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 Annual Results for the Year Ended 31 December 2007

HIGHLIGHTS

- Revenues were RMB23,538 million, up by 21.9%.
- Profit attributable to equity shareholders/owner of the Company was RMB1,167 million, up by 42.9%. Excluding the deficit of RMB136 million on revaluation of property, plant and equipment arising pursuant to the restructuring in 2006, profit attributable to equity shareholders/owner of the Company was up by 22.6%.
- Basic earnings per share were RMB0.214.
- Remarkable results on market expansion and revenue structure was further optimized.
- Free cash flows turned positive and amounted to RMB1,025 million.
- The board of directors recommended a final dividend of RMB0.0682 per share for 2007.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2007 was the first year after the Company's listing in Hong Kong, and also a year the Company continued its sustained, stable and healthy development. Through effective implementation of established business development strategies, we made notable achievements in our operations and significantly improved our management efficiency during the period under review. We have completed the acquisition of the businesses providing specialized telecommunications support services in 13 provinces (municipality and autonomous regions) from our parent company, and announced the acquisition of China International Telecommunications Construction Corporation ("CITCC") in April 2008, to further enhance our core competitiveness and market leading position as well as lay a solid foundation for maintaining a leadership status in the telecommunications industry that is full of opportunities in future.

Business Review

In 2007, the Company continued to infiltrate the customer-oriented service culture into its operations, and established a customer-focused sales and marketing system, providing neutral, professional and integrated support services to customers. The business revenue recorded rapid growth, and revenue structure was further optimized. In 2007, profit attributable to equity shareholders/owner was RMB1,167.25 million, representing a year-on-year growth of 42.9%, and the earnings per share were RMB0.214. Taking into consideration the Company's financial condition, cash flow and future business development, the Board of Directors (the "Board") proposed to pay a final dividend of RMB0.0682 per share for the financial year ended 31 December 2007.

Acquisition and Integration

Combining organic growth and external expansion is one of our long-term development strategies. In August 2007, the Company completed its acquisition from its parent company, China Telecommunications Corporation, of the businesses of specialized telecommunications support services in 13 provinces (municipality and autonomous regions). This strategic acquisition has extended our primary service area to 19 provinces. After completion of the acquisition, the Company accelerated the internal integration of the newly acquired subsidiaries so as to expedite the realization of synergies and enhancement of operational efficiency. On 3 April 2008, the Company announced the acquisition of CITCC, completion of which is conducive to the realization of a nationwide operational scale. The Company will become the largest enterprise in the domestic telecommunications construction sector, and our leading position in the telecommunications support service industry will be further strengthened.

Corporate Governance

In 2007, the Company further improved its corporate governance structure. With reference to the internationally recognized COSO internal control management framework, the Company further improved its internal control and risk management systems to enable the effective implementation of its existing strategies. Our Board and specialized board committees have strictly complied with the relevant laws, regulations and procedures in the acquisition of businesses from our parent company to ensure major decisions were sound and independent, and thereby effectively protecting the interests of the public shareholders.

Corporate Social Responsibility

As the leader in China telecommunications support services sector, the Company is not only concerned about its business development but also emphasizes the social responsibility of the enterprise. In January 2008, various provinces in Southern China suffered a rare snowstorm. Under coordination of the headquarter, the Company set up cross-regional emergency teams on provincial basis, mobilized the manpower and materials to support telecommunications operators on their emergency repair of network, played a proactive role on the restoration and reconstruction of the communications facilities after the disaster, and established a good corporate image.

Future Outlook

With the development of an information society in the PRC speeding up, the rapid evolvement of communications technology and the trend of telecommunications operators to accelerate their transformation, the Company will be evolving into a "Service Provider for Telecommunications, Media & Technology Companies", focusing on the expanding services area and the changing needs of our customers. We will strive to become a leader in the telecommunications and media support service sector with excellent customer service, and high efficiency on operations and resources allocation, promoting a win-win situation for both the customers and the Company.

In over a year's time, I am very pleased to see that our business development and operations have been running in a more mature way. To further enhance the Company's operational independency and its neutrality on business development, I will resign from my position as the Chairman and non-executive director pursuant to the approval of the Board today, and will be appointed as the Honorary Chairman of the Company. Mr. Li Ping, our Vice Chairman will be appointed as the Chairman.

It's my honor to be the first Chairman of the Company and I would like to express my sincere appreciation to the Board, the management and all staff for their hard work in creating a good performance result in the past year. I firmly believe that Mr. Li Ping, with his extensive industry experiences and excellent leadership, together with the original Board members and newly appointed directors, Mr. Zhang Zhiyong and Mr. Yuan Jianxing, and other members of the management, will continue to lead the Company, as always, and achieve excellent results to maximize return for shareholders!

Finally, on behalf of the Board, I would like to express my gratitude to all shareholders and customers for their unwavering trust and support for the Company.

Wang Xiaochu
Chairman

Beijing, PRC
8 April 2008

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

I am very pleased to report the robust operating performance of the Company in 2007. During last year, we endeavored to strengthen the development of our core businesses, actively expanded our markets, and thereby achieving good operating results. Since the completion of the acquisition of the businesses of specialized telecommunications support services in 13 provinces (municipality and autonomous regions) from our parent company in August 2007, we also announced the acquisition of China International Telecommunications Construction Corporation ("CITCC") on 3 April 2008, demonstrating the excellent strategic vision and efficient execution capability of the management.

