中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

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

(Stock Code: 552)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

- Revenues were RMB39,499 million, up by 19.7%.
- Profit attributable to equity shareholders of the Company was RMB1,599 million, up by 20.5%.
- Basic earnings per share was RMB0.277, up by 18.9%.
- Revenues from the three telecommunications operators achieved a year-on-year growth of 26.3%.
- Through proactive overseas markets expansion strategies, overseas revenues achieved a substantial year-on-year growth of 82.3%.
- Through strengthening working capital management, free cash flow for the year amounted to RMB1,207 million.
- The Board recommended a final dividend of RMB0.1108 per share for 2009, up by 21.4%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report to you the overall operating results of the Group in 2009.

In 2009, the Group continued to implement its customer-focused service innovation strategy, seized opportunities, expanded our markets and improved services and efficiency and as a result we were able to achieve good operating results.

In 2009, total revenue of the Group reached RMB39,499 million, representing a year-on-year growth of 19.7%. Profit attributable to equity shareholders was RMB1,599 million, representing a year-on-year growth of 20.5%. Free cash flow reached RMB1,207 million, remaining at a stable level. Having considered the interests of, and return to, our shareholders, and the funding requirements of the Group's long-term development, the board of directors of the Company (the "Board") has proposed to pay a final dividend of RMB0.1108 per share for the financial year ended 31 December 2009, representing a year-on-year growth of 21.4%.

1. Focused On Customer Needs And Seizing Opportunities For Development

In 2009, the Group quickly responded to the network construction demands of the three telecommunications operators, with revenues from those customers achieving a year-on-year growth of 26.3%. In 2009, the three telecommunications operators invested tremendously in 3G network construction, and the subsequent demand for services, including network capacity expansion, optimization, maintenance and content applications etc. is expected to continue. Furthermore, industry development and technology evolution will bring new business opportunities for the improvement and upgrade of broadband networks. While revenue from telecommunications operators grew stably, contributions from government agencies and corporate customers to the Group became more and more significant. In 2009, in accordance with the State's policy of stimulating domestic demand, the Group captured the opportunities for the State's urbanization construction and informatization construction of government agencies and corporate customers and provided them integrated services such as communications network consulting, design, construction and maintenance, and achieved favorable growth in revenues from government agencies and corporate customers.

2. Overseas Markets Expansion With Remarkable Results

Overseas markets expansion is one of our long term development strategies. In 2009, the Group implemented proactive overseas market expansion strategies, further improved our mechanism in overseas market expansion, strengthened our management in overseas platforms and co-ordination and interaction of front-end and back-end operation, and set up co-operative mechanisms with telecommunications equipment vendors, telecommunications operators, large-scale state-owned enterprises and national financial institutions for the purpose of complementing our mutual strengths, sharing resources and jointly developing overseas markets. In 2009, overseas revenues achieved a substantial year-on-year growth of 82.3%, representing 3.3% of the Group's overall revenues. At present, we have completed Phase I of the nationwide optical fiber transmission network projects in Congo (K) and Tanzania. Phase II of the project has already commenced in Congo (K) and we also have several additional strategic projects in the pipeline. The Group expects that contributions of overseas revenues to overall revenues will continue to increase significantly over the coming years.

3. Innovative ACO Business Development And Building Branded Enterprises

In 2009, the Group continued to accelerate the development of businesses in applications, contents and other ("ACO") services, strengthened internal integration and external co-operation, and strived to improve its core competitiveness. The Company and Accenture International Sarl recently established a joint venture, China Communication Service Application Solution Technology Co. Ltd., to jointly develop businesses in the domestic IT market. In future, the Group will continue to identify suitable acquisition opportunities, and strive to capture opportunities to accelerate our development.

4. Enhanced Core Management And Improved Corporate Operational Efficiency

In 2009, the Group stably progressed its internal integration by setting up strategic business units focusing on professional services such as designs and construction, reducing the number of companies and gradually achieved the transformation from functional management to integrated operational control for our provincial subsidiaries. At the same time, the Group further facilitated the centralized management in finance, procurement and project sub-contracting, improved its operational efficiency and further realized benefits from economies of scale.

5. Continual Improvement Of Corporate Governance Standards And Achieved Social Recognition

While our results grow steadily, the Group also strictly complied with relevant laws and regulations and further optimized its corporate governance structure to ensure a stable, optimized and effective internal control system. During the year of 2009, the Board completed its session change and all the members of the first session continue to hold their positions. Half of the Board members are independent non-executive directors, thereby maintaining the Board's continuity and independence of operation.

In 2009, the Group actively promoted its corporate culture construction. With the objective of people-oriented, concern on staff and customer care, we carried out our social responsibilities proactively and operated in good faith, establishing a harmonious enterprise. The Group is widely recognized for these efforts by the communities in which we operate. The Company was awarded "The Most Faithful Enterprise in China of 2009" by the China Faithful Enterprise Election Committee, and we were also ranked as one of "China's Most Promising Companies 2009" by the authoritative international financial magazine, The Asset.

