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中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

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

(Stock Code: 552)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Total revenues were RMB53,507 million, up by 17.8%.
- Profit attributable to equity shareholders of the Company was RMB2,115 million, up by 17.2%; net profit margin remained stable and maintained at 4.0%.
- Basic earnings per share was RMB0.366, up by 17.2%.
- The Group further reinforced its leading position in the domestic telecommunications operator market and revenues from domestic telecommunications operators amounted to RMB34,151million, up by 15.9%.
- The Group vigorously expanded into the domestic non-operator market and overseas market, revenues from these two markets up by 15.7% and 56.0%, respectively, and demonstrated enormous market potentials for future development.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the past 5 years since the Company's initial public offering in December 2006, the Company has extended its position from a "services provider for telecommunications operators" to a "leading provider of producer services in the informatization sector". With the corporate vision of becoming a "world-class information network builder", the Company has achieved remarkable results through its innovative and pro-active business initiatives. The Group has recorded revenues of over RMB50 billion for the first time in the past 5 years and saw corresponding growth in its profit as well, both of which have more than doubled since its initial public offering. These excellent operating results have also given rise to favorable investment returns for shareholders in the form of yearly increases in dividends, thus realizing the simultaneous increase in the value of both the Group and its shareholders.

Operating Results

The Group achieved outstanding growth in 2011, with total revenues reaching RMB53,507 million, representing a year-on-year growth of 17.8%. Profit attributable to equity shareholders was RMB2,115 million, representing a year-on-year growth of 17.2%. Having considered the interests of and returns to our shareholders, the Board has proposed to maintain 40% dividend payout ratio[1] and pay a final dividend of RMB0.1222 per share[2] for the financial year ended 31 December 2011.

Further Reinforcing the Leading Position in Domestic Telecommunications Operator Market

As a result of the proliferating informatization trends, domestic telecommunications operators accelerated their development and increased their capital expenditures steadily in 2011. Driven by the increasing popularity of smart terminals, mobile Internet development and the "Broadband China" strategy, domestic telecommunications operators further increased their investment in areas such as fiber optic broadband and mobile network upgrade and expansion. Under such circumstances, the Group has been closely monitoring the change in customer requirements and supporting the full-service operations of domestic telecommunications operators. It has also actively participated in the network construction and provided network optimization and maintenance businesses which have been brought about by the expansion of networks. As a result, the Group further reinforced its market leading position. The revenue from the domestic telecommunications operator market achieved a rapid growth of 15.9%, representing 63.8% of total revenues.

[1] Dividend payout ratio = total dividend ÷ profit attributable to equity shareholder

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

Vigorously Expanding into Domestic Non-operator Market and Overseas Market

The accelerating industrial informatization and urbanization of China has generated a large scale of investment, which has in turn created a significant domestic non-operator market for the Group to develop. The Group, with its capacity, resources and successful experience gained from serving domestic telecommunications operators for many years, is able to provide integrated communications solutions for domestic non-operator customers, and focused on government agencies and key industries such as infrastructure, transportation, energy, and financial sectors. In 2011, the revenue from domestic non-operators market increased by 15.7%, representing 29.7% of total revenues.

In 2011, the revenue of the Group from overseas markets achieved a rapid growth of 56.0%, and its proportion to total revenues further increased to 6.5%. The Group further promoted its cooperation with large-scale state-owned enterprises, equipment manufacturers and financial institutions. It also rapidly expanded and cultivated turnkey projects, and developed subcontracting projects with enlarged scale and in an efficient manner. Whilst the Group is eager to expand its presence in overseas markets, it is also concerned about risk management and gradually improves its operational support mechanism for its overseas operations. During the year, the Group signed strategic alliance agreements with financial institutions to guard against financial risks in its overseas operations through measures such as credit insurance. The above measures are to ensure that scale breakthrough in overseas markets can be achieved in a prudent manner.

Strengthening Core Capability through Innovation

The Group bears changes in customer needs in mind and actively strives for new models of joint venture and cooperation in order to further accelerate its rapid growth. In 2011, the Group sought out global leading strategic partners such as Sybase, Inc. and Bytemobile, Inc. to form joint ventures for collaboration in areas such as mobile Internet and network optimization. By leveraging its partners' advanced technologies, the Group is able to provide its customers with more comprehensive solutions to their requirements. Beyond this, the Group increased its investment in research and development for its products and services, and participated in the construction and operation of new technology projects such as cloud computing center and Customer Premises Network (CPN), thereby driving the Group forward as a management and technology oriented enterprise.

Enhancing Efficiency through Strengthened Management

Over the course of the year, the Group further promoted high-efficiency management practices focusing on six core areas including collaboration management, subcontracting management, human resource management, fund management, projects management and contract management. Among which, remarkable progress and results were achieved in the integration of legal entities within the Group, business collaboration and centralized fund management. The above measures further enhanced the Group's operational efficiency and bolstered the Group's simultaneous enhancement in scale and efficiency.

Corporate Governance

While strictly complying with relevant laws and regulations, the Group is continually striving to further strengthen its internal control and risk management procedures and is in the process of enhancing its IT support system for internal control in order to improve its corporate governance standards and transparency. The Group's persistent efforts in fostering sound corporate governance have been recognized by capital market: the Group was once again awarded a Gold Award in "The Asset Corporate Awards 2011" and recognized as one of "China's Most Promising Companies 2011" in the telecommunications category by *The Asset*, a respected financial magazine in Asia. Moreover, the Group was given one of the "Best Investor Relations by a China Company" awards in the "Asian Excellence Recognition Awards" 2011 by *Corporate Governance Asia*, a respected journal on Corporate Governance in Asia.

Corporate Social Responsibility

The Group has always been committed to corporate social responsibility. The Group has been actively participating in the rescue and relief work in the provinces along the Yangtze River and providing emergency communications support and maintenance for domestic telecommunications operators. All of these demonstrated our sound social responsibilities. In addition, the Group also received high profile recognition by the government and the media by undertaking the construction and maintenance of communications systems for major national events proactively, such as the Xi'an Horticultural Expo and the Universiade Shenzhen 2011, and promoting energy saving and emission reduction.

