

1. MAJOR FINANCIAL DATA OF THE GROUP FOR 2005 PREPARED IN ACCORDANCE WITH PRC GAAP

Unit: RMB in millions

Item	Amount
Total profit	1,501.9
Net profit	1,194.3
Net profit after extraordinary gains or losses	1,212.9
Profit from principal operations	7,525.5
Profit from other operations	15.8
Operating profit	1,092.3
Investment income	(59.4)
Subsidy income	458.0
Net non-operating income and expenses	10.9
Net cash flow arising from operating activities	177.3
Net increase in cash and cash equivalents	(2,025.1)

The extraordinary gain or loss items and amounts are listed below:

Unit: RMB in millions

Item	Amount
Subsidy income	22.7
Non-operating income	27.6
Less: non-operating expenses	16.7
Less: Provision for impairment of equity investment	55.5
Less: effect of income tax	(3.3)
Total	(18.6)

2. MAJOR FINANCIAL DATA AND INDICATORS OF THE GROUP FOR THE PAST THREE YEARS PREPARED IN ACCORDANCE WITH PRC GAAP

Item	2005	2004	2003	
			Before adjustment	After adjustment
Revenue from principal operations (RMB million)	21,575.9	22,698.2	16,036.0	16,036.0
Net profit (RMB million)	1,194.3	1,008.9	752.5	704.1
Total assets (RMB million)	21,779.1	20,830.0	15,767.0	15,833.4
Shareholder's equity (RMB million) (excluding minority interests)	10,125.1	9,174.4	5,043.9	4,810.4
Earnings per share (RMB)	1.24*	1.05	1.13	1.06
Net assets per share (RMB)	10.55*	9.56	7.56	7.21
Return on net assets (%)	11.80	11.00	14.92	14.64
Adjusted net assets per share (RMB)	10.55	9.53	7.29	6.94
Net cashflow per share arising from operating activities (RMB)	0.18	1.71	1.71	1.71

* Based on 959,521,650 shares, being the total share capital of the Company as at 31 December 2005. There was no change in the total share capital of the Company during 2005.

FINANCIAL HIGHLIGHTS

3. RETURN ON NET ASSETS AND EARNINGS PER SHARE OF THE GROUP CALCULATED IN ACCORDANCE WITH PRC GAAP

Profit for the reporting period	Return on net assets*		Earnings per share (RMB)*	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	74.33%	78.13%	7.84	7.84
Operating profit	10.79%	11.34%	1.14	1.14
Net profit	11.80%	12.40%	1.24	1.24
Net profit after extraordinary gains or losses	11.98%	12.59%	1.26	1.26

* Calculated and completed in accordance with the requirements of Rule No. 9 of the Rules for Information Disclosure and Report Compilation by Companies with Public Listed Securities of the China Securities Regulatory Commission.

4. CHANGES IN SHAREHOLDERS' EQUITY OF THE GROUP PREPARED IN ACCORDANCE WITH PRC GAAP

Unit: RMB in millions

Item of shareholders' equity	At the beginning of the period	Increase for the period	Decrease for the period	At the end of the period
Share capital	959.5	—	—	959.5
Capital reserve	5,491.7	14.7	—	5,506.4
Surplus reserve	985.3	278.8	—	1,264.1
In which: statutory welfare fund	252.0	92.9	—	344.9
Retained profit	1,495.4	1,194.3	518.5	2,171.2
Difference in foreign currency translation	2.6	—	18.6	(16.0)
Cash dividends declared	239.9	239.9	239.9	239.9
Total shareholders' equity	9,174.4	1,727.7	777.0	10,125.1

Reasons for the changes:

1. For details of reasons for changes in share capital during the reporting period, please refer to Notes 28, 29 and 30 to the financial statements prepared in accordance with PRC GAAP.
2. The translation differences in foreign currency of the Company were attributed to the consolidation of financial statements in foreign currency.