Outlook

Throughout more than three years since our listing in the end of 2006, through the enormous efforts of the whole Group, we have been able to sustain healthy business growth with expanding market share and continued enhancement in operating results, laying a solid foundation for our sustained, rapid and healthy development in the future. Looking forward, macro-economic environment in the PRC continue to be optimistic, and potential in both domestic and overseas markets is expected to expand further. With telecommunications operators' full service integrated operations, convergence of the three networks, the emergence of Cloud Computing and Internet of Things and escalating demand for mobile Internet applications, there will be tremendous opportunities provided to the Group for our future development. Entering 2010, we will adhere to our defined development strategy, optimize our resource allocation, speed up our development in overseas market, enhance our core capabilities and foster innovation. Our goal is to establish ourselves as an enterprise delivering excellent results through high efficiency and outstanding core competitiveness.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all our customers and shareholders who showed their care and support to the Group and my utmost respect to all our dedicated and tireless staff!

Li Ping
Chairman

Beijing, PRC
30 March 2010

PRESIDENT'S STATEMENT

Dear Shareholders,

I am very pleased to present the operating results of the Group in 2009.

In 2009, the Group recorded revenues of RMB39,499 million, representing a year-on-year growth of 19.7%. Profit attributable to equity shareholders amounted to RMB1,599 million, representing a year-on-year growth of 20.5%. The continuous and stable growth of our operating results was mainly achieved by seizing the opportunities arising from 3G network construction and subsequent increasing demand for associated support services. Furthermore, by focusing on customer needs, effectively developing our markets, strengthening our cash management and improving operating efficiency and effectiveness, the Group was able to deliver strong results over the past year.

In 2009, costs of revenues of the Group amounted to RMB33,127 million, representing a year-on-year growth of 19.9%, which was basically in line with our revenue growth. The Group's gross profit margin was 16.1%, maintaining a similar level to last year. Net profit margin for the year was 4.0%, on par with last year. Through strengthening working capital management and adopting a prudent strategy in capital expenditure, our free cash flow for the year amounted to RMB1,207 million, achieving favorable financial results.

In 2009, we achieved a continuous and stable growth in all three of our main businesses. Our revenue from telecommunications infrastructure ("TIS") services saw a year-on-year increase of 25.8%, of which TIS revenues from government agencies and corporate customers increased by 28.6% on a year-on-year basis. This favorable revenue growth was mainly attributable to increased investments in 3G network construction and optimization by the three telecommunications operators, increased investments in urbanization and informatization construction by government and our aggressive efforts to expand business in overseas markets.

Revenues from business process outsourcing services enjoyed a year-on-year increase of 16.0%, of which revenue from maintenance service recorded a year-on-year increase of 47.8%. The rapid growth in revenue was mainly due to increased demand for ongoing operational support services following network construction by telecommunications operators and their increasing trend towards outsourcing services. Moreover, by exercising effective control in the development of the distribution business[(1)] which has a lower profit margin, there was a positive contribution to keeping our overall gross profit margin stable.

Revenues from applications, contents and other services increased 8.5% on a year-on-year basis. We continued our efforts in internal business integration and the introduction of strategic co-operative partners to enhance our core capabilities. We also carried out innovative development models, set up the ACO Coordination Committee and established five major business lines including OSS[(2)], BSS[(2)], MSS[(2)], system integration/IT outsourcing, and mobile Internet value-added business, with focus on brand building. We are delighted to see initial success in business development and laying a solid foundation for rapid future development.

(1) Distribution business means distribution of telecommunications services and products.
(2) OSS (Operation Support System); BSS (Business Support System); MSS (Management Support System)

In 2009, the Group continued to develop its market and expanded its business coverage. While endeavouring to support the network construction and optimization of telecommunications operators, the Group also continued to strive for the development of government agencies and corporate customers. During the year, revenues from the three telecommunications operators amounted to RMB27,473 million, representing a year-on-year growth of 26.3%. Moreover, the Company renewed the strategic agreement with China Telecom Corporation Limited for a further three years, thereby consolidating the sound relationship with our major customer and securing the Group's ability to deliver sustainable development. Revenues from government agencies and corporate customers amounted to RMB12,026 million, representing a stable growth from the same period last year, of which the core businesses, including communication construction and maintenance, have developed rapidly. Whilst consolidating our domestic market share, the Group also took aggressive measures to expand its business in overseas markets. We built upon our strong collaborative relationships with telecommunications equipment vendors, telecommunications operators, large-scale state-owned enterprises and national financial institutions, managed our outsourcing projects diligently, and actively developed turn-key projects. In 2009, the Group achieved significant progress in overseas market expansion, and recorded revenue of RMB1,287 million, representing a year-on-year increase of 82.3%.

In the first half of 2009, the Group completed the acquisitions of a 51% equity interest in Guoxin Lucent Technologies Network Technologies Co., Ltd., a 95.945% equity interest in Shanghai Tongmao Import & Export Co., Ltd. and a 40% equity interest in Shenzhen Telecom Engineering Co. Limited respectively. The acquisitions facilitate the integration of our existing businesses of comprehensive logistic services, the development of operation support systems and further improve the overall competitive strengths of the Group.

In 2009, the Group further rationalized its internal control and risk management mechanism and enhanced systems for the identification and control of major risks, thereby ensuring the effective implementation of corporate strategies and protection of shareholders' interests. At the same time, we enhanced the overall operation management standard by promulgating management measures on outsourcing business, optimizing and promoting the EMOSS(3) management system, progressing centralized cash management, and improving the integration level of project management. The above measures have improved our efficiency in corporate operation effectively, enhanced the effective allocation of resources and effectively minimized operational risks.