Financial Results

By adhering to the established development strategies, we effectively implemented customer-oriented marketing programs. In 2007, we attained outstanding achievement in market expansion and sound financial results. Our revenue reached RMB23,538.38 million, representing a year-on-year growth of 21.9%. The profit attributable to the equity shareholders/owner was RMB1,167.25 million, representing a year-on-year growth of 42.9%. The basic earnings per share were RMB0.214. By strengthening working capital management and adopting a prudent strategy on capital expenditure, our free cash flow turned positive.

Business Performance

In 2007, we recorded a continued growth in our three main businesses. Of which, telecommunications infrastructure services developed at a steady pace and remained as the Company's major source of revenue, representing 47.1% of our total revenue. The Company captured the opportunities from the telecommunications operators' trend of outsourcing services. It also met the demands of operators as well as government agencies and corporate customers for logistics services relating to procurement of communications accessories. As a result, revenue from our business process outsourcing services grew by 51.8% over the same period of last year, becoming the major driver for revenue growth. During the year, we also strengthened our efforts in business nurturing and cross-regional replication of applications, content and other services. We actively innovated and explored the development of new businesses and products, recording a rapid revenue growth of 39.7% as compared with the same period of last year.

Enhancing Service Capabilities to Accelerate Organic Growth

In 2007, we strengthened our service-oriented culture with emphasis on service quality, efficiency and operating results. Tailoring different needs of different customer classes, we established a three-tier sales and marketing system at head office level, provincial office level and individual subsidiaries level, and initially set up customer-oriented business workflows, operational analysis system and IT system. As a result of the above measures, we achieved remarkable results in market expansion and our customer sources became more diversified. Revenues from customers other than China Telecommunications Corporation grew by 35.4%, in which revenue from China Mobile Communications Corporation and revenue from government agencies and corporate customers increased by 36.2% and 38.7% respectively, and our customer composition was further optimized.

In 2007, the Company actively participated in the expanded TD-SCDMA trial network projects and efficiently completed all construction projects on schedule and in high service standard, gaining extensive management and practical experience. Leveraging our years of experience in GSM and CDMA network projects, our monitoring of the development of different 3G technologies and our resources reserve such as manpower, the Company was well-positioned for 3G roll-out in China.

With a solid foundation in the domestic market, we also actively expanded overseas to seize business opportunities in the emerging telecommunications markets. At the end of 2007, we have established China Communications Services (Hong Kong) International Limited as a platform to unify management coordination and risk control for future expansion in overseas markets. With "Go Abroad" external expansion strategy, the Company will continue to strengthen its efforts in overseas markets expansion, focusing on the development of integrated network outsourcing services for overseas operators, and business development in Hong Kong and Macau, Southeast Asia, Central Asia, Middle East and Africa market. We will enhance our strategic cooperation with the operators and equipment manufacturers and leverage on our complementary advantages to further expand our market share in overseas markets.

Focus on Resource Integration and Realize External Growth

On the basis of organic growth, we completed the acquisition from our parent company the businesses of providing the specialized telecommunications services in the 13 provinces (municipality and autonomous regions) during the year. These provinces are located in the central and western parts of China with rapid economic development and greater development potential. After the acquisition, we actively promoted restructuring and initially achieved integration synergies. In 2007, the newly acquired provincial subsidiaries achieved robust operating results. The revenue from the newly acquired provincial subsidiaries was RMB6,242.24 million, up 21.7% year-on-year. The profit attributable to the equity shareholders/owner was RMB284.38 million[(1)], reaching the Company's profit forecast, with increased operational efficiency.

In April 2008, we announced the acquisition of CITCC. The acquisition, conductive to realization of large-scale nationwide operation, will further extend our primary service area in the northern 10 provinces. We expect that CITCC's advantages in high-end business areas and extensive experience in overseas businesses will make sound contribution to the Company's future development. After completion of the acquisition, the Company will apply its successful experience in integrating the 13 provincial subsidiaries to integration of the newly acquired CITCC so as to realize overall efficiency at an early stage.

Strengthen Operational Management and Improve Risk Management

In 2007, the Company further strengthened internal management and improved management standard. During the process of acquisition and restructuring, the Company continued to optimize its organizational structure and effectively conducted business integration. In order to strengthen internal cooperation and communication, we have established three specialized coordination committees on design, construction and supervision businesses respectively so as to maximize the interest of the Company as a whole. We also optimized our organizational hierarchy, rationalized our management process and reduced the number of subsidiaries and management layers, and thereby improving the Company's operational efficiency.

(1) Including the relevant financing cost of acquisition.

In 2007, the Company initially established a three-tier risk prevention system for head office level, provincial office level and individual subsidiaries level, and implemented a two-tier deployment system for risk management to improve internal control and risk management workflow, and thereby effectively monitoring operational risks. We further formalized our remuneration structure and performance appraisal system to link performance with long-term incentive mechanism. In 2007, the Share Appreciation Rights Scheme of the Company has been approved by the Board and our shareholders, and will be implemented and promoted in the newly acquired subsidiaries in the 13 provinces.