Rights Issue

With strong shareholder support, the Group successfully completed the rights issue of H shares and domestic shares in February 2012 and recorded over-subscription for the rights shares. The Group believes the proceeds from the rights issue will provide strong financial support for the implementation of various opportunities, including its expansion into domestic non-operator market and overseas market, strategic acquisitions and joint ventures, as well as research and development, thus bolstering the Group's long-term development.

Prospects

With the constant evolution in communications technologies, domestic telecommunications operators are striving to transform into integrated information services providers. Their continual investment in 3G, mobile Internet, Wifi and broadband will lay a solid foundation for the future sustainable development for the Group. Furthermore, the large-scale investment in informatization driven by government policies, technological and social development, as well as the huge demand from overseas markets for informatization infrastructure and telecommunications facilities, have allowed the Group to identify two new growth engines with great potential: the domestic non-operator market and the overseas market. The Group is confident about the future and will continue with its customer-focused innovative service strategies. Following the principle of "leading through innovation and enhancing efficiency through intensive management", the Group will tap further into the needs of the domestic telecommunications operators market while simultaneously expanding into the domestic non-operator market and overseas market, with the aim of building up a "hundred-billion enterprise" which creates more value for its customers and shareholders through its consistently excellent performance.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all of the Group's shareholders, customers and all sectors of society for their long-standing care and support to the Group.

Li Ping
Chairman

Beijing, PRC
29 March 2012

PRESIDENT'S STATEMENT

Dear Shareholders,

I am very pleased to present the operating results of the Group in 2011.

Financial Performance

In 2011, the Group recorded total revenues of RMB53,507 million, representing a year-on-year growth of 17.8%. Profit attributable to equity shareholders amounted to RMB2,115 million, representing a year-on-year growth of 17.2%. The sustained and rapid growth of our operating results was mainly attributable to the deliberate allocation of resources by the Group to reinforce its share in its core market, capturing the development opportunities arising from the network upgrade and expansion and broadband construction of the domestic telecommunications operators, while simultaneously expanding into the domestic non-operator market and overseas market.

The cost of revenues of the Group amounted to RMB44,998 million, representing a year-on-year increase of 18.3%, and the gross profit margin was 15.9%. Selling, general and administrative expenses amounted to RMB6,401 million, representing a year-on-year increase of 13.6%. As a result of the Group's measures to enhance operational efficiency, such as centralized fund management and collaborative management, and the realization of economies of scale, net profit margin was 4.0% and remained stable over the past few years. As the Group devoted more efforts in market development, there was an increasing demand for working capital, and free cash flow[3] for the year was RMB414 million, representing a decline on a year-on-year basis.

Business Development

In 2011, the Group sustained its sound growth momentum in all of its three main businesses. The revenue from telecommunications infrastructure ("TIS") services realized a year-on-year increase of 16.1%, accounting for 46.9% of total revenues. The Group allocated its resources flexibly as the market environment required and has committed resources to support domestic telecommunications operators on key projects such as the upgrade and expansion of the mobile network and fiber optic broadband network. TIS revenue from domestic telecommunications operators increased by 15.1% over the same period last year, and was the major driving force for the growth of TIS services during the period. In addition, in response to the enormous demand for domestic informatization construction and telecommunications infrastructure construction from overseas customers, the Group devoted more efforts to the development of the domestic non-operator market and the overseas market. The TIS revenues from these two markets grew by 19.1% year-on-year in aggregate, and those two markets have become important driving forces for the future growth of TIS business.

In 2011, business process outsourcing ("BPO") services achieved a year-on-year increase of 20.6%, accounting for 41.7% of total revenues. Within this, network maintenance services secured relatively rapid growth and realized a year-on-year increase of 23.6%. By leveraging its advantages in delivering integrated services, the Group provided ancillary services such as the distribution of telecommunications machineries in response to customer requirements.

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

The Group's revenues from the distribution of telecommunications services and products ("Distribution Business") achieved a year-on-year increase of 20.8%, which led to the fast growth of BPO revenue. The Group will actively manage and control the development of its Distribution Business, and strike a proper balance between scale of development and economic efficiency.

In 2011, applications, content and other ("ACO") services grew steadily and its revenue achieved a year-on-year increase of 15.3%, accounting for 11.4% of total revenues. During the period, the Group took advantage of the opportunities created as a result of industry developments, such as the informatization of the community and mobile Internet, and used its best endeavours to promote an innovative business development model. This included the proactive introduction of strategic cooperation partners, increased investment in research and development and the promotion of innovation of services and products. All of the above facilitated the Group's market development and value enhancement.

Expansion of Customer Groups

The Group has been focusing on three major markets. While reinforcing its leading position in the domestic telecommunications operator market, the Group also actively explored the domestic non-operator market and the overseas market. In 2011, the revenues from the domestic telecommunications operator market amounted to RMB34,151 million, representing a year-on-year growth of 15.9%, accounting for 63.8% of total revenues. The revenues from the domestic non-operator market amounted to RMB15,885 million, representing a year-on-year growth of 15.7%, accounting for 29.7% of total revenues. The overseas business maintained rapid growth, and the revenues from the overseas market amounted to RMB3,471 million, representing a year-on-year growth of 56.0%, and its revenue contribution to total revenues increased to 6.5%. The domestic non-operator market and the overseas market have enormous market potentials, and in the future will provide a strong impetus to the sustainable and rapid development of the Group.

Operation Management

The Group has laid a solid foundation in management, and has strived to improve its mechanisms and systems as well as promoting its intensive high-efficiency management to enhance operational efficiency and management capability. During the year, the Group's operational efficiencies were enhanced by strengthened collaborative management and the construction of strategic units in different professional areas such as design business. In addition, the Group promoted centralized internal fund management and enhanced its efficiency in the utilization of funds. The Group has focused upon the integration of internal resources, the optimization of its organizational structure and the reduction of the number of legal entities. The Group believes the above measures will provide cogent assurance for the Group's simultaneous growth in scale and efficiency.

