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中国通信服务
CHINA COMSERVICE

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

中 國 通 信 服 務 股 份 有 限 公 司

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

(Stock Code: 552)

Announcement of Interim Results for the Six Months Ended 30 June 2010

HIGHLIGHTS

— Revenues were RMB21,720 million, up by 18.9%.

— Profit attributable to equity shareholders of the Company was RMB906 million, up by 19.4%.

— Gross profit margin and net profit margin remained relatively stable, amounting to 15.5% and 4.2%, respectively.

— Revenue from domestic telecommunications operators was RMB13,375 million, achieving a continuous and rapid growth rate of 15.7%; revenue from government agencies and corporate customers was RMB8,345 million, up by 24.5%.

— The Company successfully captured market opportunities other than those of telecommunications infrastructure services and its revenue structure is further optimized.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2010 is the first year after domestic investment in 3G peaked in 2009 and domestic telecommunications operators have more or less reduced their capital expenditure ("CAPEX"). However, the long-term strategic planning and the timely proactive measures of the Group have begun to produce positive effects, resulting in another rapid growth in operating performance in the first half of the year. The Group has not only successfully captured market opportunities other than those of telecommunications infrastructure services, but also further developed customers beyond telecommunications operators. Our customer and business portfolio is further optimized, thereby laying a stronger foundation for the continuous, steady and healthy development of the Group in the future. Meanwhile, the State is gradually promoting policies, including the "Three Networks Convergence", which create new opportunities for the future development of the Group.

Financial Review

In the first half of 2010, the Group recorded revenues of RMB21,720 million, representing an increase of 18.9% over the same period last year. Cost of revenues amounted to RMB18,355 million, representing an increase of 19.1% over the same period last year. Gross profit grew by 17.9% over the same period last year to RMB3,365 million. Due to the effective control over costs and human resources and the flexible subcontracting measures, the Group managed to achieve a relatively stable gross profit margin of 15.5% as compared to the same period last year. Profit attributable to equity shareholders of the Company grew by 19.4% over the same period last year to RMB906 million. Basic earnings per share were RMB0.157.

Business Review

In the first half of 2010, revenue from telecommunications infrastructure services ("TIS") was RMB10,352 million, achieving an increase of 18.0% over the same period last year and representing 47.7% of our total revenues. The Group achieved sustainable development in telecommunications infrastructure services through various measures, such as continuously expanding the market share of telecommunications operators, focusing on the business expansion in the northern regions and developing government agencies and corporate customers. TIS revenues from domestic telecommunications operators increased by 7.5% over the same period last year. TIS revenues from government agencies and corporate customers experienced a rapid growth of 54.2% over the same period last year. The further development of the government agencies and corporate customers market is conducive to the optimization of the customer portfolio and offsets the adverse effects from the reduction of CAPEX by domestic telecommunications operators. In addition, the Group undertook large-scale communications and ancillary information projects for power companies and metro companies as well as the Asian Games, which also contributed to the promotion of the Group's brand awareness.

In the first half of the year, revenues from business process outsourcing services ("BPO") amounted to RMB9,261 million, representing an increase of 19.3% over the same period last year and accounting for 42.6% of the total revenues. Benefitting from the increase in operating expenses ("OPEX") on network expansions and the enlarged business subcontracting from the domestic telecommunications operators, the Group experienced a rapid growth of over 20% in both maintenance business and the distribution of telecommunications services and products.

In the first half of the year, revenue from applications, content and other services ("ACO") was RMB2,107 million, representing an increase of 21.9% over the same period last year and accounting for 9.7% of the total revenues. Due to continuous resource integration, management innovations and efforts in exploring the government agencies and corporate customers market, ACO services demonstrated a favourable development momentum, where the revenue growth rate obviously accelerated as compared to previous years.

In the first half of the year, the Group strengthened its business cooperation with domestic telecommunications operators and continued to fortify its leading market position. Revenue from domestic telecommunications operators amounted to RMB13,375 million in total, representing an increase of 15.7% over the same period last year, of which, revenue from China Telecom increased by 12.4%, accounting for 40.1% of the total revenues; revenue from China Mobile and China Unicom together increased by 22.5%, accounting for 21.5% of the total revenues. The continuous and rapid increase in the revenue from domestic telecommunications operators was mainly attributable to the further extension of the cooperation between the Group and the telecommunications operators to develop more BPO and other businesses. In addition to the domestic telecommunications operators market, the Group proactively developed the market of government agencies and corporate customers and made great achievements. In the first half of 2010, revenue from government agencies and corporate customers amounted to RMB8,345 million, representing an increase of 24.5% over the same period last year and accounting for 38.4% of the total revenues.

