

# 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.