Seizing Future Opportunities in Our Industry Proactively

As the leader in the telecommunications support service industry, we see clearly the future challenges and opportunities. The Chinese government's strong initiative to accelerate the informatization of the society, and the development of the new generation of information technology will continuously promote the domestic telecommunications industry, creating new markets and new opportunities. At the same time, the growing outsourcing trend in the global telecommunications industry and the upgrading of telecommunications network technology have created new opportunities for the industry. We believe that through the implementation of our existing development strategies, with our specialized one-stop service model and service innovation, we will be able to seize future opportunities in our industry.

Pursuant to the approval of Board resolution today, Mr. Wang Xiaochu will resign from his positions as the Chairman and non-executive director, and he will be appointed as the Honorary Chairman of the Company. Meanwhile, I will be appointed as the Chairman. On behalf of the Board, I would like to express our gratitude and appreciation for the valuable contribution of Mr. Wang Xiaochu to the Company. I will continue to work hard and create greater value for our shareholders!

Finally, I would like to take this opportunity to express my sincere appreciation to all of our shareholders and customers for their care and support, and my gratitude to the Directors and our staff for their hard work!

Li Ping
Vice Chairman and Chief Executive Officer

Beijing, PRC
8 April 2008

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 2007, extracted from the audited financial statements of the Group as set out in its 2007 annual report.

Consolidated income statement
for the year ended 31 December 2007
(Expressed in Renminbi)

	Note	**2007** **RMB'000**	2006 *RMB'000* *(restated – note 1)*
Revenues	*3*	**23,538,381**	19,312,732
Cost of revenues	*4*	**(19,473,632)**	(15,745,797)
Gross profit		**4,064,749**	3,566,935
Other operating income	*5*	**341,485**	196,681
Selling, general and administrative expenses		**(2,794,662)**	(2,476,881)
Other operating expenses		**(12,579)**	(28,350)
Deficit on revaluation of property, plant and equipment		**–**	(135,629)
Net financing income	*6*	**41,682**	87,315
Share of profits less (losses) of associates		**3,575**	(14)
Negative goodwill		**–**	4,039
Profit before tax	*7*	**1,644,250**	1,214,096
Income tax	*8*	**(461,056)**	(374,614)
Profit for the year		**1,183,194**	839,482
Attributable to:			
Equity shareholders/owner		**1,167,247**	816,754
Minority interests		**15,947**	22,728
Profit for the year		**1,183,194**	839,482
Final dividend	*9*	**371,348**	–
Basic and diluted earnings per share (RMB)	*10*	**0.214**	0.201

Consolidated balance sheet
at 31 December 2007
(Expressed in Renminbi)

	Note	**2007** **RMB'000**	2006 RMB'000 (restated – note 1)
Non-current assets			
Property, plant and equipment, net		**3,371,755**	2,997,587
Investment properties		**644,722**	445,518
Construction in progress		**228,174**	292,043
Lease prepayments		**371,799**	155,411
Intangible assets		**80,094**	45,312
Interests in associates		**11,064**	9,367
Other investments		**307,971**	173,553
Deferred tax assets		**96,371**	107,180
Total non-current assets		**5,111,950**	4,225,971
Current assets			
Inventories		**1,035,761**	980,230
Accounts and bills receivable, net	*11*	**6,627,607**	5,804,769
Prepayments and other current assets		**2,181,571**	2,116,936
Restricted deposits		**251,128**	–
Cash and cash equivalents		**6,632,252**	8,163,755
Total current assets		**16,728,319**	17,065,690
Total assets		**21,840,269**	21,291,661
Current liabilities			
Interest-bearing borrowings		**2,560,256**	157,700
Accounts and bills payable	*12*	**4,686,643**	4,182,105
Receipts in advance for contract work		**520,725**	680,048
Accrued expenses and other payables		**4,223,476**	3,652,347
Income tax payable		**198,360**	224,166
Total current liabilities		**12,189,460**	8,896,366

	Note	2007 *RMB'000*	2006 *RMB'000* *(restated – note 1)*
Net current assets		**4,538,859**	8,169,324
Total assets less current liabilities		**9,650,809**	12,395,295
Non-current liabilities			
Long-term borrowings, less current portion		**960**	13,000
Deferred tax liabilities		**11,641**	18,473
Non-current liabilities		**12,601**	31,473
Total liabilities		**12,202,061**	8,927,839
Equity			
Share capital		**5,444,986**	5,444,986
Reserves		**4,115,792**	6,772,127
Equity attributable to equity shareholders of the Company		**9,560,778**	12,217,113
Minority interests		**77,430**	146,709
Total equity		**9,638,208**	12,363,822
Total liabilities and equity		**21,840,269**	21,291,661

Notes

1. ORGANISATION AND BASIS OF PRESENTATION

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 in the Company's prospectus dated 27 November 2006) 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 way 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.

Pursuant to the acquisition agreement dated 15 June 2007, the Company acquired the telecommunications infrastructure services, business process outsourcing services and applications, content an 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 Intellingent Card System Co., Ltd. and Ningbo Public Information Industry Co., Ltd (the "Target Business") from CTC on 31 August 2007.