In 2009, with our focus on people-oriented principles, the Group strengthened the building of our talent pool, optimized our human resources structure and enhanced labour deployment management. We established a forecast model for human resources requirement which allowed for dynamic staff allocation. We focused on recruiting high caliber professionals, strengthened training for core talents and optimized our annual performance assessment system, thereby providing strong human resources support for our long-term development.

(3) EMOSS (Enterprise Management Operation Support System)

Looking forward, underpinned by our established strategic direction, the Group will strive to perform the followings in 2010 in order to seize opportunities and accelerate development, with a view to bringing robust performance to our shareholders and society:

- While maintaining stable growth in TIS revenue, we will leverage the demand for full service integrated operation by telecommunications operators and speed up development in businesses such as maintenance, network optimization, logistics and mobile Internet applications. We will also step up our efforts in market development in Northern China and follow closely the opportunities from the three networks convergence, joint construction and sharing of telecommunications infrastructures and the evolution of new technologies.

- By seizing the demand for the State's urbanization construction and informatization construction of government agencies and corporate customers, we will endeavour to expand businesses for non-operator markets and strengthen co-operation with telecommunications operators, telecommunications equipment vendors and large-scale state-owned enterprises, focusing on key projects such as the construction of Shanghai Disneyland, the Asian Games in Guangzhou, high-speed railways, airports and expressways, so as to speed up our development.

- By accelerating our business development in overseas markets such as Africa, Latin America, the Middle East and Hong Kong and Macau, we will strive to achieve sustainable breakthrough in those overseas markets by capitalizing on our own strengths and enhancing our strong collaborative relationship with telecommunications equipment vendors, telecommunications operators, large-scale state-owned enterprises and national financial institutions, sharing each other's resources and complementing mutual strengths. We will optimize the construction of overseas support platforms, and regulate our financial, legal and logistics support, so as to ensure rapid business development in overseas markets and effective risk management.

- By implementing innovative models in ACO development, talents retention and incentive mechanisms, and increasing our investments in resources, we will strive to establish branded products and enterprises, with the objective of improving our competitiveness and accelerating market expansion.

- We will continue to progress internal integration, enhance resources allocation and strengthen cost control measures, with a view to further improving the value of the Company.

Zhang Zhiyong
President

Beijing, PRC
30 March 2010

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 2009, extracted from the audited financial statements of the Group as set out in its 2009 annual report.

Consolidated income statement
for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009** **RMB'000**	2008 *RMB'000* (restated– note 1)
Revenues	*5*	**39,499,450**	33,005,372
Cost of revenues	*6*	**(33,127,513)**	(27,632,368)
Gross profit		**6,371,937**	5,373,004
Other operating income	*7*	**520,810**	524,353
Selling, general and administrative expenses		**(4,691,507)**	(3,905,116)
Other operating expenses		**(76,782)**	(70,749)
Finance costs	*8*	**(88,435)**	(176,334)
Share of profits of associate		**1,571**	2,161
Profit before tax	*9*	**2,037,594**	1,747,319
Income tax	*10(a)*	**(427,356)**	(403,675)
Profit for the year		**1,610,238**	1,343,644
Attributable to:			
Equity shareholders of the Company		**1,598,589**	1,326,770
Minority interests		**11,649**	16,874
Profit for the year		**1,610,238**	1,343,644
Basic and diluted earnings per share (RMB)	*13*	**0.277**	0.233

Consolidated statement of comprehensive income
for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009** ***RMB'000***	2008 *RMB'000*
Profit for the year (restated–note 1)		**1,610,238**	1,343,644
Other comprehensive income/ (loss) for the year (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland PRC		**(1,324)**	(2,386)
Effect on opening deferred tax balances resulting from a change in tax rate		**(1,145)**	(2,065)
Available-for-sale securities: net movement in the fair value reserve	*11*	**35,612**	(38,694)
		33,143	(43,145)
Total comprehensive income for the year		**1,643,381**	1,300,499
Attributable to:			
Equity shareholders of the Company		**1,631,732**	1,283,625
Minority interests		**11,649**	16,874
Total comprehensive income for the year		**1,643,381**	1,300,499

Consolidated balance sheet
at 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000 (restated– note 1)
Non-current assets			
Property, plant and equipment, net		**3,912,721**	3,642,735
Investment properties		**685,959**	707,215
Construction in progress		**73,334**	231,008
Lease prepayments		**481,687**	431,291
Goodwill		**103,005**	103,005
Other intangible assets		**148,453**	115,581
Interest in associate		**12,960**	12,902
Other investments		**304,773**	269,788
Deferred tax assets		**140,552**	117,616
Total non-current assets		**5,863,444**	5,631,141
Current assets			
Inventories		**1,659,626**	1,182,471
Accounts and bills receivable, net	*14*	**10,467,689**	9,330,772
Prepayments and other current assets		**3,140,398**	2,975,964
Restricted deposits		**160,525**	178,312
Cash and cash equivalents		**8,870,424**	8,538,142
Total current assets		**24,298,662**	22,205,661
Total assets		**30,162,106**	27,836,802
Current liabilities			
Interest-bearing borrowings		**1,268,280**	1,993,426
Accounts and bills payable	*15*	**8,844,718**	7,746,787
Receipts in advance for contract work		**1,088,327**	808,196
Accrued expenses and other payables		**5,553,079**	4,826,825
Income tax payable		**194,701**	186,525
Total current liabilities		**16,949,105**	15,561,759
Net current assets		**7,349,557**	6,643,902
Total assets less current liabilities		**13,213,001**	12,275,043

