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 2014

HIGHLIGHTS

— Overall steady operating results achieved; total revenues were RMB33,743 million, up by 4.3%.

— Profit attributable to equity shareholders of the Company was RMB1,238 million, down by 0.4%.

— Gross profit margin and net profit margin were 14.3% and 3.7%, respectively.

— Expansion into the domestic non-operator market and overseas market supported the overall development of the Group. Aggregate revenues from these two markets increased by 10.5%, contributing to more than 90% of total incremental revenues.

— Continuously enhanced internal management improved free cash flow and controlled selling, general and administrative expenses.

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of 2014, in light of the government's initiatives in comprehensively deepening reforms, the Group's development was affected by various impacts brought by the changes in the internal and external operating environments. Among others, the introduction of industrial policies, including the 4G license issuance, was the critical factor affecting the Group's operating performance. During this period, leveraging on its experience, capabilities and resources accumulated throughout the years in the communications industry, the Group proactively responded to uncertainties by continuously implementing its "Customer-Focused and Service-Innovative Strategy" and strongly promoting its second round of innovation and transformation. As a result, the Group maintained its leading position in the domestic telecommunications operator market, drove its business development through the continuing expansion into the domestic non-operator market and overseas market, and achieved overall steady operating performance.

Results Performance

During the first half of 2014, the Group strived to overcome the impacts from the slow growth of overall capital expenditure of the domestic telecommunications operators[1] by actively implementing various strategies, including the "Strategy of Maintaining a Leading Position in the Domestic Telecommunications Operator Market", "Strategy of Differentiation and Cooperation in the Domestic Non-operator Market" and "Strategy of Overseas Market-Focused and Four-Step Approach"[2], and achieved steady operating results. Total revenues amounted to RMB33,743 million, up by 4.3% over the same period last year. Cost of revenues amounted to RMB28,920 million, representing an increase of 5.6% over the same period last year. Due to the slowdown of total revenues growth, the pressure from industry competition and relatively rapid increase in certain costs, gross profit decreased by 3.0% over the same period last year to RMB4,823 million. Gross profit margin was 14.3%, down by 1.1 percentage points over the same period last year. As the Group continued to strengthen its internal management, selling, general and administrative expenses amounted to RMB3,730 million, accounting for 11.1% of total revenues, decreased by 0.6 percentage points over the same period last year. Profit attributable to equity shareholders of the Company was RMB1,238 million, down by 0.4% over the same period last year, while net profit margin was 3.7%. Basic earnings per share amounted to RMB0.179. Due to the cyclical fluctuations of the Group's cash flow, the free cash flow[3] for the first half of 2014 amounted to RMB-1,077 million, representing an improvement of RMB928 million over the same period last year, which is attributable to the Group's strengthened working capital management.

1 Telecommunications fixed assets investment for the first half of 2014 was RMB136.11 billion, increased by 5.0% over the same period last year. (Source: Ministry of Industry and Information Technology of the PRC)

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

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

Business Development

Revenue from the Group's telecommunications infrastructure ("TIS") services for the first half of 2014 amounted to RMB15,453 million, representing an increase of 0.7% over the same period last year and accounting for 45.8% of total revenues. Due to the impact of the slowdown in progress of overall network investment by the domestic telecommunications operators, revenue from TIS services attributable to the three telecommunications operators decreased by 4.1% over the same period last year. Meanwhile, the Group actively expanded into the domestic non-operator market and overseas market, and aggregate revenues from TIS services in these two markets recorded a relatively rapid growth, up by 16.6% over the same period last year.

The Group endeavored to expand its maintenance business with a view to capture the opportunities arising from the continuously increasing operating expenditure of the domestic telecommunications operators and their demands for outsourcing. Meanwhile, the Group also provided differentiated products and services to domestic non-operator customers in response to the trend of "New Four Modernizations"[4], and thus the businesses of "business process outsourcing ("BPO") services" and "applications, content and other ("ACO") services" became the major growth drivers of the Group's development. Revenue from BPO services for the first half of 2014 amounted to RMB14,911 million, representing an increase of 6.2% over the same period last year and accounting for 44.2% of total revenues. Among which, the revenue from network maintenance services increased by 20.6%. The revenue from ACO services amounted to RMB3,379 million, increased by 13.1% over the same period last year and accounting for 10.0% of total revenues. Among which, revenue from the core ACO services[5] amounted to RMB2,635 million, increased by 14.3% over the same period last year, and such growth showed encouraging results from the Group's efforts to promote innovation and transformation and expand into high-value businesses.

