

Income Statement and Profit Appropriation Statement

For the year ended 31 December 2006
(Prepared under PRC Accounting Rules and Regulations)

	Notes	2006 RMB million	2005 RMB million
Sales from principal activities	36	36,853	30,643
Less: Cost of sales from principal activities	37	32,002	27,492
Business taxes and surcharges	38	993	861
Profit from principal activities		3,858	2,290
Add: Profit from other operations	39	213	219
Less: Operating expenses		2,335	2,339
General and administrative expenses		1,669	1,607
Financial expenses	40	815	294
Operating profit/(loss)		(748)	(1,731)
Add: Investment income/(loss)	41	112	(204)
Subsidy income	42	103	46
Non-operating income	43	711	126
Less: Non-operating expenses	44	23	81
Profit/(loss) before income tax		155	(1,844)
Less: Income tax	45	37	(50)
Net profit/(loss) for the year		118	(1,794)
Add: (Accumulated losses)/retained earnings at the beginning of the year		(919)	875
Accumulated losses		(801)	(919)
Less: Transfer to statutory surplus reserve	34	–	–
Transfer to discretionary surplus reserve	34	–	–
Dividends distributed to shareholders	35	–	–
Accumulated losses at the end of the year		(801)	(919)

These financial statements have been approved by the Board of Directors of the Company on 16 April 2007.

Liu Shao Yong
Chairman

Si Xian Min
Director and President

Xu Jie Bo
Director and
Chief Financial Officer

Xiao Li Xin
General Manager of
Finance Department

The notes on pages 127 to 194 form part of these financial statements.