中国通信服务
CHINA COMSERVICE

中 國 通 信 服 務 股 份 有 限 公 司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 552)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Total revenues were RMB68,459 million, up by 11.3%.
- Profit attributable to equity shareholders of the Company was RMB2,238 million, down by 7.0%.
- Gross profit margin and net profit margin were 15.2% and 3.3%, respectively.
- Fundamentals of the Group are still solid although its operating results in 2013 were affected by various factors, including changes in our industry environment.
- The revenue of the Group from domestic telecommunications operators increased steadily, up by 9.0% compared to that of last year; the revenues from domestic non-operator customers and overseas customers both recorded double-digit growth compared to that of last year, up by 16.1% and 11.8%, respectively.
- The Board proposed to maintain a 40% dividend payout ratio and pay a final dividend of RMB0.1293 per share for the financial year ended 31 December 2013.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group has maintained a steady and favourable development since its listing by continuously enhancing its operating and management capabilities. In 2013, the fundamentals of the Group remained solid although the Group recorded a negative profit growth for the first time due to various factors, including changes in our industry environment. During the year, the expansion into the two new markets that the Group has strived to explore and the development of our innovative businesses have gradually shown positive results, signifying its right strategic positioning and development direction. Our operating environment will still be challenging in the future, however, we believe that the national policies on comprehensive and in-depth reforms, information consumption and 4G licensing will continue to create new opportunities for the long-term development of the Group. The Group remains confident in its future development, and will adhere to its "Five Development Strategies"[1] so as to facilitate a sustainable growth in the future.

Operating Results

In 2013, the Group achieved a stable business growth and recorded total revenues of RMB68,459 million, representing a year-on-year growth of 11.3%. Profit attributable to equity shareholders was RMB2,238 million, representing a year-on-year decrease of 7.0%. Having considered the interests of and returns to our shareholders, the Board proposed to maintain a 40% dividend payout ratio and pay a final dividend of RMB0.1293 per share for the financial year ended 31 December 2013. Total dividend amount is approximately RMB896 million.

The changes of our operating results in 2013 were attributable to various factors, mainly including the slowdown in revenue growth and decrease in gross profit margin. In 2013, the issuance of 4G licenses in China and the new industry regulatory policies affected our operating environment and imposed greater pressure on the Group. The report herein as well as the President's Statement will elaborate on details of the above-mentioned issues.

Maintained Leading Position in the Domestic Telecommunications Operator Market

In 2013, in light of the progress of 4G license issuance in China, the domestic telecommunications operators were overall more prudent in network construction investment. In addition, the industry landscape was also affected by the structural changes in capital expenditures of the domestic telecommunications operators and the implementation of new industry regulatory policies, which accelerated the openness and competition in the communications market. Near the end of 2013, the Group gradually undertook more 4G-related network construction projects which have begun to drive the revenue growth of the Group. In 2013, the revenue of the Group from domestic telecommunications operators increased by 9.0% compared to that of last year, representing 63.3% of the total revenues.

[1] Strategy of Maintaining a Leading Position in the Domestic Telecommunications Operator Market, Strategy of Differentiation and Cooperation in the Domestic Non-operator Market, Strategy of Overseas Market-Focused and Four-Step Approach, Strategy of Talents Management and Strategy of Synergistic Operation.

Expanded Steadily into the Two New Markets with Favourable Development Momentum

In 2013, the Group effectively implemented the "Strategy of Differentiation and Cooperation in the Domestic Non-operator Market" and "Strategy of Overseas Market-Focused and Four-Step Approach"[2]. The favourable development by the Group in the two new markets made important contribution to the growth of revenue, and the aggregate revenues from such markets increased by 15.4% over the last year.

In 2013, the progress of new urbanization and informatization in China continued to accelerate, and the construction of "Smart City" was also burgeoning. Driven by strong domestic demands in information consumption, the Group proactively explored governmental customers and participated in "Smart City" projects by offering high-end consulting services, which achieved satisfactory results. Furthermore, the Group endeavoured to solicit customers from real estate construction and transportation industries, and steadily promote small and medium-sized enterprises ("SME") customers, which showed a favourable development momentum. In 2013, the revenue from domestic non-operator customers increased by 16.1% compared to that of last year, representing 31.1% of the total revenues.

In 2013, demands for communications network construction in the overseas market remained strong. The Group further optimized its overseas revenue structure and vigorously developed large turnkey projects, increasing revenue contribution from overseas turnkey projects remarkably. In addition, the Group started to implement the third step of its "Strategy of Overseas Market-Focused and Four-Step Approach" by undertaking an operation and management outsourcing project for an overseas operator. In 2013, the revenue from overseas customers increased by 11.8% compared to that of last year, representing 5.6% of the total revenues.

Breakthroughs in External Cooperation and Mechanism Innovation

In 2013, the Group made breakthroughs in business development of applications, content and other ("ACO") services with the benefits of robust development of and demands for Big Data, cloud computing and mobile Internet applications. In 2013, the Group implemented core staff share participation in its key subsidiaries engaging in ACO services. In addition, the Group successfully established cooperation with SAP in the area of cloud computing to jointly promote the application of cloud products in SMEs in China. During the year, "Gripay (掌錢)", the mobile financial services platform developed by the Group was officially launched. Through the introduction of the above-mentioned products and services, the Group further strengthened its service capability and competitive edges.

2 The "Strategy of Overseas Market-Focused and Four-Step Approach" involves sub-contracting projects, turnkey projects, operation outsourcing and equity acquisition.

Corporate Social Responsibility

The Group has always been committed to corporate social responsibility. During the year, the Group kept abreast with latest labour policies and continued to regulate its employment management. In addition, the Group strengthened its supervision and inspection and enhanced the safety awareness of its front-line employees to prevent production safety risk. During the year, the Group continued to establish an all-round emergency and rescue mechanism and actively participated in post-disaster maintenance and repairing of communication facilities after the Sichuan Ya'an earthquake. Moreover, the Group actively explored and promoted products and services related to energy-saving and emission reduction, making contributions to promote energy-saving and environmental protection in the society.