	2009	2008
	RMB'000	*RMB'000*
		(restated– note 1)
Non-current liabilities		
Deferred tax liabilities	**35,769**	31,453
Total non-current liabilities	**35,769**	31,453
Total liabilities	**16,984,874**	15,593,212
Equity		
Share capital	**5,771,682**	5,771,682
Reserves	**7,297,004**	6,315,179
Equity attributable to equity shareholders of the Company	**13,068,686**	12,086,861
Minority interests	**108,546**	156,729
Total equity	**13,177,232**	12,243,590
Total liabilities and equity	**30,162,106**	27,836,802

Notes:

1. BASIS OF PRESENTATION

Pursuant to the equity transfer agreements entered into by the Group and China Telecommunications Corporation ("CTC") and certain of its subsidiaries on 26 May 2009, the Group acquired 95.945% and 51% equity interests in Shanghai Tongmao Import & Export Co., Ltd and Guoxin Lucent Technologies Network Technologies Co., Ltd (collectively the "Target Interests"), respectively, for a total purchase price of RMB98.05 million.

Since the Group and the Target Interests are under common control of CTC, the Target Interests have been accounted for as a combination of entities under common control in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of the Target Interests have been accounted for at historical costs and the consolidated financial statements of the Company prior to the acquisition of the Target Interests have been restated to include the results of operations and assets and liabilities of the Target Interests on a combined basis. The considerations paid by the Group for the acquisitions of the Target Interests were accounted for as an equity transaction in the consolidated statement of changes in equity.

2. STATEMENT OF COMPLIANCE

The Group's financial statements included in the annual report have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. These 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.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- IAS 23 (revised 2007), *Borrowing costs*
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 2, *Share – based payment – vesting conditions and cancellations*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to IFRSs (2008)

The amendments to IFRS 2, IAS 23 (revised 2007) and improvements to IFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of these developments on the financial statements is as follows:

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. As the Group principally has one reportable segment, such change has no material impact to the presentation of this financial information. For additional information about segment reporting, please refer to note 4.

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurement into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments have not been provided.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Group's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividends. In such cases, in addition to recognising dividend income in profit or loss, the Group would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4 SEGMENT REPORTING

The Group principally has one reportable segment, which is the provision of integrated telecommunications support services in the PRC. Therefore, no additional reportable segment has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 5.

5 REVENUES

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

	2009	2008
	RMB'000	*RMB'000*
		(restated– note 1)
Revenue from telecommunications infrastructure services	**19,289,579**	15,329,464
Revenue from business process outsourcing services	**15,943,326**	13,743,789
Revenue from applications, content and other services	**4,266,545**	3,932,119
	39,499,450	33,005,372

The Group's major customers are telecommunications operators which include CTC and its subsidiaries ("CTC Group") and China Mobile Communications Corporation and its subsidiaries ("CM Group"), both with revenue exceeding 10% of the Group's total revenue. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the year ended 31 December 2009 amount to RMB20,243 million and RMB5,642 million respectively (2008: RMB15,966 million and RMB4,749 million respectively), being 51.2% and 14.3% of the Group's total revenue respectively (2008: 48.4% and 14.4% respectively). In addition, the revenue derived from areas outside Mainland PRC for the year ended 31 December 2009 amounts to RMB1,287 million (2008: RMB706 million).

6 COST OF REVENUES

	2009	2008
	RMB'000	*RMB'000*
		(restated– note 1)
Depreciation and amortisation	**351,402**	336,629
Direct personnel costs	**7,073,351**	5,962,414
Operating lease charges	**608,086**	463,145
Purchase of materials and telecommunications products	**12,364,499**	11,167,207
Subcontracting charges	**9,064,577**	6,970,705
Others	**3,665,598**	2,732,268
	33,127,513	27,632,368

7 OTHER OPERATING INCOME

	2009	2008
	RMB'000	*RMB'000*
		(restated– note 1)
Interest income	**72,726**	103,306
Dividend income from unlisted securities	**31,594**	19,332
Government grants	**97,461**	89,300
Gain on disposal of investments	**6,845**	7,340
Gain on disposal of property, plant and equipment	**9,629**	7,464
Penalty income	**6,888**	2,142
Management fee income	**259,849**	245,879
Write-back of non-payable liabilities	**25,135**	14,367
Others	**10,683**	35,223
	520,810	524,353

8 FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
		(restated– note 1)
Interest on bank advances and other borrowings wholly repayable within five years	**88,435**	176,334

For the years ended 31 December 2009 and 2008, no borrowing costs were capitalised in relation to construction in progress.