As the Target Business was under common control of CTC, the acquisition of the Target Business has been reflected in the accompanying consolidated financial statements as a combination of entities under common control and accounted for in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of the Target Business have been accounted for at historical costs and the consolidated financial statements of the Company prior to the foregoing acquisition have been restated to include the results of operations and assets and liabilities of the Target Business on a combined basis. The consideration paid by the Company for the acquisition of the Target Business has been accounted for as an equity transaction in the consolidated statement of changes in equity.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company and the Group 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 (the "Stock Exchange").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new or revised IFRSs would not result in substantial changes in the Group's accounting policies applied in the financial statements for the two years presented.

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:

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Revenue from telecommunications infrastructure services	**11,093,007**	10,941,175
Revenue from business process outsourcing services	**9,365,152**	6,167,397
Revenue from applications, content and others	**3,080,222**	2,204,160
	23,538,381	19,312,732

4 COST OF REVENUES

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Depreciation and amortisation	**305,205**	326,673
Direct personnel costs	**4,556,857**	3,937,327
Operating lease charges	**359,896**	235,161
Purchase of materials and telecommunications products	**7,632,433**	5,712,317
Subcontracting charges	**4,577,237**	3,582,311
Others	**2,042,004**	1,952,008
	19,473,632	15,745,797

5 OTHER OPERATING INCOME

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Dividend income from unlisted securities	**39,629**	28,816
Government grants	**66,914**	50,660
Net gain on disposal of investments	**52,250**	31,100
Net gain on disposal of property, plant and equipment	**129**	6,163
Net gain on disposal of held to maturity investment	**987**	–
Penalty income	**3,122**	3,362
Management fee income	**139,245**	45,104
Write-off of non-payable liabilities	**11,623**	6,920
Others	**27,586**	24,556
	341,485	196,681

6 NET FINANCING INCOME

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Interest income	**119,396**	123,201
Net foreign exchange loss	**(15,461)**	(8,017)
Change in fair value of derivative financial assets	**(9,461)**	–
Interest on bank advances and other borrowings wholly repayable within five years	**(52,792)**	(27,869)
	41,682	87,315

For the years ended 31 December 2007 and 2006, no borrowing costs were capitalised in relation to construction in progress.

7 PROFIT BEFORE TAX

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
(a) Staff costs:		
Salaries, wages and other benefits	**5,522,727**	4,812,438
Contributions to defined contribution retirement schemes	**509,294**	443,793
	6,032,021	5,256,231
(b) Other items:		
Depreciation and amortisation	**508,249**	532,155
Auditors' remuneration	**30,000**	10,800
Cost of inventories	**7,632,433**	5,712,317
Impairment losses on accounts and other receivables	**28,048**	36,179
Reversal of impairment losses on accounts and other receivables	**(39,322)**	(7,469)
Operating lease charges	**452,882**	305,689
Research and development costs	**22,136**	19,802
Share of associates' taxation	**615**	487

8 INCOME TAX

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

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Current tax		
PRC enterprise income tax	**427,793**	394,439
Deferred tax		
Origination and reversal of temporary differences	**33,263**	(19,825)
Total income tax	**461,056**	374,614

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

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Profit before tax	**1,644,250**	1,214,096
Expected PRC enterprise income tax expense at a statutory tax rate of 33% *(note (i))*	**542,603**	400,652
Differential tax rates on subsidiaries' income *(note (i))*	**(163,010)**	(129,433)
Non-deductible expenses *(note (ii))*	**44,734**	130,412
Non-taxable income *(note (iii))*	**(32,328)**	(48,575)
Tax losses not recognised *(note (iv))*	**41,830**	21,558
Reversal of previously recognised tax losses *(note (v))*	**18,146**	–
Effect on opening deferred tax resulting from a reduction in PRC statutory tax rate *(note (vi))*	**9,081**	–
Income tax	**461,056**	374,614

Notes:

(i) The provision of PRC 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 income tax rules and regulations for the years ended 31 December 2007 and 2006, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15%.

(ii) The amounts include personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purpose. The amounts for the year ended 31 December 2006 also include the deficit on revaluation of property, plant and equipment.

(iii) Non-taxable income mainly represents dividend income and negative goodwill.

(iv) The amount includes deferred tax assets not recognised amounting to RMB Nil (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 reassessed 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 PRC ("new tax law") was 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 taxes, the enterprise income tax rate applicable to the Group is reduced from 33% to 25% from 1 January 2008.

9 DIVIDENDS

(a) Final dividend

	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Final dividend proposed after the balance sheet date of RMB0.0682 per ordinary share (2006: nil)	**371,348**	–

The above amount of proposed final dividend for 2007 is based on 5,444,986,000 shares issued at 31 December 2007. In connection with the share placement as mentioned in post balance sheet event (see note 14), the total proposed final dividend will be increased by RMB22 million and total proposed final dividend will be RMB394 million when all such new shares are successfully placed.

(b) Special dividend

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 (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), out of which RMB117 million was directly distributed at the subsidiary level.

(c) Profit distribution by Target Business

As disclosed in the Circular of the Company dated 20 June 2007, in line with the principles set out in the "Notice of the Forwarding the Implementation Opinions of the state-owned Assets Supervision and Administration Commission about Further Standardisation of the Work Relating to the Reconstruction of State-owned Enterprise" issued by the General Office of the State Council of the PRC, the changes in net assets between the period from 1 February 2007 to 31 August 2007 of the Target Business to be distributed in form of cash to CTC and its subsidiaries amounting to RMB197 million in total.

