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 2009

HIGHLIGHTS

— Revenues were RMB18,263 million, up by 31.7% over the same period last year.

— Profit attributable to equity shareholders of the Company was RMB758 million, up by 33.3% over the same period last year.

— Basic earnings per share were RMB0.131.

— Revenue from our three telecommunications operator customers was RMB11,557 million in total, an increase of 44.5% over the same period last year.

CHAIRMAN'S STATEMENT

Dear shareholders,

During the first half of 2009, despite the international financial crisis continuing to entwine and the obvious slowdown of development in the domestic telecommunications industry, the Group was able to achieve rapid growth in both its revenue and profits by implementing our established strategies effectively and grasping the precious opportunities brought by the increases in network investments by domestic telecommunications operators after industry restructuring and the issuance of 3G licence. We also continued to attain further progress in areas such as external acquisition, internal integration and capability enhancement, thereby laying a strong foundation for our future development.

Financial Review

In the first half of 2009, the Group recorded revenues of RMB18,263 million, representing an increase of 31.7% over the same period last year. Cost of revenues amounted to RMB15,409 million, representing an increase of 31.8% over the same period last year. Gross profit grew by 31.3% over the same period last year to RMB2,854 million, and profit attributable to equity shareholders grew by 33.3% over the same period last year to RMB758 million. Basic earnings per share were RMB0.131.

Since the beginning of the second half of last year, domestic telecommunications operators have significantly increased their network investments. With the rapid growth of our business volume, we recruited temporary workers and outsourced part of our low-end businesses to cope with the increase in workload, in order to respond promptly to our customers' tight schedule requests and at the same time control headcount. These measures led to the higher increases in direct personnel costs and subcontracting charges, growing by 35.3% and 45.6% respectively over the same period last year.

Since the Group initiated the centralized cash management system last year, we have achieved progress for improving cash utilization efficiency. By repaying part of the bank loans from funds made available through the centralized cash management system, our net financing expense in the first half of 2009 decreased by 39.5% over the same period last year.

Business Review

In the first half of 2009, our revenue from telecommunications infrastructure services was RMB8,771 million, an increase of 48.8% over the same period last year, and representing 48.0% of our total revenues. In the first half year, the Group continued to implement our CTW program[1] and quickly responded to the needs of our three telecommunications operator customers regarding network construction, especially in 3G network construction. Revenue from telecommunications infrastructure services contributed by our three telecommunications operator customers increased by 56.4% over the same period last year. At the same time, the Group also captured the opportunities provided by the growth of government investment in public infrastructural facilities and actively undertook construction projects in communications and information facilities, such as subways, highways and the Shanghai World Expo Park. As such, revenue from the telecommunications infrastructure services contributed by customers other than our three telecommunications operator customers also achieved a growth of 27.5%.

In the first half of 2009, revenue from business process outsourcing services was RMB7,764 million, an increase of 23.6% over the same period last year, and representing 42.5% of our total revenues. Among

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[1] CTW refers to the mobile technologies adopted by our three telecommunications operator customers, CDMA of China Telecom, TD-SCDMA of China Mobile and WCDMA of China Unicom respectively.

the businesses, maintenance business mainly benefited from the operators' expanding network scale and increasing proportion of network maintenance outsourcing, and recorded a robust growth of 68.9%. The Group will leverage our strength on integrated service capabilities in network construction, maintenance and optimization to continue pursuing more network maintenance outsourcing projects. Due to the gradual launch of 3G services by telecommunications operators, the businesses on terminal sales and logistics services also increased accordingly, and revenue from the distribution of telecommunications services and products increased by 17.1% over the same period last year.

In the first half of 2009, revenue from applications, content and other services was RMB1,728 million, an increase of 2.3% over the same period last year and representing 9.5% of our total revenues. During the first half of 2009, we carried on our cooperation with strategic partners as scheduled and continued to enhance our core service capabilities and brand value.

