

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

Note	Equity attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Revaluation reserve	Statutory surplus reserve	Fair value reserve	Exchange reserve	Other reserve	Retained earnings	Total			
	RMB'000	(note a) RMB'000	(note b) RMB'000	(note c) RMB'000	(note d) RMB'000	(note e) RMB'000	(note f) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance as at 1 January 2011 as previously reported	3	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
Change in accounting policy		-	-	913,847	(415,557)	-	-	-	(85,205)	(17,513)	395,572	(168)	395,404
Balance as at 1 January 2011 as adjusted		5,771,682	2,727,647	1,846,468	-	326,318	40,959	(6,164)	(27,396)	3,937,100	14,616,614	132,634	14,749,248
Changes in equity for the year ended 31 December 2011													
Profit for the year		-	-	-	-	-	-	-	-	2,114,863	2,114,863	(8,991)	2,105,872
Other comprehensive income		-	-	-	-	-	(18,305)	(3,425)	-	-	(21,730)	-	(21,730)
Total comprehensive income		-	-	-	-	-	(18,305)	(3,425)	-	2,114,863	2,093,133	(8,991)	2,084,142
Capital injection by a non-controlling owner to a subsidiary		-	-	-	-	-	-	-	-	-	-	20,000	20,000
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(460)	-	(460)	(3,769)	(4,229)
Dividend declared	15(b)	-	-	-	-	-	-	-	-	(727,232)	(727,232)	-	(727,232)
Distribution to non-controlling owners		-	-	-	-	-	-	-	-	-	-	(18,614)	(18,614)
Appropriation		-	-	-	-	102,389	-	-	-	(102,389)	-	-	-
Others		-	-	-	-	-	-	-	21,512	-	21,512	-	21,512
Balance as at 31 December 2011		5,771,682	2,727,647	1,846,468	-	428,707	22,654	(9,589)	(6,344)	5,222,342	16,003,567	121,260	16,124,827
Balance as at 1 January 2010 as previously reported	3	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
Change in accounting policy		-	-	913,847	(415,557)	-	-	-	(85,057)	(3,461)	409,772	(168)	409,604
Balance as at 1 January 2010 as adjusted		5,771,682	2,727,647	1,846,468	-	239,377	57,993	(6,772)	(17,727)	2,859,790	13,478,458	108,378	13,586,836
Changes in equity for the year ended 31 December 2010													
Profit for the year		-	-	-	-	-	-	-	-	1,803,753	1,803,753	(1,414)	1,802,339
Other comprehensive income		-	-	-	-	-	(17,034)	608	-	-	(16,426)	-	(16,426)
Total comprehensive income		-	-	-	-	-	(17,034)	608	-	1,803,753	1,787,327	(1,414)	1,785,913
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	15(b)	-	-	-	-	-	-	-	-	(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	1,846,468	-	326,318	40,959	(6,164)	(27,396)	3,937,100	14,616,614	132,634	14,749,248

The notes on pages 108 to 174 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

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 Telecommunications 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. As a result of the adoption of amendment to IFRS 1, the capital reserve has been restated (see note 3(ii)).

(c) Revaluation reserve

As required by the relevant PRC rules and regulations with respect to the Restructuring and the acquisition of the Target Business, revaluations were carried out by independent valuers registered in the PRC, on a depreciated replacement cost basis. The revaluation reserve represents the surpluses arising from these valuations of the Group's assets amounting to RMB294 million and RMB121 million in respect of the Restructuring and the acquisition of the Target Business, respectively, which have been credited to owner's equity. As a result of the adoption of amendment to IFRS 1, the revaluation reserve has been reversed (see note 3(ii)).

(d) 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 2011, the Company transferred RMB102 million being 10% of the current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

(e) 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.

(f) 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 108 to 174 form part of these financial statements.