The Group also enhanced its human resource management. As a result of the Group's innovation of incentive mechanisms to attract and retain core talents, staff are able to realize their career development and share the benefits of the Group's growth. In order to help fulfill its future development strategies, the Group adopted an innovative approach in personnel allocation, and has focused its personnel allocation on its high-end businesses. On the other hand, through the outsourcing of low-end business, the Group effectively mitigated the impact of wage increases. Moreover, the Group focused on building an expert team specializing in the fields of project management and overseas development in order to properly serve the Group's increased requirements resulting from rapid business growth.

Prospects for 2012

Looking ahead, the Group will strive to promote its businesses with a substantial development through innovation, efficiency enhancement, and targeting its goal of becoming a "hundred-billion enterprise" with excellent performance. The Group will mainly focus on the following areas during 2012 in order to maximise returns for shareholders and contribute to society:

- Tap further into the domestic telecommunications operator market: The Group will reinforce its leading position in the domestic telecommumications operator market and further participate in businesses such as mobile network construction, broadband, wireless city, and will proactively push forward business collaboration;

- Explore and develop domestic non-operator market: By leveraging the opportunities arising from informatization of society and urbanization, the Group will focus on key industries and actively develop businesses regarding dedicated communications networks, system integration, consolidated cabling, pipeline engineering, intelligent buildings and mobile Internet;

- Further expand its operational scale in overseas market: The Group will devote more resources for turnkey projects, and conduct subcontracting projects with focus on efficiency. The Group will also promote business collaboration, enhance risk management and target to achieve scale development in the overseas market;

- Drive the innovation of ACO business: The Group will focus on the management of the existing joint venture projects, promote innovation in its mechanisms and products, and endeavour to create a new model in business growth;

- Further promote intensive management: The Group will further promote centralized fund management and business collaboration, improve mechanisms for project management and subcontracting management, strengthen contract management and build up a team of experts who are adaptive to the swiftly changing market. With the above measures, the Group will be able to enhance its competitiveness and management capability, and thus realize healthy and sustainable growth.

Zheng Qibao
President

Beijing, PRC
29 March 2012

GROUP RESULTS

China Communications Services Corporation Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011, extracted from the audited financial statements of the Group as set out in its 2011 annual report.

Consolidated Income Statement
For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011** **RMB'000**	2010 *RMB'000* (Restated)
Revenues	*4*	**53,507,397**	45,417,232
Cost of revenues	*5*	**(44,998,318)**	(38,023,890)
Gross profit		**8,509,079**	7,393,342
Other operating income	*6*	**657,871**	629,685
Selling, general and administrative expenses		**(6,401,096)**	(5,637,139)
Other operating expenses		**(62,879)**	(70,920)
Finance costs	*7*	**(60,311)**	(57,732)
Share of (losses)/profits of associates		**(2,600)**	3,126
Profit before tax	*8*	**2,640,064**	2,260,362
Income tax	*9(a)*	**(534,192)**	(458,023)
Profit for the year		**2,105,872**	1,802,339
Attributable to:			
Equity shareholders of the Company		**2,114,863**	1,803,753
Non-controlling interests		**(8,991)**	(1,414)
Profit for the year		**2,105,872**	1,802,339
Basic and diluted earnings per share (RMB)	*12*	**0.366**	0.313

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Profit for the year		**2,105,872**	1,802,339
Other comprehensive income for the year (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		**(3,425)**	608
Available-for-sale securities: net movement in the fair value reserve	*10*	**(18,305)**	(17,034)
		(21,730)	(16,426)
Total comprehensive income for the year		**2,084,142**	1,785,913
Attributable to:			
Equity shareholders of the Company		**2,093,133**	1,787,327
Non-controlling interests		**(8,991)**	(1,414)
Total comprehensive income for the year		**2,084,142**	1,785,913

Consolidated Balance Sheet
At 31 December 2011
(Expressed in Renminbi)

	Note	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment, net		**3,929,111**	3,884,946	3,768,044
Investment properties		**729,045**	732,491	728,325
Construction in progress		**227,858**	154,234	73,334
Lease prepayments		**935,659**	924,884	948,384
Goodwill		**103,005**	103,005	103,005
Other intangible assets		**144,109**	150,095	148,502
Interest in associates		**62,661**	61,433	12,960
Other investments		**663,116**	694,912	428,284
Deferred tax assets		**195,976**	150,531	83,722
Other non-current assets		**28,876**	–	–
Total non-current assets		**7,019,416**	6,856,531	6,294,560
Current assets				
Inventories		**1,692,638**	1,833,186	1,659,626
Accounts and bills receivable, net	*13*	**17,257,870**	12,887,557	10,467,689
Prepayments and other current assets		**4,608,480**	3,967,876	3,140,398
Restricted deposits		**320,039**	269,099	160,525
Cash and cash equivalents		**7,298,232**	8,470,249	8,870,424
Total current assets		**31,177,259**	27,427,967	24,298,662
Total assets		**38,196,675**	34,284,498	30,593,222
Current liabilities				
Interest-bearing borrowings		**998,335**	1,780,523	1,268,280
Accounts and bills payable	*14*	**12,728,882**	9,768,792	8,844,718
Receipts in advance for contract work		**1,150,095**	1,083,587	1,088,327
Accrued expenses and other payables		**6,807,175**	6,564,306	5,553,079
Income tax payable		**303,720**	284,941	194,701
Total current liabilities		**21,988,207**	19,482,149	16,949,105
Net current assets		**9,189,052**	7,945,818	7,349,557
Total assets less current liabilities		**16,208,468**	14,802,349	13,644,117

Consolidated Balance Sheet (Continued)
At 31 December 2011
(Expressed in Renminbi)

