

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

for the six months ended 30 June 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 shareholder's reserve	Retained earnings/ equity	Total	Minority interests	Total equity
	Note	(note 17)	(note f)	(note h)		(note g)	(note i)	(note j)					
		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 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	17	326,696	1,169,864	-	-	-	-	-	-	-	1,496,560	-	1,496,560
Contributions	(d)	-	-	-	-	-	-	-	-	10,306	10,306	-	10,306
Capital injection by minority shareholder to subsidiary	(e)	-	-	-	-	-	-	-	46,567	-	46,567	24,893	71,460
Acquisition of minority shares		-	-	-	-	-	-	-	(863)	-	(863)	(1,335)	(2,198)
Change in fair value of available-for-sale securities	(i)	-	-	-	-	-	(40,007)	-	-	-	(40,007)	-	(40,007)
Reversal of deferred tax liability		-	-	-	-	-	10,002	-	-	-	10,002	-	10,002
Exchange differences on translation of financial statement of subsidiaries outside Mainland PRC	(j)	-	-	-	-	-	-	(2,445)	-	-	(2,445)	-	(2,445)
Effect on opening deferred tax balances resulting from a change in tax rate		-	-	-	-	-	-	-	1,426	-	1,426	-	1,426
Dividend declared	10(b)	-	-	-	-	-	-	-	-	(393,629)	(393,629)	-	(393,629)
Profit for the period		-	-	-	-	-	-	-	-	567,021	567,021	7,304	574,325
Balance as at													
30 June 2008		5,771,682	2,727,647	917,666	415,557	97,826	31,070	(5,507)	113,881	1,185,894	11,255,716	108,292	11,364,008

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Equity attributable to equity shareholders of the Company													
		Share capital (note 17)	Share premium (note f)	Capital reserve (note h)	Revaluation reserve	Statutory surplus reserve (note g)	Fair value reserve (note i)	Exchange reserve (note j)	Other reserve	Retained earnings/ shareholder's equity	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
Contributions	(a)	-	-	-	-	-	-	-	698,222	-	698,222	-	698,222
Acquisition of minority interests		-	-	-	-	-	-	-	57,396	-	57,396	(57,396)	-
Profit distributions	(b)	-	-	-	-	-	-	-	-	(50,307)	(50,307)	(5,911)	(56,218)
Distributions	(c)	-	-	-	-	-	-	-	(237,863)	-	(237,863)	-	(237,863)
Recognition of deferred tax assets		-	-	-	-	-	-	-	24,234	-	24,234	-	24,234
Transfer from retained earnings to other reserve		-	-	-	-	-	-	-	84,612	(84,612)	-	-	-
Distribution of special dividend	10(c)	-	-	-	-	-	-	-	-	(530,225)	(530,225)	(4,786)	(535,011)
Change in fair value of available-for-sale securities	(i)	-	-	-	-	-	90,128	-	-	-	90,128	-	90,128
(Recognition)/reversal of deferred tax liabilities		-	-	-	-	-	(15,360)	-	18,473	-	3,113	-	3,113
Exchange differences on translation of financial statement of subsidiaries outside Mainland PRC	(j)	-	-	-	-	-	-	(2,151)	-	-	(2,151)	-	(2,151)
Profit for the period		-	-	-	-	-	-	-	-	509,655	509,655	9,135	518,790
Balance as at													
30 June 2007		5,444,986	1,557,783	1,413,776	415,557	5,538	74,768	(2,151)	3,302,270	566,788	12,779,315	87,751	12,867,066

Notes:

- (a) The capital contributions during the six months ended 30 June 2007 represent the injection of cash and other assets, including property, plant and equipment and investments related to the Target Business (as defined in note 1(c) to the unaudited interim financial report).
- (b) Profit distributions represent 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 represent 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.

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Notes: (continued)

(d) The capital contribution during the six months ended 30 June 2008 represents the profit distribution to a subsidiary of China Telecommunications Corporation (“CTC”) by the Target Business, which was subsequently waived by the subsidiary.

(e) 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.

(f) 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 and subsequent share issuance.

(g) Statutory surplus reserve

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.

(h) 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.

(i) Fair value reserve

The fair value reserve represents the net change in the fair value of available-for-sale securities at the balance sheet date.

(j) 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 13 to 36 form part of this financial report.