

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	779,902	532,621
Less: Cost of sales		656,600	480,866
Sales taxes and surcharges	33	23,086	11,249
Profit from principal operations		100,216	40,506
Add: Profit from other operations		869	512
Less: Selling expenses		16,233	14,672
Administrative expenses		20,473	14,573
Financial expenses	34	5,283	3,539
Exploration expenses, including dry holes	35	7,959	5,052
Operating profit		51,137	3,182
Add: Investment income	36	20,944	51,646
Subsidy income	37	3,016	6,584
Non-operating income		209	224
Less: Non-operating expenses	38	2,745	3,967
Profit before taxation		72,561	57,669
Less: Income tax	39	22,410	18,138
Net profit		50,151	39,531
Add: Retained profits at the beginning of the year		58,339	37,124
Distributable profits		108,490	76,655
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		83,424	68,743
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	72,153	58,339

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.