In the first half of 2009, we fully implemented our CTW program and focused on the needs of telecommunications operators in constructing massive 3G networks and providing a full range of services. Revenue from our three telecommunications operator customers was RMB11,557 million, an increase of 44.5% over the same period last year. Among the revenue from our three telecommunications operator customers, revenue from China Telecom increased by 35.1%; revenue from China Mobile and China Unicom increased by 68.1%, which accounted for 20.9% of our total revenues, and an increase of 4.5 percentage points over the same period last year, clearly demonstrating that we achieved favorable result in market development and further optimized our revenue structure.

In the first half of 2009, our projects in which we acted as the principal contractors in the overseas market were executed smoothly, with revenue from overseas reaching RMB595 million, doubling that of the same period last year. The Group deepened co-operation with equipment vendors, operators and domestic financial institutions, complementing each other's advantages, supporting one another and developing overseas markets together. On top of the outsourcing projects, we will focus on joint tenders with equipment vendors so as to jointly explore and develop large-scale projects in which we will act as principal contractor. The Group will strive to control risks, rationalize resource allocation and continue to promote our overseas development strategies.

Acquisition and Integration

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 (the "Acquisitions") respectively. The Acquisitions facilitate the further integration and enhancement of our current businesses on comprehensive logistic services and the development of operation support systems, enabling us to provide more premium and comprehensive services to our customers. In the future, the Group will look more closely for appropriate external growth opportunities.

The Group will continue to optimize resource allocation through internal integration. Our current focus is to formulate a group of Strategic Business Units (SBU) and optimize and enhance branded products and services, for the purpose of enhancing our corporate operational efficiency and core competitiveness.

Corporate Governance and Human Resources Development

Upon the expiry of the first session of the Board, the Company conducted re-election of directors and approval was granted at its general meeting. All of the members of the first session, including three executive directors, two non-executive directors and five independent directors, continue to hold offices for the second session of the Board.

In the first half of 2009, the Group continued to adhere to the human resources development strategy of “controlling total headcount and optimizing structure”. Through various measures such as internal exchanges and centralized training, we focused on the development of leadership skills for management staff and execution abilities for general staff. We shall continue to improve corporate and staff capabilities, thereby providing support to the versatile market environment.

Prospects

In the first half of 2009, by adopting a scientific development approach, the Group implemented a learning and practice program named “Quality Customer Services, Immaculate Enterprise Operation”. This program aimed at further aligning different views and identifying opportunities and challenges that were encountered by us. Currently, there are signs of gradual recovery in the macroeconomic environment, but the upward trend is not yet stable. The development momentum of the domestic telecommunications industry is still slow, and objectively speaking, there are cyclical fluctuations in the network investment scale by operators. All the above will bring challenges to the Group in our future development.

On the other hand, we also envisage that operators’ demands in such areas as network maintenance and optimization, product and service distribution, and value-added business development will be sustainable. The evolution of technologies and the ever-emerging new models in the telecommunications industry will continue to provide new opportunities for the Group. With the continued enhancement of national informatization, our positioning as the “service provider for telecommunications, media and technology companies” shall allow the Group to reap the benefits of the overall national economic development and gain a sustainable momentum for development. Through a global perspective, there are tremendous opportunities in overseas markets. In the future, the Group will continue to implement the CTW program, serving the operator market well, and thereby solidifying our leading position in the industry. We will also strive to develop the markets for government agencies and corporate customers as well as overseas markets, so as to achieve further breakthroughs.

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

Li Ping
Chairman

Beijing, PRC
1 September 2009

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 2009 extracted from the unaudited financial information of the Group as set out in its 2009 Interim Report.

