



Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company												
		Share capital	Share premium	Capital reserve	Revaluation Reserve	Statutory surplus reserve	Fair value reserve	Exchange reserve	Other reserve	Retained earnings	Total	Minority interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2007		5,444,986	1,557,783	1,413,776	415,557	5,538	—	—	2,657,196	722,277	12,217,113	146,709	12,363,822
Consideration for the acquisition of the Target Business (as defined in note 1b)	1(b)	—	—	—	—	—	—	—	(3,656,774)	—	(3,656,774)	—	(3,656,774)
Contributions	(a)	—	—	—	—	—	—	—	709,540	—	709,540	—	709,540
Acquisition of minority interests		—	—	—	—	—	—	—	67,723	—	67,723	(67,723)	—
Profit distributions	(b)	—	—	—	—	—	—	—	—	(62,680)	(62,680)	(5,911)	(68,591)
Distributions	(c)	—	—	—	—	—	—	—	—	(260,084)	(260,084)	—	(260,084)
Recognition of deferred tax assets	25	—	—	—	—	—	—	—	22,454	—	22,454	—	22,454
Transfer from retained earnings to other reserve	(d)	—	—	—	—	—	—	—	12,113	(12,113)	—	—	—
Transfer from other reserve to capital reserve	(g)	—	—	(496,110)	—	—	—	—	496,110	—	—	—	—
Distribution of special dividend (Recognition)/reversal of deferred tax liabilities	14(c) and (d) 25	—	—	—	—	—	—	—	—	(720,247)	(720,247)	(11,592)	(731,839)
Change in fair value of available-for-sale securities	(l)	—	—	—	—	—	(11,641)	—	18,473	—	6,832	—	6,832
Exchange differences on translation of financial statement of subsidiaries outside Mainland PRC	(m)	—	—	—	—	—	—	(3,062)	—	—	(3,062)	—	(3,062)
Profit for the year		—	—	—	—	—	—	—	1,167,247	1,167,247	15,947	1,183,194	
Appropriation	(j)	—	—	—	—	92,288	—	—	—	(92,288)	—	—	—
Balance as at 31 December 2007		5,444,986	1,557,783	917,666	415,557	97,826	61,075	(3,062)	66,751	1,002,196	9,560,778	77,430	9,638,208
Balance as at 1 January 2008		5,444,986	1,557,783	917,666	415,557	97,826	61,075	(3,062)	66,751	1,002,196	9,560,778	77,430	9,638,208
Issuance of shares	35	326,696	1,169,864	—	—	—	—	—	—	1,496,560	—	—	1,496,560
Contributions	(e)	—	—	—	—	—	—	—	—	8,335	8,335	—	8,335
Capital injection by minority shareholder to subsidiary	(f)	—	—	—	—	—	—	—	46,567	—	46,567	25,893	72,460
Acquisition of minority interests		—	—	—	—	—	—	—	—	(863)	(863)	(1,335)	(2,198)
Increase in minority interests	(h)	—	—	—	—	—	—	—	—	—	—	12,475	12,475
Change in fair value of available-for-sale securities	(l)	—	—	—	—	—	(44,877)	—	—	—	(44,877)	—	(44,877)
Reversal of deferred tax liabilities and assets	25	—	—	—	—	—	6,183	—	(1,855)	—	4,328	—	4,328
Exchange differences on translation of financial statement of subsidiaries outside Mainland PRC	(m)	—	—	—	—	—	—	(2,386)	—	—	(2,386)	—	(2,386)
Effect on opening deferred tax balances resulting from a change in tax rate	25	—	—	—	—	—	—	—	(208)	—	(208)	—	(208)
Dividend declared	14	—	—	—	—	—	—	—	—	(393,629)	(393,629)	—	(393,629)
Distribution to minority shareholders		—	—	—	—	—	—	—	—	—	—	(7,974)	(7,974)
Profit for the year		—	—	—	—	—	—	—	—	1,316,266	1,316,266	15,334	1,331,600
Appropriation	(j)	—	—	—	—	64,332	—	—	—	(64,332)	—	—	—
Balance as at 31 December 2008		5,771,682	2,727,647	917,666	415,557	162,158	22,381	(5,448)	110,392	1,868,836	11,990,871	121,823	12,112,694



Notes:

- (a) The capital contributions in 2007 represented the injection of cash and other assets, including property, plant and equipment and investments related to the Target Business (as defined in note 1(b)).
- (b) Profit distributions in 2007 represented the appropriation made and dividend declared by certain subsidiaries of the Target Business prior to the acquisition of the Target Business by the Group.
- (c) The distributions in 2007 represented the reduction in capital of certain entities included in the Target Business and distribution of cash and other assets, including property, plant and equipment prior to the acquisition of the Target Business by the Group.
- (d) Transfer from retained earnings to other reserve in 2007 represented the net profit of the Target Business for the period from 1 January 2007 to 31 January 2007, which was included in the consideration for the acquisition of the Target Business and the net assets value of the Target Business.
- (e) The amount represents the profit distribution to a subsidiary of China Telecommunications Corporation (“CTC”) by the Target Business, which was subsequently waived by the subsidiary.
- (f) Capital injection by minority shareholder represents a minority shareholder’s injection of USD10 million to acquire 30% equity interest in a subsidiary, Zhejiang Freeland New Media Co., Ltd, of the Group at a premium. The Company’s shared portion of the premium has been recorded in other reserve.
- (g) Transfer from other reserve to capital reserve in 2007 represented the difference between the consideration for the acquisition of the Target Business and the net assets value of the Target Business.
- (h) The amount represents minority interests of certain non-wholly owned subsidiaries which the Group obtains the equity interests in these subsidiaries through donation from labour unions (see note 38(ii)).
- (i) Share premium
The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering in 2006 and subsequent share issuance in 2008.
- (j) Statutory surplus reserve
According to the Company’s Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years’ losses, if any, or to expand the Company’s business, and may be converted into share capital by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

For the year ended 31 December 2008, the Company transferred RMB64,331,000 being 10% of the current year’s net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

- (k) Capital reserve
The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from CTC, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation upon the formation of the Company. Then, the capital reserve was net off by the difference between the consideration for the acquisition of Target Business and the net assets value of the Target Business in 2007 (see note (g)).
- (l) Fair value reserve
The fair value reserve represents the net change in the fair value of available-for-sale securities in other investments held at the balance sheet date.
- (m) Exchange reserve
The exchange reserve represents all foreign exchange differences arising from the translation of the financial statements of subsidiaries located in Hong Kong, Nigeria and Tanzania.

The notes on pages 94 to 166 form part of these financial statements.