	31 December 2011 *RMB'000*	31 December 2010 *RMB'000* (Restated)	1 January 2010 *RMB'000* (Restated)
Non-current liabilities			
Other non-current liabilities	**60,156**	–	–
Deferred tax liabilities	**23,485**	53,101	57,281
Total non-current liabilities	**83,641**	53,101	57,281
Total liabilities	**22,071,848**	19,535,250	17,006,386
Equity			
Share capital	**5,771,682**	5,771,682	5,771,682
Reserves	**10,231,885**	8,844,932	7,706,776
Equity attributable to equity shareholders of the Company	**16,003,567**	14,616,614	13,478,458
Non-controlling interests	**121,260**	132,634	108,378
Total equity	**16,124,827**	14,749,248	13,586,836
Total liabilities and equity	**38,196,675**	34,284,498	30,593,222

Notes:

1. BASIS OF PRESENTATION

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

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are effective for accounting period beginning on or after 1 January 2011. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), "Related Party Disclosures"
- Improvements to IFRSs (2010)

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

(i) IAS 24 (revised 2009), "Related Party Disclosures"

IAS 24 (revised 2009), "Related Party Disclosures" revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related or transactions with other entities related to the same government. As such, the adoption of IAS 24 (revised 2009), "Related Party Disclosures" has resulted in a change in the disclosures for the related party transactions with government-related entities in the financial statements.

(ii) Improvements to IFRSs (2010)

The Improvements to IFRSs (2010) omnibus standard introduces an amendment to IFRS 1, First-time adoption of International Financial Reporting Standards. In the amendment to IFRS 1, a first-time adopter of IFRSs is allowed to use an event-driven fair value measurement as deemed cost for some or all of its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is during the period covered by the entity's first IFRS financial statements. This amendment can be adopted retrospectively by existing IFRS reporters at the latest in the annual period beginning on or after 1 January 2011.

The accounting periods covered by the first IFRS financial statements of the Predecessor Operations[4] and the acquisition of Target Business[5] are from 1 January 2004 to 31 December 2006 and from 1 January 2005 to 31 December 2007, respectively. During the Restructuring[6] and the acquisition of Target Business, as required by the applicable laws and regulations of the PRC, the Group's financial statements prepared under Accounting Standards for Business Enterprises and other relevant rules (collectively "PRC GAAP"), accounted for property, plant and equipment, investment properties, lease prepayments, other intangible assets and other investments at deemed cost based on the valuations performed by China United Assets Appraisals Co., Ltd. as at 31 March 2006, 30 April 2006 and 31 January 2007 respectively. As the valuations were performed as at a date later than the respective dates of transition to IFRSs, the Group was not permitted at that time to adopt these valuations as deemed cost for the respective IFRS financial statements and instead adopted the following IFRS accounting policies:

– property, plant and equipment were recognised at the carrying amounts determined in accordance with IAS 16 at the respective dates of transition to IFRS and subsequently carried at revalued amount, being its fair value at the dates of revaluation; and

– investment properties, lease prepayments, other intangible assets and other investments were recognised at historical cost and therefore, the related revaluation gains arising from the revaluations in 2006 and 2007 as mentioned above were not recognised.

As a result of the amendment to IFRS 1, the Group has:

– retrospectively adjusted the amounts reported for previous periods in the respective IFRS financial statements to be consistent with the retrospective recognition of property, plant and equipment, investment properties, lease prepayment, other intangible assets and other investments assumed during the Restructuring and acquired during the acquisition of Target Business at their deemed cost in the respective first IFRS financial statements based on the results of valuations, with consequential adjustments for depreciation and amortisation charged in subsequent periods; and

– changed its accounting policy for property, plant and equipment from the revaluation model to the cost model. The revaluation surplus and deficit related to the revaluation performed in 2006 and 2007, has also been adjusted retrospectively. This change is to align the Group's accounting policy with industry peers to provide more relevant financial information to the users of the Group's consolidated financial statements and to eliminate the differences between the Group's financial statements under IFRS and those under PRC GAAP.

4 The Group assumed the telecommunications support services previously carried on by various subsidiaries wholly-owned or controlled by China Telecommunications Corporation (the "CTC") in six provinces and municipality in the PRC from CTC in 2006.

5 The Company acquired the telecommunications support services located in thirteen provinces, together with the equity interests in Guangdong Nanfang Communication GSM Intelligent Card System Co., Ltd and Ningbo Public Information Industry Co., Ltd from CTC in 2007.

6 The Predecessor Operations together with the related assets and liabilities that were to be transferred to the Group were segregated from CTC effective on 31 March 2006.

The following table summarises the retrospective adjustments that have been made in accordance with amendment to IFRS 1 to each of the line items in the financial statements:

	31 December 2010 *RMB'000*	1 January 2010 *RMB'000*
Increase/(decrease) on items of consolidated balance sheet		
Assets		
Property, plant and equipment	**(140,633)**	(144,677)
Investment properties	**36,475**	42,366
Lease prepayments	**454,749**	466,697
Other intangible assets	**(1,895)**	49
Other investments	**123,511**	123,511
Deferred tax assets	**(55,291)**	(56,830)
Liabilities		
Deferred tax liabilities	**21,512**	21,512
Equity		
Capital reserve	**913,847**	913,847
Other reserve	**(85,205)**	(85,057)
Revaluation reserve	**(415,557)**	(415,557)
Retained earnings	**(17,513)**	(3,461)
Non-controlling interests	**(168)**	(168)

	2011 *RMB'000*	2010 *RMB'000*
Increase/(decrease) on items of consolidated statement of comprehensive income		
Depreciation and amortisation	**15,738**	15,738
Income tax	**(1,688)**	(1,688)
Total comprehensive income	**(14,050)**	(14,200)
Basic earnings per share for profit attributable to equity shareholders of the Company (RMB)	**(0.002)**	(0.002)

3 SEGMENT REPORTING

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

4 REVENUES

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

	2011	2010
	RMB'000	*RMB'000*
Revenues from telecommunications infrastructure services	**25,114,962**	21,636,545
Revenues from business process outsourcing services	**22,315,339**	18,508,424
Revenues from applications, content and other services	**6,077,096**	5,272,263
	53,507,397	45,417,232

The Group's major customers are telecommunications operators which include China Telecommunications Corporation and its subsidiaries ("CTC Group") and China Mobile Communications Corporation and its subsidiaries ("CM Group"), each contributing a revenue exceeding 10% of the Group's total revenues. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the year ended 31 December 2011 amount to RMB22,956 million and RMB9,049 million respectively (2010: RMB19,925 million and RMB7,495 million respectively), being 42.9% and 16.9% of the Group's total revenues respectively (2010: 43.9% and 16.5% respectively). In addition, the revenues derived from areas outside Mainland China for the year ended 31 December 2011 amounts to RMB3,471 million (2010: RMB2,225 million).

