

CONSOLIDATED INCOME STATEMENT AND PROFIT APPROPRIATION STATEMENT

for the year ended 31 December 2006

	Note	2006 RMB millions	2005 RMB millions
Income from principal operations	32	1,044,579	799,115
Less: Cost of sales		880,029	668,249
Sales taxes and surcharges	33	28,286	17,152
Profit from principal operations		136,264	113,714
Add: Profit from other operations		969	839
Less: Selling expenses		24,734	22,690
Administrative expenses		26,491	23,330
Financial expenses	34	6,729	5,266
Exploration expenses, including dry holes	35	7,983	6,411
Operating profit		71,296	56,856
Add: Investment income	36	43	813
Subsidy income	37	5,000	9,415
Non-operating income		372	367
Less: Non-operating expenses	38	3,459	5,969
Profit before taxation		73,252	61,482
Less: Income tax	39	22,519	18,903
Minority interests		696	2,902
Add: Unrecognised investment losses/(reversal)		627	(119)
Net profit		50,664	39,558
Add: Retained profits at the beginning of the year		58,366	37,124
Distributable profits		109,030	76,682
Less: Transfer to statutory surplus reserve	31	5,066	3,956
Transfer to statutory public welfare fund	31	—	3,956
Transfer to discretionary surplus reserve	31	20,000	—
Distributable profits to shareholders		83,964	68,770
Less: Distribution of ordinary shares' final dividend	40	7,803	6,936
Distribution of ordinary shares' interim dividend	40	3,468	3,468
Retained profits at the end of the year (Including dividend proposed after the balance sheet date in respect of year 2006 of RMB 9,537 million (2005: RMB 7,803 million))	40	72,693	58,366

These financial statements have been approved by the board of directors on 6 April 2007.

Chen Tonghai
Chairman
(Authorised representative)

Wang Tianpu
Director,
President

Dai Houliang
Director,
Senior Vice President and
Chief Financial Officer

Liu Yun
Head of Corporate Finance
Department

The notes on pages 86 to 115 form part of these financial statements.