

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Notes	Equity attributable to equity shareholders of the Company												
	Share capital	Share premium	Capital reserve	Statutory			Fair value reserve	Exchange reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
				surplus reserve	Specific reserve	Reserve							
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	6,926,018	4,529,310	1,846,468	541,379	38,216	22,554	(13,813)	(68,310)	6,680,917	20,502,739	499,420	21,002,159	
<b>Balance as at 1 January 2013</b>													
<b>Changes in equity for the year ended 31 December 2013</b>													
Profit for the year	-	-	-	-	-	-	-	-	2,238,351	2,238,351	47,029	2,285,380	
Other comprehensive income	-	-	-	-	-	8,307	(14,057)	-	-	(5,750)	-	(5,750)	
Total comprehensive income	-	-	-	-	-	8,307	(14,057)	-	2,238,351	2,232,601	47,029	2,279,630	
Dividend declared	15(b)	-	-	-	-	-	-	-	(962,717)	(962,717)	-	(962,717)	
Distribution to non-controlling owners		-	-	-	-	-	-	-	-	-	(31,190)	(31,190)	
Appropriation		-	-	-	123,422	-	-	-	(123,422)	-	-	-	
Appropriation of maintenance and production funds		-	-	-	-	322,342	-	-	(322,342)	-	-	-	
Utilisation of maintenance and production funds		-	-	-	-	(288,416)	-	-	288,416	-	-	-	
Others		-	-	-	-	-	-	-	140	140	-	140	
<b>Balance as at 31 December 2013</b>	<b>6,926,018</b>	<b>4,529,310</b>	<b>1,846,468</b>	<b>664,801</b>	<b>72,142</b>	<b>30,861</b>	<b>(27,870)</b>	<b>(68,310)</b>	<b>7,799,343</b>	<b>21,772,763</b>	<b>515,259</b>	<b>22,288,022</b>	
<b>Balance as at 1 January 2012</b>	5,771,682	2,727,647	1,846,468	428,707	-	22,654	(9,505)	200,344	5,296,111	16,284,108	352,116	16,636,224	
<b>Changes in equity for the year ended 31 December 2012</b>													
Profit for the year	-	-	-	-	-	-	-	24,739	2,382,053	2,406,792	39,072	2,445,864	
Other comprehensive income	-	-	-	-	-	(100)	(4,308)	-	-	(4,408)	-	(4,408)	
Total comprehensive income	-	-	-	-	-	(100)	(4,308)	24,739	2,382,053	2,402,384	39,072	2,441,456	
Consideration for the acquisitions of the Target Interests and SBSS (as defined in note 1)		-	-	-	-	-	-	(340,701)	-	(340,701)	-	(340,701)	
Issuance of shares	38	1,154,336	1,801,663	-	-	-	-	-	-	2,955,999	-	2,955,999	
Capital injection by non-controlling owners to subsidiaries		-	-	-	-	-	-	47,261	-	47,261	124,538	171,799	
Dividend declared	15(b)	-	-	-	-	-	-	-	(846,359)	(846,359)	-	(846,359)	
Distribution to non-controlling owners		-	-	-	-	-	-	-	-	-	(16,306)	(16,306)	
Appropriation		-	-	-	112,672	-	-	-	(112,672)	-	-	-	
Appropriation of maintenance and production funds		-	-	-	-	271,340	-	-	(271,340)	-	-	-	
Utilisation of maintenance and production funds		-	-	-	-	(233,124)	-	-	233,124	-	-	-	
Others		-	-	-	-	-	-	47	-	47	-	47	
<b>Balance as at 31 December 2012</b>	<b>6,926,018</b>	<b>4,529,310</b>	<b>1,846,468</b>	<b>541,379</b>	<b>38,216</b>	<b>22,554</b>	<b>(13,813)</b>	<b>(68,310)</b>	<b>6,680,917</b>	<b>20,502,739</b>	<b>499,420</b>	<b>21,002,159</b>	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

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 and 2012 respectively.

(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 (as defined in note 1(b)) and the net assets value of the Target Business in 2007 and subsequent common control acquisition 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 People's Republic of China (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 2013, the Company transferred RMB123 million being 10% of the profit for the current year as determined in accordance with the PRC Accounting Rules and Regulations to this reserve.

(d) Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, provision for production maintenance, production safety and other related expenditures are accrued at fixed rates based on production volume (the "maintenance and production funds"). The Group is required to make a transfer for the provision of maintenance and production funds from retained earnings to a specific reserve. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

(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 end of the reporting period.

(f) Exchange reserve

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

The notes on pages 100 to 170 form part of these financial statements.