividends paid		(164,208)	(230,930)
Net cash inflow/(outflow) from financing activities		1,400,792	(430,930)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,461,186	(527,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		731,126	1,258,861
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,192,312	731,126
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	23	2,331,909	1,014,888
Less: Pledged time deposits for letter of credit facilities	23	(22,466)	(1,093)
CASH AND CASH EQUIVALENTS FOR THE CONSOLIDATED BALANCE SHEET	23	2,309,443	1,013,795
Less: Non-pledged time deposits at banks with original maturity of more than three months when acquired		(117,131)	(282,669)
CASH AND CASH EQUIVALENTS FOR THE CONSOLIDATED CASH FLOW STATEMENT		2,192,312	731,126