Corporate Governance

In 2013, the Group continued to strengthen corporate governance and enhance risk management. Mr. Si Furong, who has extensive experience in operation and management in telecommunications industry, has been recently appointed as the president and executive director of the Company. We believe his appointment will help the Company maintaining a high-level of corporate operation and management. During the year, the Group received many recognitions in the capital market for its achievement in corporate governance. The Group was awarded as No. 3 of the "Best Managed Companies in China", No. 2 of the "Best CEO in China" and No. 2 of the "Best CFO in China" by *FinanceAsia*. The Group was also awarded as "The Best of Asia – Icon on Corporate Governance" by *Corporate Governance Asia*, and the Gold Award by *The Asset* for four consecutive years.

Prospects

Although the challenges currently faced by the Group will continue to weigh in its operation and management, the comprehensive and deepened reforms promoted by the government have further motivated social and economic development and brought new opportunities for long-term growth in all businesses of the Group. Domestic telecommunications operators will accelerate the strategic transformation. Their demands for the infrastructures of 4G, cloud valley and data centre, their continuous operation and maintenance outsourcing, the implementation of the "Broadband China" strategy and issuance of virtual operator licenses by the government will bring various opportunities to the Group. Meanwhile, the government is promoting new urbanization and information consumption, and devoting more efforts to develop the information industry as a new driver of economic growth, all of which brought opportunities for the Group to accelerate the expansion into the domestic non-operator market. Regarding the overseas market, emerging regions saw a continuous increase in the demand for establishing "Broadband Countries, Smart Capitals and Regional Hubs". The Group will also speed up its expansion into the overseas market with the support of national policies. Looking forward, the Group will continue to firmly implement the "Five Development Strategies", deepen its innovation and transformation, and strive to improve its synergistic operation and management, so as to create greater value for customers and shareholders.

Finally, on behalf of the Board, I would like to express my sincere gratitude to Mr. Zheng Qibao, who resigned as the president and executive director of the Company in December 2013, for his outstanding contributions to the Group. I would also like to take this opportunity to welcome Mr. Si Furong to join the Board. Furthermore, I would like to express my sincere gratitude to shareholders and customers of the Group and all sectors of society for their long-standing care and support to the Group.

Li Ping
Chairman

Beijing, PRC
26 March 2014

PRESIDENT'S STATEMENT

Dear Shareholders,

I am very pleased to present the operating results of the Group in 2013.

Financial Performance

In 2013, the Group recorded total revenues of RMB68,459 million, representing a year-on-year growth of 11.3%. The sustained growth of total revenues was mainly attributable to the Group's focus on three major markets. While maintaining the steady business growth in the domestic telecommunications operator market, the Group also actively expanded into the domestic non-operator market and the overseas market, which achieved relatively rapid growth. However, the operating result of the Group was affected by various factors, including those factors discussed in the Chairman's Statement and other impacts brought by changes in revenue composition and new regulatory policies such as the replacement of business tax with value added tax and the amendments to the PRC tender regulations. In 2013, profit attributable to equity shareholders of the Company amounted to RMB2,238 million, representing a year-on-year decrease of 7.0%. Gross and net profit margins were 15.2% and 3.3%, respectively. Basic earnings per share amounted to RMB0.323.

Near the end of 2013, the Group devoted more resources to undertake more 4G network construction projects, also affecting its operating results to certain extent. In addition, due to the lengthened repayment cycle of its major customers, free cash flow[3] of the Group decreased as compared with the same period last year. In 2013, the free cash flow of the Group was RMB-324 million, and the net cash inflow from operating activities was RMB321 million.

Business Development

In 2013, the revenue from telecommunications infrastructure ("TIS") services sustained relatively rapid growth, representing a year-on-year increase of 12.8% and accounting for 46.8% of total revenues. During the year, the Group's TIS business was impacted by the back-end loaded capital expenditure ("CAPEX") of domestic telecommunications operators and the change in CAPEX structure due to 4G development. Nonetheless, attributable to our continuous business development efforts and breakthroughs achieved in the domestic non-operator market and overseas market, aggregate TIS revenues from such markets recorded a year-on-year growth of 18.1% and accounted for 22.3% of the total revenue of TIS services, leading to a relatively rapid growth of overall TIS business.

In 2013, the growth of revenue from business process outsourcing ("BPO") services moderated with a growth rate of 10.3% over the last year, accounting for 42.4% of total revenues. The Group firmly adhered to the principle of efficient development and prudently managed certain businesses with relatively low or decreasing operating efficiency. Therefore, growth of revenue from the distribution of telecommunications services and products, as well as the network maintenance businesses decreased to 11.7% and 7.3%, respectively.

3 Free cash flow = Profit for the year + Depreciation and amortisation – Changes in working capital – Capital expenditure

In 2013, the revenue from applications, content and other ("ACO") services achieved a year-on-year increase of 9.0%, accounting for 10.8% of total revenues. The Group strived to enhance openness and innovation, as well as optimize business structure. The revenue from the core ACO services[4] grew by 14.1%, with its proportion to the total revenue from ACO services increased by 3.6 percentage points to 79.7%. Moreover, the Group proactively grasped the opportunities brought by the society and industry informatization in China and further explored system integration projects in the domestic non-operator market, making such market as an important driver for the healthy and steady growth of the revenue from ACO services.

Market Expansion

The Group has been focusing on three major markets. While reinforcing its leading position in the domestic telecommunications operator market, the Group also actively expanded into the domestic non-operator market and maintained favourable development momentum in the overseas market. In 2013, due to the factors mentioned above including the back-end loaded CAPEX, the revenue from the domestic telecommunications operator market amounted to RMB43,326 million, representing a year-on-year growth of 9.0%, which became moderate as compared with the same period last year. Aggregate revenues from China Mobile and China Unicom achieved a year-on-year growth of 3.1%, accounting for 20.6% of the total revenues. Nevertheless, the issuance of 4G licenses near the end of the year also increased the number of network construction projects undertaken by the Group, driving the revenue from China Telecom to achieve a year-on-year increase of 12.1%, accounting for 42.7% of the total revenues. During the year, the Group strategically exerted more efforts to develop the two new markets. The revenue from the domestic non-operator market showed a favourable growth momentum and reached RMB21,321 million, representing a year-on-year growth of 16.1% and accounting for 31.1% of the total revenues. The revenue from the overseas market amounted to RMB3,812 million, representing a year-on-year growth of 11.8% and accounting for 5.6% of the total revenues.

