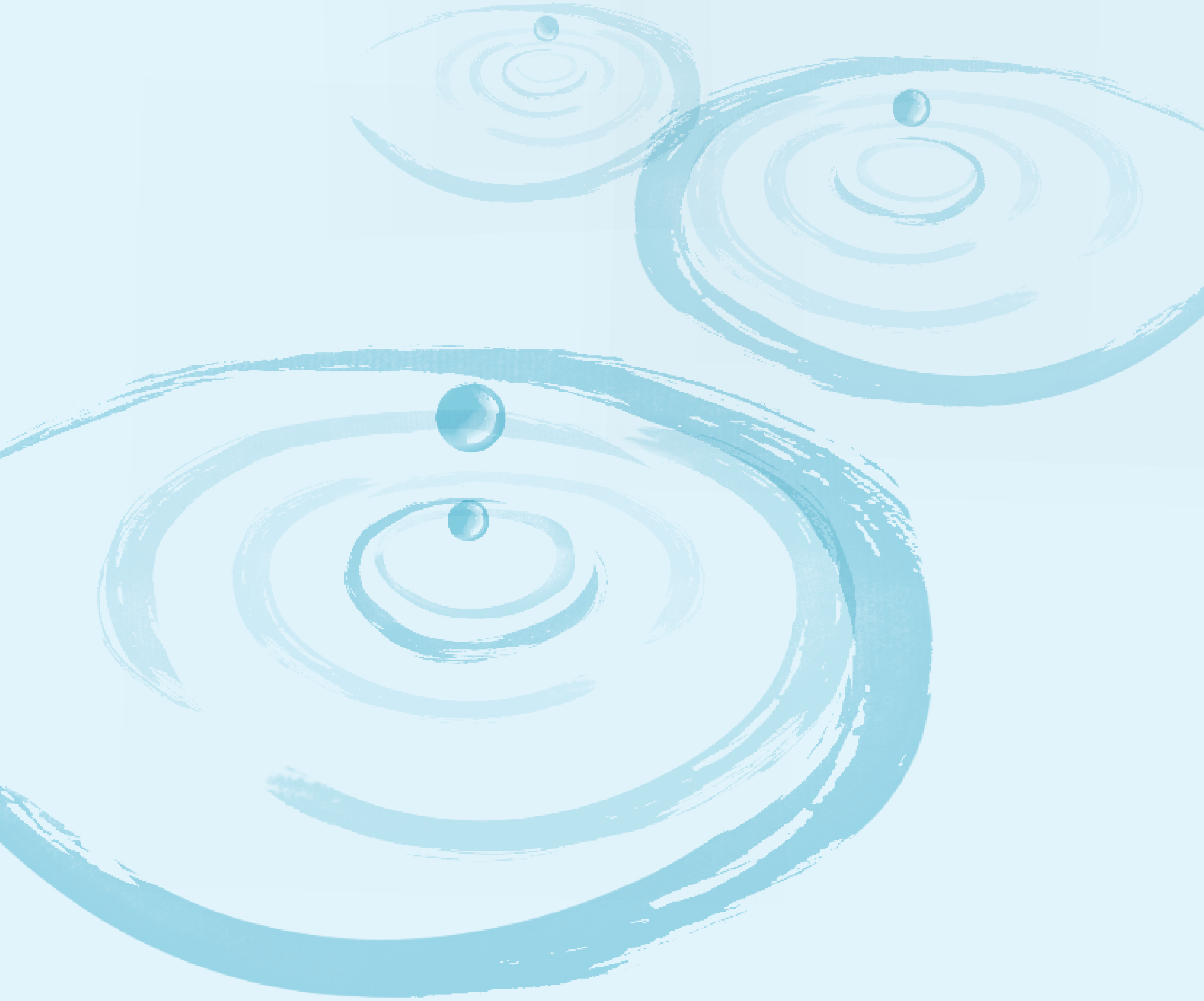


中国通信服务
CHINA COMSERVICE

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
中國通信服務股份有限公司

Stock code 股份代號：552

Interim Report 2011中期報告

Soft Power of China Comservice's Strategies

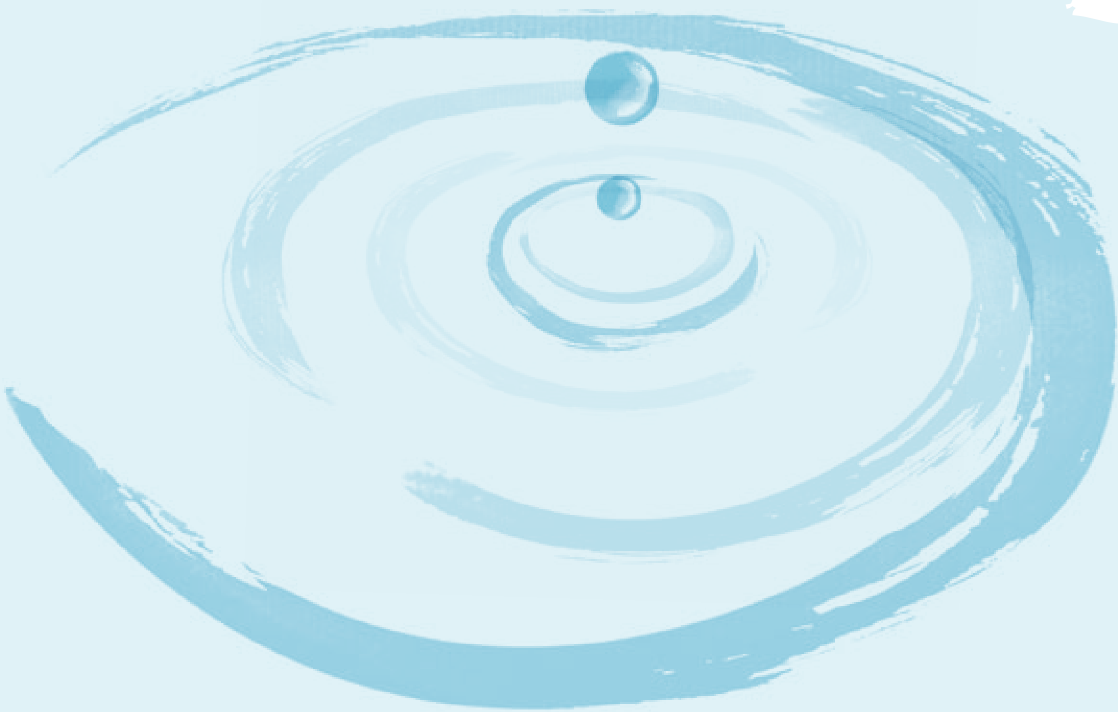
Customer-oriented Culture Embedded in the Philosophy of "The Highest Excellence Is Like That of Water".

– Value the trust,
respect the wisdom,
benefit all

中國通信服務的戰略軟實力

【上善若水的乙方文化】

— 重信賴、尚智慧、利萬物