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 year ended 31 December 2007 of RMB1,167 million (2006: RMB817 million) and the weighted average number of shares in issue during the year ended 31 December 2007 of 5,444,986,000 (2006: 4,057,643,000). The weighted average number of shares in issue during the year ended 31 December 2006 represents the number of shares issued and outstanding upon the legal formation of the Company on 30 August 2006 as if such shares have been outstanding for the above entire year. The weighted average number of shares for the year ended 31 December 2006 also reflects the issuance of 1,484,986,000 shares in 2006 in connection with the Company's initial public offering.

The weighted average number of shares in issue is set out below:

	2007 ***Thousands shares***	2006 *Thousands shares*
Ordinary share issued at 1 January	**5,444,986**	–
Shares issued to CTC upon formation of the Company in 2006 as if such shares have been outstanding for the entire year in 2006	**–**	3,960,000
Effect of shares issued in December 2006	**–**	97,643
	5,444,986	4,057,643

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

	The Group	
	2007 ***RMB'000***	2006 *RMB'000* *(restated – note 1)*
Bills receivable	**39,228**	96,655
Unbilled revenue for contract work	**1,050,796**	1,133,045
Trade receivables	**5,611,097**	4,663,398
	6,701,121	5,893,098
Less: impairment losses	**(73,514)**	(88,329)
	6,627,607	5,804,769

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB3,344 million (2006: RMB3,334 million) as at 31 December 2007. 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:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Current	**3,616,471**	3,925,762
Within 1 year	**2,649,994**	1,522,487
After 1 year but less than 2 years	**309,942**	304,554
After 2 years but less than 3 years	**40,623**	44,657
After 3 years	**10,577**	7,309
Amount past due	**3,011,136**	1,879,007
	6,627,607	5,804,769

(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:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
At 1 January	**88,329**	72,998
Impairment loss recognised	**19,467**	25,576
Reversal of impairment loss previously recognised	**(30,695)**	(7,469)
Uncollectible amounts written off	**(3,587)**	(2,776)
At 31 December	**73,514**	88,329

At 31 December 2007, the Group's accounts and bills receivable of RMB14.4 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 RMB12.5 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:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Neither past due nor impaired	**3,487,520**	3,633,117
Within 1 year	**2,555,504**	1,408,994
After 1 year but less than 2 years	**298,891**	281,851
After 2 years but less than 3 years	**39,175**	41,328
After 3 years	**10,200**	6,764
At 31 December	**6,391,290**	5,372,054

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.

12 ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Accounts payable	**4,060,211**	4,002,570
Bills payable	**626,432**	179,535
	4,686,643	4,182,105

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

	The Group	
	2007	2006
	RMB'000	*RMB'000*
		(restated – note 1)
Within 1 year	**4,225,513**	3,985,454
After 1 year but less than 2 years	**368,011**	140,398
After 2 years but less than 3 years	**55,060**	33,121
After 3 years	**38,059**	23,132
	4,686,643	4,182,105

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB205 million (2006: RMB170 million) as at 31 December 2007. The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

13 Segment reporting

For the years ended 31 December 2006 and 2007, 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 Post balance sheet events

(a) On 28 March 2008, the Company entered into a placing and underwriting agreement in relation to the placing (the "Placing") of an aggregate of 359,365,600 new overseas-listed foreign-invested shares at a price of HK$5.25 per share (the "Placing Shares"). The Placing Shares comprise of (1) 326,696,000 H Shares (the "New Shares") to be allotted and issued by the Company in connection with the Placing, and (2) 32,669,600 H Shares to be allotted and issued by the Company upon the conversion of the same number of existing domestic legal person shares by the National Council for the Social Security Fund of the PRC (the "NSSF", and such H Shares, the "NSSF Shares"). Completion of the Placing is conditional upon the fulfilment of certain conditions as specified in the placing and underwriting agreement and the granting of and permission to deal by the Listing Committee of the Stock Exchange.

Completion of the Placing is expected to take place on or about 9 April 2008 or such other time or date as the Company and the placing agent may agree.

(b) Pursuant to the Equity Transfer Agreement dated 3 April 2008 entered into between the Company and China National Postal and Telecommunications Appliances Corporation (the "vendor"), the Company will acquire 100% equity interest of China International Telecommunications Construction Corporation for a consideration of RMB505 million in cash. Completion of the above transaction is conditional upon the fulfilment of certain conditions as specified in the Equity Transfer Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

On 31 August 2007, the Company completed the acquisition from China Telecommunications Corporation of the businesses (the "Target Business") 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, together with the equity interests in Guangdong Nanfang Communication GSM Intellingent Card System Co., Ltd. and Ningbo Public Information Industry Co., Ltd.. As the Target Business was under common control of China Telecommunications Corporation, the acquisition of the Target Business has been reflected in the accompanying consolidated financial statements as a combination of entities under common control and accounted for in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of the Target Business have been accounted for at historical costs and the consolidated financial statements of the Company prior to the foregoing acquisition have been restated to include the financial conditions and results of operations of the Target Business on a combined basis. Unless otherwise stated in this section, the financial information for the periods prior to the acquisitions were restated.

In 2007, the Company continued to adhere to its established development strategies. By pursuing the complementary development strategies of organic and external growth, along with other measures such as the effective sales and marketing strategies and comprehensive budget management, the Company achieved favourable operating results. Our revenues amounted to RMB23,538.38 million, an increase of 21.9% from 2006. Profit attributable to equity shareholders/owner of the Company was RMB1,167.25 million, an increase of 42.9% from 2006. Basic earnings per share were RMB0.214, an increase of 6.5% from 2006. The free cash flow turned positive.