Enhancing Four Major Capabilities and Focusing on "Sweet Spot" to Innovate and Transform

In addition to steadily improving the effectiveness of synergistic operation and management, the Group strives to enhance its four major capabilities. Firstly, the Group improves its innovation capability by motivating innovation in products and services, business model, human resources management and operation systems. Secondly, the Group enhances its implementation capability by strengthening the management of projects, subcontracting and resources. Thirdly, the Group reinforces its marketing capability by promoting marketing collaboration, turnkey projects and brand building. Lastly, the Group boosts its operation and management capability by strengthening its financial, risk and human resources management. Moreover, the Group proactively focuses on the "Sweet Spot" of communications, finance and mobile Internet, pursuing innovation in products, services and business model to strengthen its innovation and transformation.

4 Core ACO services include system integration, software development and system support, and value added services.

Prospect for 2014

The Group has determined to focus on the following tasks during 2014 so as to create greater value for both its customers and shareholders:

- Entrench our leading position in the domestic telecommunications operator market by seizing business opportunities arising from 4G development: the Group will monitor the changes in CAPEX structure and demands of operators, and firmly seize the opportunities from CAPEX for 4G, "Broadband China" and network upgrade and optimization. The Group will also seize the development opportunities arising from the continuing expenditure in network operation and maintenance outsourcing by the operators, and focus on exploring business opportunities on high-end network maintenance, virtual operation, data centre and cloud services.

- Pursue scale development in the domestic non-operator market by capturing opportunities driven by informatization: the Group will actively participate in the governmental "Smart City" projects by providing high-end consulting services. Meanwhile, leveraging its ACO products, the Group targets to serve key industry customers and aims to achieve breakthroughs in business scale by providing professional integrated services covering design, construction, supervision and maintenance. Besides, the Group will develop IT outsourcing services for SMEs by utilizing the operation of SAP public cloud services.

- Expand overseas turnkey projects synergistically: the Group will expand its overseas business by effective use of financial tools, capitalise on opportunities arising from the construction demands for "Broadband Countries, Smart Capitals and Regional Hubs" in Asia, Africa and Middle East regions, and strengthen resource allocation in key projects and regions.

- Strengthen external cooperation and innovation in ACO business: while strengthening our own research and development capability, the Group will establish strategic cooperation with partners possessing brand and technology advantages by leveraging its domestic channels and service edges, so as to develop competitive products and leading companies, and support the expansion into the three major markets.

- Enhance effectiveness of synergistic operation and management: the Group will strengthen its project management, account receivables management and risk management, as well as further enhance synergistic operation capability, so as to reinforce its management foundation to provide strong and reliable support for the future development of the Group.

Si Furong
President

Beijing, the PRC
26 March 2014

GROUP RESULTS

China Communications Services Corporation Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, extracted from the audited consolidated financial statements of the Group as set out in its 2013 annual report.

Consolidated Statement of Profit or Loss
For the year ended 31 December 2013
(Expressed in Renminbi)

	Notes	**2013** *RMB'000*	2012 *RMB'000*
Revenues	*4*	**68,459,096**	61,517,375
Cost of revenues	*5*	**(58,081,107)**	(51,732,008)
Gross profit		**10,377,989**	9,785,367
Other operating income	*6*	**802,216**	851,336
Selling, general and administrative expenses		**(8,288,163)**	(7,514,881)
Other operating expenses		**(116,624)**	(69,258)
Finance costs	*7*	**(11,232)**	(26,030)
Share of profits of associates		**14,315**	4,844
Profit before tax	*8*	**2,778,501**	3,031,378
Income tax	*9*	**(493,121)**	(585,514)
Profit for the year		**2,285,380**	2,445,864
Attributable to:			
Equity shareholders of the Company		**2,238,351**	2,406,792
Non-controlling interests		**47,029**	39,072
Profit for the year		**2,285,380**	2,445,864
Basic and diluted earnings per share (RMB)	*12*	**0.323**	0.353

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2013
(Expressed in Renminbi)

	Notes	**2013** **RMB'000**	2012 RMB'000
Profit for the year		**2,285,380**	2,445,864
Other comprehensive income for the year (after tax)			
Items that may be subsequently reclassified to profit or loss (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside of Mainland China		**(14,057)**	(4,308)
Available-for-sale securities: net movement in the fair value reserve	*10*	**8,307**	(100)
		(5,750)	(4,408)
Total comprehensive income for the year		**2,279,630**	2,441,456
Attributable to:			
Equity shareholders of the Company		**2,232,601**	2,402,384
Non-controlling interests		**47,029**	39,072
Total comprehensive income for the year		**2,279,630**	2,441,456

Consolidated Statement of Financial Position
At 31 December 2013
(Expressed in Renminbi)

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment, net		**4,686,953**	4,517,754
Investment properties		**734,121**	765,075
Construction in progress		**207,111**	387,190
Lease prepayments		**897,827**	933,697
Goodwill		**103,005**	103,005
Other intangible assets		**200,093**	170,105
Interests in associates		**71,581**	52,106
Other investments		**661,359**	662,300
Deferred tax assets		**291,778**	204,803
Other non-current assets		**241,308**	27,880
Total non-current assets		**8,095,136**	7,823,915
Current assets			
Inventories		**2,228,214**	1,894,825
Accounts and bills receivable, net	*13*	**25,428,055**	21,321,955
Prepayments and other current assets		**5,027,405**	4,773,469
Restricted deposits		**712,259**	266,979
Cash and cash equivalents		**6,760,237**	8,879,491
Total current assets		**40,156,170**	37,136,719
Total assets		**48,251,306**	44,960,634
Current liabilities			
Interest-bearing borrowings		**53,901**	409,805
Accounts and bills payable	*14*	**17,080,784**	14,843,934
Receipts in advance for contract work		**1,164,029**	1,386,805
Accrued expenses and other payables		**7,126,497**	6,763,252
Income tax payable		**315,222**	309,761
Total current liabilities		**25,740,433**	23,713,557
Net current assets		**14,415,737**	13,423,162
Total assets less current liabilities		**22,510,873**	21,247,077