During the first half of 2014, by leveraging on its integrated services advantages, the Group made dedicated efforts to achieve steady development notwithstanding the inconsistent progresses of network investment among the domestic telecommunications operators. Revenue from the domestic telecommunications operator market amounted to RMB20,539 million, representing a growth of 0.6% over the same period last year and accounting for 60.8% of total revenues. Among which, the revenue from China Telecom amounted to RMB12,637 million, representing a decrease of 5.0% over the same period last year and accounting for 37.4% of total revenues. The Group made sufficient preparation for 4G technology and changes of customer demands in advance and continued to enhance the service quality and responsiveness. Aggregate revenues from China Mobile and China Unicom totaled RMB7,902 million, representing a growth of 11.1% and an increase of 1.4 percentage points to 23.4% of total revenues over the same period of last year.

4 New Four Modernizations refer to new Industrialization, Informatization, Urbanization, and Agricultural Modernization with Chinese characteristics.

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

During the first half of 2014, aggregate revenues from the Group's two "New Engines", namely the domestic non-operator market and overseas market, amounted to RMB13,204 million, representing a growth of 10.5% over the same period last year and accounting for 39.2% of total revenues and more than 90% of total incremental revenues. Among which, revenue from domestic non-operator customers amounted to RMB11,460 million, representing an increase of 11.6% over the same period last year and accounting for 34.0% of total revenues. Focusing on the governmental "Smart City", solutions and data centre construction for industrial customers, and the demand for informatization services from small and medium enterprises, the Group has achieved a breakthrough in the development of key businesses and large-scale turnkey projects and entered into strategic cooperation agreements with a number of well-known enterprises. The Group's revenue from overseas market amounted to RMB1,744 million, representing a growth of 3.9% over the same period last year and accounting for 5.2% of total revenues. The Group persistently optimized its overseas business structure by effectively controlling the development of certain businesses with relatively low efficiency and vigorously developing turnkey projects, and the proportion of revenue from turnkey projects to the revenue from overseas market increased to approximately 50%. During this period, the Group adopted a multi-level and multi-dimension marketing strategy and approach, and continued to expand its backlog for overseas turnkey projects. A number of large-scale turnkey projects are expected to be delivered in the second half of the year. During this period, the Group also made good attempts for external cooperation.

Corporate Governance and Management

In 2014, the Group was awarded "Best CFO" and "Best Investor Relations" of the Asian Excellence Recognition Awards by *Corporate Governance Asia*, a renowned journal on Corporate Governance in Asia, fully demonstrating the recognition of the Group's excellent performance in corporate governance and management by the capital market.

The Group has newly appointed two executive vice presidents who have extensive experience in the telecommunications industry, and has also optimized its internal organization structure so as to better adapt to market changes and future development needs.

Corporate Social Responsibility

The Group has always attached great importance to corporate social responsibility. After typhoons in Hainan and certain regions of Guangxi and the earthquake in Ludian, Yunnan, the Group promptly took actions in relief work, such as organizing maintenance of telecommunications network and assisting the operators to ensure uninterrupted telecommunications network. Meanwhile, the Group adhered to its environmental protection philosophy and focused on energy conservation and emission reduction, providing its customers with energy-saving products and services.

Prospects

The Group believes that the development of 4G licensing in China is getting more clarity, and capital expenditure will be further released following the increase in the number of pilot cities of 4G hybrid network in future. While focusing on the development of their core business, the domestic telecommunications operators will continue to outsource their maintenance business, which creates more opportunities for the Group to expand into the domestic telecommunications operator market. The Chinese government has been putting greater efforts to develop strategic emerging industries, strengthen the informatization of manufacturing industries and promote information consumption, which offers the Group with ample opportunities to expand into the markets of domestic non-operator customers and pan-operators[6]. The strong demand in overseas emerging countries for telecommunications construction and the Chinese government's policies of "go abroad" create huge business opportunities for the Group to expand into overseas markets. In addition, China Communications Facilities Services Corporation Limited (the "Tower Company") was established. The Tower Company has indicated to the Company the relevant arrangements of preferential treatment and non-competition, which will offer the Group with new business opportunities and market space.