In 2007, the Company successfully completed its acquisitions of the Target Business from its parent company. With the Company's effective integration measures and enhancement in management efficiency, the Target Business achieved satisfactory results and their profits met our expectations, resulting in accretion to our earnings per share. Our leading market position and competitiveness were strengthened, thereby providing a promising prospect for our further development.

Revenues

Our revenues in 2007 were RMB23,538.38 million, an increase of 21.9% from 2006. Of which, revenue from telecommunications infrastructure services was RMB11,093.01 million, an increase of 1.4% from 2006; revenue from business process outsourcing services was RMB9,365.15 million, an increase of 51.8% from 2006; revenue from applications, content and others was RMB3,080.22 million, an increase of 39.7% from 2006. Business process outsourcing services and applications, content and others were the major sources of our revenues growth in 2007. In terms of customers structure, the Company's revenues from customers other than China Telecommunications Corporation amounted to RMB12,004.84 million, representing 51.0% of the total revenues, an increase of 5.1 percentage points from 45.9% in 2006. Revenues from China Mobile Communications Corporation and government agencies and corporate customers increased significantly when compared with 2006. The Company's composition of revenues was further optimized.

The following table sets forth a breakdown of our revenues for 2006 and 2007, together with their respective rates of change:

(RMB in thousands, except percentage data)

	2007	2006	Percentage change
Telecommunications Infrastructure Services			
Design services	**2,436,345**	2,341,945	4.0%
Construction services	**8,071,188**	8,082,346	(0.1)%
Project supervision and management services	**585,474**	516,884	13.3%
	11,093,007	10,941,175	1.4%
Business Process Outsourcing Services			
Network maintenance	**1,572,953**	722,646	117.7%
Distribution of telecommunications services and products	**6,097,148**	4,017,846	51.8%
Facilities management	**1,695,051**	1,426,905	18.8%
	9,365,152	6,167,397	51.8%
Applications, Content and Others			
IT applications	**1,546,478**	1,009,513	53.2%
Internet service	**478,022**	343,769	39.1%
Voice VAS	**325,661**	286,990	13.5%
Other	**730,061**	563,888	29.5%
	3,080,222	2,204,160	39.7%
Total	**23,538,381**	19,312,732	21.9%

Telecommunications Infrastructure Services

In 2007, our revenue from telecommunications infrastructure services was RMB11,093.01 million, which was still our primary source of income. This business accounted for 47.1%, representing a decrease of 9.6 percentage points from 56.7% in 2006, due to more rapid development of our business process outsourcing services and applications, content and others. Revenue from this business was mainly related to the capital expenditure of telecommunications operators. In anticipation of the ongoing control over capital expenditure by fixed line operators, we actively explored business opportunities with other telecommunications operators, thereby having successfully maintained the continued stable growth in this business. As a result, the revenue from this business increased by 1.4% in 2007 from RMB10,941.18 million in 2006.

Business Process Outsourcing Services

In 2007, our revenue from business process outsourcing services was RMB9,365.15 million, representing an increase of 51.8% over RMB6,167.40 million for 2006. Business process outsourcing services accounted for 39.8% of our revenues, representing an increase of 7.9 percentage points from 31.9% of 2006. Of which, revenue from distribution of telecommunications services and products was RMB6,097.15 million, representing an increase of 51.8% from 2006. The increase was mainly due to the continuous rapid growth in our sales of mobile handsets and telecommunications terminals, and the further development of our logistics distribution services in 2007. Besides, in 2007, the major telecommunications operators aggressively outsourced its network maintenance with a view to improve its service quality and lower their operating costs. This provided an excellent opportunity for the Company to develop its market in the network maintenance business. In 2007, revenue from the network maintenance business amounted to RMB1,572.95 million, an increase of 117.7% from 2006.

Applications, Content and Others

In 2007, the Company made significant efforts in developing its business in applications, content and others, thereby leading to our business growth. In particular, there was greater business growth in IT applications, which included system integration, telecommunications network support services and software development. As a result of our efforts, this business achieved a rapid revenue growth, amounting to RMB3,080.22 million, representing 13.1% of the total revenues and an increase of 39.7% over RMB2,204.16 million in 2006. Of which, revenue from the IT applications amounted to RMB1,546.48 million, an increase of 53.2% from 2006. The Company expects this business will become the major contributor to our future revenue growth.

COST OF REVENUES

Our cost of revenues in 2007 was RMB19,473.63 million, representing an increase of 23.7% from 2006 and accounting for 82.7% of the revenues.

The following table sets out a breakdown of our cost of revenues in 2006 and 2007 and their respective rates of change:

(RMB in thousands except percentage data)

	2007	2006	Percentage change
Direct personnel costs	**4,556,857**	3,937,327	15.7%
Depreciation and amortization	**305,205**	326,673	(6.6)%
Purchase of materials and telecommunications products	**7,632,433**	5,712,317	33.6%
Subcontracting charges	**4,577,237**	3,582,311	27.8%
Operating lease charges and others	**2,401,900**	2,187,169	9.8%
Total cost of revenues	**19,473,632**	15,745,797	23.7%

Direct Personnel Costs

In 2007, direct personnel costs were RMB4,556.86 million, which accounted for 19.4% of revenues and an increase of 15.7% over RMB3,937.33 million for 2006. On one hand, the Company effectively controlled the personnel costs through strict control over the total headcounts, ensuring that personnel costs grew at a rate slower than the growth of revenues, while on the other hand, we provided initiatives to different levels of personnel through the establishment of a performance appraisal system, improvement in our remuneration system and staff allocation structure.