5 COST OF REVENUES

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Depreciation and amortisation	**393,152**	364,743
Direct personnel costs	**8,473,657**	7,459,665
Operating lease charges	**860,538**	728,764
Purchase of materials and telecommunications products	**16,195,976**	13,506,740
Subcontracting charges	**14,525,988**	11,883,574
Others	**4,549,007**	4,080,404
	44,998,318	38,023,890

6 OTHER OPERATING INCOME

	2011	2010
	RMB'000	*RMB'000*
Interest income	**84,378**	77,734
Dividend income from unlisted securities	**43,227**	28,816
Government grants	**113,405**	121,008
Gain on disposal of investments	**42,311**	54,841
Gain on disposal of property, plant and equipment and other assets	**39,442**	8,315
Penalty income	**1,424**	6,547
Management fee income	**309,211**	285,915
Write-back of non-payable liabilities	**11,282**	11,799
Others	**13,191**	34,710
	657,871	629,685

7 FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings wholly repayable within five years	**60,311**	57,732

For the years ended 31 December 2011 and 2010, no borrowing costs were capitalised in relation to construction in progress.

8 PROFIT BEFORE TAX

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
(a) Staff costs:		
Salaries, wages and other benefits	**11,374,110**	10,003,237
Contributions to defined contribution retirement schemes	**915,830**	807,293
	12,289,940	10,810,530
(b) Other items:		
Depreciation		
– Property, plant and equipment	**571,013**	534,404
– Investment properties	**38,869**	37,195
Amortisation		
– Lease prepayments	**28,939**	22,390
– Other intangible assets	**44,168**	44,265
Auditors' remuneration	**42,150**	38,000
Cost of inventories	**15,519,709**	13,496,980
Impairment losses on accounts and bills and other receivables	**139,253**	141,686
Reversal of impairment losses on accounts and bills and other receivables	**(40,076)**	(25,879)
Operating lease charges	**1,047,786**	891,699
Research and development costs	**841,038**	514,413
Share of associates' taxation	**446**	552

Research and development costs include RMB702 million (2010: RMB418 million) relating to staff costs, which amount is also included in the staff cost disclosed in note 8(a).

9 INCOME TAX

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Current tax		
PRC enterprise income tax	564,612	523,562
Overseas enterprise income tax	17,026	4,058
Deferred tax		
Origination and reversal of temporary differences	(47,446)	(69,597)
Total income tax	534,192	458,023

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	2,640,064	2,260,362
Expected income tax expense at a statutory tax rate of 25% (2010: 25%) *(note (i))*	660,016	565,091
Differential tax rates on subsidiaries' income *(note (i))*	(181,472)	(163,099)
Non-deductible expenses *(note (ii))*	52,229	49,399
Non-taxable income	(28,224)	(13,154)
Tax losses not recognised	39,402	28,292
Utilisation of previously unrecognised tax losses	(5,413)	(9,705)
Effect on opening deferred tax resulting from a reduction in PRC statutory tax rate *(note (iii))*	(2,346)	1,199
Income tax	534,192	458,023

Notes:

(i) The provision of 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 year ended 31 December 2011 and for the year ended 31 December 2010, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% or 24%.

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

(iii) The amounts in the years ended 31 December 2011 and 2010 represent the tax effect on opening balances of deferred tax assets arising from the change in the enterprise income tax rate applicable to certain subsidiaries due to changes in preferential tax qualification during the years concerned. The deferred tax assets were remeasured for the change in applicable tax rates.

10 OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	2011	2010
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**(24,408)**	(18,426)
Net deferred tax credited to other comprehensive income	**6,103**	1,392
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(18,305)**	(17,034)

11 DIVIDENDS

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

	2011	2010
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date RMB0.1222 per share (2010: RMB0.1260 per share)	846,359	727,232

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

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2010, approved during the year, of RMB0.1260 per share (2009: RMB0.1108 per share)	727,232	639,502

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2011 of RMB2,114,863 thousand (2010 restated: RMB1,803,753 thousand) and the number of shares in issue during the year ended 31 December 2011 of 5,771,682 thousand shares (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 years presented.

13 ACCOUNTS AND BILLS RECEIVABLE, NET

	2011	2010
	RMB'000	*RMB'000*
Bills receivable	**318,955**	95,208
Unbilled revenues for contract work	**4,248,999**	2,956,264
Trade receivables	**13,126,070**	10,231,195
	17,694,024	13,282,667
Less: impairment losses	**(436,154)**	(395,110)
	17,257,870	12,887,557

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB7,578 million (2010: RMB6,950 million) as at 31 December 2011. 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:

	2011 *RMB'000*	2010 *RMB'000*
Current	**6,783,588**	4,890,354
Within 1 year	**8,906,080**	6,566,525
After 1 year but less than 2 years	**1,157,167**	1,108,228
After 2 years but less than 3 years	**296,994**	245,878
After 3 years	**114,041**	76,572
Amount past due	**10,474,282**	7,997,203
	17,257,870	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 year, including both specific and collective loss components, is as follows:

	2011 *RMB'000*	2010 *RMB'000*
At 1 January	**395,110**	332,129
Impairment loss recognised	**84,596**	96,354
Reversal of impairment loss previously recognised	**(38,212)**	(23,467)
Uncollectible amounts written off	**(5,340)**	(9,906)
At 31 December	**436,154**	395,110

At 31 December 2011, the Group's accounts and bills receivable of RMB345 million (2010: RMB355.7 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific impairment losses of RMB265 million (2010: RMB282 million) were recognised. The Group does not hold any collateral over these balances.

