

Financial Highlights

	2006	2005
	RMB in million	RMB in million
Revenue	94,294	87,049
Excluding the unrealised loss on changes in fair value of derivative component of Convertible Bonds:		
Profit for the year* (Note 1)	6,129 *	4,931
Adjusted basic earnings per share*	RMB48.6 cents *	RMB39.2 cents
Adjusted diluted earnings per share*	RMB48.4 cents *	RMB39.1 cents
Adjusted EBITDA* (Note 2)	31,689 *	28,438
Including the unrealised loss on changes in fair value of derivative component of Convertible Bonds:		
Profit for the year	3,732	4,931
Basic earnings per share	RMB29.6 cents	RMB39.2 cents
Diluted earnings per share	RMB29.5 cents	RMB39.1 cents
EBITDA (Note 2)	29,292	28,438

* To enable an investor to better understand the Group's results, the unrealised loss of RMB2.4 billion on changes in fair value of derivative component of Convertible Bonds that is not considered to be an indicator of the Group's operating performance in 2006 is excluded.

Note 1: Profit for the year excluding the effect of unrealised loss on changes in fair value of derivative component of Convertible Bonds represents profit for the year before accounting for unrealised loss on changes in fair value of derivative component of Convertible Bonds. Please also refer to Note 30 to the Consolidated Financial Statements for quantitative reconciliation and Section III.9 of "Management's Discussion and Analysis of Financial Condition and Results of Operations" for detailed discussions of the unrealised loss on changes in fair value of derivative component of Convertible Bonds resulted from increase in fair value of the derivative component in respect of the Convertible Bonds.

Note 2: EBITDA represents profit for the year before interest income, finance costs, other gains-net, income tax and depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditures and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, we believe EBITDA may be helpful in analyzing the operating results of a telecommunications service operator like our company.

Adjusted EBITDA represents profit for the year before unrealised loss on changes in fair value of derivative component of Convertible Bonds, interest income, finance costs, other gains-net, income tax and depreciation and amortisation. We believe that the adjusted EBITDA may provide not only more meaningful supplemental information to but also facilitates the management and investors to assess our performance and liquidity by excluding unrealised loss on changes in fair value of derivative component of Convertible Bonds that is not considered as an indicator of our operating performance from a cash flow perspective.

Although EBITDA and adjusted EBITDA have been widely applied in the global telecommunications industry as indicators to reflect the operating performance, financial capability and liquidity, they should be considered in addition to, and is not a substitute for or superior to, the measure of financial performance prepared under generally accepted accounting principles ("GAAP") as they do not have any standardised meaning under GAAP and are not regarded as measures of operating performance and liquidity under GAAP. In addition, they may not be comparable to similar indicators provided by other companies.