Overseas expansion is one of the Group's long-term development strategies and we have served more than 50 countries and regions all over the world. In the first half of 2010, with strong support from the policies of the State, the Group further improved overseas expansion mechanisms and strengthened our capability in service support and risk management in 22 overseas platforms. These efforts have laid a strong foundation for our stable and rapid development of overseas business. In the first half of the year, revenue from overseas market amounted to RMB1,098 million, achieving a continuous and rapid growth rate of 84.5% over the same period last year.

In the first half of 2010, in accordance with the Group's objective of business integration on ACO businesses and our development strategy, we completed the acquisition of the remaining 49% equity interest in Guoxin Lucent Technologies Network Technologies Co., Ltd. to make it a wholly-owned subsidiary of the Group. Together with the joint venture we formed with Accenture earlier for the development of OSS[(1)] business, relevant acquisitions and joint ventures help the Group to obtain core

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[(1)] OSS means Operating Support System

customer resources, the world's leading technological support, advanced management experience and prestigious brand equity, and, at the same time, have contributed to the Group's rapid establishment of branded enterprises with great potential in innovation and growth.

The Group has been focusing on the improvement of operation efficiency and the maximization of economies of scale. We continued to integrate internal resources and put more efforts on the establishment of strategic business units in respect of design and construction businesses. Through these efforts, we are able to have a lean management structure, optimize organizational structure for production, appropriately allocate resources, create synergy effects in different fields and regions and improve the Group's capabilities in overall operation and profitability.

Corporate Governance and Human Resources Development

In the first half of 2010, the Group put more efforts on strengthening internal control and the risk management system in accordance with the world's best governance practice and relevant regulatory rules in order to enhance transparency in corporate governance. During the period, Mr. Zheng Qibao was appointed as the new President of the Company as approved by the Board on 21 June 2010 and as an Executive Director of the Company as approved at the general meeting on 10 August 2010, respectively. Mr. Zheng Qibao has extensive management experience and valuable expertise and we believe that the Group will benefit a lot from his joining.

The Group adheres to the human resources development strategy of "controlling total headcount and optimizing structure" and seeks for innovations in nurturing professionals with strong focus on the fields of marketing and telecommunications to achieve a stable improvement in the working ability of our staff. Meanwhile, the Group formulates plans of talents nurturing, rewarding and retaining and opens up talents' career development path in order to support the full implementation of the Group's strategies.

Corporate Social Responsibilities

In the first half of 2010, the sudden earthquake in Yushu County, Qinghai Province brought huge losses to certain regions in China. As a national telecommunications support services provider, we fixed a substantial number of damaged communications facilities to guarantee the smooth communication in the stricken area by leveraging on our cross-region support in critical time. We will continue to put efforts in the reconstruction work of the stricken area.

Prospects

Our strategic positioning as "service provider for telecommunications, media and technology companies" soon after the listing of the Group has supported our continuous development of customer base and the optimization of our business structure. The above strategy has also successfully addressed the challenges of the CAPEX reduction by domestic telecommunications operators in the first half of 2010. Looking forward, new industry opportunities, such as the "Three Networks Convergence" and the joint construction and sharing of telecommunications facilities, are emerging and maturing and will create new opportunities for the development of the Group. In particular, following the rapid implementation of the "Three Networks Convergence" policy, broadcasting and television enterprises are expected to grow with scale and position equivalent to telecommunications operators. To better capture such opportunities, we have established expert panels in some of the pilot provinces and have also closely monitored the latest progresses, such as two-way upgrades of broadcasting and television networks and the acceleration of broadband network speed of the telecommunications operators. We have proactively developed businesses in the above areas and achieved initial success. On the other hand, we will also steadily promote the pilot work of joint construction and sharing of telecommunications facilities in four provinces and one municipality and continue making efforts to obtain support from local governments, relevant regulatory authorities and telecommunications operators in order to develop an innovative business model and build up new business catalysts.