Consolidated Statement of Financial Position (continued)
At 31 December 2013
(Expressed in Renminbi)

	Notes	**31 December 2013** **RMB'000**	31 December 2012 *RMB'000*
Non-current liabilities			
Interest-bearing borrowings		**51,580**	89,883
Other non-current liabilities		**154,379**	134,105
Deferred tax liabilities		**16,892**	20,930
Total non-current liabilities		**222,851**	244,918
Total liabilities		**25,963,284**	23,958,475
Equity			
Share capital	*15*	**6,926,018**	6,926,018
Reserves		**14,846,745**	13,576,721
Equity attributable to equity shareholders of the Company		**21,772,763**	20,502,739
Non-controlling interests		**515,259**	499,420
Total equity		**22,288,022**	21,002,159
Total liabilities and equity		**48,251,306**	44,960,634

Notes:

1. STATEMENT OF COMPLIANCE

These financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued several new or revised IFRSs that are first effective for the current year of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. Except for the disclosures of fair value information set out in the notes to the financial statements, the application of IFRS 13 has no significant impact on the Group's financial statements.

Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except for the impact on the application of IFRS 13 and Amendments to IAS 1, the application of the other new or revised IFRSs as mentioned above in the current year has had no material effect on the amounts reported and/or disclosures set out in the financial statements.

The Group has not applied any new or revised IFRSs that is not yet effective for the current year.

3 SEGMENT REPORTING

The Group principally has one reportable segment, which is the provision of integrated telecommunications support services in the informatization sector. Therefore, no additional reportable segment has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 4.

4. REVENUES

Revenues are derived from the provision of integrated telecommunications support services, net of sales taxes, and after allowance for trade discounts. The Group's revenues by business nature can be summarised as follows:

	2013	2012
	RMB'000	*RMB'000*
Revenue from telecommunications infrastructure services	**32,036,241**	28,413,360
Revenue from business process outsourcing services	**29,011,577**	26,304,137
Revenue from applications, content and other services	**7,411,278**	6,799,878
	68,459,096	61,517,375

The Group's major customers are telecommunications operators which include China Telecommunications Corporation and its subsidiaries ("CTC Group") and China Mobile Communications Corporation and its subsidiaries ("CM Group"), each contributing a revenue exceeding 10% of the Group's total revenues. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the year ended 31 December 2013 amount to RMB29,231 million and RMB11,906 million respectively (2012: RMB26,080 million and RMB11,222 million respectively), being 42.7% and 17.4% of the Group's total revenues respectively (2012: 42.4% and 18.2% respectively). In addition, the revenues derived from areas outside of Mainland China for the year ended 31 December 2013 amounts to RMB3,812 million (2012: RMB3,411 million).

5. COST OF REVENUES

	2013	2012
	RMB'000	*RMB'000*
Depreciation and amortisation	**462,103**	439,095
Direct personnel costs	**9,251,872**	9,229,460
Operating lease charges	**1,103,242**	928,795
Purchase of materials and telecommunications products	**19,804,087**	17,645,654
Subcontracting charges	**21,873,785**	18,447,867
Others	**5,586,018**	5,041,137
	58,081,107	51,732,008

6. OTHER OPERATING INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest income	**90,435**	104,699
Dividend income from listed securities	**848**	1,217
Dividend income from unlisted securities	**54,042**	68,129
Government grants	**227,066**	187,995
Gain on disposal of other investments and partial disposal of an associate	**50,090**	20,309
Gain on disposal of property, plant and equipment and other intangible assets	**8,957**	97,477
Penalty income	**3,717**	1,565
Management fee income	**319,701**	315,634
Write-back of non-payable liabilities	**17,232**	21,138
Others	**30,128**	33,173
	802,216	851,336

7. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**11,232**	26,030

For the years ended 31 December 2013 and 2012, no borrowing costs were capitalised in relation to construction in progress.

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting) the following items:

	2013 *RMB'000*	2012 *RMB'000*
(a) Staff costs:		
Salaries, wages and other benefits	**13,404,619**	12,805,944
Contributions to defined contribution retirement schemes	**1,087,269**	1,006,851
	14,491,888	13,812,795
(b) Other items:		
Depreciation		
– Property, plant and equipment	**677,116**	644,561
– Investment properties	**42,431**	40,890
Amortisation		
– Lease prepayments	**28,517**	28,613
– Other intangible assets	**50,634**	44,724
Auditors' remuneration	**32,320**	40,085
Cost of inventories	**19,804,087**	17,645,654
Write-down of inventories	**13,847**	17,843
Reversal of write-down of inventories	**(3,437)**	(3,117)
Impairment losses on accounts and bills and other receivables	**157,963**	108,087
Reversal of impairment losses on accounts and bills and other receivables	**(37,374)**	(54,379)
Changes in fair value of financial derivatives	**(154)**	–
Operating lease charges	**1,367,171**	1,137,790
Research and development costs	**1,517,739**	1,193,138
Share of associates' taxation	**5,061**	1,274

Research and development costs include RMB1,201 million (2012: RMB930 million) relating to staff costs, amount of which is also included in the staff cost disclosed in note 8(a).

9. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2013 *RMB'000*	2012 *RMB'000*
Current tax		
PRC enterprise income tax	**563,337**	575,697
Overseas enterprise income tax	**19,559**	19,580
Deferred tax		
Origination and reversal of temporary differences	**(89,775)**	(9,763)
Total income tax	**493,121**	585,514

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**2,778,501**	3,031,378
Expected income tax expense at a statutory tax rate of 25% (2012: 25%) *(note (i))*	**694,625**	757,845
Differential tax rates on subsidiaries' income *(note (i))*	**(223,815)**	(221,631)
Non-deductible expenses *(note (ii))*	**47,452**	77,434
Non-taxable income	**(31,740)**	(37,375)
Tax losses not recognised	**22,826**	29,671
Utilisation of previously unrecognised tax losses	**(10,425)**	(23,365)
Others	**(5,802)**	2,935
Income tax	**493,121**	585,514

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2013 and 2012, except for certain domestic subsidiaries of the Group, which are taxed at preferential rates of 20%, 15% and 10%, where applicable; and for certain overseas subsidiaries of the Group, which are taxed at respective statutory rates.

(ii) The amount includes personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.

10. OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	2013	2012
	RMB'000	*RMB'000*
Changes in fair value recognised during the year	**7,069**	(303)
Net deferred tax credited to other comprehensive income	**1,238**	203
Net movement in the fair value reserve during the year recognised in other comprehensive income	**8,307**	(100)

11. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2013	2012
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period RMB0.1293 per share (2012: RMB0.1390 per share)	**895,534**	962,717

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year:

	2013	2012
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2012, approved during the year, of RMB0.1390 per share (2011: RMB0.1222[i] per share)	**962,717**	846,359

[i] Calculated on the basis of the total share capital of the Company after the rights issue on 8 February 2012.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2013 of RMB2,238,351 thousand (2012: RMB2,406,792 thousand) and number of shares in issue during the year ended 31 December 2013 of 6,926,018 thousand shares (2012: the weighted average of 6,821,990 thousand shares).

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years presented.

13. ACCOUNTS AND BILLS RECEIVABLE, NET

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Bills receivable	**747,894**	610,038
Unbilled revenues for contract work	**6,980,370**	6,264,423
Trade receivables	**18,072,367**	14,922,933
	25,800,631	21,797,394
Less: impairment losses	**(372,576)**	(475,439)
	25,428,055	21,321,955

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB11,749 million (2012: RMB9,599 million) as at 31 December 2013. The amounts due from fellow subsidiaries are unsecured, interest-free and are expected to be recovered within one year.

(b) In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of one to three months are available for certain customers with well-established trading and payment records.

(c) The ageing analysis of accounts and bills receivable (net of impairment losses) based on the invoice date is as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Current *(note)*	**11,130,426**	10,142,555
Within 1 year	**12,144,551**	9,119,059
After 1 year but less than 2 years	**1,682,667**	1,567,009
After 2 years but less than 3 years	**384,019**	400,854
After 3 years	**86,392**	92,478
Amount past due	**14,297,629**	11,179,400
	25,428,055	21,321,955

Note: Including unbilled revenues for contract work.

(d) Impairment of accounts and bills receivable

Impairment losses in respect of accounts and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts and bills receivable directly.

The movement in allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**475,439**	437,149
Impairment loss recognised	**132,457**	94,323
Reversal of impairment loss previously recognised	**(36,432)**	(50,683)
Uncollectible amounts written off	**(198,888)**	(5,350)
At 31 December	**372,576**	475,439

At 31 December 2013, the Group's accounts and bills receivable of RMB2,169 million (2012: RMB427 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific impairment losses of RMB164 million (2012: RMB320 million) were recognised. The Group does not hold any collateral over these balances.

(e) Accounts and bills receivable that is not impaired

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**11,130,426**	10,142,555
Within 1 year	**10,467,514**	9,102,624
After 1 year but less than 2 years	**956,992**	1,184,804
After 2 years but less than 3 years	**208,349**	329,012
After 3 years	**67,372**	80,462
At 31 December	**22,830,653**	20,839,457

Receivables that were neither past due nor impaired mainly relate to major telecommunications service providers for whom there was no history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowances is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

14. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Accounts payable	**14,651,217**	12,439,999
Bills payable	**2,429,567**	2,403,935
	17,080,784	14,843,934

The ageing analysis of accounts and bills payable based on the invoice date is as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**15,862,539**	13,686,729
After 1 year but less than 2 years	**793,208**	724,781
After 2 years but less than 3 years	**214,060**	197,282
After 3 years	**210,977**	235,142
	17,080,784	14,843,934

Included in accounts and bills payable are amounts due to CTC Group and an associate of the Group of RMB1,794 million (2012: RMB1,245 million) as at 31 December 2013. The amounts due to CTC Group and an associate of the Group are unsecured, interest-free and are expected to be settled within one year.

15. SHARE CAPITAL

	2013	2012
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
4,534,598,160 (31 December 2012: 4,534,598,160) domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2012: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

	2013	2012
	Thousand shares	*Thousand shares*
At 1 January	**6,926,018**	5,771,682
Issue of domestic shares	**–**	755,766
Issue of H shares	**–**	398,570
At 31 December	**6,926,018**	6,926,018

On 8 February 2012, the Company issued 398,570,040 H shares on the basis of 2 H rights shares for every 10 existing H shares at a price of HKD3.19 per H rights share, and issued 755,766,360 domestic shares on the basis of 2 domestic rights shares for every 10 existing domestic shares at a price of RMB2.59 per domestic rights share. The total gross proceeds raised under the rights issue were RMB2,991 million, and the net proceeds raised under the rights issue were RMB2,956 million, after deduction of issuing expenses amounted to approximately RMB35 million. The rights issue increased RMB1,154 million of the Company's share capital and RMB1,802 million of the Company's share premium.

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS

Overview

In 2013, the Group persisted to focus on the development in three major markets. Its total revenues reached RMB68,459.10 million, representing an increase of 11.3% from 2012. However, operating performance of the Group was affected by various factors, such as slowdown of revenue growth, decrease in gross profit margin, changes in revenue composition and the implementation of new regulatory policies including the replacement of business tax with value added tax ("VAT Reform") and the amendments to the PRC tender regulations. Profit attributable to equity shareholders of the Company amounted to RMB2,238.35 million, representing a decrease of 7.0% from RMB2,406.79 million in 2012. Basic earnings per share were RMB0.323. Free cash flow was RMB-323.58 million and net cash inflow from operating activities amounted to RMB320.94 million.

