

Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 30 June 2010

(Expressed in Renminbi)

Note	Equity attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Share Capital	Share premium (note a)	Capital reserve (note c)	Revaluation reserve	Statutory surplus reserve (note b)	Fair value reserve (note d)	Exchange reserve (note e)	Other reserve	Retained earnings	Total			
	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 six months ended 30 June 2010													
Capital injection by non-controlling interests to subsidiary	—	—	—	—	—	—	—	—	—	—	68,276	68,276	
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(9,671)	—	(9,671)	(31,424)	(41,095)	
Dividend declared	—	—	—	—	—	—	—	—	(639,502)	(639,502)	—	(639,502)	
Total comprehensive income for the period	—	—	—	—	—	2,116	280	—	905,684	908,080	3,987	912,067	
Balance as at 30 June 2010	5,771,682	2,727,647	932,621	415,557	239,377	60,109	(6,492)	57,659	3,129,433	13,327,593	149,385	13,476,978	
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))	—	—	—	—	—	—	—	(98,055)	—	(98,055)	—	(98,055)	
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(2,585)	—	(2,585)	(13,524)	(16,109)	
Dividend declared	—	—	—	—	—	—	—	—	(526,955)	(526,955)	—	(526,955)	
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(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	917,666	415,557	162,158	43,337	(5,441)	105,742	2,100,219	12,238,567	124,277	12,362,844	
Changes in equity for the six months ended 31 December 2009													
Adjustment of tax effect arising from Restructuring	—	—	14,955	—	—	—	—	—	—	14,955	—	14,955	
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(37,267)	—	(37,267)	(17,257)	(54,524)	
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(8,083)	(8,083)	
Total comprehensive income for the period	—	—	—	—	—	14,656	(1,331)	(1,145)	840,251	852,431	9,609	862,040	
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	

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 and subsequent share issuance.

(b) 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.

Consolidated Statement of Changes in Equity — Unaudited (continued)

For the six months ended 30 June 2010

(Expressed in Renminbi)

Notes: (Continued)

(b) Statutory surplus reserve (Continued)

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.

(c) 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 netted 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 and subsequent common control acquisition net balances.

(d) 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.

(e) Exchange reserve

The exchange reserve represents all foreign exchange differences arising from the translation of the financial statements of subsidiaries located in Hong Kong and overseas.