Consolidated income statement — unaudited
for the six months ended 30 June 2009
(Expressed in Renminbi)

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000* (restated — note 1)
Revenues	*5*	**18,262,862**	13,866,565
Cost of revenues	*6*	**(15,409,136)**	(11,692,870)
Gross profit		**2,853,726**	2,173,695
Other operating income	*7*	**166,550**	170,873
Selling, general and administrative expenses		**(1,997,229)**	(1,519,036)
Other operating expenses		**(10,986)**	(7,396)
Net financing expense	*8*	**(23,092)**	(38,190)
Share of profits of associate		**412**	690
Profit before tax	*9*	**989,381**	780,636
Income tax	*10(a)*	**(229,003)**	(207,212)
Profit for the period		**760,378**	573,424
Attributable to:			
Equity shareholders of the Company		**758,338**	568,787
Minority interests		**2,040**	4,637
Profit for the period		**760,378**	573,424
Basic and diluted earnings per share (RMB)	*13*	**0.131**	0.102

Consolidated statement of comprehensive income — unaudited
for the six months ended 30 June 2009
(Expressed in Renminbi)

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Profit for the period		**760,378**	573,424
Other comprehensive income/(expenses) for the period (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		**7**	(2,445)
Effect on opening deferred tax balances resulting from a change in tax rate		**—**	1,426
Available-for-sale securities: net movement in the fair value reserve	*11*	**20,956**	(30,005)
		20,963	(31,024)
Total comprehensive income for the period		**781,341**	542,400
Attributable to:			
Equity shareholders of the Company		**779,301**	537,763
Minority interests		**2,040**	4,637
Total comprehensive income for the period		**781,341**	542,400

Consolidated balance sheet — unaudited
at 30 June 2009
(Expressed in Renminbi)

	Note	**30 June 2009** *RMB'000*	31 December 2008 *RMB'000* (restated — note 1)
Non-current assets			
Property, plant and equipment, net		**3,694,831**	3,642,735
Investment properties		**699,785**	707,215
Construction in progress		**171,979**	231,008
Lease prepayments		**422,056**	431,291
Goodwill		**103,005**	103,005
Other intangible assets		**123,801**	115,581
Interests in associate		**13,314**	12,902
Other investments		**297,117**	269,788
Deferred tax assets		**119,707**	117,616
Total non-current assets		**5,645,595**	5,631,141
Current assets			
Inventories		**1,740,867**	1,182,471
Accounts and bills receivable, net	*14*	**11,645,958**	9,330,772
Prepayments and other current assets		**3,223,786**	2,975,964
Restricted deposits		**175,067**	178,312
Cash and cash equivalents		**7,082,875**	8,538,142
Total current assets		**23,868,553**	22,205,661
Total assets		**29,514,148**	27,836,802

	Note	30 June 2009 RMB'000	31 December 2008 RMB'000 (restated — note 1)
Current liabilities			
Interest-bearing borrowings		**1,817,425**	1,993,426
Accounts and bills payable	*15*	**8,589,479**	7,746,787
Receipts in advance for contract work		**717,478**	808,196
Accrued expenses and other payables		**5,824,094**	4,826,825
Income tax payable		**165,955**	186,525
Total current liabilities		**17,114,431**	15,561,759
Net current assets		**6,754,122**	6,643,902
Total assets less current liabilities		**12,399,717**	12,275,043
Non-current liabilities			
Deferred tax liabilities		**36,899**	31,453
Total non-current liabilities		**36,899**	31,453
Total liabilities		**17,151,330**	15,593,212
Equity			
Share capital		**5,771,682**	5,771,682
Reserves		**6,466,859**	6,315,179
Equity attributable to equity shareholders of the Company		**12,238,541**	12,086,861
Minority interests		**124,277**	156,729
Total equity		**12,362,818**	12,243,590
Total liabilities and equity		**29,514,148**	27,836,802

Notes:

1. BASIS OF PRESENTATION

Pursuant to the Equity Transfer Agreements entered into by the Company and China Telecommunications Corporation ("CTC") 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. 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 Company 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 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" issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 1 September 2009.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial information 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 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.