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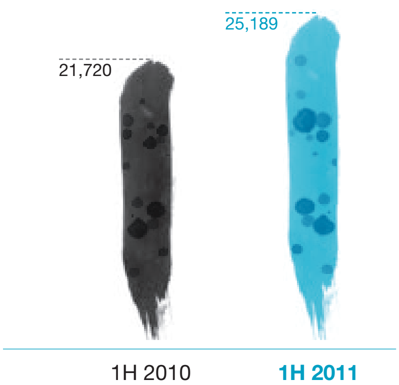
Financial Highlights

	Six months ended 30 June		
	2010	**2011**	Change
Revenues (RMB millions)	21,720	**25,189**	16.0%
Gross profit (RMB millions)	3,365	**3,948**	17.3%
Profit attributable to equity shareholders (RMB millions)	906	**1,053**	16.3%
Basic earnings per share (RMB)	0.157	**0.182**	16.3%

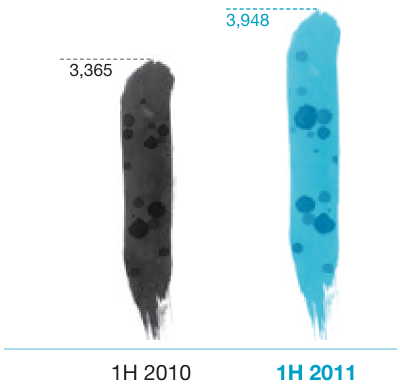
Revenues

(RMB millions)



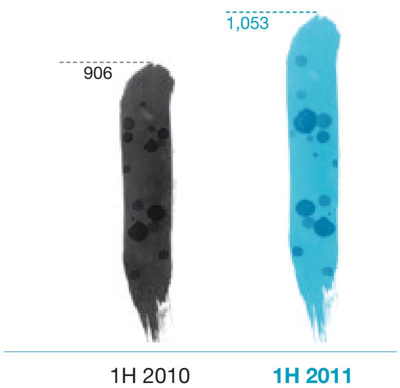
Gross Profit

(RMB millions)