Total Revenues

Our total revenues in 2013 were RMB68,459.10 million, representing an increase of 11.3% from 2012. Among our businesses, the revenue from telecommunications infrastructure ("TIS") services was RMB32,036.24 million, representing an increase of 12.8% from 2012; the revenue from business process outsourcing ("BPO") services was RMB29,011.58 million, representing an increase of 10.3% from 2012; the revenue from applications, content and other ("ACO") services was RMB7,411.28 million, representing an increase of 9.0% from 2012. As to business structure, construction services and distribution of telecommunications services and products were the two major businesses that contributed to the Group's overall incremental revenues. As to customer structure, the revenue from the domestic telecommunications operators in 2013 amounted to RMB43,325.98 million, representing 63.3% of the total revenues, an increase of 9.0% from 2012; aggregate revenues from the domestic non-operator customers and overseas customers amounted to RMB25,133.12 million, representing an increase of 15.4% from 2012 and its proportion to total revenues increased to 36.7%. In 2013, the Group saw favourable business development in the domestic non-operator market and overseas market, and the incremental revenues from these two new major markets accounted for 48.4% of the total incremental revenues. These two markets have become a major driving force of the Group's total revenue growth.

The following table sets forth a breakdown of our total revenues for 2012 and 2013, together with their respective changes:

	2013 *RMB'000*	2012 *RMB'000*	Percentage Change
Telecommunications Infrastructure Services			
Design services	**6,325,767**	5,788,005	9.3%
Construction services	**23,426,702**	20,638,017	13.5%
Project supervision and management services	**2,283,772**	1,987,338	14.9%
	32,036,241	28,413,360	12.8%
Business Process Outsourcing Services			
Network maintenance	**6,884,291**	6,414,319	7.3%
Distribution of telecommunications services and products	**18,933,812**	16,944,175	11.7%
Facilities management	**3,193,474**	2,945,643	8.4%
	29,011,577	26,304,137	10.3%
Applications, Content and Other Services *(Note)*			
System Integration	**3,355,792**	2,861,045	17.3%
Software development and system support	**1,378,348**	1,294,274	6.5%
Value Added Services	**1,170,597**	1,018,977	14.9%
Others	**1,506,541**	1,625,582	–7.3%
	7,411,278	6,799,878	9.0%
Total	**68,459,096**	61,517,375	11.3%

Note In response to the business development needs of the Group, businesses under applications, content and other services were reclassified starting from 1 January 2013, and historical data for 2012 was restated accordingly. The reclassification has no impact on the total revenue of applications, content and other services.

Telecommunications Infrastructure Services

In 2013, the revenue from TIS services of the Group was RMB32,036.24 million, representing an increase of 12.8% over RMB28,413.36 million in 2012. It was our primary source of revenues and accounted for 46.8% of our total revenues, representing an increase of 0.6 percentage points from 46.2% in 2012. During the year, TIS revenue from domestic telecommunications operators amounted to RMB24,903.22 million, representing an increase of 11.3% over RMB22,375.06 million in 2012. The slowdown of growth from last year was mainly attributable to the back-end loaded capital expenditure ("CAPEX") of domestic telecommunications operators and the change in CAPEX structure due to 4G development, thereby affecting the growth of the Group's TIS business to certain extent. Nevertheless, the Group achieved new breakthroughs in the TIS business development in the domestic non-operator market and overseas market, and TIS revenue from these markets amounted to RMB7,133.02 million, representing an increase of 18.1% over RMB6,038.30 million in 2012. Aggregate revenues from the domestic non-operator market and overseas market as a percentage of the total TIS revenue increased to 22.3%, driving the rapid growth of TIS business.

Business Process Outsourcing Services

In 2013, the revenue from BPO services of the Group was RMB29,011.58 million, representing an increase of 10.3% over RMB26,304.14 million in 2012. The revenue from BPO services accounted for 42.4% of our total revenues, representing a decrease of 0.3 percentage points from 42.7% in 2012. Among BPO services, the revenue from distribution of telecommunications services and products ("Distribution Business") was RMB18,933.81 million, representing an increase of 11.7% over 2012. The growth rate was lower than that of the previous year because the Group adhered to the principle of efficient development and effectively controlled the development of certain Distribution Businesses with relatively low operating efficiency. Moreover, the promulgation of new regulatory policies made certain network maintenance business becoming increasingly competitive. As such, the Group proactively exited from certain businesses with decreasing operating efficiency, and the revenue from network maintenance was RMB6,884.29 million with its growth rate moderated to 7.3%.

Applications, Content and Other Services

In 2013, the revenue from ACO services of the Group was RMB7,411.28 million, representing an increase of 9.0% over RMB6,799.88 million in 2012. The revenue from ACO services accounted for 10.8% of our total revenues, representing a decrease of 0.3 percentage points from 11.1% in 2012. During the year, the Group pursued openness and innovation, and strived to grasp opportunities brought by the informatization in China. The Group continued to develop the business of system integration projects for domestic non-operators customers. The revenue from system integration reached RMB3,355.79 million, representing an increase of 17.3% over 2012, which was the major driving force for the revenue growth of ACO services.

Cost of Revenues

Our cost of revenues in 2013 was RMB58,081.11 million, representing an increase of 12.3% from 2012 and accounting for 84.8% of our total revenues.

The following table sets out a breakdown of our cost of revenues in 2012 and 2013 and their respective changes:

	2013 *RMB'000*	2012 *RMB'000*	Percentage Change
Direct personnel costs	**9,251,872**	9,229,460	0.2%
Depreciation and amortisation	**462,103**	439,095	5.2%
Purchase of material and telecommunications products	**19,804,087**	17,645,654	12.2%
Subcontracting charges	**21,873,785**	18,447,867	18.6%
Operating lease charges and others	**6,689,260**	5,969,932	12.0%
Total cost of revenues	**58,081,107**	51,732,008	12.3%

Direct Personnel Costs

In 2013, direct personnel costs were RMB9,251.87 million, representing an increase of 0.2% over RMB9,229.46 million in 2012. With the growth in business volume in 2013, the Group consistently applied reasonable control over its total headcount and subcontracted its low-end tasks, thereby minimizing the staff costs. The Group also strictly complied with the amended *PRC Labour Contract Law*, and employed dispatch workers in accordance with the relevant regulations to avoid related risks. Direct personnel costs as a proportion to our total revenues was 13.5%, representing a decrease of 1.5 percentage points compared to 2012.

