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: 0552)

Announcement of Interim Results for the Six Months Ended 30 June 2007

HIGHLIGHTS

— Revenues were RMB7,365 million, up by 15.6%

— Profit attributable to equity holders of the Company was RMB374 million, up by 92.8%. Excluding the deficit of RMB105 million on revaluation of property, plant and equipment arising pursuant to the restructuring in 2006, profit attributable to equity holders of the Company was up by 25.0%

— Basic earnings per share were RMB0.069, up by 40.8%

— Achieved initial success on market expansion and further optimized revenue structure

— Acquisition from China Telecommunications Corporation and leading market position was consolidated

CHAIRMAN'S STATEMENT

Dear shareholders,

It is very encouraging to see a sustainable, steady and healthy development in the first half of 2007. We successfully carried out the acquisition plan from our parent company which fully demonstrated the superior decision making ability of our Board and excellent execution capability of our management team. Meanwhile, as market demand for specialized telecommunications support services remained strong, we leveraged on our unique integrated one-stop services business model and strong customer base, and achieved favourable results through strengthening internal resources integration and further improvement of our service standard.

By pursuing the complementary development strategies of organic and external growth, the Company commenced preparatory work during the interim period for, and completed its acquisition from its parent company, China Telecommunications Corporation, of the assets comprising the business of specialized telecommunications support services in 13 provinces (municipality and autonomous regions) on 31 August 2007. This strategic acquisition has extended our business coverage from the original 6 provinces (municipality) to 19 provinces (municipality and autonomous regions), favoring a larger scale of operations nation-wide, and further reinforcing and consolidating our leading position. The majority of the newly acquired assets and businesses are located in the middle and western provinces areas of the PRC with rapid economic growth prospects and huge potential for sustainable development. During the restructuring stage of the acquisition, we implemented a series of measures in areas such as management system, organizational structure, business processes and financial management in order to integrate the acquired assets. Through the optimization of resource allocation and adjustments to business structure, we aim to realize synergies and enhance operational efficiency on a nation-wide scale within a shorter timeframe. In future, we will continue to explore other acquisition opportunities with synergy potential, with a view to enhancing enterprise value.

In the first half of 2007, the development of 3G in mainland China has entered into a new stage of expanded trial network construction and the number of cities participating the trial implementation increased from 3 to 10. Amid enormous business opportunities, as early as 2006, the Company has already provided telecommunications operators integrated service solutions including planning, design, construction, maintenance and content development so as to involve in various aspects of the 3G market. Our participation have made meaningful contribution to the telecommunications operators in reducing their project management difficulties, enhancing efficiency and shortening construction time. Since 2007, we have actively participated in the expanded TD-SCDMA trial network projects in more than half of the participating cities in mainland China, and engaged in businesses such as design, supervision, management and network optimization of a number of base stations and networks. Moving ahead, we will capitalize on our experience and further enhance our integrated service capabilities in order to be better positioned to seize a larger share in the future 3G market.

A sound corporate governance structure has afforded our Company enhanced transparency. Our Board and specialized Board committees have strictly complied with the relevant laws, regulations and procedures in the acquisition of assets from our parent company to ensure major decisions were sound and independent, and thereby effectively protecting interests of the public shareholders. Pursuant to relevant regulatory requirements and with emphasis on better internal management standards, we have established internal control and risk management system at the outset of the establishment of the Company. We aim to create a long-term mechanism to avoid and guard against risks to enable effective implementation of our existing strategies and further improve our operational effectiveness and efficiency.

Looking ahead, with China's rapid economic growth, there is great development potential for the PRC telecommunications industry. The PRC government's strong initiative to foster "informationalization" and the tremendous market demand for telecommunications infrastructure services and IT solutions will offer us promising prospects for continual development. Through further optimization of our resource allocation, active expansion on external markets, continual enhancement of our service and management standards and continual consolidation of our strategic cooperation relationships with telecommunications operators and equipment vendors, we will further enhance the value of our Company and create higher returns for our shareholders.

Finally, on behalf of the Company, I would like to express my heartfelt gratitude to all our staff for their hard work and to the directors and shareholders for their unwavering trust and support for the Company.

Wang Xiaochu
Chairman

Beijing, PRC
5 September 2007

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

In the first half of 2007, our Company achieved robust operating results, with sustained stable growth in revenue and profit, further optimized business structure, and achieved initial success on external market expansion. In addition, in the first half of 2007 we commenced work on the acquisition from our parent company the assets providing the specialized telecommunications services in the 13 provinces (municipality and autonomous regions) and completed the acquisition on 31 August 2007, thereby strengthening our operational synergies and further consolidating our leading position in the industry.

