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 Interim Results for the Six Months Ended 30 June 2008

HIGHLIGHTS

– Revenues were RMB13,629 million, up by 37.5%.

– Profit attributable to equity shareholders/owner of the Company was RMB567 million, up by 11.3%.

– Basic earnings per share were RMB0.101.

– Completed the acquisition of CITCC and well-prepared for restructuring opportunities.

– Effectively implemented customer-focused strategy and achieved favourable results in market expansion.

CHAIRMAN'S STATEMENT

Dear shareholders,

In the first half of 2008, the Group achieved sound operating results, with sustained growth in revenues and profit. Our efforts in market expansion achieved further success, resulting in an improving revenue structure. By pursuing the complementary development strategies of organic and external growth, the Group completed the acquisition of China International Telecommunications Construction Corporation ("CITCC"), which further enhanced our overall competitiveness and strengthened our capability in serving the markets in northern regions of China and overseas, thereby laying a solid foundation for our sustained growth in future.

Financial Review

In the first half of 2008, the Group recorded revenues of RMB13,629 million, representing an increase of 37.5% over the same period last year. Cost of revenues amounted to RMB11,483 million, representing an increase of 41.5% over the same period last year. Gross profit grew by 19.6% over the same period last year to RMB2,145 million, and profit attributable to equity shareholders grew by 11.3% over the same period last year to RMB567 million. Basic earnings per share were RMB0.101.

In order to offer better integrated services to telecommunications operators, the Group further expanded the comprehensive logistics business relating to telecommunications equipments since the second half of 2007. Accordingly, the relevant revenue increased significantly as compared to the same period last year and the corresponding procurement costs of related equipments also grew significantly, contributing to the decline in our overall gross profit margin. In addition, inflation, particularly the rising costs of construction materials, had certain impact to our operating costs in the first half of 2008. The Group continued to adopt the subcontracting arrangement proactively and alleviated the impact of the rising costs of construction materials to a certain extent.

Business Review

In the first half of 2008, revenue from telecommunications infrastructure services was RMB5,895 million, an increase of 9.7% from the same period last year, representing 43.3% of our total revenues. The major revenue source of telecommunications infrastructure services was still the three major telecommunications operator customers. In the first half of the year, the Group captured the opportunities in the network expansion and optimization of mobile operators, and actively implemented the customer-focused service strategy and competitive pricing strategy, thereby achieved satisfactory results in market expansion. Our infrastructure services business from mobile operators grew rapidly and offset the impact of the decreased network construction investments from fixed line operators.

In the first half of 2008, revenue from business process outsourcing services was RMB6,074 million, an increase of 83.7% from the same period last year, representing 44.6% of our total revenues. In particular, revenue from distribution of telecommunications services and products increased significantly from the same period last year, which was primarily driven by the further expansion of comprehensive logistics business of telecommunications equipments since the second half of 2007. The provision of logistics services allowed us to better satisfy our customer demand and increase customer loyalty, and had a positive contribution to profit growth. We anticipate that the demand from telecommunications operators for logistics services will be even greater as they commence their full-service operations. Going forward, the Group will endeavour to expand high-end businesses and optimize the business structure to ensure its profitability level.

In the first half of 2008, revenue from applications, contents and other services was RMB1,660 million, an increase of 35.0% from the same period last year, representing 12.1% of our total revenues. In particular, revenue from IT applications, which mainly included system integration service, and revenue from voice VAS, which included call center service and ring-tone service, recorded a rapid growth. During the first half of 2008, we made further progress on our "Golden Seeds" projects as scheduled. We will continue to strengthen the cooperation with business partners so as to enhance our core capabilities in this area.

In the first half of 2008, by pursuing the customer-focused service strategy, we closely monitored our customer needs and implemented performance review and appraisal system for different classes of customers. Our efforts brought satisfactory results and revenue from telecommunications operators, government, corporate and other customers all recorded satisfactory growth. Revenue from our three major telecommunications operator customers was RMB7,982 million, an increase of 23.0% from the same period last year, representing 58.6% of our total revenues. Of which, revenue from China Telecom accounted for 41.9% of our total revenues and revenue from China Mobile and China Unicom accounted for 16.7% of our total revenues. Revenue from customers other than China Telecom amounted to RMB7,916 million, accounting for 58.1% of our total revenues and representing an increase of 6.1 percentage points over the same period last year. This indicated the continued improvement of our revenue structure.

