

Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 30 June 2009
(Expressed in Renminbi)

Equity attributable to equity shareholders of the Company												
	Share capital	Share premium (note g)	Capital reserve (note i)	Revaluation reserve	Statutory surplus reserve (note h)	Fair value reserve (note j)	Exchange reserve (note k)	Other reserve	Retained earnings	Total	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 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 six months ended 30 June 2009												
Consideration for the acquisition of the Target Interests (as defined in note 1(b)) (See note 1(b))	—	—	—	—	—	—	—	(98,081)	—	(98,081)	—	(98,081)
Transfer from retained earnings to other reserve (a)	—	—	—	—	—	—	—	2,187	(2,187)	—	—	—
Transfer from other reserve to capital reserve (b)	—	—	96	—	—	—	—	(96)	—	—	—	—
Acquisition of minority interests	—	—	—	—	—	—	—	(2,585)	—	(2,585)	(13,524)	(16,109)
Dividend declared 12(b)	—	—	—	—	—	—	—	—	(526,955)	(526,955)	—	(526,955)
Distribution to minority shareholders	—	—	—	—	—	—	—	—	—	—	(20,968)	(20,968)
Total comprehensive income for the period	—	—	—	—	—	20,956	7	—	758,338	779,301	2,040	781,341
Balance as at 30 June 2009	5,771,682	2,727,647	917,762	415,557	162,158	43,337	(5,441)	107,807	2,098,032	12,238,541	124,277	12,362,818

Consolidated Statement of Changes in Equity — Unaudited (continued)

For the six months ended 30 June 2009
(Expressed in Renminbi)

	Note	Equity attributable to equity shareholders of the Company										Minority interests (restated – note 1(b))	Total equity (restated – note 1(b))
		Share capital RMB'000	Share premium (note g) RMB'000	Capital reserve (note i) RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve (note h) RMB'000	Fair value reserve (note j) RMB'000	Exchange reserve (note k) RMB'000	Other reserve (restated – note 1(b)) RMB'000	Retained earnings (restated – note 1(b)) RMB'000	Total (restated – note 1(b)) RMB'000		
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(b))		—	—	—	—	—	—	—	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 six months ended 30 June 2008													
Issuance of shares	19	326,696	1,169,864	—	—	—	—	—	—	—	1,496,560	—	1,496,560
Transfer from retained earnings to other reserve	(c)	—	—	—	—	—	—	—	1,766	(1,766)	—	—	—
Profit distribution	(d)	—	—	—	—	—	—	—	(15,658)	—	(15,658)	(662)	(16,320)
Contributions	(e)	—	—	—	—	—	—	—	—	8,335	8,335	—	8,335
Capital injection by minority shareholder to subsidiary	(f)	—	—	—	—	—	—	—	46,567	—	46,567	24,893	71,460
Acquisition of minority interests		—	—	—	—	—	—	—	(863)	—	(863)	(1,335)	(2,198)
Total comprehensive income for the period		—	—	—	—	—	(30,005)	(2,445)	1,426	568,787	537,763	4,637	542,400
Dividend declared	12(b)	—	—	—	—	—	—	—	—	(393,629)	(393,629)	—	(393,629)
Balance as at 30 June 2008 and 1 July 2008		5,771,682	2,727,647	917,666	415,557	97,826	31,070	(5,507)	209,515	1,183,923	11,349,379	139,345	11,488,724
Capital injection by minority shareholder to subsidiary		—	—	—	—	—	—	—	—	—	—	1,000	1,000
Increase in minority interest		—	—	—	—	—	—	—	—	—	—	12,475	12,475
Transfer from retained earnings to other reserve	(c)	—	—	—	—	—	—	—	8,738	(8,738)	—	—	—
Profit distribution	(d)	—	—	—	—	—	—	—	(8,380)	—	(8,380)	(354)	(8,734)
Distribution to minority shareholders		—	—	—	—	—	—	—	—	—	—	(7,974)	(7,974)
Total comprehensive income for the period		—	—	—	—	—	(8,689)	59	(3,491)	757,983	745,862	12,237	758,099
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

Notes:

- (a) Transfer from retained earnings to other reserve during the six months ended 30 June 2009 represents the net profit of the Target Interests (as defined in note 1(b)) for the period from 1 January 2009 to 26 May 2009, which was included in the consideration for the acquisition of the Target Interests.
- (b) Transfer from other reserve to capital reserve during the six months ended 30 June 2009 represents the difference between the consideration for the acquisition of the Target Interests and the net assets value of the Target Interests.

Consolidated Statement of Changes in Equity — Unaudited (continued)

For the six months ended 30 June 2009
(Expressed in Renminbi)

Notes: (continued)

- (c) Transfer from retained earnings to other reserve in 2008 represented the net profit of the Target Interests for the period from 1 January 2008 to 31 December 2008, which was included in the consideration for the acquisition of the Target Interests.
- (d) 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 by the Group.
- (e) The capital contribution during the six months ended 30 June 2008 represented the profit distribution to a subsidiary of China Telecommunications Corporation (“CTC”) by the Target Business (as defined in note (i) below), which was subsequently waived by the subsidiary.
- (f) Capital injection by minority shareholder during the six months ended 30 June 2008 represented a minority shareholder injected 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 share portion of the premium has been recorded in other reserve.
- (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 and subsequent share issuance.
- (h) Statutory surplus reserve
- According to the Company’s Articles 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.
- (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 the telecommunications infrastructure services, business process outsourcing services and applications, content and other services located in Jiangsu Province, Anhui Province, Jiangxi Province, Hunan Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, and Xinjiang Uygur Autonomous Region, together with equity interests in Guangdong Nanfang Communication GSM Intelligent Card System Co., Ltd and Ningbo Public Information Industry Co., Ltd (the “Target Business”) and the net assets value of the Target Business in 2007.
- (j) Fair value reserve
- The fair value reserve represents the net change in the fair value of available-for-sale securities in other investments 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 Hong Kong Special Administrative Region, Nigeria and Tanzania.

The notes on pages 15 to 38 form part of this interim financial report.