Financial Results

In the first half of 2007, the Company's operating revenue reached RMB7,365.12 million, representing an increase of 15.6% over the same period last year. In particular, revenue from our customers, excluding China Telecom Group amounted to RMB4,007.06 million, or 54.4% of the total revenue, up 5.8 percentage points from the same period last year, indicating an improved revenue structure of the Company. Operating costs amounted to RMB6,084.27 million, representing a 16.8% growth from the same period last year. Gross profit was RMB1,280.85 million, up 10.0% year-on-year. Selling, general and administrative expenses was RMB820.61 million or a growth of 3.7% year-on-year, accounting for 11.1% of our total revenue, a decrease of 1.3 percentage points from the same period last year. With the effective implementation of our existing cost control measures, EBITDA[1] margin was 10.0%, remaining unchanged from the same period last year. Profit attributable to equity holders of the Company was RMB374.21 million, which was 92.8% higher than the same period last year. The substantial growth in profit was primarily attributable to stable revenue growth, and the deficit on revaluation of assets of RMB105.30 million incurred during our restructuring in preparation for listing

[1] EBITDA = Gross profit + Other operating income – Selling, general and administrative expenses – Other operating expenses + Depreciation and amortization

in 2006. Excluding the effects of deficit on revaluation of assets, profit attributable to equity holders of the Company was 25.0% higher than the same period last year. Basic earnings per share was RMB0.069. Free cash flow[2] was an outflow of RMB540.45 million, which represented an improvement in comparison with outflow of RMB1,254.10 million for the same period last year.

Business Performance

In the first half of the year, we recorded a favorable growth in our telecommunications infrastructure services, business process outsourcing services and applications, content and others services businesses. Telecommunications infrastructure services developed at a steady pace and remained the Company's major source of revenue, contributing RMB3,677.29 million or 16.9% growth from the same period last year, representing 49.9% of our total revenues. Of the total amount, construction services and design services accounted for 37.0% and 10.8% respectively, ranking the first and the third respectively in terms of revenue contribution to the Company. In anticipation of the continual CAPEX control by fixed line operators, we endeavoured to improve our service standard and actively explored business opportunities with other telecommunications operators, thereby successfully maintaining the continual growth in this area.

Benefiting from telecommunications operators' tendency to outsource their non-core businesses, revenue from the business process outsourcing services demonstrated an upward trend. Revenue in first half of the year was RMB2,739.82 million, an increase of 11.5% from the same period last year, representing 37.2% of our total revenue. Of which, revenue from distribution of telecommunications services and products accounted for 22.0% of our total revenues and ranked the second in terms of revenue contribution. Steady revenue growth was mainly attributable to the expanded market for network maintenance business as China Telecom actively engaged in its outsourcing initiative, and mobile operators conducted network capacity expansion and optimization, and our active initiativies in developing facilities management business for the high-end services and government and corporate customers.

For the first half of the year, revenue from applications, content and others services and its percentage over the total revenue recorded an increase. Its revenue amounted to RMB948.02 million, or 23.3% growth from the same period last year, accounting for 12.9% of our total revenue. The favourable revenue growth was attributable to the successful business development on the market of government agencies and corporate customers, as well as the rapid cross-regional replication of high value products, such as the replication of the "e-touch" city security network platform and "Net CA" certificate authentication platform in provinces such as Hubei. In spite of the long nurturing period and uncertainty of revenue contribution from applications, content and others services, we believe that with our further nurturing and consolidation efforts, these businesses will gradually become the Company's new growth driver in future.

[2] Free cash flow = Profit for the period + Depreciation and amortization – Changes in working capital – Capital expenditure

In the first half of the year, telecommunications operator customers are still the major contributors to our revenues. Total revenue from the three major telecommunications operators amounted to RMB4,695.67 million, representing 63.8% of our total revenues, in which revenues from China Telecom, China Mobile and China Unicom accounted for 45.6%, 14.8% and 3.4% respectively. After our listing, we fully utilized our service neutral and specialized services advantages, and promptly responded to customer needs. As a result, revenue growth from government agencies and corporate customers and other telecommunications operators excluding China Telecom, was accelerated, with revenue from these customers increased by 28.9% year-on-year, and our revenue structure was further optimized.