Depreciation and Amortisation

In 2013, depreciation and amortisation were RMB462.10 million, representing an increase of 5.2% over RMB439.10 million in 2012. Depreciation and amortisation as a proportion to our total revenues was 0.7%, which remained stable as compared with 2012.

Purchase of Materials and Telecommunications Products

In 2013, the costs of materials and telecommunications products purchase were RMB19,804.09 million, representing an increase of 12.2% over RMB17,645.65 million in 2012. The increase in costs of materials and telecommunications products was mainly attributable to the growth of Distribution Business of the Group, which drove a corresponding increase in the cost of telecommunications products purchase, including the telecommunications machineries and handsets. Cost of materials and telecommunications products as a proportion to our total revenues was 28.9%, representing an increase of 0.2 percentage points compared to 2012.

Subcontracting Charges

In 2013, subcontracting charges were RMB21,873.79 million, representing an increase of 18.6% over RMB18,447.87 million in 2012. Such increase was mainly resulted from our TIS services and network maintenance services. Having considered its strategic development, effectiveness and efficiency, the Group continued to focus on high-value businesses and outsource certain low-end tasks, resulting in a rapid growth in subcontracting charges. Subcontracting charges as a proportion to our total revenues was 32.0%, representing an increase of 2.0 percentage points compared to 2012.

Operating Lease Charges and Others

In 2013, operating lease charges and others were RMB6,689.26 million, representing an increase of 12.0% over RMB5,969.93 million in 2012. Operating lease charges and others as a proportion to our total revenues was 9.7%, which remained stable as compared with 2012.

Gross Profit

In 2013, the Group's gross profit amounted to RMB10,377.99 million, representing an increase of 6.1% over RMB9,785.37 million in 2012. The Group's gross profit margin in 2013 was 15.2%, representing a decrease of 0.7 percentage points from 15.9% in 2012. The decrease in gross profit margin was due to various factors, including the slowdown of revenue growth, the decrease in price tariff in the domestic telecommunications operator market, the changes in revenue composition of the Group and the implementation of new regulatory policies such as the VAT Reform and the amendments to the PRC tender regulations.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses in 2013 were RMB8,288.16 million, representing an increase of 10.3% over RMB7,514.88 million in 2012. In 2013, the Group strengthened cost control on selling and administrative expense. Selling, general and administrative expenses as a proportion to our total revenues was 12.1%, representing a decrease of 0.1 percentage point compared to 2012.

Finance Costs

In 2013, the Group's finance costs were RMB11.23 million and decreased by 56.8% over RMB26.03 million in 2012. In 2013, the Group reduced finance costs by implementing effective centralized fund management and repaying interest-bearing borrowings.

Income Tax

The income tax of the Group in 2013 was RMB493.12 million and our effective tax rate was 17.8%, representing a decrease of 1.5 percentage points compared to 19.3% in 2012. The difference between our effective tax rate and the statutory tax rate was mainly due to the preferential income tax rate treatment enjoyed by certain subsidiaries, which are classified as key software enterprises and new and high-technology enterprises the preferential policy of tax deduction before income tax for research and development expenses. In 2013, certain subsidiaries of us were newly recognized as key software enterprises and were entitled to a preferential income tax rate of 10%. Certain subsidiaries of us were recognized as new and high-technology enterprises and were entitled to a preferential income tax rate of 15%. Certain enterprises of us in Western China could also enjoy the preferential policies for Western Development Program. Apart from these subsidiaries, the Company and other domestic subsidiaries of the Group were mainly subject to an income tax rate of 25%. The overseas subsidiaries of the Group were subject to different tax rates in various countries.

Profit Attributable to Equity Shareholders of the Company and Basic Earnings per Share

In 2013, profit attributable to equity shareholders of the Company was RMB2,238.35 million, representing a decrease of 7.0% over RMB2,406.79 million in 2012. Profit attributable to equity shareholders of the Company accounted for 3.3% of our total revenues, representing a decrease of 0.6 percentage points as compared with 2012. Basic earnings per share of the Company were RMB0.323.

Capital Expenditure

We implement stringent budget management over capital expenditure, and adjust our capital expenditure plan according to changes in market condition. In 2013, our capital expenditure amounted to RMB705.23 million, representing a decrease of 24.1% from RMB929.05 million in 2012. The capital expenditure in 2013 accounted for 1.0% of our total revenues. Our capital expenditure included the purchases of production facilities and equipments, machinery and meters, plant and office buildings, intangible assets and other operating assets.

Cash Flow

Our net cash outflow in 2013 amounted to RMB2,086.36 million as compared to the net cash inflow of RMB1,507.10 million in 2012. As at the end of 2013, our cash and cash equivalents amounted to RMB6,760.24 million, of which 93.4% was denominated in Renminbi.

The following table sets out our cash flow positions in 2012 and 2013, respectively:

	2013	2012
	RMB'000	*RMB'000*
Net cash generated from operating activities	**320,943**	952,233
Net cash used in investing activities	**(1,009,334)**	(1,046,434)
Net cash (used in)/generated from financing activities	**(1,397,967)**	1,601,298
Net (decrease)/increase in cash and cash equivalents	**(2,086,358)**	1,507,097

In 2013, net cash generated from operating activities was RMB320.94 million, representing a decrease of RMB631.29 million from RMB952.23 million in 2012. The decrease in net cash generated from operating activities was mainly caused by the prolonged repayment cycle by major customers of the Group.

In 2013, net cash used in investing activities was RMB1,009.33 million, representing a decrease of RMB37.10 million from RMB1,046.43 million in 2012. Cash used in investing activities mainly comprised capital expenditure such as equipments purchases.