In the Information Age, the social demand for communications and information services will keep increasing and drive the rapid innovation of the communication technology and the further expansion of telecommunication and media operators. Meanwhile, the urbanization development of China and informatization of other customers in the community will also provide plenty of business opportunities. We believe that the Group will fully demonstrate collaborative advantages in establishing an internationally renowned enterprise with excellent performance in the future.

On behalf of the Board, I would like to express my deep gratitude to Mr. Zhang Zhiyong, the former President and Executive Director of the Company, who resigned in the first half of 2010, for his outstanding contributions to the Group and extend my sincere welcome to Mr. Zheng Qibao for his joining the Group to serve as President and Executive Director of the Company. Finally, I want to express heartfelt thanks to all of our shareholders and customers for their support to and trust in the Group.

Li Ping
Chairman

Beijing, PRC
31 August 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 six months ended 30 June 2010 extracted from the unaudited financial information of the Group as set out in its 2010 Interim Report.

Consolidated income statement — unaudited
for the six months ended 30 June 2010
(Expressed in Renminbi)

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenues	*5*	**21,719,925**	18,262,862
Cost of revenues	*6*	**(18,354,716)**	(15,409,136)
Gross profit		**3,365,209**	2,853,726
Other operating income	*7*	**208,443**	197,065
Selling, general and administrative expenses		**(2,384,182)**	(1,997,229)
Other operating expenses		**(24,179)**	(16,705)
Finance costs	*8*	**(25,575)**	(47,888)
Share of profit of an associate		**837**	412
Profit before tax	*9*	**1,140,553**	989,381
Income tax	*10(a)*	**(230,882)**	(229,003)
Profit for the period		**909,671**	760,378
Attributable to:			
Equity shareholders of the Company		**905,684**	758,338
Non-controlling interests		**3,987**	2,040
Profit for the period		**909,671**	760,378
Basic and diluted earnings per share (RMB)	*13*	**0.157**	0.131

Consolidated statement of comprehensive income — unaudited
for the six months ended 30 June 2010
(Expressed in Renminbi)

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Profit for the period		**909,671**	760,378
Other comprehensive income for the period (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		**280**	7
Available-for-sale securities: net movement in the fair value reserve	*11*	**2,116**	20,956
		2,396	20,963
Total comprehensive income for the period		**912,067**	781,341
Attributable to:			
Equity shareholders of the Company		**908,080**	779,301
Non-controlling interests		**3,987**	2,040
Total comprehensive income for the period		**912,067**	781,341

Consolidated balance sheet — unaudited
at 30 June 2010
(Expressed in Renminbi)

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment, net		**3,815,768**	3,912,721
Investment properties		**669,987**	685,959
Construction in progress		**123,843**	73,334
Lease prepayments		**474,777**	481,687
Goodwill		**103,005**	103,005
Other intangible assets		**145,168**	148,453
Interests in associate		**13,798**	12,960
Other investments		**303,395**	304,773
Deferred tax assets		**136,108**	140,552
Total non-current assets		**5,785,849**	5,863,444
Current assets			
Inventories		**2,052,101**	1,659,626
Accounts and bills receivable, net	*14*	**13,353,319**	10,467,689
Prepayments and other current assets		**2,909,715**	3,140,398
Restricted deposits		**139,115**	160,525
Cash and cash equivalents		**7,794,621**	8,870,424
Total current assets		**26,248,871**	24,298,662
Total assets		**32,034,720**	30,162,106
Current liabilities			
Interest-bearing borrowings		**1,304,090**	1,268,280
Accounts and bills payable	*15*	**9,286,043**	8,844,718
Receipts in advance for contract work		**1,120,027**	1,088,327
Accrued expenses and other payables		**6,642,999**	5,553,079
Income tax payable		**169,088**	194,701
Total current liabilities		**18,522,247**	16,949,105
Net current assets		**7,726,624**	7,349,557
Total assets less current liabilities		**13,512,473**	13,213,001

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Non-current liabilities		
Deferred tax liabilities	**35,495**	35,769
Total non-current liabilities	**35,495**	35,769
Total liabilities	**18,557,742**	16,984,874
Equity		
Share capital	**5,771,682**	5,771,682
Reserves	**7,555,911**	7,297,004
Equity attributable to equity shareholders of the Company	**13,327,593**	13,068,686
Non-controlling interests	**149,385**	108,546
Total equity	**13,476,978**	13,177,232
Total liabilities and equity	**32,034,720**	30,162,106