9 PROFIT BEFORE TAX

	2009 *RMB'000*	2008 *RMB'000* (restated– note 1)
(a) Staff costs:		
Salaries, wages and other benefits	**8,643,858**	7,365,663
Contributions to defined contribution retirement schemes	**883,961**	683,363
	9,527,819	8,049,026
(b) Other items:		
Depreciation		
– Property, plant and equipment	**530,513**	503,875
– Investment properties	**31,995**	29,751
Amortisation		
– Lease prepayments	**9,590**	8,948
– Other intangible assets	**37,509**	33,333
Auditors' remuneration	**38,000**	36,000
Cost of inventories	**12,364,499**	11,167,207
Impairment losses on accounts and other receivable	**74,521**	46,795
Reversal of impairment losses on accounts and other receivable	**(12,602)**	(9,953)
Operating lease charges	**748,195**	584,102
Research and development costs	**257,073**	122,543
Share of associate's taxation	**277**	388

10 INCOME TAX

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

	2009 *RMB'000*	2008 *RMB'000* (restated– note 1)
Current tax		
PRC enterprise income tax	**454,675**	424,558
Deferred tax		
Origination and reversal of temporary differences	**(27,319)**	(20,883)
Total income tax	**427,356**	403,675

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

	2009	2008
	RMB'000	*RMB'000* (restated– note 1)
Profit before tax	**2,037,594**	1,747,319
Expected PRC enterprise income tax expense at a statutory tax rate of 25% (2008: 25%) *(note (i))*	**509,398**	436,830
Differential tax rates on subsidiaries' income *(note (i))*	**(146,787)**	(100,799)
Non-deductible expenses *(note (ii))*	**39,259**	41,806
Non-taxable income	**(10,374)**	(12,072)
Tax losses not recognised	**31,118**	50,043
Utilisation of previously unrecognised tax losses	**(3,626)**	(8,784)
Reversal of previously recognised tax losses	**–**	2,068
Effect on opening deferred tax resulting from a reduction in PRC statutory tax rate *(note (iii))*	**8,368**	(5,417)
Income tax	**427,356**	403,675

Notes:

(i) The provision of PRC income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2009 and for the year ended 31 December 2008, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% or 20%.

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

(iii) The amounts in the years ended 31 December 2009 and 2008 represented the tax effect on opening balances of deferred tax assets arising from the change in the enterprise income tax rate applicable to certain subsidiaries due to changes in preferential tax qualification during the years concerned. The deferred tax assets were remeasured for the change in applicable tax rates.

11 OTHER COMPREHENSIVE INCOME/(LOSS)

Available-for-sale securities

	2009	2008
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**43,197**	(44,877)
Net deferred tax (charged)/ credited to other comprehensive income	**(7,585)**	6,183
Net movement in the fair value reserve during the period recognised in other comprehensive income/(loss)	**35,612**	(38,694)

12 DIVIDENDS

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

	2009	2008
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date RMB0.1108 per share (2008: RMB0.0913 per share)	**639,502**	526,955

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

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2008, approved during the year, of RMB0.0913 per share (2007: RMB0.0682 per share)	**526,955**	393,629

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2009 of RMB1,598,589 thousand (2008: RMB1,326,770 thousand) and the weighted average number of shares in issue during the year ended 31 December 2009 of 5,771,682 thousand shares (2008: 5,683,313 thousand shares).

	2009	2008
	Thousand shares	*Thousand shares*
Ordinary share issued at 1 January	**5,771,682**	5,444,986
Effect of share issued in April 2008	**–**	238,327
	5,771,682	5,683,313

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

14 ACCOUNTS AND BILLS RECEIVABLE, NET

	2009 *RMB'000*	2008 *RMB'000* (restated– note 1)
Bills receivable	**101,718**	146,577
Unbilled revenue for contract work	**2,970,511**	2,620,511
Trade receivables	**7,727,589**	6,864,788
	10,799,818	9,631,876
Less: impairment losses	**(332,129)**	(301,104)
	10,467,689	9,330,772

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB6,772 million (2008: RMB5,332 million) as at 31 December 2009. 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:

	2009 *RMB'000*	2008 *RMB'000* (restated– note 1)
Current	**5,313,774**	4,364,365
Within 1 year	**4,320,911**	4,320,944
After 1 year but less than 2 years	**618,309**	459,572
After 2 years but less than 3 years	**130,957**	119,212
After 3 years	**83,738**	66,679
Amount past due	**5,153,915**	4,966,407
	10,467,689	9,330,772

(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:

	2009 ***RMB'000***	2008 *RMB'000* (restated– note 1)
At 1 January	**301,104**	73,514
Acquisition of subsidiaries	**–**	202,334
Impairment loss recognised	**46,077**	40,647
Reversal of impairment loss previously recognised	**(9,260)**	(8,089)
Uncollectible amounts written off	**(5,792)**	(7,302)
At 31 December	**332,129**	301,104

At 31 December 2009, the Group's accounts and bills receivable of RMB290.3 million (2008: RMB256.9 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 RMB234.4 million (2008: RMB213.2 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:

	2009 ***RMB'000***	2008 *RMB'000* (restated– note 1)
Neither past due nor impaired	**5,313,774**	4,364,365
Within 1 year	**4,320,911**	4,319,752
After 1 year but less than 2 years	**335,743**	283,800
After 2 years but less than 3 years	**64,262**	77,571
After 3 years	**22,005**	18,442
At 31 December	**10,056,695**	9,063,930

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.

15 ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	2009	2008
	RMB'000	*RMB'000* (restated– note 1)
Accounts payable	**7,054,217**	6,190,058
Bills payable	**1,790,501**	1,556,729
	8,844,718	7,746,787

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

	2009	2008
	RMB'000	*RMB'000* (restated– note 1)
Within 1 year	**8,302,532**	7,356,165
After 1 year but less than 2 years	**407,273**	267,125
After 2 years but less than 3 years	**79,705**	84,554
After 3 years	**55,208**	38,943
	8,844,718	7,746,787

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB283 million (2008: RMB254 million) as at 31 December 2009. The amounts due to fellow subsidiaries are unsecured, interest-free and are expected to be settled within one year.