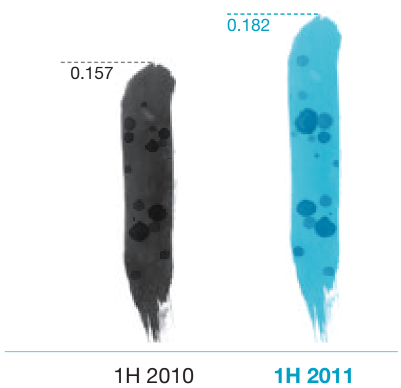
Profit Attributable to Equity Shareholders

(RMB millions)



Basic Earnings per Share

(RMB)



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

Independent Review Report

Independent review report to the board of directors of
China Communications Services Corporation Limited
(Established in The People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 7 to 28 which comprises the consolidated balance sheet of China Communications Services Corporation Limited (the "Company") as at 30 June 2011, and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2011

Consolidated Income Statement – Unaudited

For the six months ended 30 June 2011
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2011 RMB'000**	2010 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

The notes on pages 14 to 28 form part of this interim financial report.

Consolidated Statement of Comprehensive Income – Unaudited

For the six months ended 30 June 2011
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2011** **RMB'000**	2010 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

The notes on pages 14 to 28 form part of this interim financial report.

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	14	**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	15	**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	16	**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	17	**1,312,282**	1,780,523
Accounts and bills payable	18	**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)

	Note	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	19	**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

The notes on pages 14 to 28 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Note	Equity attributable to equity shareholders of the Company											
		Share capital	Share premium	Capital reserve	Revaluation reserve	Statutory surplus reserve	Fair value reserve	Exchange reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
			(note a)	(note c)		(note b)	(note d)	(note e)					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2011		**5,771,682**	**2,727,647**	**932,621**	**415,557**	**326,318**	**40,959**	**(6,164)**	**57,809**	**3,954,613**	**14,221,042**	**132,802**	**14,353,844**
Changes in equity for the six months ended 30 June 2011													
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(759)**	**–**	**(759)**	**(2,891)**	**(3,650)**
Dividend declared	12(b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(727,232)**	**(727,232)**	**–**	**(727,232)**
Distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,522)**	**(1,522)**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,053,281**	**1,053,281**	**(6,022)**	**1,047,259**
Other comprehensive income	11	**–**	**–**	**–**	**–**	**–**	**(9,075)**	**6,676**	**–**	**–**	**(2,399)**	**–**	**(2,399)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(9,075)**	**6,676**	**–**	**1,053,281**	**1,050,882**	**(6,022)**	**1,044,860**
Balance as at 30 June 2011		**5,771,682**	**2,727,647**	**932,621**	**415,557**	**326,318**	**31,884**	**512**	**57,050**	**4,280,662**	**14,543,933**	**122,367**	**14,666,300**
Balance as at 1 January 2010		5,771,682	2,727,647	932,621	415,557	239,377	57,993	(6,772)	67,330	2,863,251	13,068,686	108,546	13,177,232
Changes in equity for the six months ended 30 June 2010													
Capital injection by non-controlling owner to subsidiary		–	–	–	–	–	–	–	–	–	–	68,276	68,276
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(9,669)	–	(9,669)	(31,427)	(41,096)
Dividend declared	12(b)	–	–	–	–	–	–	–	–	(639,502)	(639,502)	–	(639,502)
Profit for the period		–	–	–	–	–	–	–	–	905,684	905,684	3,987	909,671
Other comprehensive income	11	–	–	–	–	–	2,116	280	–	–	2,396	–	2,396
Total comprehensive income for the period		–	–	–	–	–	2,116	280	–	905,684	908,080	3,987	912,067
Balance as at 30 June 2010		5,771,682	2,727,647	932,621	415,557	239,377	60,109	(6,492)	57,661	3,129,433	13,327,595	149,382	13,476,977
Changes in equity for the six months ended 31 December 2010													
Capital injection by non-controlling owner to subsidiary		–	–	–	–	–	–	–	–	–	–	1,000	1,000
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(12,179)	(12,179)
Profit for the period		–	–	–	–	–	–	–	–	912,121	912,121	(5,401)	906,720
Other comprehensive income		–	–	–	–	–	(19,150)	328	148	–	(18,674)	–	(18,674)
Total comprehensive income for the period		–	–	–	–	–	(19,150)	328	148	912,121	893,447	(5,401)	888,046
Appropriation		–	–	–	–	86,941	–	–	–	(86,941)	–	–	–
Balance as at 31 December 2010		5,771,682	2,727,647	932,621	415,557	326,318	40,959	(6,164)	57,809	3,954,613	14,221,042	132,802	14,353,844

Consolidated Statement of Changes in Equity – Unaudited (continued)

For the six months ended 30 June 2011
(Expressed in Renminbi)

Notes:

(a) Share premium

The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering and subsequent share issuance.

