

INCOME STATEMENT AND PROFIT APPROPRIATION STATEMENT

for the year ended 31 December 2004

	Note	2004 RMB millions	2003 RMB millions
Income from principal operations	32	397,789	275,426
Less: Cost of sales		336,089	228,387
Sales taxes and surcharges	33	10,094	8,413
Profit from principal operations		51,606	38,626
Add: Profit from other operations		108	146
Less: Selling expenses		13,055	9,591
Administrative expenses		15,523	14,038
Financial expenses	34	2,770	2,337
Exploration expenses, including dry holes	35	4,951	4,483
Operating profit		15,415	8,323
Add: Investment income	36	39,374	22,844
Non-operating income		377	104
Less: Non-operating expenses	37	7,879	3,599
Profit before taxation		47,287	27,672
Less: Taxation	38	14,769	8,904
Net profit		32,518	18,768
Add: Undistributed profits at the beginning of the year		19,732	12,569
Distributable profits		52,250	31,337
Less: Transfer to statutory surplus reserve	31	3,228	1,901
Transfer to statutory public welfare fund	31	3,228	1,901
Distributable profits to shareholders		45,794	27,535
Less: Ordinary shares' final dividend	39	5,202	5,202
Ordinary shares' interim dividend		3,468	2,601
Undistributed profits at the end of the year (Including dividend declared after the balance sheet date in respect of year 2004 of RMB 6,936 million (2003: RMB 5,202 million))	39	37,124	19,732

Approved by the Board of Directors on 25 March 2005.

Chen Tonghai
Chairman
(Authorised representative)

Wang Jiming
Vice Chairman
and President

Zhang Jiaren
Director, Senior Vice President
and Chief Financial Officer

Liu Yun
Head of Accounting
Division

The notes on pages 94 to 125 form part of these financial statements.