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 Interim Results for the Six Months Ended 30 June 2011

HIGHLIGHTS

– Revenues were RMB25,189 million, up by 16.0%.

– Profit attributable to equity shareholders of the Company was RMB1,053 million, up by 16.3%.

– Benefiting from the continued efforts in optimizing revenue structure and enhancing cost management, the Group managed to improve its gross profit margin to 15.7%, slightly higher than the same period last year.

– The Group further strengthened its leading position in the domestic telecommunications operator market and revenues from domestic telecommunications operators amounted to RMB15,931 million, up by 19.1%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2011, China's economy continued to develop favourably. Driven by the waves of informatization, domestic telecommunications operators accelerated their pace of transformation and development, and progressively increased their investment in information network infrastructures. In this situation, the Group firmly captured the industrial development opportunities and adhered to its customer-focused innovative service strategy. As a result, our operating results steadily increased and our revenue structure achieved continued optimization, thus laying a solid foundation to realize our strategic goal of becoming a "hundred-billion enterprise" with excellent performance.

Financial Review

In the first half of 2011, the Group recorded a stable and relatively rapid growth of revenues, which amounted to RMB25,189 million, representing an increase of 16.0% over the same period last year. Cost of revenues amounted to RMB21,241 million, representing an increase of 15.7% over the same period last year. Gross profit grew by 17.3% over the same period last year to RMB3,948 million. The Group persisted in optimizing revenue structure and therefore our high-value businesses recorded faster growth rate than the Group's average; the Group also enhanced cost management, as a result of these, the Group managed to improve its gross profit margin to 15.7%, slightly higher than the same period last year. Profit attributable to equity shareholders of the Company grew by 16.3% over the same period last year to RMB1,053 million. Basic earnings per share were RMB0.182.

Business Review

In the first half of 2011, telecommunications infrastructure services ("TIS") achieved sustained, rapid and healthy growth, and the revenue from TIS services amounted to RMB12,186 million, representing an increase of 17.7% over the same period last year and its percentage of revenues further increased to 48.4%. In the period, we proactively expanded our high-value businesses, among which our design and supervision businesses grew rapidly and increased by 18.4% and 29.5% as compared to the same period last year respectively. Furthermore, the Group fully supported domestic telecommunications operators in meeting their business demands for the upgrade of optical-fiber networks as well as the expansion of mobile, fixed-line and data networks. Revenue of telecommunications infrastructure services from domestic telecommunications operators increased by 22.5% over the same period last year, and our leading position in the market was further strengthened.

In the first half of 2011, business process outsourcing services ("BPO") achieved a more favourable business structure by our effective control on low-end businesses. Revenue from BPO services amounted to RMB10,483 million, representing an increase of 13.2% over the same period last year and accounting for 41.6% of revenues. The Group proactively captured business opportunities brought by the full-service operations of the domestic telecommunications operators; as a result our maintenance business achieved favourable development and its revenue increased rapidly by 22.1% as compared to the same period last year.

In the first half of 2011, applications, content and other services ("ACO") sustained rapid growth. Revenue from ACO services amounted to RMB2,520 million, representing an increase of 19.6% over the same period last year and accounting for 10.0% of revenues. We proactively explored new businesses, seized the most attractive development opportunities brought by the informatization construction of domestic non-operator customers and the mobile Internet growth of telecommunications operators. We also put more efforts into the cultivation and marketing of application products for different industries. As a result, revenues from IT applications and Internet services recorded rapid increases of 35.4% and 30.4% over the same period last year respectively. In the period, we proactively and prudently introduced strategic partners and signed a partnership agreement with Sybase Inc., to jointly expand mobile Internet and system integration businesses, and to provide our customers with leading software solutions.