16 COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3. In addition, as stated in note 1, as a result of the acquisition of Target Interests, comparative figures have been restated.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

On 26 May 2009, the Company acquired 95.945% equity interests in Shanghai Tongmao Import & Export Co., Ltd and 51% equity interests in Guoxin Lucent Technologies Network Technologies Co., Ltd (collectively the "Target Interests"), for consideration of RMB64.16 million and RMB33.89 million respectively. Since the Group and the Target Interests are under common control of China Telecommunications Corporation, the Target Interests have been accounted for as a combination of entities under common control in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of the Target Interests have been accounted for at historical costs and the consolidated financial statements of the Company prior to the acquisition of the Target Interests have been restated to include the results of operations and assets and liabilities of the Target Interests on a combined basis. The considerations paid by the Group for the acquisitions of the Target Interests were accounted for as an equity transaction in the consolidated statement of changes in equity.

In 2009, the domestic telecommunications industry has entered the era of full services integrated operations. The whole Group, united as one, further focused on customer demand and strongly supported the 3G networks construction and full services integrated operations of the three telecommunications operators. The growth of all of our major businesses remained strong and we achieved favorable operating results. Our revenues amounted to RMB39,499.45 million, representing an increase of 19.7% from 2008. Profit attributable to equity shareholders of the Company amounted to RMB1,598.59 million, representing an increase of 20.5% from 2008. Basic earnings per share were RMB0.277, representing an increase of 18.9% from 2008. Free cash flow amounted to RMB1,207.14 million.

Revenues

Our revenues in 2009 were RMB39,499.45 million, an increase of 19.7% from 2008. Among our businesses, revenue from telecommunications infrastructure services was RMB19,289.58 million, an increase of 25.8% from 2008; revenue from business process outsourcing services was RMB15,943.33 million, an increase of 16.0% from 2008; revenue from applications, content and other services was RMB4,266.54 million, an increase of 8.5% from 2008. Telecommunications infrastructure services and network maintenance services under business process outsourcing services were the major sources of our revenue growth in 2009. In terms of customer structure, the Group's revenues from the three telecommunications operators amounted to RMB27,472.73 million, representing 69.6% of the total revenues, an increase of 3.7 percentage points over last year.

The following table sets forth a breakdown of our revenues for 2008 and 2009, together with their respective rates of change:

	2009	2008	Percentage
	RMB'000	*RMB'000*	change
Telecommunications Infrastructure Services			
Design services	**4,021,105**	3,166,637	27.0%
Construction services	**14,086,311**	11,316,088	24.5%
Project supervision and management services	**1,182,163**	846,739	39.6%
	19,289,579	15,329,464	25.8%
Business Process Outsourcing Services			
Network maintenance	**3,484,132**	2,356,815	47.8%
Distribution of telecommunications services and products	**10,389,777**	9,433,761	10.1%
Facilities management	**2,069,417**	1,953,213	5.9%
	15,943,326	13,743,789	16.0%
Applications, Content and Other Services			
IT applications	**2,084,600**	2,076,912	0.4%
Internet service	**286,732**	361,170	(20.6%)
Voice VAS	**652,885**	578,071	12.9%
Other	**1,242,328**	915,966	35.6%
	4,266,545	3,932,119	8.5%
Total	**39,499,450**	33,005,372	19.7%

Telecommunications Infrastructure Services

In 2009, revenue from telecommunications infrastructure services was RMB19,289.58 million, which is our primary source of income, and accounted for 48.8% of our revenues. As the domestic telecommunications industry has entered into the era of full services integrated operations, all telecommunications operators significantly increased their investments in telecommunications network construction and optimization. The Group captured opportunities and strived to support the development of 3G network construction and full services integrated operations for the three telecommunications operators, China Telecom, China Mobile and China Unicom. The growth of our telecommunications infrastructure services business remained strong and revenue from this business increased by 25.8% over RMB15,329.46 million in 2008. The proportion of revenue from telecommunications infrastructure services to our total revenues increased by 2.3 percentage points.

Business Process Outsourcing Services

In 2009, revenue from business process outsourcing services was RMB15,943.33 million, representing an increase of 16.0% over RMB13,743.79 million for 2008. Business process outsourcing services accounted for 40.4% of our revenues, representing a decrease of 1.2 percentage points from 41.6% in 2008. Among our businesses, revenue from network maintenance was RMB3,484.13 million, representing an increase of 47.8% from 2008 and kept growing strongly. The growth was mainly due to telecommunications operators increasing their network capacity and outsourcing non-core businesses. In addition, the Group continued to strengthen the management of distribution of telecommunications services and products and optimize its business structure, such that the development of low-margin businesses was reasonably controlled and operating efficiency was improved. Revenues from distribution of telecommunications services and products amounted to RMB10,389.78 million, an increase of 10.1% from 2008. The proportion of revenue from the distribution of telecommunications services and products to our revenues decreased by 2.3 percentage points.