Depreciation and Amortization

In 2007, depreciation and amortization amounted to RMB305.21 million, which accounted for 1.3% of the revenues and a decrease of 6.6% over RMB326.67 million for 2006.

Purchase of Materials and Telecommunications Products

In 2007, our business of distribution of telecommunications services and products continued to grow strongly, resulting in a significant increase in revenues. Accordingly, the cost of the purchase of materials and telecommunications products increased significantly, amounting to RMB7,632.43 million, representing 32.4% of revenues and an increase of 33.6% from RMB5,712.32 million for 2006. Of which, the cost of the purchase of construction materials was RMB2,688.26 million, a decrease from RMB3,000.25 million for 2006, and the cost of the purchase of telecommunications products was RMB4,944.18 million, an increase of 82.3% over RMB2,712.07 million for 2006.

Subcontracting Charges

In 2007, subcontracting charges were RMB4,577.24 million, which accounted for 19.4% of revenues and represented an increase of 27.8% over RMB3,582.31 million for 2006. The increase in subcontracting charges was mainly derived from the construction business and network maintenance business. Subcontracting charges of the construction business increased mainly because the Company continued to improve its business subcontracting arrangement. The new subcontracting arrangement required subcontractors to bear the costs of materials. This arrangement resulted in saving of the Company’s working capital and minimized its exposure to material price fluctuations. In 2007, as the network maintenance business grew significantly, the Company increased its outsourcing of low-end maintenance business.

Operating Lease Charges and Others

In 2007, operating lease charges and others were RMB2,401.90 million, which accounted for 10.2% of the revenues and represented an increase of 9.8% over RMB2,187.17 million for 2006.

Gross Profit

In 2007, the Company's gross profit amounted to RMB4,064.75 million, representing an increase of RMB497.81 million from RMB3,566.94 million in 2006. The Company's gross profit margin in 2007 was 17.3%, representing a decrease of 1.2 percentage points over 18.5% in 2006. In 2007, the performance of the business of distribution of telecommunications services and products was strong with a significant increase in revenues. However, its gross profit margin was lower than the overall gross profit margin, resulting in a decrease in our gross profit margin. In addition, the Company adopted a more competitive pricing strategy that expanded the business while in a certain extent affected the gross profit margin.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Our selling, general and administrative expenses in 2007 were RMB2,794.66 million, representing an increase of 12.8% over RMB2,476.88 million for 2006. Through strengthening of comprehensive budget management, the Company effectively controlled its selling, general and administrative expenses. In 2007, the selling, general and administrative expenses accounted for 11.9% of the revenues, representing a decrease of 0.9 percentage points over 12.8% in 2006.

NET FINANCING INCOME

In 2007, our net financing income was RMB41.68 million, a decrease of RMB45.64 million, or 52.3%, over RMB87.32 million for 2006. The net financing income in 2006 included the interest income accrued on the application money under our initial public offering in 2006 (the "IPO").

INCOME TAX

Except for subsidiaries incorporated in high-technology zone, special economic region or certain subsidiaries operating in western part of China which are subject to a preferential income tax rate of 15%, the Company and other subsidiaries of the Group are subject to an income tax rate of 33%. The income tax in 2007 was RMB461.06 million and our effective tax rate was 28.0%. The difference between our effective tax rate and the statutory tax rate was mainly due to the effect of the aforesaid preferential tax rate of the subsidiaries.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS/OWNER

In 2007, profit attributable to equity shareholders/owner of the Company was RMB1,167.25 million, an increase of 42.9% over RMB816.75 million for 2006. Excluding the deficit of RMB135.63 million on revaluation of property, plant and equipment arising pursuant to the restructuring in 2006, profit attributable to equity shareholder of the Company was up by 22.6%.

CAPITAL EXPENDITURE

Our Company implemented strict budget management, and adjusted the capital expenditure plan according to changes in market condition. In 2007, our capital expenditure, excluding those for the acquisition of the Target Business in 2007, amounted to RMB719.54 million, a decrease of 25.9% over RMB971.60 million in 2006, excluding the acquisition of assets relating to our restructuring in 2006. The capital expenditure in 2007 represented 3.1% of our total revenues, a decrease of 1.9 percentage point compared with 2006. Our capital expenditure included the purchase of production equipments, facilities, machineries, vehicles, office equipments, plant and buildings and other operating assets.

CASH FLOWS AND CAPITAL RESOURCES

Cash Flows

In 2007, our net cash outflow was RMB1,530.37 million. In 2006, our net cash inflow was RMB3,207.89 million. By the end of 2007, the amount of our cash and cash equivalents was RMB6,632.25 million, of which 99.7% was accounted for in Renminbi.