On 30 May 2008, the Group completed the acquisition of CITCC, and the results of CITCC were included in the consolidated statements of the Group since June 2008. Immediately after the completion of acquisition, the Group started a comprehensive integration exercise in respect of marketing, financial management, human resources, IT system construction and risk management. In the first half of 2008, as symbolized by the optical fiber transmission project in Congo (K), CITCC made significant progress in overseas business development by leveraging on their strength and market expansion efforts in the overseas market. We believe that synergies will be further realized as integration proceeds further. The Group will continue to seek suitable external growth opportunities in future to generate greater returns for shareholders.

Industry Restructuring

In the first half of 2008, the telecommunications industry restructuring proposal in the PRC has been formally announced, which provided new opportunities for the industry development. In the coming two to three years, we expect that the 2G and 3G network construction, expansion and optimization by the telecommunications operators in the PRC will offer favourable growth potentials for our telecommunications infrastructure services business. There are also tremendous opportunities in businesses like network maintenance, distribution service and value-added service. The development of high-end businesses will further improve the Group's business structure. Meanwhile, the operator customers will be more demanding on our service support capabilities and nationwide responsiveness. In light of the demand, the Group has implemented a number of initiatives such as the establishment of dedicated support teams specializing in the projects of different operators. We closely monitor the demand and strategic moves of telecommunications operators and formulate project support proposals. At the same time, we also accelerate the integration of newly acquired businesses and strengthen our internal resources allocation, so as to provide neutral, professional and integrated comprehensive business support services.

Corporate Governance and Human Resources Development

In the first half of 2008, we continued to improve the internal control and risk management system with reference to the international best practices on corporate governance and the relevant regulations. We improved our IT management system to integrate our business development, performance review and risk management so as to enhance the overall operational management.

In the first half of 2008, the Group continued to adhere to the human resources development strategy of "controlling total headcounts and optimizing structure". We established a flat organizational structure, reduced the management hierarchy and implemented staff performance review to strictly control our personnel costs. During the period, the Group adopted an innovative human resources training approach to optimize human resources allocation which focused on the training and cultivation of 3G technical and business professionals and strengthened our efforts in the recruitment of quality personnel required by infrastructure service and outsourcing service, so as to build our talent reserve for further business development.

In 2008, the unexpected snowstorms and the Sichuan Earthquake have caused catastrophic losses to many southern provinces of China and telecommunications facilities were seriously damaged. Leveraging on our nationwide services support capabilities, the Group deployed resources like staff and equipments and participated in the front-line rescue to fully support the major operators in telecommunications network restoration and post-disaster network reconstruction. We took our social responsibilities and demonstrated our sound corporate image.

Prospects

With the commencement of the telecommunications industry restructuring in China, the industry is expected to undergo a new round of large-scale network construction, and this will provide us with favourable growth potentials. As the leading provider in the telecommunications support service industry, we envisage a prosperous future and at the same time we also realize that we are facing certain challenges such as the change in industry landscape and inflation.

However, we believe that our opportunities outweigh challenges, and we are confident about the future. In the second half of 2008, the Group will continue to focus on the execution of its established strategies, enhance core competitiveness, focus on internal resource integration, and strengthen operational management so as to turn challenges into opportunities under the new environment. Looking forward, in the course of the large-scale 3G network construction, we will better coordinate with our major operator customers to offer neutral, professional and integrated support services, thereby achieving a win-win situation.

Being appointed as Chairman of the Company on 8 April, I will endeavour to actively monitor the operation and development of the Company, and make concerted efforts with the Board, management and all staff to generate greater returns for our shareholders.

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

Li Ping
Chairman

Beijing, PRC
8 September 2008

GROUP RESULTS

China Communications Services Corporation Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008, extracted from the unaudited financial information of the Group as set out in its 2008 Interim Report.

Consolidated income statement – unaudited
for the six months ended 30 June 2008
(Expressed in Renminbi)

		Six months ended 30 June	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(restated – note 1)
Revenues	*4*	**13,628,673**	9,908,370
Cost of revenues	*5*	**(11,483,337)**	(8,115,242)
Gross profit		**2,145,336**	1,793,128
Other operating income	*6*	**169,323**	107,732
Selling, general and administrative expenses		**(1,493,408)**	(1,155,536)
Other operating expenses		**(7,372)**	(8,439)
Net financing (expense)/income	*7*	**(34,704)**	28,419
Share of profits of associates		**690**	342
Profit before tax	*8*	**779,865**	765,646
Income tax	*9*	**(205,540)**	(246,856)
Profit for the period		**574,325**	518,790
Attributable to:			
Equity shareholders/owner		**567,021**	509,655
Minority interests		**7,304**	9,135
Profit for the period		**574,325**	518,790
Basic and diluted earnings per share (RMB)	*11*	**0.101**	0.094