Our Company further enhanced our strategic cooperation with telecommunications equipment vendors. In the emerging telecommunications markets including South-East Asia and Africa, we cooperated with ZTE Corporation, Nokia, Motorola and others in various projects including telecommunications infrastructure construction. Although our overseas business development is still at its initial stages, we believe that contribution from overseas markets will continue to increase and become a new driver for our future growth through our efforts in the integration of resources and enhancement of service quality and standard.

Internal Operation and Management

In the first half of 2007, our comprehensive budget management system has been improved to be more scientific, accurate and uniform. We strengthened our performance review system to ensure the attainment of all performance indicators. We also raised our management efforts on investments, fixed assets and property right, so that the operations and management of our Company are more regulated. Our IT management system was further upgraded to become a key platform for management and operations, enabling the centralization of data in areas such as accounting and human resources, as well as the analysis and management of key indicators. Our overall management standard is therefore improved.

Adhering to the corporate culture stressing the welfare of our staff, we endeavoured to create a harmonious and passionate environment for our employees to maximize their potential. While optimizing our staffing structure, we stringently controlled the growth of the size of our workforce and increased the productivity of our staff. To grasp the opportunities of 3G development, we devoted more efforts to recruit and retain employees with 3G technical and business capabilities, and our human resources structure was further improved. In the first half of the year, the Share Appreciation Rights Scheme has been approved by shareholders in the shareholder meeting. Pursuant to the implementation of such incentive scheme according to the relevant policies for management staff and core staff members, it will provide us an effective measure to attract and retain talents.

Prospects

For the second half of 2007, we are optimistic about our prospects. The continual development of the telecommunications industry and the government's strong initiative to accelerate the informationalisation of the PRC will provide ample opportunities for our future development. The completion of asset acquisition from our parent company has also provided more room for our development. Meanwhile, we will further diversify our revenue sources from different customers and businesses, further enhance our operating efficiency, and further integrate our newly acquired businesses and assets to provide better synergies. By these measures, we will form a strong foundation for our sustainable, steady and healthy future development.

Amid opportunities and challenges, we will continue to adhere to our existing development strategies, leveraging on our one-stop service business model, and enhance the quality and standard of our services to meet our customer needs. We will also enhance the unified planning and management of our strategies and brand names, and accelerate the cross-regional replication for successful products and services, in order to consolidate our leading position in the market. By optimizing our resource allocation and speeding up our business integration, we will enhance our economies of scale and operational efficiency to further improve the core competitiveness of the Company.

We are fully confident about our future. We strongly believe that with the sound decision-making capabilities from the Board, extensive management experience and excellent execution capabilities of our management team, and the joint efforts of all employees, we will continue to grow and develop and create better returns for our shareholders.

Finally, I would like to express my gratitude to our shareholders, directors and our staff for their persistent support to the Company.

Li Ping
Vice Chairman and Chief Executive Officer

Beijing, PRC
5 September 2007

GROUP RESULTS

China Communications Services Corporation Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 extracted from the unaudited financial statements of the Group as set out in its 2007 interim report.

Consolidated income statement — unaudited
For the six months ended 30 June 2007
(Expressed in Renminbi)

		Six months ended 30 June	
		2007	2006
	Note	***RMB'000***	*RMB'000*
Revenues	*3*	**7,365,124**	6,372,225
Cost of revenues	*4*	**(6,084,272)**	(5,207,579)
Gross profit		**1,280,852**	1,164,646
Other operating income	*5*	**95,665**	81,290
Selling, general and administrative expenses		**(820,605)**	(791,252)
Other operating expenses		**(4,631)**	(2,976)
Deficit on revaluation of property, plant and equipment	*6*	**—**	(105,299)
Net financing income	*7*	**27,193**	7,657
Share of profits less (losses) of associates		**414**	(1,085)
Negative goodwill		**—**	4,039
Profit before tax		**578,888**	357,020
Income tax	*8*	**(194,096)**	(147,197)
Profit for the period		**384,792**	209,823
Attributable to:			
Equity shareholders/owner		**374,210**	194,083
Minority interests		**10,582**	15,740
Profit for the period		**384,792**	209,823
Basic and diluted earnings per share (RMB)	*10*	**0.069**	0.049

Consolidated balance sheet — unaudited

At 30 June 2007

(Expressed in Renminbi)