The following table sets out our cash flow position in 2006 and 2007:

	2007	2006
	(RMB in thousands)	
Net cash generated from operating activities	**1,663,776**	424,454
Net cash used in investing activities	**(5,183,186)**	(801,637)
Net cash generated from financing activities	**1,989,038**	3,585,070
Net (decrease)/increase in cash and cash equivalents	**(1,530,372)**	3,207,887

In 2007, our net cash generated from operating activities was RMB1,663.78 million, an increase of RMB1,239.33 million from RMB424.45 million for 2006. The significant increase in net cash inflow from operating activities was mainly due to the rapid development of our operations and the improvement of our working capital management.

In 2007, our net cash used in investing activities was RMB5,183.19 million, an increase of RMB4,381.55 million over RMB801.64 million for 2006, which was mainly due to the successful acquisition of the Target Business from our parent company for a consideration of RMB4.6 billion.

In 2007, our net cash generated from financing activities was RMB1,989.04 million. In 2006, net cash generated from financing activities was RMB3,585.07 million. Our cash generated from financing activities during the year included the debt financing of RMB1.6 billion in respect of the consideration of the acquisition of the Target Business from our parent company. In 2006, our net cash generated from financing activities was mainly due to the proceeds from our IPO.

Working Capital

By the end of 2007, our working capital (i.e. non-cash current assets minus operating current liabilities) was RMB414.10 million, an increase of RMB26.66 million from RMB387.44 million in 2006. While achieving rapidly increase of operating revenues, we strengthened our management of prepayments and obtained more favourable credit terms, and thereby maintained working capital at a stable level.

Indebtedness

By the end of 2007, our total indebtedness was RMB2,561.22 million, the majority of which was fixed interest rate loans, representing an increase of RMB2,390.52 million from RMB170.70 million in 2006. As stated in the circular regarding the completion of the acquisitions of the Target Business dated 20 June 2007, we intended to borrow RMB2.0 billion to finance the acquisitions. In its actual operations, through effective cash management, the Company fully utilized its internal funding and only RMB1.6 billion debt financing was materialized. Apart from this, all other new loans were short-term loans borrowed by the subsidiaries as supplement to working capital.

By the end of 2007, our gearing ratio(2) was at a more reasonable level of 21.1%, an increase of 19.7 percentage point from 1.4% in 2006.

CONTRACTUAL OBLIGATIONS

The following table sets out our contractual obligations as of 31 December 2007:

	Total	2008	2009	2010	2011	2012	After 2012
				(RMB in thousands)			
Short-term debt	2,560,256	2,560,256	–	–	–	–	–
Long-term debt	960	–	960	–	–	–	–
Operating lease commitments	286,361	119,888	73,898	56,743	26,388	4,326	5,118
Capital commitments	47,368	47,368	–	–	–	–	–
Of which:							
Authorized and contracted	9,714	9,714	–	–	–	–	–
Authorized but not contracted	37,654	37,654	–	–	–	–	–
Total of contractual obligations	2,894,945	2,727,512	74,858	56,743	26,388	4,326	5,118

EXCHANGE RATE

Most of our Company's revenues and expenses are settled in Renminbi, therefore the risks associated with foreign currency exchange rate have no significant impact on our business performance. By the end of 2007, the balance of our cash and cash equivalents in foreign currencies only accounted for 0.3% of our total cash and cash equivalents.

(2) Gearing ratio equals to total debts divided by the sum of total debts and total equity at the end of each financial year.

ACQUISITIONS AND INTEGRATION

Our Company completed the acquisition of the Target Business in August 2007. Upon the completion of the acquisition, we reinforced the integration of the Target Business and further enhanced the management efficiency and operational efficiency of these companies. In 2007, the results of the Target Business reached the profit forecast stated in the acquisition circular sent to the shareholders dated 20 June 2007. The revenues of the Target Business amounted to RMB6,242.24 million in 2007, representing an increase of 21.7% over 2006. The profit attributable to the shareholders/ owner was RMB284.38 million(1), an increase of 135.7% from 2006. Meanwhile, the operational efficiency of the Target Business has been improved considerably. The account receivable turnover days were 156 days in 2007, 19 days less than that of 2006. The selling, general and administrative expenses accounted for 12.2% of the total revenues, a decrease of 4.6 percentage point over 2006. The favourable performance of the Target Business resulted in significant earnings per share accretion to our Company. In view of the further internal integration in future, we believe that we will create even greater values to the shareholders.

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

For the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

Our 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 Annual Report for the year ended 31 December 2007.

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 other applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as basic guidelines for the Company's corporate governance. For the year ended 31 December 2007, 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 transactions in the Company's securities in the reporting period.

CLOSURE OF SHARE REGISTER

The Company's share register will be closed from Wednesday, 14 May 2008 to Friday, 13 June 2008 (both days inclusive), during which all transfers of shares in the Company will be suspended. In order to be qualified for the proposed dividend or eligible to attend the 2007 annual general meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, before 4:30 p.m. on Tuesday, 13 May 2008.

ANNUAL REPORT

The annual report for the year ended 31 December 2007 will be despatched to shareholders and published on the website of the Stock Exchange (www.hkex.com.hk) as well as 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 statements contained in this announcement. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events but are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual result 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 executive director is Mr. Li Ping, our President and executive director is Mr. Zhang Zhiyong, our Executive Vice President, Chief Financial Officer and executive director is Mr. Yuan Jianxing, 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.