Notes:

1. BASIS OF PRESENTATION

Pursuant to the Equity Transfer Agreements entered into by the Company and China Telecommunications Corporation and its subsidiaries ("CTC Group") on 26 May 2009, the Company acquired 95.945% and 51% equity interests in Shanghai Tongmao Import & Export Co. Ltd ("Tongmao") and Guoxin Lucent Technologies Network Technologies Co., Ltd ("Guoxin Lucent") (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 in the Company's 2009 consolidated financial statements. Accordingly, the assets and liabilities of the Target Interests were accounted for at historical costs and the consolidated financial statements of the Company prior to the acquisitions of the Target Interests were included 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. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 31 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. The interim financial report has also been reviewed by the Company's international auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRS, a number of amendments to IFRSs and one new interpretation 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 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*

- Amendments to IAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*

- Improvements to IFRSs (2009)

- International Financial Reporting Interpretations Committee ("IFRIC") 17, *Distributions of non-cash assets to owners*

The amendments to IAS 39 and improvements to IFRSs (2009) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of IFRS 3 (revised 2008) (in respect of recognition of acquiree's deferred tax assets) and the amendments to IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interests) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

As a result of the adoption of the amendments to IAS 27, it requires that if the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. The Group adopted such accounting treatment in previous year and no change in policies in this regard.

IFRIC 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore 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:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue from telecommunications infrastructure services	**10,351,840**	8,770,533
Revenue from business process outsourcing services	**9,260,938**	7,764,049
Revenue from applications, content and other services	**2,107,147**	1,728,280
	21,719,925	18,262,862

The Group's major customers are telecommunications operators which include 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 six months ended 30 June 2010 amount to RMB8,702 million and RMB3,512 million respectively (six months ended 30 June 2009: RMB7,742 million and RMB3,068 million respectively), being 40.1% and 16.2% of the Group's total revenue respectively (six months ended 30 June 2009: 42.4% and 16.8% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2010 amounts to RMB1,098 million (six months ended 30 June 2009: RMB595 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Depreciation and amortisation	**174,440**	168,534
Direct personnel costs	**3,439,409**	3,202,816
Operating lease charges	**299,566**	264,242
Purchase of materials and telecommunications products	**7,010,617**	6,015,321
Subcontracting charges	**5,667,420**	4,235,494
Others	**1,763,264**	1,522,729
	18,354,716	15,409,136

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest income	**34,908**	30,515
Dividend income from unlisted securities	**—**	1,440
Government grants	**46,272**	49,180
Gain on disposal of property, plant and equipment	**1,515**	3,282
Penalty income	**2,747**	953
Management fee income	**102,930**	96,041
Write-off of non-payable liabilities	**2,005**	437
Others	**18,066**	15,217
	208,443	197,065

8. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings wholly repayable within five years and others	**25,575**	47,888

For the periods ended 30 June 2010 and 2009, no borrowing costs were capitalised in relation to construction in progress.

9. PROFIT BEFORE TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
(a) Staff costs:		
Salaries, wages and other benefits	**4,362,702**	3,950,950
Contributions to defined contribution retirement schemes	**398,061**	378,352
	4,760,763	4,329,302
(b) Other items:		
Amortisation	**25,550**	18,321
Cost of inventories	**7,010,617**	6,015,321
Depreciation	**282,237**	275,709
Inventory write-down and losses, net of reversals	**(3,765)**	3,754
Impairment losses on accounts and other receivables	**8,635**	4,433
Reversal of impairment losses on accounts and other receivables	**(7,507)**	(2,632)
Operating lease charges	**376,620**	324,401
Research and development costs	**155,467**	68,910
Share of an associate's taxation	**148**	137

10. INCOME TAX

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax		
Income tax	**228,682**	231,478
Deferred tax		
Origination and reversal of temporary differences	**2,200**	(2,475)
Total income tax	**230,882**	229,003

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**1,140,553**	989,381
Expected income tax expense at PRC income tax statutory tax rate of 25%	**285,138**	247,345
Differential tax rates on subsidiaries' profits *(note (i))*	**(75,634)**	(52,644)
Non-deductible expenses *(note (ii))*	**11,620**	14,693
Non-taxable income	**(9,389)**	(2,805)
Tax losses not recognised	**22,845**	19,376
Utilisation of previously unrecognised tax losses	**(3,698)**	(718)
Effect on opening deferred tax resulting from a change in preferential tax qualification	**—**	3,756
Income tax	**230,882**	229,003

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2010 and the six months ended 30 June 2009, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% to 22%.

