

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

for the six-month period ended 30 June 2004
(Amounts in millions)

		Share	Capital	Share	Revaluation	Surplus	Statutory	Other	Retained	Total
	Note	capital	reserve	premium	reserve	reserves	common	reserves	earnings	shareholders'
		RMB	RMB	RMB	RMB	RMB	welfare	RMB	RMB	equity
							fund			RMB
Balance as at 1 January 2003, as previously reported		75,614	20,955	3,362	4,904	8,121	1,624	31,064	7,204	152,848
Adjusted for the Second Acquisition	1	—	—	—	—	—	—	34,177	—	34,177
Balance as at 1 January 2003, as adjusted		75,614	20,955	3,362	4,904	8,121	1,624	65,241	7,204	187,025
Net profit for the six-month period ended 30 June 2003		—	—	—	—	—	—	—	13,058	13,058
Contributions from China Telecom		—	—	—	—	—	—	—	215	215
Distributions to China Telecom		—	—	—	—	—	—	—	(214)	(214)
Transfer from retained earnings to other reserves		—	—	—	—	—	—	3,823	(3,823)	—
Dividends	15	—	—	—	—	—	—	—	(673)	(673)
Revaluation surplus realised		—	—	—	(4)	—	—	—	4	—
Deferred tax on land use rights realised		—	—	—	—	—	—	(76)	76	—
Balance as at 30 June 2003		75,614	20,955	3,362	4,900	8,121	1,624	68,988	15,847	199,411
Net profit for the six-month period ended 31 December 2003		—	—	—	—	—	—	—	824	824
Contributions from China Telecom		—	—	—	—	—	—	—	4,094	4,094
Distributions to China Telecom		—	—	—	—	—	—	—	(1,020)	(1,020)
Assets distributed to China Telecom in connection with the Second Acquisition	1	—	—	—	—	—	—	—	(10,762)	(10,762)
Recognition of deferred tax assets		—	—	—	—	—	—	2,209	—	2,209
Transfer from retained earnings to other reserves		—	—	—	—	—	—	(15,635)	15,635	—
Consideration for the acquisition of the First Acquired Group	1	—	—	—	—	—	—	(45,649)	—	(45,649)
Appropriations		—	—	—	—	7,340	1,748	—	(9,088)	—
Transfer from other reserves to capital reserve		—	(14,388)	—	—	—	—	14,388	—	—
Revaluation surplus		—	—	—	1,537	—	—	—	—	1,537
Eliminations of deferred tax liabilities		—	—	—	—	—	—	—	150	150
Revaluation surplus realised		—	—	—	(13)	—	—	—	13	—
Deferred tax on land use rights realised		—	—	—	—	—	—	(55)	55	—
Balance as at 31 December 2003		75,614	6,567	3,362	6,424	15,461	3,372	24,246	15,748	150,794
Issue of shares, net of issuing expenses of RMB294 million		5,318	—	7,384	—	—	—	—	—	12,702
Net profit for the six-month period ended 30 June 2004		—	—	—	—	—	—	—	14,708	14,708
Contributions from China Telecom		—	—	—	—	—	—	—	100	100
Transfer from retained earnings to other reserves		—	—	—	—	—	—	2,653	(2,653)	—
Consideration for the acquisition of the Second Acquired Group	1	—	—	—	—	—	—	(27,800)	—	(27,800)
Transfer from other reserves to capital reserve		—	(9,371)	—	—	—	—	9,371	—	—
Dividends	15	—	—	—	—	—	—	—	(5,224)	(5,224)
Revaluation surplus realised		—	—	—	(8)	—	—	—	8	—
Effect of change in tax rate	9	—	—	—	—	—	—	(166)	—	(166)
Deferred tax on land use rights realised		—	—	—	—	—	—	(74)	74	—
Balance as at 30 June 2004		80,932	(2,804)	10,746	6,416	15,461	3,372	8,230	22,761	145,114

The notes on pages 15 to 30 form part of these interim financial statements.