Consolidated balance sheet – unaudited
at 30 June 2008
(Expressed in Renminbi)

	Note	**30 June 2008** *RMB'000*	31 December 2007 *RMB'000*
Non-current assets			
Property, plant and equipment, net		**3,584,299**	3,371,755
Investment properties		**642,202**	644,722
Construction in progress		**265,363**	228,174
Lease prepayments		**417,982**	371,799
Intangible assets		**159,437**	80,094
Interests in associates		**11,431**	11,064
Other investments		**294,862**	307,971
Deferred tax assets		**121,211**	96,371
Total non-current assets		**5,496,787**	5,111,950
Current assets			
Inventories		**1,401,508**	1,035,761
Accounts and bills receivable, net	*12*	**8,602,524**	6,627,607
Prepayments and other current assets		**3,371,445**	2,181,571
Restricted deposits		**458,313**	251,128
Cash and cash equivalents		**7,413,410**	6,632,252
Total current assets		**21,247,200**	16,728,319
Total assets		**26,743,987**	21,840,269
Current liabilities			
Interest-bearing borrowings		**3,621,527**	2,560,256
Accounts and bills payable	*13*	**5,485,551**	4,686,643
Receipts in advance for contract work		**608,008**	520,725
Accrued expenses and other payables		**5,469,621**	4,223,476
Income tax payable		**166,371**	198,360
Total current liabilities		**15,351,078**	12,189,460

	30 June 2008 RMB'000	31 December 2007 RMB'000
Net current assets	**5,896,122**	4,538,859
Total assets less current liabilities	**11,392,909**	9,650,809
Non-current liabilities		
Long-term borrowings, less current portion	**–**	960
Deferred tax liabilities	**28,901**	11,641
Total non-current liabilities	**28,901**	12,601
Total liabilities	**15,379,979**	12,202,061
Equity		
Share capital	**5,771,682**	5,444,986
Reserves	**5,484,034**	4,115,792
Equity attributable to equity shareholders of the Company	**11,255,716**	9,560,778
Minority interests	**108,292**	77,430
Total equity	**11,364,008**	9,638,208
Total liabilities and equity	**26,743,987**	21,840,269

Notes:

1. ORGANISATION AND BASIS OF PRESENTATION

The Company was established in the PRC on 30 August 2006 as a joint stock limited company under the Company Law of the PRC as part of the Restructuring (as defined in the Company's Prospectus dated 27 November 2006) of China Telecommunications Corporation ("CTC"), a state-owned enterprise under the direct supervision of the State Council of the PRC. Pursuant to the Restructuring, the Group assumed the telecommunications support services previously carried on by various subsidiaries wholly-owned or controlled by CTC in six provinces and municipality in the PRC, namely, Guangdong Province, Zhejiang Province, Shanghai Municipality, Fujian Province, Hubei Province and Hainan Province (collectively, the "Predecessor Operations") from CTC. The Company was founded by CTC, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation by ways of the injection of those subsidiaries carrying on the Predecessor Operations and cash contributions. In connection with the Restructuring, the Predecessor Operations together with the related assets and liabilities that were to be transferred to the Group were segregated from CTC effective on 31 March 2006.

Pursuant to the acquisition agreement dated 15 June 2007, the Company acquired the telecommunications infrastructure services, business process outsourcing services and applications, content and other services located in Jiangsu Province, Anhui Province, Jiangxi Province, Hunan Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province and Xinjiang Uygur Autonomous Region, together with the equity interests in Guangdong Nanfang Communication GSM Intellingent Card System Co., Ltd. and Ningbo Public Information Industry Co., Ltd (the "Target Business") from CTC on 31 August 2007.

As the Target Business was under common control of CTC, the acquisition of the Target Business was reflected in the Company's 2007 consolidated financial statements as a combination of entities under common control and accounted for in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of the Target Business were accounted for at historical costs and the consolidated financial statements of the Company prior to the foregoing acquisition were restated to include the results of operations and assets and liabilities of the Target Business on a combined basis. The consideration paid by the Company for the acquisition of the Target Business was accounted for as an equity transaction in the consolidated statement of changes in equity. The results of operations for the six months ended 30 June 2007 previously reported by the Group have been restated to include the results of the Target Business.