In the first half of 2011, the Group provided strong support to the full-service operations of the domestic telecommunications operators and further strengthened our leading position in the domestic telecommunications operator market. Revenues from domestic telecommunications operators amounted to RMB15,931 million, representing an increase of 19.1% over the same period last year, of which, revenue from China Telecom increased by 16.6%, accounting for 40.3% of revenues. Our service quality was further recognized by China Mobile and China Unicom and revenues from them in aggregate rapidly increased by 23.8%, and the proportion of such revenues increased to 23.0%. Revenue from domestic non-operator customers was RMB7,968 million, representing an increase of 9.9% over the same period last year and accounting for 31.6% of revenues. The slowdown of revenue growth in the domestic non-operator market was mainly due to the Group's proactive control over the development pace of businesses with low profit margin so as to optimize the revenue structure. In the period, though revenue from overseas was impacted by the turbulent political situation in certain areas in the Middle East and Africa, the Group managed to ensure its staff's personal safety, planned prudently and avoided foreseeable risks proactively, while continuing its strategy of penetrating overseas markets and fully executing various key projects. Moreover, the Group enhanced its cooperation with major equipment manufacturers, financial institutions and state-owned enterprises to realize overseas expansion synergies. As a result, revenue from overseas market amounted to RMB1,290 million, representing an increase of 17.5% over the same period last year and accounting for 5.1% of revenues.

Corporate Management

The Group continued intensive operation and management innovation and improved its resource allocation to enhance the overall operation efficiency and profitability. In the period, we strengthened centralized cash management, gradually established a unified cash management system, and coordinated cash resources allocation in order to support business development. In addition, the Group continued its human resources management strategy by exploring an innovative incentive system and optimizing the structure of the work force, which continuously increases staff productivity, and provides strong support for the rapid development of the Group in future.

Corporate Social Responsibilities

The Group was actively involved in communication services restoration works during various flood emergencies and other disaster relief situations, and provided reliable emergency communications support services to our customers and society. All of these demonstrated a high degree of corporate social responsibility. We are committed to promoting energy saving and emission reduction, and have strived to reduce cost and enhance efficiency. While achieving the Group's healthy growth, we endeavored to develop our Group in a way that is harmonious and unified with the social environment.

Corporate Governance and Rights Issue

With reference to relevant regulations, the Group continuously strengthened internal controls and risk management, and improved corporate governance and governance transparency. In the first half of 2011, the Company proposed to its shareholders a rights issue scheme of not more than RMB4 billion, and obtained their approval. Equity financing is expected to effectively enhance the Group's financial strength, and enable us to build a stronger capital foundation, thus enabling us to expand into new markets and support the long-term development of the Company. In addition to the rights issue, we also plan to actively leverage on debt financing and reinforce internal cash management so as to meet future funding requirements. We believe the above measures will provide a solid basis for capturing the Group's new development opportunities, such as the expansion into the overseas and domestic non-operator customer market, strategic acquisitions and joint ventures, as well as R&D, push forward the Group's transformation into a management and technology focused enterprise, and create higher value for our shareholders.

Prospects

Looking forward, with the ever advancing information communications technologies, the rapid development of 3G applications, optical-fiber broadband networks, mobile Internet and 4G/LTE has pushed the information industry into a new era of strategic opportunities, and domestic telecommunications operators will continue to invest in information network infrastructures. Accelerated informatization process in government and industry sectors, the ongoing developments in Three Networks Convergence, and the strong demand for telecommunications services from overseas emerging markets, will enable the Group to expand into broader markets beyond the domestic telecommunications operator market. In addition, there are industrial opportunities underlying the rapid development of new technologies, such as cloud computing and Internet of Things, which will be further explored by us. Based on our strategic position as a leader of producer services in the informatization sector, the Group will endeavor to support the full-service operations of domestic telecommunications operators, put more efforts into the expansion of domestic non-operator customers, and drive our scalable development in overseas markets so as to build an enterprise with excellent performance which has strong capabilities in capturing market opportunities, outstanding core competencies, integrated efficient operation and steady value growth.

Finally, on behalf of the board of directors, I want to express my sincere thanks to our shareholders, customers and society for their long-term care and support to the Group.

Li Ping
Chairman

Beijing, PRC
30 August 2011

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 six months ended 30 June 2011 extracted from the unaudited financial information of the Group as set out in its 2011 interim report.

