

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(Expressed in Renminbi)

Note	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	Non-controlling interests	Total equity
	(note a)	(note b)	(note c)	(note d)	(note e)							
	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 2010	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
Changes in equity for the year ended 31 December 2010												
Profit for the year	-	-	-	-	-	-	-	-	1,817,805	1,817,805	(1,414)	1,816,391
Other comprehensive income	-	-	-	-	-	(17,034)	608	148	-	(16,278)	-	(16,278)
Total comprehensive income	-	-	-	-	-	(17,034)	608	148	1,817,805	1,801,527	(1,414)	1,800,113
Capital injection by a non-controlling owner to a subsidiary	-	-	-	-	-	-	-	-	-	-	69,276	69,276
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(9,669)	-	(9,669)	(31,427)	(41,096)
Dividend declared	-	-	-	-	-	-	-	-	(639,502)	(639,502)	-	(639,502)
Distribution to non-controlling owners	-	-	-	-	-	-	-	-	-	-	(12,179)	(12,179)
Appropriation	-	-	-	-	86,941	-	-	-	(86,941)	-	-	-
Balance as at 31 December 2010	5,771,682	2,727,647	932,621	415,557	326,318	40,959	(6,164)	57,809	3,954,613	14,221,042	132,802	14,353,844
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												
Profit for the year	-	-	-	-	-	-	-	-	1,598,589	1,598,589	11,649	1,610,238
Other comprehensive income	-	-	-	-	-	35,612	(1,324)	(1,145)	-	33,143	-	33,143
Total comprehensive income	-	-	-	-	-	35,612	(1,324)	(1,145)	1,598,589	1,631,732	11,649	1,643,381
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 non-controlling interests	-	-	-	-	-	-	-	(39,852)	-	(39,852)	(30,781)	(70,633)
Dividend declared	-	-	-	-	-	-	-	-	(526,955)	(526,955)	-	(526,955)
Distribution to non-controlling owners	-	-	-	-	-	-	-	-	-	-	(29,051)	(29,051)
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

The notes on pages 98 to 158 form part of these financial statements.

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Notes:

(a) 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.

(b) 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 China Telecommunication Corporation ("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.

(c) 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 2010, the Company transferred RMB86,941,000 being 10% of the current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

(d) 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.

(e) Exchange reserve

The exchange reserve represents all foreign exchange differences arising from the translation of the financial statements of subsidiaries located outside of Mainland China.

The notes on pages 98 to 158 form part of these financial statements.