Looking into the future, the Group will endeavor to overcome adverse influences, and leverage on its deepening reform measures to implement its second round of innovation and transformation, boost internal vitality and encourage innovation, so as to promote its sustainable development. The Group will actively promote the innovation of its business model and operational management model, utilize its financial leverage and operating leverage effectively and realize soft management through Internet-based operation with a view to cut cost and open up more income sources, and ultimately create more value for its customers and shareholders.

Finally, on behalf of the Board, I would also like to welcome Mr. Cheng Hongyan and Mr. Xu Chuguo in joining as new members of the Group's management in July this year. 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
28 August 2014

6 Pan-operators include without limitation to Internet companies and virtual operators.

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 2014 extracted from the unaudited financial information of the Group as set out in its 2014 Interim Report.

Consolidated Statement of Profit or Loss (Unaudited)
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenues	*5*	**33,742,897**	32,360,862
Cost of revenues	*6*	**(28,919,619)**	(27,390,313)
Gross profit		**4,823,278**	4,970,549
Other operating income	*7*	**414,977**	383,866
Selling, general and administrative expenses		**(3,729,968)**	(3,777,590)
Other operating expenses		**(33,926)**	(50,577)
Finance costs	*8*	**(5,075)**	(7,349)
Share of profits of associates		**11,462**	248
Profit before tax	*9*	**1,480,748**	1,519,147
Income tax	*10*	**(237,913)**	(261,494)
Profit for the period		**1,242,835**	1,257,653
Attributable to:			
Equity shareholders of the Company		**1,237,571**	1,242,363
Non-controlling interests		**5,264**	15,290
Profit for the period		**1,242,835**	1,257,653
Basic earnings per share (RMB)	*13*	**0.179**	0.179

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Profit for the period		**1,242,835**	1,257,653
Other comprehensive income for the period (after tax)			
Items that may be subsequently reclassified to profit or loss (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		**938**	(4,170)
Available-for-sale securities:			
Net movement in the fair value reserve	*11*	**(2,782)**	(1,250)
		(1,844)	(5,420)
Total comprehensive income for the period		**1,240,991**	1,252,233
Attributable to:			
Equity shareholders of the Company		**1,235,727**	1,236,943
Non-controlling interests		**5,264**	15,290
Total comprehensive income for the period		**1,240,991**	1,252,233

Consolidated Statement of Financial Position (Unaudited)
At 30 June 2014

	Notes	30 June 2014 RMB'000	31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment, net		**4,434,262**	4,686,953
Investment properties		**730,280**	734,121
Construction in progress		**273,111**	207,111
Lease prepayments		**885,529**	897,827
Goodwill		**103,005**	103,005
Other intangible assets		**212,731**	200,093
Interests in associates		**52,973**	71,581
Other investments		**529,141**	661,359
Deferred tax assets		**291,268**	291,778
Other non-current assets		**365,465**	241,308
Total non-current assets		**7,877,765**	8,095,136
Current assets			
Inventories		**2,453,558**	2,228,214
Accounts and bills receivable, net	*14*	**28,453,654**	25,428,055
Prepayments and other current assets		**5,572,827**	5,027,405
Restricted deposits		**481,770**	712,259
Cash and cash equivalents		**5,735,418**	6,760,237
Total current assets		**42,697,227**	40,156,170
Total assets		**50,574,992**	48,251,306
Current liabilities			
Interest-bearing borrowings		**114,683**	53,901
Accounts and bills payable	*15*	**18,185,773**	17,080,784
Receipts in advance for contract work		**1,002,843**	1,164,029
Accrued expenses and other payables		**8,209,921**	7,126,497
Income tax payable		**219,348**	315,222
Total current liabilities		**27,732,568**	25,740,433
Net current assets		**14,964,659**	14,415,737
Total assets less current liabilities		**22,842,424**	22,510,873

Consolidated Statement of Financial Position (Unaudited) (Continued)
At 30 June 2014

	Notes	30 June 2014 *RMB'000*	31 December 2013 *RMB'000* (audited)
Non-current liabilities			
Interest-bearing borrowings		**44,989**	51,580
Other non-current liabilities		**159,378**	154,379
Deferred tax liabilities		**16,427**	16,892
Total non-current liabilities		**220,794**	222,851
Total liabilities		**27,953,362**	25,963,284
Equity			
Share capital	*16*	**6,926,018**	6,926,018
Reserves		**15,186,938**	14,846,745
Equity attributable to equity shareholders of the Company		**22,112,956**	21,772,763
Non-controlling interests		**508,674**	515,259
Total equity		**22,621,630**	22,288,022
Total liabilities and equity		**50,574,992**	48,251,306

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, media and technology industries in 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 report has been prepared in accordance with the applicable disclosure provisions of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and International Accounting Standards ("IAS") 34, Interim Financial Reporting, issued by International Accounting Standards Board ("IASB").

3. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared on the historical basis except for certain financial instruments, which are measured at fair values.

The interim financial report has been prepared in accordance with the same accounting policies and methods of computation adopted in the consolidated financial statements of the Group for the year ended 31 December 2013, except as described below.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the interim financial report:

Amendments to IFRS 10, IFRS 12, and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the interpretation and amendments to IFRSs as mentioned above in the current period has had no material effect on the amounts reported and/or disclosures set out in the interim financial report.

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

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 contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated financial statements and notes thereof do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs. IFRSs include all applicable IFRSs, IASs and related interpretations.

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 independent auditors, Deloitte Touche Tohmatsu ("DTT"), 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.

4. SEGMENT REPORTING

The Group principally has one operating and reportable segment, which is the provision of integrated telecommunications support services in the information 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 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	
	2014	2013
	RMB'000	*RMB'000*
Revenue from telecommunications infrastructure services	**15,453,038**	15,338,597
Revenue from business process outsourcing services	**14,910,717**	14,035,549
Revenue from applications, content and others	**3,379,142**	2,986,716
	33,742,897	32,360,862

The Group's major customers are telecommunications operators which include China Telecom 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 six months ended 30 June 2014 amounted to RMB12,637 million and RMB6,847 million respectively (six months ended 30 June 2013: RMB13,307 million and RMB5,919 million respectively), being 37.4% and 20.3% of the Group's total revenues respectively (six months ended 30 June 2013: 41.1% and 18.3% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2014 amounted to RMB1,744 million (six months ended 30 June 2013: RMB1,679 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Depreciation and amortisation	**223,136**	214,882
Direct personnel costs	**4,220,593**	4,288,795
Operating lease charges	**514,827**	451,160
Purchase of materials and telecommunications products	**9,586,244**	9,695,533
Subcontracting charges	**11,841,419**	10,291,270
Others	**2,533,400**	2,448,673
	28,919,619	27,390,313

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Interest income	**47,952**	47,541
Dividend income from unlisted securities	**53,940**	54,706
Government grants	**83,366**	79,208
Gain on disposal of investments	**69,411**	49,507
Gain on disposal of property, plant and equipment	**1,346**	1,801
Penalty income	**1,309**	2,444
Management fee income	**127,273**	133,150
Others	**30,380**	15,509
	414,977	383,866

8. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**5,075**	7,349

For the six months ended 30 June 2014 and 2013, no borrowing costs were capitalised in relation to construction in progress.

9. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2014	2013
		RMB'000	*RMB'000*
(a)	Staff costs:		
	Salaries, wages and other benefits	**6,134,625**	6,202,218
	Contributions to defined contribution retirement schemes	**509,992**	535,104
		6,644,617	6,737,322
(b)	Other items:		
	Amortisation	**43,945**	49,750
	Cost of inventories	**9,586,244**	9,695,533
	Depreciation	**360,686**	332,889
	Inventory write-down and losses, net of reversals	**3,943**	2,968
	Impairment losses on accounts and other receivables	**71,386**	40,586
	Reversal of impairment losses on accounts and other receivables	**(9,308)**	(3,876)
	Changes in fair value of financial derivatives	**450**	–
	Operating lease charges	**649,764**	566,628
	Research and development costs	**658,257**	573,636
	Share of an associate's taxation	**3,821**	83

Research and development costs include RMB526 million (six months ended 30 June 2013: RMB473 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 statement of profit or loss represents:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current tax		
Income tax	**237,377**	295,446
Deferred tax		
Origination and reversal of temporary differences	**536**	(33,952)
Total income tax	**237,913**	261,494

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**1,480,748**	1,519,147
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2013: 25%)	**370,187**	379,787
Differential tax rates on subsidiaries' profits *(note (i))*	**(84,042)**	(138,387)
Non-deductible expenses *(note (ii))*	**12,716**	47,216
Non-taxable income	**(29,617)**	(13,493)
Tax losses not recognised	**35,884**	16,216
Utilisation of previously unrecognised tax losses	**(1,284)**	(6,137)
Over provision in respect of prior years	**(19,312)**	(5,547)
Effect of tax exemptions	**(10,189)**	(3,466)
Others *(note (iii))*	**(36,430)**	(14,695)
Income tax	**237,913**	261,494

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 2014 and 2013, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 20% and 15%, where applicable; and for certain overseas subsidiaries of the Group, which are taxed at respective statutory rates.