Consolidated Income Statement – Unaudited
For the six months ended 30 June 2011
(Expressed in Renminbi)

		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenues	*5*	**25,189,276**	21,719,925
Cost of revenues	*6*	**(21,240,876)**	(18,354,716)
Gross profit		**3,948,400**	3,365,209
Other operating income	*7*	**263,335**	208,443
Selling, general and administrative expenses		**(2,830,530)**	(2,384,182)
Other operating expenses		**(30,986)**	(24,179)
Finance costs	*8*	**(31,887)**	(25,575)
Share of (losses)/profits of associates		**(543)**	837
Profit before tax	*9*	**1,317,789**	1,140,553
Income tax	*10(a)*	**(270,530)**	(230,882)
Profit for the period		**1,047,259**	909,671
Attributable to:			
Equity shareholders of the Company		**1,053,281**	905,684
Non-controlling interests		**(6,022)**	3,987
Profit for the period		**1,047,259**	909,671
Basic and diluted earnings per share (RMB)	*13*	**0.182**	0.157

Consolidated Statement of Comprehensive Income – Unaudited
For the six months ended 30 June 2011
(Expressed in Renminbi)

		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Profit for the period		**1,047,259**	909,671
Other comprehensive income for the period (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		**6,676**	280
Available-for-sale securities: net movement in the fair value reserve	*11*	**(9,075)**	2,116
		(2,399)	2,396
Total comprehensive income for the period		**1,044,860**	912,067
Attributable to:			
Equity shareholders of the Company		**1,050,882**	908,080
Non-controlling interests		**(6,022)**	3,987
Total comprehensive income for the period		**1,044,860**	912,067

Consolidated Balance Sheet – Unaudited
At 30 June 2011
(Expressed in Renminbi)

	Note	**30 June 2011** *RMB'000*	31 December 2010 *RMB'000*
Non-current assets			
Property, plant and equipment, net		**3,913,403**	4,025,579
Investment properties		**682,122**	696,016
Construction in progress		**151,348**	154,234
Lease prepayments		**490,896**	470,135
Goodwill		**103,005**	103,005
Other intangible assets		**156,419**	151,990
Interests in associates		**59,791**	61,433
Other investments		**557,201**	571,401
Deferred tax assets		**200,751**	205,822
Total non-current assets		**6,314,936**	6,439,615
Current assets			
Inventories		**1,936,471**	1,833,186
Accounts and bills receivable, net	*14*	**16,966,868**	12,887,557
Prepayments and other current assets		**3,465,617**	3,967,876
Restricted deposits		**157,447**	269,099
Cash and cash equivalents		**6,744,862**	8,470,249
Total current assets		**29,271,265**	27,427,967
Total assets		**35,586,201**	33,867,582
Current liabilities			
Interest-bearing borrowings		**1,312,282**	1,780,523
Accounts and bills payable	*15*	**11,370,632**	9,768,792
Receipts in advance for contract work		**1,026,598**	1,083,587
Accrued expenses and other payables		**6,989,527**	6,564,306
Income tax payable		**209,599**	284,941
Total current liabilities		**20,908,638**	19,482,149
Net current assets		**8,362,627**	7,945,818
Total assets less current liabilities		**14,677,563**	14,385,433

Consolidated Balance Sheet – Unaudited (continued)
At 30 June 2011
(Expressed in Renminbi)

	30 June 2011 RMB'000	31 December 2010 RMB'000
Non-current liabilities		
Deferred tax liabilities	**11,263**	31,589
Total non-current liabilities	**11,263**	31,589
Total liabilities	**20,919,901**	19,513,738
Equity		
Share capital	**5,771,682**	5,771,682
Reserves	**8,772,251**	8,449,360
Equity attributable to equity shareholders of the Company	**14,543,933**	14,221,042
Non-controlling interests	**122,367**	132,802
Total equity	**14,666,300**	14,353,844
Total liabilities and equity	**35,586,201**	33,867,582

Notes:

1 PRINCIPAL ACTIVITIES

China Communications Services Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is a leading integrated service provider to the telecommunications industry in the People's Republic of China (the "PRC"). Its principal activities comprise provision of a full range of telecommunications support services in the PRC and overseas, including (i) telecommunications infrastructure design, construction and supervision and management; (ii) business process outsourcing (including network maintenance, facilities management, distribution of telecommunications service and products); and (iii) a variety of other services including applications, content and others.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 30 August 2011.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. The interim financial report has also been reviewed by the Company's international auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised), *Related party disclosure*
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

As a result of the adoption of revised IAS 24, additional disclosures on commitments with related parties have been included in this interim financial report. In addition, this revised standard introduces a partial exemption for transactions with government-related enterprises. Those disclosures are replaced with requirements to disclose the name of related government and the nature of its relationship with the Group, the natures and amounts of any individually significant transactions, and qualitative or quantitative disclosures for collectively significant transactions. Consequently, related disclosures have been revised in this interim financial report.