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*
- Revised IAS 23, *Borrowing costs*
- Amendments to IAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*

- Amendment 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 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. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the Interim Report 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 interim financial information. For additional information about segment reporting, please refer to note 4.
- 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 and net of sales taxes. The Group's revenues by business nature can be summarised as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(restated — note 1)
Revenue from telecommunications infrastructure services	**8,770,533**	5,895,007
Revenue from business process outsourcing services	**7,764,049**	6,281,531
Revenue from applications, content and others	**1,728,280**	1,690,027
	18,262,862	13,866,565

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 2009 amount to RMB7,742 million and RMB3,068 million respectively (six months ended 30 June 2008: RMB5,730 million and RMB1,936 million respectively), being 42.4% and 16.8% of the total group's revenue respectively (six months ended 30 June 2008: 41.3% and 14.0% respectively). In addition, the revenue derived from areas outside Mainland China for the six months period ended 30 June 2009 amounts to RMB595 million (six months ended 30 June 2008: RMB270 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(restated — note 1)
Depreciation and amortisation	**168,534**	169,941
Direct personnel costs	**3,202,816**	2,366,834
Operating lease charges	**264,242**	171,883
Purchase of materials and telecommunications products	**6,015,321**	5,002,863
Subcontracting charges	**4,235,494**	2,908,350
Others	**1,522,729**	1,072,999
	15,409,136	11,692,870

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(restated — note 1)
Dividend income from unlisted securities	**1,440**	—
Government grants	**49,180**	51,319
Gain on disposal of investments	**—**	7,143
Gain on disposal of property, plant and equipment	**3,282**	104
Penalty income	**953**	799
Management fee income	**96,041**	89,832
Write-off of non-payable liabilities	**437**	7,835
Others	**15,217**	13,841
	166,550	170,873

8. NET FINANCING EXPENSE

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(restated— note 1)
Interest income	**30,515**	49,701
Net foreign exchange (loss)/gain	**(5,719)**	2,591
Net change in fair value of financial assets at fair value through profit or loss	**—**	(103)
Change in fair value of derivative financial instruments	**—**	(4,733)
Interest on bank advances and other borrowings wholly repayable within five years	**(47,888)**	(85,646)
	(23,092)	(38,190)

For the periods ended 30 June 2009 and 2008, no borrowing costs were capitalised in relation to construction in progress.

9. PROFIT BEFORE TAX

	Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000* (restated— note 1)
(a) Staff costs:		
Salaries, wages and other benefits	**3,950,950**	2,936,006
Contributions to defined contribution retirement schemes	**378,352**	281,159
	4,329,302	3,217,165
(b) Other items:		
Amortisation	**18,321**	18,436
Cost of inventories	**6,015,321**	5,002,863
Depreciation	**275,709**	259,623
Inventory write-down and losses, net of reversals	**3,754**	8,682
Impairment losses on accounts and other receivables	**4,433**	14,003
Reversal of impairment losses on accounts and other receivables	**(2,632)**	(1,817)
Operating lease charges	**324,401**	227,141
Research and development costs	**68,910**	8,338
Share of associates' taxation	**137**	230

10. INCOME TAX

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

	Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000* (restated— note 1)
Current tax		
PRC enterprise income tax	**231,478**	226,932
Deferred tax		
Origination and reversal of temporary differences	**(2,475)**	(19,720)
Total income tax	**229,003**	207,212

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(restated— note 1)
Profit before tax	**989,381**	780,636
Expected PRC enterprise income tax expense at a statutory tax rate of 25%	**247,345**	195,159
Differential tax rates on subsidiaries' profits *(note (i))*	**(52,644)**	(16,414)
Non-deductible expenses *(note (ii))*	**13,975**	15,058
Non-taxable income	**(2,805)**	(8,183)
Tax losses not recognised	**19,376**	28,851
Effect on opening deferred tax resulting from a change in preferential tax qualification *(note (iii))*	**3,756**	(7,259)
Income tax	**229,003**	207,212

Notes:

(i) The provision for 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 six months ended 30 June 2009 and the six months ended 30 June 2008, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% or 20%.

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

(iii) The amount in the six months ended 30 June 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 periods. The deferred tax assets were remeasured for the change in applicable tax rates.

