

## ▶▶▶ CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the year ended 31 December 2004

(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 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	—	—	—	—	—	—	—	13,882	13,882
Contributions from China Telecom	—	—	—	—	—	—	—	4,309	4,309
Distributions to China Telecom	—	—	—	—	—	—	—	(1,234)	(1,234)
Assets distributed to China Telecom in connection with the Second Acquisition	1	—	—	—	—	—	—	(10,762)	(10,762)
Revaluation surplus	3	—	—	1,537	—	—	—	—	1,537
Recognition of deferred tax assets	8	—	—	—	—	—	2,209	—	2,209
Elimination of deferred tax liabilities	8	—	—	—	—	—	—	150	150
Transfer from retained earnings to other reserves	—	—	—	—	—	—	(11,812)	11,812	—
Consideration for the acquisition of the First 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	—	—	—	—	—	—	—	(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	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	—	—	—	—	—	—	—	28,023	28,023
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	—	—
Revaluation surplus	3	—	—	1,233	—	—	—	—	1,233
Deferred tax on revaluation surplus of property, plant and equipment	8	—	—	—	—	—	(378)	—	(378)
Appropriations	19	—	—	—	10,168	2,421	—	(12,589)	—
Dividends	28	—	—	—	—	—	—	(5,224)	(5,224)
Effect of change in tax rate	8	—	—	—	—	—	(244)	—	(244)
Revaluation surplus realised	—	—	—	(72)	—	—	—	72	—
Deferred tax on land use rights realised	—	—	—	—	—	—	(165)	165	—
Balance as at 31 December 2004	80,932	(2,804)	10,746	7,585	25,629	5,793	7,683	23,642	159,206

The notes on pages 79 to 127 form part of these financial statements.