Improvements to IFRSs have had no material impact on the contents of this interim financial report.

4 SEGMENT REPORTING

The Group principally has one reportable segment, which is the provision of integrated telecommunications support services in the PRC. Therefore, no additional reportable segment has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 5.

5 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:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue from telecommunications infrastructure services	**12,186,104**	10,351,840
Revenue from business process outsourcing services	**10,482,981**	9,260,938
Revenue from applications, content and others	**2,520,191**	2,107,147
	25,189,276	21,719,925

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"), both with 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 six months ended 30 June 2011 amounted to RMB10,145 million and RMB4,643 million respectively (six months ended 30 June 2010: RMB8,702 million and RMB3,512 million respectively), being 40.3% and 18.4% of the Group's total revenues respectively (six months ended 30 June 2010: 40.1% and 16.2% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2011 amounted to RMB1,290 million (six months ended 30 June 2010: RMB1,098 million).

6 COST OF REVENUES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Depreciation and amortisation	**181,443**	174,440
Direct personnel costs	**3,778,825**	3,439,409
Operating lease charges	**408,007**	299,566
Purchase of materials and telecommunications products	**7,595,550**	7,010,617
Subcontracting charges	**7,318,316**	5,667,420
Others	**1,958,735**	1,763,264
	21,240,876	18,354,716

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest income	**39,276**	34,908
Dividend income from unlisted securities	**37,637**	–
Government grants	**50,987**	46,272
Gain on disposal of property, plant and equipment	**1,965**	1,515
Penalty income	**1,152**	2,747
Management fee income	**116,710**	102,930
Write-off of non-payable liabilities	**971**	2,005
Others	**14,637**	18,066
	263,335	208,443

8 FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings wholly repayable within five years	**31,887**	25,575

For the periods ended 30 June 2011 and 2010, no borrowing costs were capitalised in relation to construction in progress.

9 PROFIT BEFORE TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
(a) Staff costs:		
Salaries, wages and other benefits	**5,083,284**	4,483,978
Contributions to defined contribution retirement schemes	**408,802**	398,061
	5,492,086	4,882,039
(b) Other items:		
Amortisation	**30,021**	25,550
Cost of inventories	**7,595,550**	7,010,617
Depreciation	**296,327**	282,237
Inventory write-down and losses, net of reversals	**1,027**	(3,765)
Impairment losses on accounts and other receivables	**53,679**	8,635
Reversal of impairment losses on accounts and other receivables	**(1,486)**	(7,507)
Operating lease charges	**497,059**	376,620
Research and development costs	**238,879**	155,467
Share of an associate's taxation	**158**	148

Research and development costs include RMB212 million (six months ended 30 June 2010: RMB121 million) relating to staff costs, which amount is also included in the staff cost disclosed in note 9(a).

10 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Current tax		
Income tax	**258,300**	228,682
Deferred tax		
Origination and reversal of temporary differences	**12,230**	2,200
Total income tax	**270,530**	230,882

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**1,317,789**	1,140,553
Expected income tax expense at PRC income tax statutory tax rate of 25%	**329,447**	285,138
Differential tax rates on subsidiaries' profits *(note (i))*	**(78,540)**	(75,634)
Non-deductible expenses *(note (ii))*	**10,325**	11,620
Non-taxable income	**(10,154)**	(9,389)
Tax losses not recognised	**28,306**	22,845
Utilisation of previously unrecognised tax losses	**(3,151)**	(3,698)
Effect on opening deferred tax resulting from a change in preferential tax qualification	**(5,703)**	–
Income tax	**270,530**	230,882

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 six months ended 30 June 2011 and the six months ended 30 June 2010, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% to 24%.

