

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2013

| Notes | Equity attributable to equity shareholders of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|--|---|--------------------------------------|--|--|---|---|---|--------------------------|------------------------------|-------------------|---------------------------|-------------------|
| | Share capital RMB'000 | Share premium RMB'000 (note a) | Capital reserve RMB'000 (note b) | Statutory surplus reserve RMB'000 (note c) | Specific reserve RMB'000 (note d) | Fair value reserve RMB'000 (note e) | Exchange reserve RMB'000 (note f) | Other reserve RMB'000 | Retained earnings RMB'000 | Total RMB'000 | | |
| Balance as at 1 January 2013 | 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 |
| Changes in equity for the six months ended 30 June 2013 | | | | | | | | | | | | |
| Dividend declared 12(b) | - | - | - | - | - | - | - | - | (962,717) | (962,717) | - | (962,717) |
| Appropriation of maintenance and production funds | - | - | - | - | 129,388 | - | - | - | (129,388) | - | - | - |
| Utilisation of maintenance and production funds | - | - | - | - | (97,717) | - | - | - | 97,717 | - | - | - |
| Profit for the period | - | - | - | - | - | - | - | - | 1,242,363 | 1,242,363 | 15,290 | 1,257,653 |
| Other comprehensive income 11 | - | - | - | - | - | (1,250) | (4,170) | - | - | (5,420) | - | (5,420) |
| Total comprehensive income for the period | - | - | - | - | - | (1,250) | (4,170) | - | 1,242,363 | 1,236,943 | 15,290 | 1,252,233 |
| Balance as at 30 June 2013 | 6,926,018 | 4,529,310 | 1,846,468 | 541,379 | 69,887 | 21,304 | (17,983) | (68,310) | 6,928,892 | 20,776,965 | 514,710 | 21,291,675 |
| Balance as at 1 January 2012 | 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 |
| Changes in equity for the six months ended 30 June 2012 | | | | | | | | | | | | |
| Consideration for the acquisition of the Target Interests (as defined in note 2) | - | - | - | - | - | - | - | (53,709) | - | (53,709) | - | (53,709) |
| Issuance of shares | 1,154,336 | 1,801,663 | - | - | - | - | - | - | 2,955,999 | 2,955,999 | - | 2,955,999 |
| Capital injection by non-controlling owners to subsidiaries | - | - | - | - | - | - | - | 18,496 | - | 18,496 | 73,281 | 91,777 |
| Dividend declared 12(b) | - | - | - | - | - | - | - | - | (846,359) | (846,359) | - | (846,359) |
| Others | - | - | - | - | - | - | - | 47 | - | 47 | - | 47 |
| Profit for the period | - | - | - | - | - | - | - | 23,858 | 1,197,305 | 1,221,163 | 12,633 | 1,233,796 |
| Other comprehensive income | - | - | - | - | - | 2,618 | (3,997) | - | - | (1,379) | - | (1,379) |
| Total comprehensive income for the period | - | - | - | - | - | 2,618 | (3,997) | 23,858 | 1,197,305 | 1,219,784 | 12,633 | 1,232,417 |
| Balance as at 30 June 2012 (Restated) | 6,926,018 | 4,529,310 | 1,846,468 | 428,707 | - | 25,272 | (13,502) | 189,036 | 5,647,057 | 19,578,366 | 438,030 | 20,016,396 |
| Changes in equity for the six months ended 31 December 2012 | | | | | | | | | | | | |
| Consideration for the acquisition of SBSS (as defined in note 2) | - | - | - | - | - | - | - | (286,992) | - | (286,992) | - | (286,992) |
| Capital injection by non-controlling owners to subsidiaries | - | - | - | - | - | - | - | 28,765 | - | 28,765 | 51,257 | 80,022 |
| 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 | - | - | - |
| Distribution to non-controlling owners | - | - | - | - | - | - | - | - | - | - | (16,306) | (16,306) |
| Profit for the period | - | - | - | - | - | - | - | 881 | 1,184,748 | 1,185,629 | 26,439 | 1,212,068 |
| Other comprehensive income | - | - | - | - | - | (2,718) | (311) | - | - | (3,029) | - | (3,029) |
| Total comprehensive income for the period | - | - | - | - | - | (2,718) | (311) | 881 | 1,184,748 | 1,182,600 | 26,439 | 1,209,039 |
| Balance as at 31 December 2012 | 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 |

The notes on pages 14 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited) (Continued)

For the six months ended 30 June 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 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 the 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.

(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.

(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 by the Group 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 14 to 32 form part of this interim financial report.