Applications, Content and Other Services

In 2009, revenue from applications, content and other service was RMB4,266.54 million, representing an increase of 8.5% over RMB3,932.12 million for 2008. As the primary focus of all telecommunications operators was on investments in 3G network construction in 2009, our revenues from both telecommunications infrastructure services and business process outsourcing services grew more rapidly. This led to the proportion of revenue from applications, content and other service to our revenues being reduced to 10.8%, representing a decrease of 1.1 percentage points from 11.9% in 2008. Among the businesses, revenue from IT applications amounted to RMB2,084.60 million and remained stable. Revenues from Internet services amounted to RMB286.73 million, representing a decrease of 20.6% from 2008. This was mainly due to the fact that the Group adjusted its business strategy and closed certain Internet cafés which historically had lower operational efficiency. Revenue from voice VAS was RMB652.89 million, representing a growth of 12.9% over 2008, which was mainly a result of the implementation of call centre business outsourcing by telecommunications operators.

Cost of Revenues

Our cost of revenues in 2009 was RMB33,127.51 million, representing an increase of 19.9% from 2008 and accounting for 83.9% of our revenues.

The following table sets out a breakdown of our cost of revenues in 2008 and 2009 and their respective rates of change:

	2009 *RMB'000*	2008 *RMB'000*	Percentage change
Direct personnel costs	**7,073,351**	5,962,414	18.6%
Depreciation and amortization	**351,402**	336,629	4.4%
Purchase of materials and telecommunications products	**12,364,499**	11,167,207	10.7%
Subcontracting charges	**9,064,577**	6,970,705	30.0%
Operating lease charges and others	**4,273,684**	3,195,413	33.7%
Total cost of revenues	**33,127,513**	27,632,368	19.9%

Direct Personnel Costs

In 2009, direct personnel costs were RMB7,073.35 million, which accounted for 17.9% of our revenues and an increase of 18.6% over RMB5,962.41 million in 2008. With the rapid growth in business volume in 2009, the Group consistently applied reasonable control over its total headcount and subcontracted our low-end businesses, thereby minimizing the staff costs and avoiding related risk. The proportion of direct personnel costs to our revenues decreased by 0.2 percentage points compared to 2008.

Depreciation and Amortization

In 2009, depreciation and amortization amounted to RMB351.40 million, which accounted for 0.9% of our revenues and represented an increase of 4.4% over RMB336.63 million in 2008.

Purchase of Materials and Telecommunications Products

In 2009, the cost of purchasing materials and telecommunications products was RMB12,364.50 million, representing 31.3% of revenues and an increase of 10.7% over RMB11,167.21 million in 2008. In 2009, the Group strengthened its management in the business of distribution of telecommunications services and products and controlled the development of low-margin distribution businesses. This effectively lowered the growth of the cost of purchasing materials and telecommunications products. Its proportion to our revenues decreased by 2.5 percentage points compared to 2008.

Subcontracting Charges

In 2009, subcontracting charges were RMB9,064.58 million, which accounted for 23.0% of our revenues and represented an increase of 30.0% over RMB6,970.71 million in 2008. The increase in subcontracting charges was mainly derived from the business of telecommunications infrastructure services. As the business volume increased significantly in 2009, we outsourced certain of the low-end work to satisfy tight schedule demands of customers after taking into consideration of efficiency and benefits. Its proportion to our revenues increased by 1.9 percentage points compared to 2008.

Operating Lease Charges and Others

In 2009, operating lease charges and others were RMB4,273.68 million, which accounted for 10.8% of our revenues and represented an increase of 33.7% over RMB3,195.41 million in 2008. In 2009, the Group put more resources to explore market, satisfy customer demand and enhance service quality.

Gross Profit

In 2009, the Group's gross profit amounted to RMB6,371.94 million, representing an increase of RMB998.94 million from RMB5,373.00 million in 2008, representing an increase of 18.6%. The Group's gross profit margin in 2009 was 16.1%, representing a decrease of 0.2 percentage point over 16.3% in 2008. The Group was able to achieve a relatively stable gross profit margin level in 2009 through strengthening our project management, optimizing business structure and controlling staff cost.

Selling, General and Administrative Expenses

Our selling, general and administrative ("SG&A") expenses in 2009 were RMB4,691.51 million, representing an increase of 20.1% over RMB3,905.12 million in 2008, which accounted for 11.9% of revenues. In 2009, in order to capture opportunities, expand market share and enhance our core competitiveness, the Group put more resources into marketing and research and development. During the year, through enhancing our comprehensive budget management, we effectively controlled the growth of SG&A expenses. The proportion of SG&A expenses to our revenues was maintained at about the same level as in 2008.

Finance Costs

In 2009, the Group's finance costs was RMB88.44 million, represented a decrease of 49.8% over RMB176.33 million. The significant decrease was mainly due to the fact that the Group strengthened the centralized cash management and the cooperation with banks, improved our efficiency in cash utilization and repaid certain short term borrowings.

Income Tax

Certain of our subsidiaries were recognized as new and high-technology enterprises and were entitled to a preferential income tax rate of 15%. Our subsidiaries in Shenzhen, Zhuhai, Xiamen and Hainan Special Economic Zones were entitled to an income tax rate of 20%. Apart from these companies, the Company and other subsidiaries of the Group are subject to an income tax rate of 25%. The income tax of the Group in 2009 was RMB427.36 million and our effective tax rate was 21.0%, representing a decrease of 2.1 percentage point over 23.1% in 2008. This was mainly due to the fact that certain of our subsidiaries successfully applied for the preferential income tax treatment for new and high-technology enterprises. The difference between our effective tax rate and the statutory tax rate was mainly due to the effect of the aforementioned preferential tax rate treatment of our subsidiaries.