(b) Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, or to expand the Company's business, and may be converted into share capital by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(c) Capital reserve

The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from China Telecommunications Corporation, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation upon the formation of the Company. Then, the capital reserve was netted off by the difference between the consideration for the acquisition of the telecommunications infrastructure services, business process outsourcing services and applications, content and other services located in Jiangsu Province, Anhui Province, Jiangxi Province, Hunan Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, and Xinjiang Uygur Autonomous Region, together with equity interests in Guangdong Nanfang Communication GSM Intelligent Card System Co., Ltd and Ningbo Public Information Industry Co., Ltd (the "Target Business") and the net assets value of the Target Business in 2007 and subsequent common control acquisition net balances.

(d) Fair value reserve

The fair value reserve represents the net change in the fair value of available-for-sale securities in other investments at the balance sheet date.

(e) Exchange reserve

The exchange reserve represents all foreign exchange differences arising from the translation of the financial statements of subsidiaries located in Hong Kong and overseas.

The notes on pages 14 to 28 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
Net cash used in operating activities		**(1,049,940)**	(762,694)
Net cash used in investing activities		**(197,626)**	(313,574)
Net cash (used in)/generated from financing activities		**(472,408)**	153
Net decrease in cash and cash equivalents		**(1,719,974)**	(1,076,115)
Cash and cash equivalents at the beginning of period		**8,470,249**	8,870,424
Effect of foreign exchange rate changes		**(5,413)**	312
Cash and cash equivalents at the end of period	16	**6,744,862**	7,794,621

The notes on pages 14 to 28 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

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 report 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 report 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 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 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("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 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. KPMG's independent review report to the Board of Directors is included on page 6.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2010 are available from the Company's registered office. The Company's international auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2011.

(Expressed in Renminbi)

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 RMB'000	2010 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).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

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.

(Expressed in Renminbi)

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

(Expressed in Renminbi)

10 INCOME TAX (continued)

(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

(Expressed in Renminbi)

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 PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 June 2011, additions of property, plant and equipment (including direct purchase, transfer from construction in progress and investment properties) of the Group amounted to RMB229 million (six months ended 30 June 2010: RMB184 million). Due to the disposal of a subsidiary, items of property, plant and equipment with net book value totalling RMB51 million were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB nil). In addition, further items of property, plant and equipment with net book value totalling RMB7 million were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB13 million).

15 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

(Expressed in Renminbi)

15 ACCOUNTS AND BILLS RECEIVABLE, NET (continued)

(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.

(Expressed in Renminbi)

15 ACCOUNTS AND BILLS RECEIVABLE, NET (continued)

(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.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**6,012,836**	7,612,626
Deposits with banks and other financial institutions	**732,026**	857,623
Cash and cash equivalents	**6,744,862**	8,470,249

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

17 INTEREST-BEARING BORROWINGS

The Group's short-term borrowings comprise the following:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
RMB denominated		
Borrowings from banks		
—unsecured	**8,000**	750,000
Loans from ultimate holding company		
—unsecured	**800,000**	800,000
Loans from fellow subsidiaries		
—unsecured	**452,509**	228,509
Central African CFA Franc denominated		
Borrowings from banks		
—unsecured	**–**	2,014
US Dollar denominated		
Borrowings from banks		
—unsecured	**51,773**	–
	1,312,282	1,780,523

The Group's short-term borrowings bearing fixed interest rate per annum are as follows:

	At 30 June 2011	At 31 December 2010
RMB denominated		
Borrowings from banks		
—unsecured	**6.31%**	3.51%-4.01%
Loans from ultimate holding company		
—unsecured	**4.68%**	4.08%
Loans from fellow subsidiaries		
—unsecured	**2.39%, 4.24%-5.85%**	2.39%-5.51%
Central African CFA Franc denominated		
Borrowings from banks		
—unsecured	**–**	6.00%
US Dollar denominated		
Borrowings from banks		
—unsecured	**1.79%-2.49%**	–

As at 30 June 2011, no borrowings from banks were subject to financial covenants.

(Expressed in Renminbi)

18 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.

