

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company												
	Note	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
		RMB'000	(note g) RMB'000	(note i) RMB'000	RMB'000	(note h) RMB'000	(note j) RMB'000	(note k) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2009		5,771,682	2,727,647	917,666	415,557	162,158	22,381	(5,448)	206,382	1,868,836	12,086,861	156,729	12,243,590
Changes in equity for the year ended 31 December 2009													
Consideration for the acquisition of the Target Interests (as defined in note 1 (c))		—	—	—	—	—	—	—	(98,055)	—	(98,055)	—	(98,055)
Adjustment of tax effect arising from Restructuring (as defined in note 1 (b))		—	—	14,955	—	—	—	—	—	—	14,955	—	14,955
Acquisition of minority interests	(a)	—	—	—	—	—	—	—	(39,852)	—	(39,852)	(30,781)	(70,633)
Dividend declared	15(b)	—	—	—	—	—	—	—	—	(526,955)	(526,955)	—	(526,955)
Distribution to minority shareholders		—	—	—	—	—	—	—	—	—	—	(29,051)	(29,051)
Total comprehensive income for the year		—	—	—	—	—	35,612	(1,324)	(1,145)	1,598,589	1,631,732	11,649	1,643,381
Appropriation		—	—	—	—	77,219	—	—	—	(77,219)	—	—	—
Balance as at 31 December 2009		5,771,682	2,727,647	932,621	415,557	239,377	57,993	(6,772)	67,330	2,863,251	13,068,686	108,546	13,177,232
Balance as at 1 January 2008 as previously reported		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
Adjusted for acquisition of Target Interests (as defined in note 1 (c))		—	—	—	—	—	—	—	109,526	—	109,526	34,382	143,908
Balance as at 1 January 2008, restated		5,444,986	1,557,783	917,666	415,557	97,826	61,075	(3,062)	176,277	1,002,196	9,670,304	111,812	9,782,116
Changes in equity for the year ended 31 December 2008													
Issuance of shares	36	326,696	1,169,864	—	—	—	—	—	—	—	1,496,560	—	1,496,560
Transfer from retained earnings to other reserve	(b)	—	—	—	—	—	—	—	10,504	(10,504)	—	—	—
Profit distribution	(c)	—	—	—	—	—	—	—	(24,038)	—	(24,038)	(1,016)	(25,054)
Contributions	(d)	—	—	—	—	—	—	—	—	8,335	8,335	—	8,335
Capital injection by minority shareholder to subsidiary	(e)	—	—	—	—	—	—	—	46,567	—	46,567	25,893	72,460
Increase in minority interests	(f)	—	—	—	—	—	—	—	—	—	—	12,475	12,475
Acquisition of minority interests		—	—	—	—	—	—	—	(863)	—	(863)	(1,335)	(2,198)
Total comprehensive income for the year		—	—	—	—	—	(38,694)	(2,386)	(2,065)	1,326,770	1,283,625	16,874	1,300,499
Dividend declared	15(b)	—	—	—	—	—	—	—	—	(393,629)	(393,629)	—	(393,629)
Distribution to minority shareholders		—	—	—	—	—	—	—	—	—	—	(7,974)	(7,974)
Appropriation		—	—	—	—	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)	206,382	1,868,836	12,086,861	156,729	12,243,590

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

*(Expressed in Renminbi)**Notes:*

- (a) Acquisition of minority interests in 2009 represents the premium paid by the Group for acquiring equity interests in certain subsidiaries of the Group.
- (b) Transfer from retained earnings to other reserve in 2008 represented the net profit of the Target Interests (as defined in note 1(c)) for the period from 1 January 2008 to 31 December 2008, which was included in the consideration for the acquisition of the Target Interests.
- (c) Profit distribution in 2008 represented the appropriation made and dividend declared by a subsidiary within the Target Interests prior to the acquisition of the Target Interests (as defined in note 1(c)) by the Group.
- (d) Capital contribution in 2008 represented the profit distribution to a subsidiary of China Telecommunication Corporation (“CTC”) by the Target Business (as defined in note 1(b)), which was subsequently waived by the subsidiary.
- (e) Capital injection by minority shareholder represented a minority shareholder injected of US\$ 10 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.
- (f) The amount represented 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 39(ii)).
- (g) 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.
- (h) 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 2009, the Company transferred RMB 77,219,000 being 10% of the current year’s net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.
- (i) 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 and subsequent common control acquisitions net balances.
- (j) 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.
- (k) Exchange reserve
The exchange reserve represents all foreign exchange differences arising from the translation of the financial statements of subsidiaries located in Cambodia, Egypt, Hong Kong, Indonesia, Nigeria, Pakistan, Saudi Arabia, Sudan, Tanzania and Zambia.

The notes on pages 95 to 170 form part of these financial statements.