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

(iii) The amounts primarily represent the effect of research and development expense deduction.

11. OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**(3,273)**	(4,174)
Net deferred tax charged to other comprehensive income	**491**	2,924
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(2,782)**	(1,250)

12. DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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	
	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2013, declared during the interim period of RMB0.1293 per share (six months ended 30 June 2013: RMB0.1390 per share)	**895,534**	962,717

No final dividend was paid during the six months ended 30 June 2014 and 2013.

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 2014 of RMB1,238 million (six months ended 30 June 2013: RMB1,242 million) and the number of shares in issue during the six months ended 30 June 2014 of 6,926,018 thousand shares (six months ended 30 June 2013 of 6,926,018 thousand shares).

There was no 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	At 31 December
	2014	2013
	RMB'000	*RMB'000*
Bills receivable	**736,946**	747,894
Unbilled revenue for contract work	**8,351,716**	6,980,370
Trade receivables	**19,783,550**	18,072,367
	28,872,212	25,800,631
Less: impairment losses	**(418,558)**	(372,576)
	28,453,654	25,428,055

(a) Included in accounts and bills receivable are amounts due from CTC Group of RMB12,102 million as at 30 June 2014 (31 December 2013: RMB11,749 million). The amounts due from CTC Group 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:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Current *(note)*	**13,014,646**	11,130,426
Within 1 year	**12,951,194**	12,144,551
After 1 year but less than 2 years	**1,802,404**	1,682,667
After 2 years but less than 3 years	**540,316**	384,019
After 3 years	**145,094**	86,392
Amount past due	**15,439,008**	14,297,629
	28,453,654	25,428,055

Note: Included unbilled revenue 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 period, including both specific and collective loss components, is as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
At 1 January	**372,576**	475,439
Impairment loss recognised	**53,394**	132,457
Reversal of impairment loss previously recognised	**(7,086)**	(36,432)
Uncollectible amounts written off	**(326)**	(198,888)
At 30 June/31 December	**418,558**	372,576

At 30 June 2014, the Group's accounts and bills receivable of RMB463 million were individually determined to be impaired (31 December 2013: RMB2,169 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 RMB189 million were recognised (31 December 2013: RMB164 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 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Neither past due nor impaired	**13,014,646**	11,130,426
Within 1 year	**12,835,196**	10,467,514
After 1 year but less than 2 years	**1,280,266**	956,992
After 2 years but less than 3 years	**389,594**	208,349
After 3 years	**98,280**	67,372
At 30 June/31 December	**27,617,982**	22,830,653

Receivables that were neither past due nor impaired mainly relate to 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 further 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 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Accounts payable	**16,097,034**	14,651,217
Bills payable	**2,088,739**	2,429,567
	18,185,773	17,080,784

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

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**16,734,870**	15,862,539
After 1 year but less than 2 years	**955,686**	793,208
After 2 years but less than 3 years	**240,733**	214,060
After 3 years	**254,484**	210,977
	18,185,773	17,080,784

Included in accounts and bills payable are amounts due to CTC Group and an associate of the Group of RMB2,334 million as at 30 June 2014 (31 December 2013: RMB1,794 million). 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.

16. SHARE CAPITAL

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
4,534,598,160 (31 December 2013: 4,534,598,160) domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2013: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

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 in this announcement, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 of the Listing Rules has not been changed significantly from the information disclosed in the Company's 2013 Annual Report.

AUDIT COMMITTEE

The audit committee has reviewed with management and the Company's independent 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 Interim Report for the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 and supervisors. Having made specific enquiries to the directors and supervisors, each of the directors and supervisors has confirmed his/her compliance with the Model Code in connection with the Company's securities for the period from 1 January 2014 to 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM REPORT

The Interim Report for the six months ended 30 June 2014 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, uncertainties and assumptions, which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications market in China, the development of the regulatory environment and our abilities 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, 28 August 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.