

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

for the year ended 31 December 2003

(Amounts in millions)

| | Note | Share capital RMB | Capital reserve RMB | Share premium RMB | Revaluation reserve RMB | Surplus reserves RMB | Statutory common welfare fund RMB | Other reserves RMB | Retained earnings RMB | Total shareholders' equity RMB |
|--|------|----------------------|------------------------|----------------------|----------------------------|-------------------------|--------------------------------------|-----------------------|--------------------------|-----------------------------------|
| Balance as at 1 January 2002, as previously reported | | — | — | — | 4,154 | — | — | 4,059 | 89,272 | 97,485 |
| Adjusted for acquisition of the Acquired Group | 1 | — | — | — | — | — | — | 37,671 | — | 37,671 |
| Balance as at 1 January 2002, as adjusted | | — | — | — | 4,154 | — | — | 41,730 | 89,272 | 135,156 |
| Capitalisation as share capital upon incorporation of the Company | | 68,317 | 20,955 | — | — | — | — | — | (89,272) | — |
| Issue of shares, net of issuing expenses of RMB796 million | | 7,297 | — | 3,362 | — | — | — | — | — | 10,659 |
| Net profit | | — | — | — | — | — | — | — | 9,773 | 9,773 |
| Contributions from China Telecom | | — | — | — | — | — | — | — | 1,482 | 1,482 |
| Distributions to China Telecom | | — | — | — | — | — | — | — | (2,221) | (2,221) |
| Assets distributed to China Telecom in connection with the Acquisition | 1 | — | — | — | — | — | — | — | (5,189) | (5,189) |
| Revaluation surplus | 3 | — | — | — | 760 | — | — | — | — | 760 |
| Recognition of deferred tax assets | 8 | — | — | — | — | — | — | 2,408 | — | 2,408 |
| Elimination of deferred tax liabilities | 8 | — | — | — | — | — | — | — | 20 | 20 |
| Transfer from retained earnings to other reserves | | — | — | — | — | — | — | (12,999) | 12,999 | — |
| Appropriations | 19 | — | — | — | — | 8,121 | 1,624 | — | (9,745) | — |
| Revaluation surplus realised | | — | — | — | (10) | — | — | — | 10 | — |
| Deferred tax on land use rights realised | | — | — | — | — | — | — | (75) | 75 | — |
| Balance as at 31 December 2002 | | 75,614 | 20,955 | 3,362 | 4,904 | 8,121 | 1,624 | 31,064 | 7,204 | 152,848 |
| Net profit | | — | — | — | — | — | — | — | 24,686 | 24,686 |
| Contributions from China Telecom | | — | — | — | — | — | — | — | 60 | 60 |
| Transfer from retained earnings to other reserves | | — | — | — | — | — | — | 6,589 | (6,589) | — |
| Consideration for the acquisition of the Acquired Group | 1 | — | — | — | — | — | — | (45,649) | — | (45,649) |
| Transfer from other reserves to capital reserve | | — | (14,388) | — | — | — | — | 14,388 | — | — |
| Appropriations | 19 | — | — | — | — | 7,340 | 1,748 | — | (9,088) | — |
| Dividends | 28 | — | — | — | — | — | — | — | (673) | (673) |
| Revaluation surplus realised | | — | — | — | (17) | — | — | — | 17 | — |
| Deferred tax on land use rights realised | | — | — | — | — | — | — | (131) | 131 | — |
| Balance as at 31 December 2003 | | 75,614 | 6,567 | 3,362 | 4,887 | 15,461 | 3,372 | 6,261 | 15,748 | 131,272 |

The notes on pages 73 to 121 form part of these financial statements.