	Note	30 June 2007 RMB'000	31 December 2006 RMB'000
Non-current assets			
Property, plant and equipment, net		**2,322,464**	2,232,848
Investment properties		**298,251**	286,892
Construction in progress		**112,743**	265,804
Lease prepayments		**101,699**	103,190
Intangible assets		**37,315**	32,968
Interests in associates		**7,902**	7,927
Other investments		**170,129**	138,475
Deferred tax assets		**45,038**	74,221
Total non-current assets		**3,095,541**	3,142,325
Current assets			
Trading securities		**8,236**	—
Inventories		**688,083**	828,124
Accounts and bills receivable, net	*11*	**4,165,244**	3,351,262
Prepayments and other current assets		**806,465**	938,640
Cash and cash equivalents		**6,926,387**	7,071,029
Total current assets		**12,594,415**	12,189,055
Total assets		**15,689,956**	15,331,380
Current liabilities			
Interest-bearing borrowings		**113,000**	95,500
Accounts and bills payable	*12*	**2,907,067**	2,860,065
Receipts in advance for contract work		**349,203**	612,818
Accrued expenses and other payables		**2,754,983**	2,069,705
Income tax payable		**108,126**	110,202
Total current liabilities		**6,232,379**	5,748,290
Net current assets		**6,362,036**	6,440,765
Total assets less current liabilities		**9,457,577**	9,583,090

	Note	**30 June 2007** *RMB'000*	31 December 2006 *RMB'000*
Non-current liabilities			
Deferred tax liabilities		**8,524**	—
Total non-current liabilities		**8,524**	—
Total liabilities		**6,240,903**	5,748,290
Equity			
Share capital		**5,444,986**	5,444,986
Reserves		**3,902,612**	4,036,323
Equity attributable to equity shareholders of the Company		**9,347,598**	9,481,309
Minority interests		**101,455**	101,781
Total equity		**9,449,053**	9,583,090
Total liabilities and equity		**15,689,956**	15,331,380

Notes:

1. ORGANISATION

The Company was established in the PRC on 30 August 2006 as a joint stock limited company under the Company Law of the PRC as part of the Restructuring (as defined below) of China Telecommunications Corporation ("CTC"), a state-owned enterprise under the direct supervision of the State Council of the PRC. Pursuant to the Restructuring, the Group assumed the telecommunications support services previously carried on by various subsidiaries wholly-owned or controlled by CTC in six provinces and municipality in the PRC, namely, Guangdong Province, Zhejiang Province, Shanghai Municipality, Fujian Province, Hubei Province and Hainan Province (collectively, the "Predecessor Operations") from CTC. The Company was founded by CTC, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation by ways of the injection of those subsidiaries carrying on the Predecessor Operations and cash contributions.

In connection with the Restructuring, 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 "Restructuring").

The above Restructuring procedures primarily resulted in an effect of the transfer from CTC to the Company of the operating assets and liabilities relating to the telecommunications related services carried on by the Predecessor Operations, which were previously owned or controlled by CTC prior to the Restructuring.

In December 2006, the Company issued 1,291,293,000 H shares with a par value of RMB1.00 each, at a price of HK$2.20 per H share by way of an initial public offering ("IPO") to Hong Kong and overseas investors. In connection with the IPO, 129,129,300 domestic state-owned shares of RMB1.00 each owned by CTC and its subsidiaries were converted into H shares and transferred to the National Council for Social Security Fund of the PRC ("SSF"). In December 2006, the Company also issued 193,693,000 H shares with a par value of RMB1.00 each, at a price of HK$2.20 per H share upon the exercise of the over-allotment option. In connection with the exercise of the over-allotment option, 19,369,300 domestic state-owned shares of RMB1.00 each owned by CTC and its subsidiaries were converted into H shares and transferred to SSF. A total of 1,633,484,600 H shares were listed on the Stock Exchange of Hong Kong Limited.

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" adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 5 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

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 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon 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 individual International Financial Reporting Standards, 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.

The financial information relating to the financial year ended 31 December 2006 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 2006 are available from the Company's registered office. The Company's international auditors have expressed an unqualified opinion on the forgoing annual financial statements for the year ended 31 December 2006 in their reports dated 17 April 2007.

The financial information relating to the six months ended 30 June 2006 that is included in the interim financial report as being previously reported information does not constitute the Group's financial statements for that financial period but is derived from the financial information included in the Accountant's Report in Appendix I of the Company's Prospectus dated 27 November 2006 (the "Prospectus"). The Prospectus is available from the Company's registered office.

