

INCOME STATEMENT AND PROFIT APPROPRIATION STATEMENT

for the year ended 31 December 2005

	Note	2005 RMB millions	2004 RMB millions
Income from principal operations	32	532,621	397,789
Less: Cost of sales		480,866	336,089
Sales taxes and surcharges	33	11,249	10,094
Profit from principal operations		40,506	51,606
Add: Profit from other operations		512	108
Less: Selling expenses		14,672	13,055
Administrative expenses		14,573	15,523
Financial expenses	34	3,539	2,770
Exploration expenses, including dry holes	35	5,052	4,951
Operating profit		3,182	15,415
Add: Investment income	36	51,646	39,374
Subsidy income	37	6,584	—
Non-operating income		224	377
Less: Non-operating expenses	38	3,967	7,879
Profit before taxation		57,669	47,287
Less: Income tax	39	18,138	14,769
Net profit		39,531	32,518
Add: Retained profits at the beginning of the year		37,124	19,732
Distributable profits		76,655	52,250
Less: Transfer to statutory surplus reserve	31	3,956	3,228
Transfer to statutory public welfare fund	31	3,956	3,228
Distributable profits to shareholders		68,743	45,794
Less: Distribution of ordinary shares' final dividend	40	6,936	5,202
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 2005 of RMB 7,803 million (2004: RMB 6,936 million))	40	58,339	37,124

These financial statements have been approved by the Board of Directors on 31 March 2006.

Chen Tonghai
Chairman
(Authorised representative)

Wang Tianpu
President

Zhang Jiaren
Director and
Chief Financial Officer

Liu Yun
Head of Accounting
Division

The notes on pages 92 to 122 form part of these financial statements.