(e) Accounts and bills receivable that is not impaired

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

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**6,783,588**	4,890,354
Within 1 year	**8,906,080**	6,566,525
After 1 year but less than 2 years	**881,327**	991,590
After 2 years but less than 3 years	**220,749**	78,040
After 3 years	**41,301**	36,198
At 31 December	**16,833,045**	12,562,707

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

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

14 ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	2011	2010
	RMB'000	*RMB'000*
Accounts payable	**10,659,256**	7,973,422
Bills payable	**2,069,626**	1,795,370
	12,728,882	9,768,792

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**11,841,672**	9,093,470
After 1 year but less than 2 years	**621,893**	494,547
After 2 years but less than 3 years	**177,454**	112,808
After 3 years	**87,863**	67,967
	12,728,882	9,768,792

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB808 million (2010: RMB231 million) as at 31 December 2011. The amounts due to fellow subsidiaries are unsecured, interest-free and are expected to be settled within one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

In 2011, the Group put more efforts in executing its customer-oriented service innovation strategy and allocated resources deliberately in an increasingly competitive market. By capturing the opportunity of increasing capital expenditure by domestic telecommunications operators and vigorously expanding businesses in the domestic non-operator market and overseas market, the Group maintained rapid growth momentum in all businesses. Our total revenues amounted to RMB53,507.40 million, representing an increase of 17.8% from 2010. Profit attributable to equity shareholders of the Company amounted to RMB2,114.86 million, representing an increase of 17.2% from RMB1,803.75 million[7] of 2010. Basic earnings per share was RMB0.366, representing an increase of 17.2% from 2010. Free cash flow amounted to RMB413.87 million, representing a decrease of 34.1% over the same period last year.

Revenues

Our total revenues in 2011 were RMB53,507.40 million, representing an increase of 17.8% from 2010. Among our businesses, revenues from telecommunications infrastructure ("TIS") services were RMB25,114.96 million, representing an increase of 16.1% from 2010; revenues from business process outsourcing ("BPO") services were RMB22,315.34 million, representing an increase of 20.6% from 2010; revenues from applications, content and other ("ACO") services were RMB6,077.10 million, representing an increase of 15.3% from 2010. BPO services were the major source of our revenues growth in 2011, while network maintenance and distribution of telecommunications services and products in BPO services were the two major businesses which experienced a relatively faster growth in revenues. In terms of customer structure, the Group's revenues from the domestic telecommunications operators amounted to RMB34,151.06 million, representing 63.8% of the total revenues, an increase of 15.9% from 2010; revenues from the domestic non-operator customers and overseas customers amounted to RMB19,356.34 million and its proportion of total revenues increased to 36.2%, representing an increase of 21.3% from 2010. Domestic telecommunications operators were the major driving force of the Group's revenues growth in 2011.

7 In 2011, the Group retrospectively adopted the amendment to IFRS 1. Please refer to Note 2 of the "Group Results" in this announcement for details.

The following table sets forth a breakdown of our revenues for 2010 and 2011, together with their respective rates of change:

	2011 *RMB'000*	2010 *RMB'000*	Percentage Change
Telecommunications Infrastructure Services			
Design services	**5,110,320**	4,453,627	14.7%
Construction services	**18,329,463**	15,796,460	16.0%
Project supervision and management services	**1,675,179**	1,386,458	20.8%
	25,114,962	21,636,545	16.1%
Business Process Outsourcing Services			
Network maintenance	**5,276,067**	4,269,869	23.6%
Distribution of telecommunications services and products	**14,442,791**	11,956,698	20.8%
Facilities management	**2,596,481**	2,281,857	13.8%
	22,315,339	18,508,424	20.6%
Applications, Content and Other Services			
IT applications	**3,105,892**	2,637,849	17.7%
Internet service	**537,218**	483,862	11.0%
Voice VAS	**746,427**	706,264	5.7%
Others	**1,687,559**	1,444,288	16.8%
	6,077,096	5,272,263	15.3%
Total	**53,507,397**	45,417,232	17.8%

Telecommunications Infrastructure Services

In 2011, revenues from TIS services of the Group were RMB25,114.96 million, representing an increase of 16.1% over RMB21,636.55 million from 2010, which was our primary source of revenues, and accounted for 46.9% of our total revenues, representing a decrease of 0.7 percentage points from 47.6% in 2010. During the period, driven by the increasing popularity of smart phones, mobile Internet development and the "Broadband China" strategy, the domestic telecommunications operators increased their capital expenditure steadily. Under this circumstance, the Group adopted more proactive and effective measures, TIS revenues from domestic telecommunications operators grew rapidly and amounted to RMB18,889.00 million in 2011, representing an increase of 15.1% over RMB16,409.25 million from 2010. Meanwhile, the Group further expanded into the domestic non-operator market and overseas market, and TIS revenues from such markets grew rapidly and amounted to RMB6,225.96 million, representing an increase of 19.1% over RMB5,227.30 million in 2010.

Business Process Outsourcing Services

In 2011, revenues from BPO services of the Group were RMB22,315.34 million, representing an increase of 20.6% over RMB18,508.42 million in 2010. BPO services accounted for 41.7% of our total revenues, representing an increase of 0.9 percentage points from 40.8% in 2010. Among BPO services, revenues from network maintenance were RMB5,276.07 million, representing an increase of 23.6% from 2010 and kept growing strongly. Rapid revenue growth was mainly attributable to the increased spending in network optimization and maintenance on the enlarged network and subscriber base of domestic telecommunications operators. In addition, by leveraging the advantages of our integrated services, the Group provided ancillary services such as the distribution of telecommunications machineries according to the requirements of the customers. Meanwhile, the rapid growth of mobile subscribers in China and their demand for handsets also promoted the handsets distribution business of the Group. Revenues from distribution of telecommunications services and products amounted to RMB14,442.79 million, representing an increase of 20.8% from 2010.