11. OTHER COMPREHENSIVE INCOME/(EXPENSES)

Available-for-sale securities

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**26,786**	(40,007)
Net deferred tax (charged)/credited to other comprehensive income	**(5,830)**	10,002
Net movement in the fair value reserve during the period recognised in other comprehensive income/(expenses)	**20,956**	(30,005)

12. DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB nil).

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

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2008 and 2007, declared during the following interim period of RMB0.0913 per share (six months ended 30 June 2008: RMB0.0682 per share)	**526,955**	393,629

No final dividend was paid during the six months ended 30 June 2009 and six months ended 30 June 2008.

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 2009 of RMB758 million (six months ended 30 June 2008: RMB569 million) and the weighted average number of shares in issue during the six months ended 30 June 2009 of 5,771,682 thousand shares (six months ended 30 June 2008: 5,592,179 thousand shares).

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

	For the six months ended 30 June	
	2009	2008
	Thousand shares	*Thousand shares*
Ordinary share issued at 1 January	**5,771,682**	5,444,986
Effect of shares issued in April 2008	**—**	147,193
	5,771,682	5,592,179

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 2009 RMB'000	At 31 December 2008 RMB'000 (restated — note 1)
Bills receivable	**44,358**	146,577
Unbilled revenue for contract work	**3,662,715**	2,620,511
Trade receivables	**8,240,620**	6,864,788
	11,947,693	9,631,876
Less: impairment losses	**(301,735)**	(301,104)
	11,645,958	9,330,772

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB5,882 million as at 30 June 2009 (31 December 2008: RMB5,332 million (restated)). 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 2009 RMB'000	At 31 December 2008 RMB'000 (restated — note 1)
Current	**6,562,690**	4,364,365
Within 1 year	**4,428,741**	4,320,944
After 1 year but less than 2 years	**460,921**	459,572
After 2 years but less than 3 years	**113,078**	119,212
After 3 years	**80,528**	66,679
Amount past due	**5,083,268**	4,966,407
	11,645,958	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 period, including both specific and collective loss components, is as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
At 1 January	**301,104**	73,514
Acquisition of subsidiaries *(note (i))*	**—**	202,334
Impairment loss recognised	**3,574**	40,647
Reversal of impairment loss previously recognised	**(2,590)**	(8,089)
Uncollectible amounts written off	**(353)**	(7,302)
At 30 June/31 December	**301,735**	301,104

(i) Included in impairment losses are impairment loss of RMB202.3 million recognised before the acquisition date by China International Telecommunications Construction Corporation and its subsidiaries ("CITCC") which were acquired by the Group in 2008.

At 30 June 2009, the Group's accounts and bills receivable of RMB256.1 million were individually determined to be impaired (31 December 2008: RMB256.9 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 RMB211.1 million were recognised (31 December 2008: RMB213.2 million including acquired from CITCC). 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 2009 *RMB'000*	At 31 December 2008 *RMB'000* (restated — note 1)
Neither past due nor impaired	**6,562,690**	4,364,365
Within 1 year	**4,391,723**	4,319,752
After 1 year but less than 2 years	**380,757**	283,800
After 2 years but less than 3 years	**70,435**	77,571
After 3 years	**25,759**	18,442
At 30 June/31 December	**11,431,364**	9,063,930

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 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:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000* (restated — note 1)
Accounts payable	**7,251,809**	6,190,058
Bills payable	**1,337,670**	1,556,729
	8,589,479	7,746,787

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

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000* (restated — note 1)
Within 1 year	**7,951,355**	7,356,165
After 1 year but less than 2 years	**512,651**	267,125
After 2 years but less than 3 years	**79,160**	84,554
After 3 years	**46,313**	38,943
	8,589,479	7,746,787

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB349 million as at 30 June 2009 (31 December 2008: RMB254 million). 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 period'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

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 2008 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 period ended 30 June 2009.

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 2009.

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 2009 to 30 June 2009.

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 2009 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 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.