In 2013, net cash used in financing activities was RMB1,397.97 million as compared with the net cash generated from financing activities of RMB1,601.30 million in 2012. The change in cash flow from financing activities was mainly due to the completion of the Group's rights issue in 2012.

Working Capital

As at the end of 2013, working capital (i.e. current assets minus current liabilities) was RMB14,415.74 million, representing an increase of RMB992.58 million from RMB13,423.16 million in 2012. The increase in working capital was mainly due to the expansion of our business and the prolonged repayment cycle by major customers of the Group.

Indebtedness

As at the end of 2013, total indebtedness of the Group was RMB105.48 million, representing a decrease of RMB394.21 million from RMB499.69 million at the year end of 2012. Indebtedness of the Group were mainly denominated in US dollar, of which Renminbi loan accounted for 12.6% and US dollar loan accounted for 87.4%, and of which 34.7% was fixed interest rate loans and 65.3% was floating interest rate loans.

As at the end of 2013, our gearing ratio[5] was 0.5%, representing a decrease of 1.9 percentage points from 2.4% in 2012.

[5] Gearing ratio equals to total interest-bearing debts divided by the sum of total interest-bearing debts and equity attributable to equity shareholders of the Company at the end of each financial year.

Contractual Obligations

The following table sets out our contractual obligations as at 31 December 2013:

	Total	2014	2015	2016	2017	2018 and after
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debt	53,901	53,901	–	–	–	–
Long-term debt	51,580	–	17,315	17,315	16,950	–
Operating lease commitments	689,093	276,463	144,204	91,711	45,995	130,720
Capital commitments	618,461	618,461	–	–	–	–
Of which:						
Authorized and contracted for	283,654	283,654	–	–	–	–
Authorized but not contracted for	334,807	334,807	–	–	–	–
Total of contractual obligations	1,413,035	948,825	161,519	109,026	62,945	130,720

Exchange Rate

Most of our revenues and expenses are settled in Renminbi. As at the end of 2013, the balance of our cash and cash equivalents in foreign currencies accounted for 6.6% of our total cash and cash equivalents, of which 2.4% and 0.4% were denominated in US dollars and Hong Kong dollars, respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with the management and the Company's international auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the annual report for the year ended 31 December 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has not only complied with the relevant provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "Listing Rules") but also has abided by the *PRC Company Law* and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basic guidelines for the Company's corporate governance. Throughout the year ended 31 December 2013, the Company has complied with the code provisions as set out in the *Corporate Governance Code* contained in Appendix 14 of the Listing Rules, except that Mr. Li Ping, the Chairman of the Company, was unable to attend the 2012 Annual General Meeting due to his business trip.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code") as set out in Appendix 10 to the Listing Rules to govern securities transactions by the directors of the Company. Having made specific enquiries in writing to the directors, each of the directors has confirmed his/her compliance with the Model Code in connection with the transactions of the Company's securities in the reporting period.

CLOSURE OF SHARE REGISTER

1. Annual General Meeting

The H share register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend the Annual General Meeting, from Wednesday, 28 May 2014 to Friday, 27 June 2014 (both days inclusive), during which period no transfer of H shares will be registered. In order to attend the Annual General Meeting, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 27 May 2014. H share shareholders who are registered with Computershare Hong Kong Investor Services Limited on 27 June 2014 are entitled to attend the Annual General Meeting.

2. Proposed Final Dividend

The Board proposes a final dividend of RMB0.1293 per share (pre-tax) for the year ended 31 December 2013. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on 27 June 2014. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Tuesday, 15 July 2014. The register of members will be closed from Thursday, 10 July 2014 to Tuesday, 15 July 2014 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Wednesday, 9 July 2014. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi, whereas dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of the approval of declaration of dividends at the Annual General Meeting.

The Company shall be obliged to withhold and pay income tax on behalf of overseas non-resident enterprise shareholders and overseas resident individual shareholders of H shares whose names appear on the Company's H share register of members on Tuesday, 15 July 2014 according to the following regulations:

For the overseas resident individual shareholders of the Company, pursuant to relevant laws and regulations including the *Law of the People's Republic of China on Individual Income Tax,* the *Regulations for the Implementation of the Law of the People's Republic of China on Individual Income Tax*, and the letter dated 28 June 2011 from the State Administration of Taxation to the Inland Revenue Department of Hong Kong, for individual H share shareholders receiving dividends who are Hong Kong or Macau residents or whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company, as a withholding agent, is required to withhold and pay individual income tax at a rate of 10%. For individual H share shareholders receiving dividends whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax at a rate of 10%. The Company can process applications on behalf of those shareholders to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, the extra amount of tax withheld will be refunded. For individual H shareholders receiving dividends whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the agreed – upon effective tax rate when distributing dividends and no application procedures will be necessary. For individual H shareholders receiving dividends whose country of domicile is a country which has not entered into any tax treaty with the PRC or are under other situations, the Company will withhold the individual income tax at a tax rate of 20% when distributing dividends.

For the overseas non-resident enterprise shareholders of the Company (including HKSCC Nominees Limited, corporate nominees or trustees, or other organizations or entities that are considered non-resident enterprise shareholders), pursuant to the *Law of the People's Republic of China on Enterprise Income Tax*, the *Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax* and relevant rules and regulations, as a withholding agent, the Company is required to withhold and pay the enterprise income tax at a tax rate of 10% on behalf of the overseas non-resident enterprise shareholders.

Should the shareholders of the H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

ANNUAL REPORT

The annual report for the year ended 31 December 2013 will be dispatched to shareholders and made available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinaccs.com.hk) in due course.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

Beijing, PRC, 26 March 2014

As at the date of this announcement, our executive directors are Mr. Li Ping (Chairman), Mr. Si Furong (President) and Ms. Hou Rui (Executive Vice President and Chief Financial Officer), our non-executive directors are Mr. Li Zhengmao and Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Zhao Chunjun, Mr. Wei Leping and Mr. Siu Wai Keung, Francis.