19 SHARE CAPITAL

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Registered, issued and fully paid:		
3,778,831,800 domestic state-owned ordinary shares of RMB1.00 each	**3,778,832**	3,778,832
1,992,850,200 H shares of RMB1.00 each	**1,992,850**	1,992,850
	5,771,682	5,771,682

(Expressed in Renminbi)

20 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 30 June 2011, the Group had capital commitments for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Authorised and contracted for	**161,508**	216,365
Authorised but not contracted for	**630**	57,085

(b) Operating lease commitments

As at 30 June 2011, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**216,616**	180,699
After 1 year but within 5 years	**231,020**	221,322
After 5 years	**102,590**	63,893
	550,226	465,914

The Group leases a number of properties under operating leases. The leases typically run for a period of one year to twenty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities and no material financial guarantees issued.

(Expressed in Renminbi)

21 RELATED PARTIES

The Group is part of a larger group of companies under CTC Group and has significant transactions and relationships with members of CTC Group. Apart from the transactions and balances disclosed in the interim financial report set out above, there are the following related party transactions:

(a) Transactions with CTC Group

Because of the relationships between the Group, China Telecommunications Corporation and members of the CTC Group, it is possible that the terms of those transactions are not the same as those that would result from transactions among unrelated parties.

The principal transactions with CTC Group which were carried out in the ordinary course of business are as follows:

	For the Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Income from related parties:		
Engineering related services (note (i))	**4,891,658**	4,260,828
IT application services (note (ii))	**477,042**	402,206
Provision of ancillary telecommunications services (note (iii))	**2,458,096**	2,151,386
Provision of operation support services (note (iv))	**827,084**	739,650
Supplies procurement service (note (v))	**1,465,914**	1,131,940
Property leasing (note (vi))	**25,320**	16,198
Management fee income (note (vii))	**116,710**	102,930
Disposal of a subsidiary (note (viii))	**194,112**	–
Expenses paid/payable to related parties:		
Property leasing charges (note (ix))	**55,808**	51,828
IT application service charges (note (x))	**126,164**	80,176
Operation support service charges (note (xi))	**118,938**	124,712
Supplies procurement service charges (note (xii))	**523,420**	142,114
Interest paid/payable (note (xiii))	**21,666**	11,764

Notes:

(i) The amount represents the engineering related services, such as design, construction and project management for telecommunications infrastructure project provided to CTC Group.

(ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group.

(iii) The amount represents ancillary telecommunications services such as maintenance of network facilities including optical ducts and cables, exchange buildings and base stations; operation of distribution channels; fixed line and wireless value-added service; internet contents and information services provided to CTC Group.

(Expressed in Renminbi)

21 RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

Notes: (continued)

(iv) The amount represents the facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group.

(v) The amount represents supplies procurement service such as supplies procurement service, management of biddings warehousing, transportation and installation services.

(vi) The amount represents rental income in respect of premises leased to CTC Group.

(vii) The amount represents management fee income in respect of centralised services provided to CTC Group.

(viii) The amount represents the sales proceeds arising from disposing a subsidiary, Nantian Postal and Telecommunications Technology Co., Ltd. by Zhejiang Communications Services Company Limited to Difo Telecom Co., Ltd, a subsidiary of CTC Group.

(ix) The amount represents rentals from operating leases in respect of business premises paid and payable to CTC Group.

(x) The amount represents basic telecommunications service, value-added service and information application service charged by CTC Group.

(xi) The amount represents the charge paid and payable to CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.

(xii) The amount represents the charge paid and payable to CTC Group for supplies procurement services, warehouse, transportation and installation services.

(xiii) Interest paid/payable represents the interest paid or payable to CTC Group in respect of the loans from CTC and fellow subsidiaries.

Amounts due from/to CTC Group included in respective balances are summarised as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Accounts and bills receivable, net	**7,759,519**	6,950,121
Prepayments and other current assets	**659,614**	1,364,133
Total amounts due from CTC Group	**8,419,133**	8,314,254
Interest-bearing borrowings	**1,252,509**	1,028,509
Accounts and bills payable	**494,655**	231,136
Receipts in advance for contract work	**73,558**	50,154
Accrued expenses and other payables	**1,454,431**	993,963
Total amounts due to CTC Group	**3,275,153**	2,303,762

As at 30 June 2011, impairment losses for bad and doubtful debts of RMB3.1 million (31 December 2010: RMB3.3 million) were recorded in respect of amounts due from CTC Group.