(ii) The amounts represent staff cost and miscellaneous expenses in excess of statutory deductible limits for tax purpose.

11 OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**(12,100)**	3,186
Net deferred tax charged to other comprehensive income	**3,025**	(1,070)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(9,075)**	2,116

12 DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB nil).

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2010, declared during the interim period of RMB0.1260 per share (six months ended 30 June 2010: RMB0.1108 per share)	**727,232**	639,502

No final dividend was paid during the six months ended 30 June 2011 and six months ended 30 June 2010.

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 of RMB1,053 million (six months ended 30 June 2010: RMB906 million) and the weighted average number of shares in issue during the six months ended 30 June 2011 of 5,771,682 thousand shares (six months ended 30 June 2010: 5,771,682 thousand shares).

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

14 ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Bills receivable	**167,018**	95,208
Unbilled revenue for contract work	**4,338,565**	2,956,264
Trade receivables	**12,875,711**	10,231,195
	17,381,294	13,282,667
Less: impairment losses	**(414,426)**	(395,110)
	16,966,868	12,887,557

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB7,760 million as at 30 June 2011 (31 December 2010: RMB6,950 million). 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) is as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Current	**7,998,789**	4,890,354
Within 1 year	**7,579,275**	6,566,525
After 1 year but less than 2 years	**1,016,205**	1,108,228
After 2 years but less than 3 years	**273,633**	245,878
After 3 years	**98,966**	76,572
Amount past due	**8,968,079**	7,997,203
	16,966,868	12,887,557

(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 period, including both specific and collective loss components, is as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
At 1 January	**395,110**	332,129
Impairment loss recognised	**21,751**	96,354
Reversal of impairment loss previously recognised	**(1,145)**	(23,467)
Uncollectible amounts written off	**(1,290)**	(9,906)
At 30 June/31 December	**414,426**	395,110

At 30 June 2011, the Group's accounts and bills receivable of RMB365.6 million were individually determined to be impaired (31 December 2010: RMB355.7 million). 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 RMB266.2 million were recognised (31 December 2010: RMB282 million). The Group does not hold any collateral over these balances.

(e) Accounts and bills receivable that are not impaired

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

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Neither past due nor impaired	**7,998,789**	4,890,354
Within 1 year	**7,579,210**	6,566,525
After 1 year but less than 2 years	**805,166**	991,590
After 2 years but less than 3 years	**98,555**	78,040
After 3 years	**28,074**	36,198
At 30 June/31 December	**16,509,794**	12,562,707

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

Receivables that were past due but not impaired relate to major telecommunications service providers and a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

15 ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Accounts payable	**9,909,116**	7,973,422
Bills payable	**1,461,516**	1,795,370
	11,370,632	9,768,792

The ageing analysis of accounts and bills payable is as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Within 1 year	**10,448,701**	9,093,470
After 1 year but less than 2 years	**686,366**	494,547
After 2 years but less than 3 years	**163,029**	112,808
After 3 years	**72,536**	67,967
	11,370,632	9,768,792

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB495 million as at 30 June 2011 (31 December 2010: RMB231 million). The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

According to paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules''), save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2010 annual report.

AUDIT COMMITTEE

The audit committee has reviewed with management and the Company's international auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the interim report for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is in compliance with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011.

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 of the Listing Rules to govern securities transactions by directors. Having made specific enquiries to the directors, each of the directors has confirmed his compliance with the Model Code in connection with the Company's securities for the period from 1 January 2011 to 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM REPORT

The interim report for the six months ended 30 June 2011 will be despatched to shareholders and made available on the HKExnews website of The Stock Exchange of Hong Kong Limited (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.

As at the date of this announcement, our executive directors are Mr. Li Ping (Chairman), Mr. Zheng Qibao (President), Mr. Yuan Jianxing (Executive Vice President) and Ms. Hou Rui (Executive Vice President and Chief Financial Officer), our non-executive directors are Mr. Liu Aili and Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Chan Mo Po, Paul, Mr. Zhao Chunjun, Mr. Wu Shangzhi and Mr. Hao Weimin.