Applications, Content and Other Services

In 2011, revenues from ACO services of the Group were RMB6,077.10 million, representing an increase of 15.3% over RMB5,272.26 million from 2010. ACO services accounted for 11.4% of our total revenues, representing a decrease of 0.2 percentage points from 11.6% in 2010. During this year, the Group further expanded the informatization services to government and enterprise customers and the Internet application service to telecommunications operators, which led to a rapid increase in revenues from IT applications and became a major revenue generator for ACO services. The revenues from IT applications were RMB3,105.89 million, representing an increase of 17.7% from 2010.

Cost of Revenues

Our cost of revenues in 2011 was RMB44,998.32 million, representing an increase of 18.3% from 2010 and accounting for 84.1% of our total revenues.

The following table sets out a breakdown of our cost of revenues in 2010 and 2011 and their respective rates of change:

	2011 *RMB'000*	2010 *RMB'000* (Restated)	Percentage Change
Direct personnel costs	**8,473,657**	7,459,665	13.6%
Depreciation and amortization	**393,152**	364,743	7.8%
Purchase of material and telecommunications products	**16,195,976**	13,506,740	19.9%
Subcontracting charges	**14,525,988**	11,883,574	22.2%
Operating lease charges and others	**5,409,545**	4,809,168	12.5%
Total cost of revenues	**44,998,318**	38,023,890	18.3%

Direct Personnel Costs

In 2011, direct personnel costs were RMB8,473.66 million, representing 15.8% of our total revenues and an increase of 13.6% over RMB7,459.67 million in 2010. With the rapid growth in business volume in 2011, the Group consistently applied reasonable control over its total headcount and subcontracted our low-end tasks, thereby minimizing the staff costs, avoiding related risks and effectively mitigating the impact of wage increase in the society. The proportion of direct personnel costs of our total revenues decreased by 0.6 percentage points compared to 2010.

Depreciation and Amortization

In 2011, depreciation and amortization amounted to RMB393.15 million, representing 0.7% of our total revenues and an increase of 7.8% over RMB364.74 million in 2010. Its proportion of our total revenues was maintained at the relatively similar level as in 2010.

Purchase of Materials and Telecommunications Products

In 2011, the cost of materials and telecommunications products purchase was RMB16,195.98 million, representing 30.3% of our total revenues and an increase of 19.9% over RMB13,506.74 million in 2010. In 2011, the distribution of telecommunications services and products business of the Group grew rapidly, and so the corresponding cost of telecommunications products purchase, including the telecommunications machineries and handsets, also grew in a faster pace. Cost of construction materials in respect of our telecommunications infrastructure business remained relatively stable over last year. The cost of materials and telecommunications products as a percentage of our total revenues increased by 0.6 percentage points compared to 2010.

Subcontracting Charges

In 2011, subcontracting charges were RMB14,525.99 million, representing 27.2% of our total revenues and an increase of 22.2% over RMB11,883.57 million in 2010. The increase in subcontracting charges was mainly derived from the telecommunications infrastructure services. As the business volume increased significantly in 2011, we outsourced certain of the specialized tasks required by domestic non-operator customers and low-end tasks after taking into consideration of efficiency and benefits. Its proportion of our total revenues increased by 0.9 percentage points compared to 2010.

Operating Lease Charges and Others

In 2011, operating lease charges and others were RMB5,409.55 million, representing 10.1% of our total revenues and an increase of 12.5% over RMB4,809.17 million in 2010. Its proportion of our total revenues decreased by 0.5 percentage points compared to 2010.

Gross Profit

In 2011, the Group's gross profit amounted to RMB8,509.08 million, representing an increase of 15.1% over RMB7,393.34 million in 2010. The Group's gross profit margin in 2011 was 15.9%, representing a decrease of 0.4 percentage points over 16.3% in 2010. Due to the market competition and costs increase for certain businesses and expenses, the Group's gross profit margin was affected to certain extent. However, operational efficiency on most of our businesses remained stable as a result of our strengthened management over business collaboration and costs control.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses in 2011 were RMB6,401.10 million, representing an increase of 13.6% over RMB5,637.14 million in 2010, and accounting for 12.0% of our total revenues. In 2011, the Group strengthened cost control on selling and administrative expense and realized economies of scale while its business grew rapidly. Selling, general and administrative expenses as a percentage of total revenues decreased by 0.4 percentage points compared to 2010.

Finance Costs

In 2011, the Group's finance costs were RMB60.31 million and increased slightly by 4.5% over RMB57.73 million in 2010. In 2011, the tightening macroeconomic policy in China led to a rising loan interest rate and our corresponding finance costs. However, the Group also reduced finance costs by implementing effective centralized fund management. As a result of the two factors above, the finance costs of the Group remained relatively stable during the year.

Income Tax

Certain of our domestic subsidiaries were recognized as new and high-technology enterprises and were entitled to a preferential income tax rate of 15%. Our subsidiaries in Shenzhen, Zhuhai, Xiamen and Hainan Special Economic Zones were entitled to an income tax rate of 24%. Apart from these subsidiaries, the Company and other domestic subsidiaries of the Group were subject to an income tax rate of 25%. The overseas subsidiaries of the Group were subject to different countries' tax rate. The income tax of the Group in 2011 was RMB534.19 million and our effective tax rate was 20.2%, remaining relatively stable compared to 20.3% in 2010. The difference between our effective tax rate and the statutory tax rate was mainly due to the preferential income tax treatment for new and high-technology enterprises and the preferential policy of deduction for research and development expenses before income tax enjoyed by certain of our subsidiaries.