(Expressed in Renminbi)

21 RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

As at 30 June 2011, the Group has capital commitments to CTC Group for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Authorised and contracted for	**2,979**	3,043

As at 30 June 2011, the Group's total future minimum lease payments to CTC Group under non-cancellable operating leases were payable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**52,169**	43,065
After 1 year but within 5 years	**52,062**	41,605
After 5 years	**32,972**	34,695
	137,203	119,365

(b) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**2,094**	1,898
Retirement benefits	**778**	616
Bonus	**3,987**	3,316
	6,859	5,830

Total remuneration is included in "Staff costs" in note 9.

(c) Contributions to defined contribution retirement plans

In accordance with the labour regulations of the PRC, the Group participates in various defined contribution retirement schemes organised by the municipal and provincial governments for its employees. The Group is required to make contributions to the retirement schemes at rates ranging from 18% to 22% of the salaries, bonuses and certain allowances of the employees. A member of the scheme is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

As at 30 June 2011 and 31 December 2010, there was no material outstanding contribution to post-employment benefit plans.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

21 RELATED PARTIES (continued)

(d) Transactions with other government-related entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with parent company and its affiliates (note 21(a)), the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services, including but not limited to telecommunications services
- Sales and purchases of goods, properties and other assets
- Lease of assets
- Depositing and borrowing money
- Use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors believe the above information provides meaningful disclosure of related party transactions.

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 interim report, 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.

CHANGES IN DIRECTORS, SUPERVISORS AND THEIR BIOGRAPHICAL INFORMATION

Changes in directors, supervisors and their biographical information since the date of the Company's 2010 Annual Report are set out below:

Mr. Chan Mo Po, Paul:	appointed as an independent director of China Vanke Co., Ltd, a company listed on Shenzhen Stock Exchange, resigned as independent non-executive director of Kingmaker Footwear Holdings Limited, a company listed on Hong Kong Stock Exchange.
Mr. Hai Liancheng:	appointed as the senior advisor of China PnR Co., Ltd, resigned as the chairman of Zhong Peng Certified Public Accountants Ltd.

AUDIT COMMITTEE

The Audit Committee has reviewed with the 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 of 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. Specific enquiries have been made to the Directors, and 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.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, none of the Directors, Supervisors or the Chief Executive of the Company had any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code. As at 30 June 2011, the Company has not granted its Directors or Supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures.

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2011, the interests or the short positions of persons (excluding the Directors and Supervisors) who are entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of shareholder	Type of shares	Capacity	Number of shares held	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)
China Telecommunications Corporation	Domestic shares	Beneficial owner	2,926,752,080 (L)	77.45	50.71
China Mobile Communications Corporation	Domestic shares	Beneficial owner	506,880,000 (L)	13.30	8.78
China United Network Communications Group Company Limited	Domestic shares	Beneficial owner	236,300,000 (L)	6.25	4.09
Commonwealth Bank of Australia	H shares	Interest of corporation controlled by the substantial shareholder	360,805,795 (L)	18.11	6.25
Matthews International Capital Management, LLC	H shares	Investment manager	199,204,000 (L)	9.99	3.45

Remarks: (L) – Long Position

Save as stated above, as at 30 June 2011, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

RIGHTS ISSUE PLAN

In the first half of 2011, the Company proposed to its shareholders the rights issue plan on the basis of up to two rights shares for every ten existing shares of the Company, and with the proposed fund raising size of not more than RMB4 billion,details of which are set out in the circulars of the Company dated 1 April 2011 and 12 May 2011. Such rights issue plan has been reviewed and approved at the extraordinary general meeting, domestic shareholders class meeting and H shareholders class meeting of the Company, respectively, on 28 June 2011 and has been approved by the State-owned Assets Supervision and Administration Commission of the State Council the PRC. As at the date of this report, the Company is still pending for approval of the rights issue plan from the China Securities Regulatory Commission and the rights issue plan has not been implemented.

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.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain statements above. These forward-looking statements are subject to risks, 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.

CHINA COMMUNICATIONS
SERVICES CORPORATION LIMITED
中國通信服務股份有限公司

Level 5, No.2 and B,
Fuxingmen South Avenue,
Xicheng District
Beijing, PRC, 100032

中國北京市西城區
復興門南大街2號及乙5層
郵編：100032

website 網址：www.chinaccs.com.hk

This report is printed on environmentally friendly paper 本年報以環保紙印製

Design and Production by: Toppan Vite Limited 設計及製作：凸版快捷財經印刷有限公司
Website 網址：www.toppanvite.com