2. ACQUISITION OF SUBSIDIARIES

On 30 May 2008, the Group acquired all of the shares in China International Telecommunications Construction Corporation ("CITCC") from China National Postal and Telecommunications Appliances Corporation (the "Vendor") for a consideration of RMB505.46 million. For the period from the date of acquisition to 30 June 2008, CITCC contributed a profit of RMB4.31 million to the Group.

3. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 8 September 2008.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The interim financial information is unaudited, but has been reviewed by the Audit Committee of the Company. The interim financial information 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.

4. REVENUES

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
Revenue from telecommunications infrastructure services	**5,895,007**	5,373,196
Revenue from business process outsourcing services	**6,074,173**	3,306,365
Revenue from applications, content and others	**1,659,493**	1,228,809
	13,628,673	9,908,370

5. COST OF REVENUES

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
Depreciation and amortisation	**168,874**	160,068
Direct personnel costs	**2,345,592**	1,862,265
Operating lease charges	**170,816**	127,452
Purchase of materials and telecommunications products	**4,859,575**	2,935,899
Subcontracting charges	**2,906,615**	2,040,754
Others	**1,031,865**	988,804
	11,483,337	8,115,242

6. OTHER OPERATING INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
Dividend income from unlisted securities	**–**	13,940
Government grants	**49,862**	42,676
Net gain on disposal of investments	**7,143**	8,445
Net gain on disposal of property, plant and equipment	**70**	1,091
Penalty income	**770**	984
Management fee income	**89,832**	31,183
Write-off of non-payable liabilities	**7,835**	–
Others	**13,811**	9,413
	169,323	107,732

7. NET FINANCING (EXPENSE)/INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
Interest income	**49,326**	59,774
Net foreign exchange gain/(loss)	**2,775**	(21,286)
Net change in fair value of financial assets at fair value through profit or loss	**(103)**	(898)
Change in fair value of derivative financial instruments	**(4,733)**	–
Interest on bank advances and other borrowings wholly repayable within five years	**(81,969)**	(9,171)
	(34,704)	28,419

For the periods ended 30 June 2008 and 2007, no borrowing costs were capitalised in relation to construction in progress.

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
(a) Staff costs:		
Salaries, wages and other benefits	**2,908,927**	2,295,868
Contributions to defined contribution retirement schemes	**278,566**	217,301
	3,187,493	2,513,169
(b) Other items:		
Depreciation and amortisation	**276,620**	244,877
Cost of inventories	**4,859,575**	2,935,899
Impairment losses on accounts and other receivables	**14,003**	11,285
Reversal of impairment losses on accounts and other receivables	**(1,817)**	(12,103)
Operating lease charges	**225,107**	164,208
Research and development costs	**8,338**	6,567
Share of associates' taxation	**230**	131

9. INCOME TAX

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
Current tax		
PRC enterprise income tax	**225,260**	217,923
Deferred tax		
Origination and reversal of temporary differences	**(19,720)**	28,933
Total income tax	**205,540**	246,856

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
		(restated – note 1)
Profit before tax	**779,865**	765,646
Expected PRC enterprise income tax expense at a statutory tax rate of 25% (2007: 33%)	**194,966**	252,663
Differential tax rates on subsidiaries' income *(note (i))*	**(16,999)**	(64,766)
Non-deductible expenses *(note (ii))*	**15,040**	35,961
Non-taxable income	**(7,587)**	(17,640)
Tax losses not recognised	**27,379**	13,411
Reversal of previously recognised tax losses *(note (iii))*	**–**	18,146
Effect on opening deferred tax resulting from a change in PRC statutory tax rate *(note (iv))*	**(7,259)**	9,081
Income tax	**205,540**	246,856

Notes:

(i) The provision of PRC income tax of the Group is calculated based on a statutory rate of 25% and 33% 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 2008 and for the six months ended 30 June 2007 respectively, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% and 18%.

(ii) The amounts include personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purpose.

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

(iv) The amount represents tax effect on opening balances of deferred tax assets resulted from a change in PRC statutory tax rate. On 16 March 2007, the Corporate Income Tax Law of the PRC ("new tax law") was passed by the Fifth Plenary Session of the Tenth National People's Congress and took effect on 1 January 2008. According to the new tax law, except for certain subsidiaries of the Company which are taxed at preferential rates, the enterprise income tax rate applicable to the Group is reduced from 33% to 25% from 1 January 2008. The enterprise income tax rate applicable to certain subsidiaries taxed at preferential taxes is increased from 15% to 25%. The deferred tax assets have been remeasured for the change in applicable tax rates.

10. DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB nil).

(b) Dividends attributable to the previous financial year, declared during the interim period:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2007, declared during the following interim period, of RMB0.0682 per share (year ended 31 December 2006: nil)	**393,629**	–

No 2007 final dividend was paid during the six months period ended 30 June 2008 (six months ended 30 June 2007: nil).

(c) Special dividend

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Special dividend approved	**–**	535,011

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

Pursuant to a resolution passed at a directors' meeting on 17 April 2007, the directors resolved to pay the 2006 Special Dividend to CTC and its subsidiaries amounting to RMB535 million in total. The Company paid the 2006 Special Dividend to CTC and its subsidiaries in a series of payments commenced in July 2007.

11. 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 2008 of RMB567 million (30 June 2007: RMB510 million) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 5,592,179,000 (30 June 2007: 5,444,986,000).

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

	Six months ended 30 June	
	2008	2007
	Thousand Shares	*Thousand Shares*
Ordinary share issued at 1 January	**5,444,986**	5,444,986
Effect of shares issued in April 2008 *(see note)*	**147,193**	–
	5,592,179	5,444,986

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

Note:

On 9 April 2008, the Company completed the placing (the "Placing") of an aggregate of 359,365,600 new overseas-listed foreign-invested shares at a price of HK$5.25 per share (the" Placing Shares"). The Placing Shares comprised (1) 326,696,000 new H shares issued by the Company in connection with the Placing, and (2) 32,669,600 H shares issued by the Company upon the conversion of the same number of existing domestic legal person shares by the National Council for the Social Security Fund of the PRC.

12. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Bills receivable	**42,768**	39,228
Unbilled revenue for contract work	**1,933,983**	1,050,796
Trade receivables	**6,913,022**	5,611,097
	8,889,773	6,701,121
Less: impairment losses	**(287,249)**	(73,514)
	8,602,524	6,627,607

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB3,969 million (31 December 2007: RMB3,344 million) as at 30 June 2008. 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 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Current	**4,240,012**	3,616,471
Within 1 year	**3,504,688**	2,649,994
After 1 year but less than 2 years	**710,623**	309,942
After 2 years but less than 3 years	**118,542**	40,623
After 3 years	**28,659**	10,577
Amount past due	**4,362,512**	3,011,136
	8,602,524	6,627,607

(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 2008 *RMB'000*	At 31 December 2007 *RMB'000*
At 1 January	**73,514**	88,329
Impairment loss recognised	**14,003**	19,467
Reversal of impairment loss previously recognised	**(1,817)**	(30,695)
Uncollectible amounts written off	**(518)**	(3,587)
Acquisition of CITCC	**202,067**	–
At 30 June/31 December	**287,249**	73,514

At 30 June 2008, the Group's accounts and bills receivable of RMB206.5 million were individually determined to be impaired (31 December 2007: RMB14.4 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 RMB203.2 million were recognised. (31 December 2007: RMB12.5 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 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Neither past due nor impaired	**4,240,012**	3,487,520
Within 1 year	**3,502,918**	2,555,504
After 1 year but less than 2 years	**280,333**	298,891
After 2 years but less than 3 years	**48,433**	39,175
After 3 years	**13,190**	10,200
At 30 June/31 December	**8,084,886**	6,391,290

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.

13. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Accounts payable	**4,783,743**	4,060,211
Bills payable	**701,808**	626,432
	5,485,551	4,686,643

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

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Within 1 year	**4,930,707**	4,225,513
After 1 year but less than 2 years	**440,497**	368,011
After 2 years but less than 3 years	**68,557**	55,060
After 3 years	**45,790**	38,059
	5,485,551	4,686,643

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB291 million (31 December 2007: RMB205 million) as at 30 June 2008. The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

14. SEGMENTAL REPORTING

For the periods ended 30 June 2008 and 2007, the Group principally has one business segment, the provision of integrated telecommunications service to the telecommunications industry in the PRC. The Group mainly operates in the PRC. Accordingly, no business and geographical segment information are presented.

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 2007 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 2008.

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 2008.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors. Having made specific enquiries to the Directors, each of the Directors has confirmed his compliance with the Model Code in connection with the Company's securities for the period from 1 January 2008 to 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INTERIM REPORT

The Interim Report for the six months ended 30 June 2008 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 of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

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