Profit Attributable to Equity Shareholders of the Company

In 2011, profit attributable to equity shareholders of the Company was RMB2,114.86 million, representing an increase of 17.2% over RMB1,803.75 million in 2010. Profit attributable to equity shareholders of the Company accounted for 4.0% of our total revenues, remaining at a stable level as in 2010.

Capital Expenditure

We implemented stringent budget management over capital expenditure, and adjusted our capital expenditure plan according to the changes of market condition. In 2011, our capital expenditure amounted to RMB823.14 million, a decrease of 1.2% from RMB832.96 million in 2010. The capital expenditure in 2011 accounted for 1.5% of our total revenues. Our capital expenditure included the purchases of production facilities and equipment, machinery and meters, plant and office buildings, intangible assets and other operating assets.

Cash Flow

Our net cash outflow in 2011 increased to RMB1,158.74 million over RMB390.06 million in 2010. As at the end of 2011, our cash and cash equivalents amounted to RMB7,298.23 million, of which 95.7% was denominated in Renminbi.

The following table sets out our cash flow positions in 2010 and 2011, respectively:

	2011	2010
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,223,642**	1,526,412
Net cash used in investing activities	**(860,541)**	(1,055,364)
Net cash used in financing activities	**(1,521,836)**	(861,103)
Net decrease in cash and cash equivalents	**(1,158,735)**	(390,055)

In 2011, net cash generated from operating activities was RMB1,223.64 million, representing a decrease of RMB302.77 million from RMB1,526.41 million in 2010. The decrease in net cash generated from operating activities was mainly because more cash was needed to support the rapid development of the Group's domestic and overseas business, and certain customers of the Group delayed their payment due to credit tightening in China.

In 2011, net cash used in investing activities was RMB860.54 million, representing a decrease of RMB194.82 million from RMB1,055.36 million in 2010. Cash used in investing activities in 2011 mainly comprised of capital expenditure including the purchase of facilities.

In 2011, net cash used in financing activities was RMB1,521.84 million, representing an increase of RMB660.74 million from RMB861.10 million in 2010. The increase in net cash used in financing activities was mainly because the Group repaid the short-term entrust loan.

Working Capital

As at the end of 2011, working capital (i.e. current assets minus current liabilities) was RMB9,189.05 million, while working capital was RMB7,945.82 million in 2010. The increase in working capital was mainly due to the rapid development of the Group's domestic and overseas businesses, and certain customers of the Group delayed their payment due to credit tightening in China.

Indebtedness

As at the end of 2011, total indebtedness of the Group was RMB998.34 million and decreased by RMB782.18 million from RMB1,780.52 million at the year end of 2010. Indebtedness of the Group were mainly fixed interest rate loans and denominated in Renminbi, of which Renminbi loan accounted for 82.3% and US dollar loan accounted for 17.7%, and 94.5% was fixed interest rate loans and 5.5% was floating interest rate loans.

As at the end of 2011, our gearing ratio[8] was 5.9%, a decrease of 5.0 percentage points from 10.9% in 2010.

Contractual Obligations

The following table sets out our contractual obligations as at 31 December 2011:

	Total	2012	2013	2014	2015	2016 and after
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debt	998,335	998,335	–	–	–	–
Operating lease commitments	468,696	185,647	92,143	63,215	38,284	89,407
Capital commitments	154,947	154,947	–	–	–	–
Of which:						
Authorized and contracted for	93,431	93,431	–	–	–	–
Authorized but not contracted for	61,516	61,516	–	–	–	–
Total of contractual obligations	1,621,978	1,338,929	92,143	63,215	38,284	89,407

Exchange Rate

Most of our revenues and expenses are settled in Renminbi and therefore the risks associated with foreign currency exchange rates have no significant impact on our business performance. As at the end of 2011, the balance of our cash and cash equivalents in foreign currencies accounted for 4.3% of our total cash and cash equivalents, of which 2.5% and 0.6% were denominated in US dollars and Hong Kong dollars, respectively.

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

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

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 annual report for the year ended 31 December 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As a company incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company not only has complied with the relevant provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") but also has abided by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basic guidelines for the Company's corporate governance. For the year ended 31 December 2011, the Company has complied with the Code Provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 8 February 2012, the Company issued 398,570,040 H shares on the basis of 2 H rights shares for every 10 existing H shares at HK$3.19 per H rights share, and issued 755,766,360 domestic rights shares on the basis of 2 domestic rights shares for every 10 existing domestic shares at RMB2.59 per domestic rights share. The total gross proceeds raised under the rights issue were RMB2,991 million, and the net proceeds raised under the rights issue were RMB2,956 million, after deduction of issuing expenses amounted to approximately RMB35 million. The rights issue increased RMB1,154 million of the Company's share capital and RMB1,802 million of the Company's share premium.

CLOSURE OF SHARE REGISTER

1. Annual General Meeting

The H share register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend the Annual General Meeting, from Tuesday, 29 May 2012 to Thursday, 28 June 2012 (both days inclusive), during which period no transfer of H shares will be registered. In order to attend the Annual General Meeting, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 28 May 2012. H share shareholders who are registered with Computershare Hong Kong Investor Services Limited on 28 June 2012 are entitled to attend the Annual General Meeting.

2. Proposed Final Dividend

The Board proposes a final dividend of RMB0.1222 per share (pre-tax) for the year ended 31 December 2011. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on 28 June 2012. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Monday, 16 July 2012. The register of members will be closed from Wednesday, 11 July 2012 to Monday, 16 July 2012 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Tuesday, 10 July 2012. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi, whereas dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of the approval of declaration of dividends at the Annual General Meeting.

The Company shall be obliged to withhold and pay income tax on behalf of overseas non-resident enterprise shareholders and overseas resident individual shareholders of H shares whose names appear on the Company's H share register of members on Monday, 16 July 2012 according to following regulations:

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

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

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

ANNUAL REPORT

The annual report for the year ended 31 December 2011 will be dispatched to shareholders and made available on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinaccs.com.hk) in due course.

FORWARD-LOOKING STATEMENTS

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

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