(ii) The amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purpose.

11. OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**3,186**	26,786
Net deferred tax charged to other comprehensive income	**(1,070)**	(5,830)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**2,116**	20,956

12. DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB nil).

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2009 and 2008, declared during the interim period of RMB0.1108 per share (six months ended 30 June 2009: RMB0.0913 per share)	**639,502**	526,955

No final dividend was paid during the six months ended 30 June 2010 and six months ended 30 June 2009.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2010 of RMB906 million (six months ended 30 June 2009: RMB758 million) and the weighted average number of shares in issue during the six months ended 30 June 2010 of 5,771,682 thousand shares (six months ended 30 June 2009: 5,771,682 thousand shares).

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

14. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Bills receivable	**52,350**	101,718
Unbilled revenue for contract work	**3,626,197**	2,970,511
Trade receivables	**10,006,576**	7,727,589
	13,685,123	10,799,818
Less: impairment losses	**(331,804)**	(332,129)
	13,353,319	10,467,689

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB7,274 million as at 30 June 2010 (31 December 2009: RMB6,772 million). The amounts due from fellow subsidiaries are unsecured, interest free and are expected to be recovered within one year.

(b) In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of one to three months are available for certain customers with well-established trading and payment records.

(c) The ageing analysis of accounts and bills receivable (net of impairment losses) is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current	**7,236,560**	5,313,774
Within 1 year	**5,310,270**	4,320,911
After 1 year but less than 2 years	**593,327**	618,309
After 2 years but less than 3 years	**128,847**	130,957
After 3 years	**84,315**	83,738
Amount past due	**6,116,759**	5,153,915
	13,353,319	10,467,689

(d) Impairment of accounts and bills receivable

Impairment losses in respect of accounts and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts and bills receivable directly.

The movement in allowance for doubtful debts during the period, including both specific and collective loss components, is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
At 1 January	**332,129**	301,104
Impairment loss recognised	**7,107**	46,077
Reversal of impairment loss previously recognised	**(6,847)**	(9,260)
Uncollectible amounts written off	**(585)**	(5,792)
At 30 June/31 December	**331,804**	332,129

At 30 June 2010, the Group's accounts and bills receivable of RMB282.2 million were individually determined to be impaired (31 December 2009: RMB290.3 million). The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific impairment losses of RMB223.8 million were recognised (31 December 2009: RMB234.4 million). The Group does not hold any collateral over these balances.

(e) Accounts and bills receivable that are not impaired

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Neither past due nor impaired	**7,236,560**	5,313,774
Within 1 year	**5,310,270**	4,320,911
After 1 year but less than 2 years	**406,021**	335,743
After 2 years but less than 3 years	**64,571**	64,262
After 3 years	**27,161**	22,005
	13,044,583	10,056,695

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

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

15. ACCOUNTS AND BILLS PAYABLE

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Accounts payable	**8,064,625**	7,054,217
Bills payable	**1,221,418**	1,790,501
	9,286,043	8,844,718

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Within 1 year	**8,587,460**	8,302,532
After 1 year but less than 2 years	**548,902**	407,273
After 2 years but less than 3 years	**91,519**	79,705
After 3 years	**58,162**	55,208
	9,286,043	8,844,718

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB299 million as at 30 June 2010 (31 December 2009: RMB283 million). The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

According to paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2009 Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the Company's international auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Interim Report for the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is in compliance with the principles and provisions of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors. Specific enquiries have been made to the Directors, and each of the Directors has confirmed his compliance with the Model Code in connection with the Company's securities for the period from 1 January 2010 to 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM REPORT

The Interim Report for the six months ended 30 June 2010 will be despatched to shareholders and made available on the HKExnews website of The Stock Exchange of Hong Kong Limited (*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 statements above. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

As at the date of this announcement, our executive directors are Mr. Li Ping (Chairman), Mr. Zheng Qibao (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.