3. 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	
	2007	2006
	RMB'000	*RMB'000*
Revenue from telecommunications infrastructure services	**3,677,285**	3,145,606
Revenue from business process outsourcing services	**2,739,816**	2,457,462
Revenue from applications, content and others	**948,023**	769,157
	7,365,124	6,372,225

4. COST OF REVENUES

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Depreciation and amortisation	**123,622**	119,399
Direct personnel costs	**1,311,943**	1,121,294
Operating lease charges	**95,424**	87,269
Purchase of materials and telecommunications products	**2,384,055**	2,170,256
Subcontracting charges	**1,484,744**	1,163,317
Others	**684,484**	546,044
	6,084,272	5,207,579

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Dividend income from unlisted securities	**13,940**	20,993
Government grants	**35,569**	19,173
Net gain on disposal of investments	**8,445**	20,809
Net gain on disposal of property, plant and equipment	**—**	7,139
Penalty income	**556**	851
Management fee income *(note i)*	**31,183**	—
Write-off of non-payable liabilities	**—**	268
Others	**5,972**	12,057
	95,665	81,290

Note:

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

6. DEFICIT ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Deficit on revaluation of property, plant and equipment is the deficit arising from the valuation of property, plant and equipment pursuant to the Restructuring.

7. NET FINANCING INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Interest income	**55,096**	16,974
Net foreign exchange (loss)/gain	**(21,284)**	1,083
Net change in fair value of financial assets at fair value through profit or loss	**(898)**	—
Interest on bank advances and other borrowings wholly repayable within five years	**(5,721)**	(10,400)
	27,193	7,657

For the periods ended 30 June 2007 and 2006, no borrowing costs were capitalised in relation to construction in progress.

8. INCOME TAX

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

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**170,374**	152,130
Deferred tax		
Origination and reversal of temporary differences	**23,722**	(4,933)
Total income tax	**194,096**	147,197

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

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Profit before tax	**578,888**	357,020
Expected PRC enterprise income tax expense at a statutory tax rate of 33% *(note (i))*	**191,033**	117,817
Differential tax rates on subsidiaries' income *(note (i))*	**(41,504)**	(40,081)
Non-deductible expenses *(note (ii))*	**16,738**	77,637
Non-taxable income *(note (iii))*	**(8,315)**	(15,450)
Tax losses not recognised *(note (iv))*	**10,613**	7,274
Reversal of previously recognised tax losses *(note (v))*	**17,585**	—
Effect on opening deferred tax resulting from a reduction in PRC statutory tax rate *(note (vi))*	**7,946**	—
Income tax	**194,096**	147,197

Notes:

(i) The provision of PRC enterprise income tax of the Group is calculated based on a statutory rate of 33% of the assessable profit of the Group as determined in accordance with the relevant PRC enterprise income tax rules and regulations for the periods ended 30 June 2007 and 2006 except for certain subsidiaries of the Group, which are taxed at preferential rate of 15%.

(ii) The amounts include personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purpose. The amounts for the period ended 30 June 2006 also include the deficit on revaluation of property, plant and equipment.

(iii) Non-taxable income mainly represents dividend income.

(iv) The amount includes deferred tax assets not recognised amounting to RMBNil (31 December 2006: RMB4.8 million) in respect of the tax losses of the entities distributed to the then owner pursuant to the Restructuring.

(v) The amount represents the reversal of deferred tax assets relating to tax losses previously recognised as the Group re-assessed and considered that future taxable income would not be sufficient for those tax losses to be utilised.

(vi) The amount represents tax effect on opening balances of deferred tax assets. On 16 March 2007, the Corporate Income Tax Law of the People's Republic of China ("new tax law") has been passed by the Fifth Plenary Session of the Tenth National People's Congress and will take effect on 1 January 2008. According to the new tax law, except for certain subsidiaries of the Company which are taxed at preferential rates, the enterprise income tax rate applicable to the Group will be reduced from 33% to 25% from 1 January 2008.

9. DIVIDENDS

(a) Special dividend

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Special dividend approved	**535,011**	—

As disclosed in the Prospectus of the Company dated 27 November 2006, in accordance with the "Provisional Regulation relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment" which was issued by the PRC Ministry of Finance and a resolution passed on 1 November 2006, the directors proposed and the shareholders approved the distribution of profit of the Group for the period from 1 April 2006 to 29 August 2006, being the calendar day immediately preceding to the date of incorporation of the Company. In the same resolution, the directors proposed and the shareholders approved the distribution of profit of the Group for the period from 30 August 2006 to the calendar day immediately preceding the date of its listing on the Stock Exchange of Hong Kong Limited (i.e. 7 December 2006) (together, the "2006 Special Dividend").