5. MAJOR FINANCIAL DATA OF THE GROUP PREPARED IN ACCORDANCE WITH HKASs

Unit: RMB in millions

	For the year ended 31 December				
	2005	2004	2003	2002	2001
Results					
Turnover	21,575.9	21,220.1	17,036.1	10,795.9	9,440.9
Cost of sales	(14,101.7)	(13,813.5)	(11,226.1)	(6,924.2)	(6,142.2)
Gross profit	7,474.2	7,406.6	5,810.0	3,871.7	3,298.7
Other revenue and gains	681.6	534.1	252.0	312.1	119.2
Research and development costs	(1,959.5)	(2,265.2)	(1,535.7)	(1,127.9)	(1,048.3)
Selling and distribution costs	(3,186.4)	(2,799.6)	(1,981.5)	(1,277.0)	(1,150.3)
Administrative expenses	(1,095.4)	(981.4)	(869.0)	(542.4)	(528.3)
Other operating expenses	(128.6)	(162.4)	(213.9)	(212.6)	10.1
Profit from operating activities	1,785.9	1,732.1	1,461.9	1,023.9	701.1
Finance costs	(175.9)	(140.4)	(171.2)	(122.3)	(160.6)
Share of profits and losses of jointly-controlled entities and associates	(4.2)	3.1	(3.6)	4.2	2.0
Profit before tax	1,605.8	1,594.8	1,287.1	905.8	542.5
Tax	(179.8)	(115.0)	(198.6)	(159.7)	(106.8)
Profit before minority interests	1,426.0	1,479.8	1,088.6	746.1	435.7
Minority interests	(138.3)	(207.3)	(60.3)	(42.5)	(21.7)
Net profit from ordinary activities attributable to shareholders	1,287.7	1,272.5	1,028.3	703.6	414.0

Unit: RMB in millions

	As at 31 December				
	2005	2004	2003	2002	2001
Assets and liabilities					
Total assets	22,464.0	21,007.8	16,476.4	12,022.8	9,042.6
Total liabilities	11,742.8	11,312.2	11,649.9	8,124.8	5,847.3
Minority interests	470.7	478.4	226.6	215.4	134.3
Shareholders' equity	10,250.5	9,217.2	4,599.9	3,682.6	3,061.0

6. MAJOR FINANCIAL INDICATORS OF THE GROUP PREPARED IN ACCORDANCE WITH HKASs

	2005	2004	2003	2002	2001
Basic earnings per share (RMB/share)	1.34	1.57	1.28	0.88	0.53
Net assets per share (RMB/share)	11.17	11.96	6.03	4.87	4.09
Return on net assets	12.01%	13.12%	21.31%	18.05%	12.96%

Note: In accordance with HKASs, the above figures are calculated based on weighted average method. The weighted average share capital is 959,521,650 shares in 2005.

FINANCIAL HIGHLIGHTS

7. RECONCILIATION OF DIFFERENCES OF NET PROFIT FOR 2005 AND SHAREHOLDERS' EQUITY OF THE GROUP AS AT 31 DECEMBER 2005 PREPARED IN ACCORDANCE WITH PRC GAAP AND HKASs

Unit: RMB in millions

	PRC GAAP	HKASs
Net profit for 2005	1,194.3	1,287.7
Shareholders' equity for 2005	10,125.1	10,250.5
Explanation of differences	For details please refer to Note 44 to financial statements prepared under HKASs.	

8. IMPORTANT NOTE

In order to more accurately reflect the operational performance and assets of the Group, the following new items have been added in the balance sheet for the 2005:

(Long-term) factored accounts receivable: This item relates to (long-term) creditors receivable pledged to bank in exchange of the granting of bank facilities whose risks and rewards have not been fully transferred, accounted for based on the principle of "substance over form" in accordance with the Provisional Regulations on Accounting Treatment of Creditor Financing between Enterprises and Banks/Financial Institutions issued by the Ministry of Finance. This item was included under "accounts receivable" in 2004.

Bank facilities secured by (long-term) factored accounts receivable: This item relates to bank facilities obtained by pledging (long-term) creditors receivable to banks accounted for based on the principle of "substance over form" in accordance with the Provisional Regulations on Accounting Treatment of Creditor Financing between Enterprises and Banks/Financial Institutions issued by the Ministry of Finance. This item was included under "short-term borrowings" in 2004.

Work contract amounts receivable (payable): This item relates to accumulated costs incurred and gross profit (loss) recognised in respect of construction contracts and settled progress bills. Costs are accounted for based on actual costs, comprising direct materials, direct labour, construction machinery, other direct costs and a relevant portion of construction overheads. If accumulated costs incurred and gross profit (loss) recognised in respect of the construction contract of an individual project exceed settled progress bills, the difference is recognised as work contract amount receivable. If settled progress bills exceed costs incurred and gross profit (loss) recognised to date in respect of the construction contract of an individual project, the difference is recognised as work contract amount payable. The item was included under "inventories" in 2004.

Long-term accounts receivable: This item relates to creditors receivable provided by the Group to its customers with a credit term (instalment period) of over one year.

Long-term deferred assets: This item relates to the value of equipment or product used by the Group under a specific business model (joint operation with international telecommunications carriers). Equipment or products are stated at historical cost, including relevant expenses incurred in bringing such equipment or products to their existing useful state (such as tax, insurance, freight and installation), and are amortised, starting from the month in which the equipment is put to use, on a straight-line basis over the term of joint operation or the useful lives of the equipment, whichever is shorter.

For details and balances of the respective items please refer to the financial statements of the Group prepared under PRC GAAP and the notes thereto.