

## Financial Highlights

Hong Kong GAAP (in RMB millions, except earnings per share)	2006	2005
<b>Continuing operations:</b>		
Revenues	<b>86,921</b>	85,861
Including Upfront connection fees	<b>2,406</b>	3,405
EBITDA <sup>(1)</sup>	<b>45,588</b>	45,650
Operating Profit <sup>(2)</sup>	<b>19,980</b>	20,731
Deficit on revaluation of fixed assets	<b>1,524</b>	—
Profit for the year from continuing operations	<b>11,141</b>	14,114
CAPEX	<b>26,474</b>	27,247
Free cash flow <sup>(3)</sup>	<b>7,476</b>	6,236
Profit/(loss) for the year from discontinued operations <sup>(4)</sup>	<b>1,819</b>	(226)
Profit for the year	<b>12,960</b>	13,888
Earnings per share from operations attributable to shareholders of the Company for the year	<b>RMB1.95</b>	RMB2.11
Earnings per ADS from operations attributable to shareholders of the Company for the year	<b>RMB39.0</b>	RMB42.2

- (1) EBITDA refers to profit before finance costs, interests income, dividend income, deficit on revaluation of fixed assets, income tax, depreciation and amortization, share of profit of associated companies. To supplement our consolidated financial statements presented in accordance with the Hong Kong GAAP, we use the non-Hong Kong GAAP measure of EBITDA, which is adjusted from our results based on Hong Kong GAAP. We believe that EBITDA provides useful information to both management and investors to further analyze our operating results since we, as a company operating in the capital intensive telecommunications industry, incurred significant capital expenditure and finance costs which have significant impact to our results based on Hong Kong GAAP. EBITDA should only be considered in addition to our Hong Kong GAAP results. It should not be considered a substitute for or superior to our Hong Kong GAAP results as it cannot be used to measure operation results and liquidity and does not represent operation cash flows. In addition, our EBITDA may not be comparable to similar indicators of other companies.
- (2) Operating profit refers to profit before interests income, dividend income and deficit on revaluation of fixed assets.
- (3) Free cash flow refers to net cash inflow from operating activities of continuing operations net of our capital expenditure.
- (4) On June 2, 2006, the Group entered into an agreement with the third party buyers to dispose of its entire interest in the Asia Netcom for an aggregate cash consideration of US\$168.84 million, at fair value determined by both parties. The disposal was completed on August 22, 2006. The gain on disposal amounted to RMB1,878 million. The results and cash flows of the Asia Netcom for the year ended December 31, 2006 are presented as discontinued operations.