Pursuant to a resolution passed at directors' meeting on 17 April 2007, the directors resolved to pay the 2006 Special Dividend to CTC and its subsidiaries amounting to RMB535 million in total (being the distributable profit of the Group for the period from 1 April 2006 to 7 December 2006). The Company will pay the 2006 Special Dividend to CTC and its subsidiaries in a series of payments commencing in July 2007.

(b) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: RMBNil).

10. 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 2007 of RMB374,210,000 and the number of shares in issue during the six months ended 30 June 2007 of 5,444,986,000.

Upon incorporation on 30 August 2006, the Company issued 3,960,000,000 shares at par value RMB1 each to CTC, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation. Basic earnings per share for the six months ended 30 June 2006 was computed by dividing the net profit attributable to equity owner of RMB194,083,000 by 3,960,000,000 shares at par value RMB1 each, as if these shares had been issued as at 1 January 2006.

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

11. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2007 *RMB'000*	At 31 December 2006 *RMB'000*
Bills receivable	**18,117**	58,675
Unbilled revenue for contract work	**956,873**	376,409
Trade receivables	**3,190,254**	2,916,178
	4,165,244	3,351,262

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB1,950 million as at 30 June 2007 (31 December 2006: RMB1,740 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 2007 *RMB'000*	At 31 December 2006 *RMB'000*
Within 1 year	**3,933,207**	3,171,309
After 1 year but less than 2 years	**204,452**	157,771
After 2 years but less than 3 years	**21,294**	16,583
After 3 years	**6,291**	5,599
	4,165,244	3,351,262

12. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	At 30 June 2007 *RMB'000*	At 31 December 2006 *RMB'000*
Trade payable	**2,837,950**	2,697,409
Bills payable	**69,117**	162,656
	2,907,067	2,860,065

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

	At 30 June 2007	At 31 December 2006
	RMB'000	*RMB'000*
Within 1 year	**2,447,654**	2,784,827
After 1 year but less than 2 years	**444,472**	69,504
After 2 years but less than 3 years	**9,386**	3,368
After 3 years	**5,555**	2,366
	2,907,067	2,860,065

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB148 million as at 30 June 2007 (31 December 2006: RMB110 million). The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

13. SEGMENTAL REPORTING

For the periods ended 30 June 2007 and 2006, the Group principally has one business segment, the provision of integrated telecommunications service to the telecommunications industry in the PRC. The Group mainly operates in the PRC. Accordingly, no business and geographical segment information are presented.

14. COMPARATIVE FIGURES

Subcontracting charges of RMB185 million in 30 June 2006 have been reclassified to direct personnel costs to conform with the current period's presentation.

15. POST BALANCE SHEET EVENTS

Pursuant to the acquisition agreement dated 15 June 2007 (the "Acquisition Agreement") entered into between the Company and CTC, the Company will acquire 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 the equity interests in Guangdong Nanfang Communication GSM Intelligent Card System Co., Ltd. and NingBo Public Information Industry Co., Ltd. and other assets (the "Acquisition") from CTC for a consideration of RMB4,630 million in total. The Acquisition has been completed as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the acquisition agreement on 15 June 2007 entered into between the Company and its controlling shareholder and promoter, China Telecommunications Corporation, the Company planned to acquire the companies and business assets which comprise the leading providers of specialized telecommunications support services in 13 provinces (municipality and autonomous regions), including 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 in the PRC and certain other assets (as described in the Company's announcement dated 15 June 2007 and circular dated 20 June 2007) at a consideration of RMB4,630 million. The Independent Shareholders of the Company have passed the relevant resolutions related to the acquisition at the Extraordinary General Meeting of the Company held on 7 August 2007 and the acquisition was completed on 31 August 2007.

According to paragraph 40 of Appendix 16 of the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2006 Annual Report.

AUDIT COMMITTEE

The audit committee has reviewed with management and the Company's international auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Interim Report for the six months period ended 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is in compliance with the principles and provisions of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2007.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors. Having made specific enquiries to the Directors, each of the Directors has confirmed his compliance with the Model Code in connection with the Company's securities for the period from 1 January 2007 to 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM REPORT

The interim report for the six months ended 30 June 2007 will be despatched to shareholders and made available on the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.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 Chairman and non-executive director is Wang Xiaochu, our Vice Chairman, Chief Executive Officer and executive director is Li Ping, our non-executive directors are Liu Aili and Zhang Junan, and our independent non-executive directors are Wang Jun, Chan Mo Po, Paul, Zhao Chunjun, Wu Shangzhi and Hao Weimin.