Profit Attributable to Equity Shareholders of the Company

In 2009, profit attributable to equity shareholders of the Company was RMB1,598.59 million, an increase of 20.5% over RMB1,326.77 million in 2008 which was slightly higher than the revenue growth, and we therefore achieved the simultaneous growth in scale and efficiency.

Capital Expenditure

We implemented stringent budget management over capital expenditure, and therefore adjusted our capital expenditure plan according to the changes of market condition. In 2009, our capital expenditure amounted to RMB795.69 million, representing an increase of 12.5% over RMB707.14 million in 2008. The capital expenditure in 2009 represented 2.0% of our revenues, maintained at the similar level as in 2008. Our capital expenditure included the purchases of production facilities and equipment, machinery and meters, plant and office buildings, intangible assets and other operating assets.

Cash Flow

Our net cash inflow in 2009 was RMB336.68 million whereas that in 2008 was RMB1,769.48 million. As at the end of 2009, our cash and cash equivalents amounted to RMB8,870.42 million, of which 96.9% was denominated in Renminbi.

The following table sets out our cash flow positions in 2008 and 2009, respectively:

	2009 ***RMB'000***	2008 *RMB'000*
Net cash generated from operating activities	**2,062,227**	1,947,733
Net cash used in investing activities	**(814,115)**	(44,778)
Net cash used in financing activities	**(911,437)**	(133,480)
Net increase in cash and cash equivalents	**336,675**	1,769,475

In 2009, net cash generated from operating activities was RMB2,062.23 million, an increase of RMB114.50 million from RMB1,947.73 million in 2008. The increase in net cash generated from operating activities was mainly cash generated from rapid revenue growth, and this not only supported the rapid development of the Group's domestic and overseas business but also provided a small amount of excess cash.

In 2009, net cash used in investing activities was RMB814.12 million, an increase of RMB769.34 million from RMB44.78 million in 2008. This was mainly because that the amount in 2008 included the cash paid for the acquisition of China International Telecommunications Construction Corporation and the cash brought into our Group by it. Cash used in investing activities in 2009 mainly comprised the consideration paid for the acquisition of the Target Interests and capital expenditure.

In 2009, net cash used in financing activities was RMB911.44 million, an increase of RMB777.96 million from RMB133.48 million in 2008. This was mainly because the Group strengthened its cash management, enhanced our cash utilization efficiency and repaid certain short term borrowings.

Working Capital

As at the end of 2009, working capital (i.e. non-cash current assets minus operating current liabilities) deficit was RMB218.41 million, while working capital surplus was RMB107.40 million in 2008, mainly because we strengthened our accounts receivable management and obtained better credit terms.

Indebtedness

As at the end of 2009, total indebtedness of the Group was RMB1,268.28 million, and most of them were fixed interest rate loans and denominated in Renminbi. Our indebtedness decreased by RMB725.15 million from RMB1,993.43 million at the year end of 2008.

As at the end of 2009, our gearing ratio(1) was 8.8%, a decrease of 5.4 percentage points from 14.2% in 2008.

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

Contractual Obligations

The following table sets out our contractual obligations as at 31 December 2009:

	Total	**2010**	**2011**	**2012**	**2013**	**2014 and after**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debt	1,268,280	1,268,280	–	–	–	–
Long-term debt	–	–	–	–	–	–
Operating lease commitments	241,164	114,187	56,632	35,940	18,120	16,285
Capital commitments	217,083	217,083	–	–	–	–
Of which:						
Authorized and contracted for	100,064	100,064	–	–	–	–
Authorized but not contracted for	117,019	117,019	–	–	–	–
Total of contractual obligations	1,726,527	1,599,550	56,632	35,940	18,120	16,285

Exchange Rate

Most of our revenues and expenses are settled in Renminbi and therefore the risks associated with foreign currency exchange rates have no significant impact on our business performance. As at the end of 2009, the balance of our cash and cash equivalents in foreign currencies accounted for 3.1% of our total cash and cash equivalents, of which 1.4% and 1.1% were denominated in US dollars and Hong Kong dollars respectively.

Acquisitions and Integration

In May 2009, the Group completed its acquisition of the Target Interests. After completion of the acquisition, through effective integration, the Group enhanced the management standard and operation efficiency of the Target Interests and their operating results achieved our target. The acquisition is a complement to the Group's existing business as a specialized telecommunications support service provider. This assisted our provision of better service to telecommunications operators and strengthened our leading market position and competitiveness. Furthermore, the Group could reap the benefits from the increasing demand for our services following China's entering into the 3G era in early 2009.

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

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with the management and the Company's international auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the annual report for the year ended 31 December 2009.

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 the basic guidelines for the Company's corporate governance. For the year ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CLOSURE OF SHARE REGISTER

The Company's share register will be closed from Saturday, 29 May 2010 to Monday, 28 June 2010 (both days inclusive), during which period all transfers of shares in the Company will be suspended. In order to be qualified for the proposed dividend or eligible to attend the 2009 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 Friday, 28 May 2010.

ANNUAL REPORT

The annual report for the year ended 31 December 2009 will be dispatched to shareholders and made available on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinaccs.com.hk) in due course.

FORWARD-LOOKING STATEMENTS

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

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