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 2012

HIGHLIGHTS

— Total revenues were RMB29,356 million, up by 16.4%.

— Profit attributable to equity shareholders of the Company was RMB1,209 million, up by 15.7%.

— The Group further strengthened its leading position in the domestic telecommunications operator market and revenues from domestic telecommunications operators amounted to RMB19,055 million, up by 19.4%.

— Gross profit margin and net profit margin were maintained at relatively steady levels of 15.4% and 4.1%, respectively.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2012, the Group firmly captured market opportunities and adhered to its customer-focused innovative service strategy. Following the principle of "leading through innovation and enhancing efficiency through intensive management", the Group enhanced its management capability and continued to achieve satisfactory results in the challenging market, recording rapid growth of both total revenues and net profit. As a result, the Group is well positioned to embrace the second five-year period since its listing.

Financial Review

In the first half of 2012, the Group recorded continuous and rapid growth of total revenues, which amounted to RMB29,356 million, representing an increase of 16.4% over the same period last year. Cost of revenues amounted to RMB24,836 million, representing an increase of 16.8% over the same period last year. Gross profit grew by 14.4% over the same period last year to RMB4,520 million. During the period, with the enhanced cost management, the Group managed to maintain its gross profit margin and net profit margin at relatively steady levels of 15.4% and 4.1%, respectively. Profit attributable to equity shareholders of the Company grew by 15.7% over the same period last year to RMB1,209 million. Basic earnings per share were RMB0.180.

Business Review

In the first half of 2012, telecommunications infrastructure ("TIS") services sustained its sound growth momentum, and revenues from TIS services amounted to RMB13,812 million, representing an increase of 13.1% over the same period last year and accounting for 47.0% of total revenues. By firmly capturing the opportunity of steadily increasing capital expenditure from domestic telecommunications operators, the Group focused on key investment areas such as the upgrade and expansion of broadband and mobile network, which further reinforced its market leading position. The TIS revenues from domestic telecommunications operators achieved a rapid growth of 20.7% over the same period last year, and were the major driving force for the growth of TIS business during the period.

In the first half of 2012, revenues from business process outsourcing ("BPO") services amounted to RMB12,886 million, representing an increase of 22.9% over the same period last year and accounting for 43.9% of total revenues. During the period, due to the continuous expansion of networks, the outsourcing demand for network services from domestic telecommunications operators continued to increase. Taking advantage of such market opportunities, the Group continued to maintain a rapid growth in its revenues from network maintenance services, representing an increase of 27.7% over the same period last year. In addition, the Group reinforced its capability to deliver integrated services by offering ancillary services such as the distribution of telecommunications machineries and products as well as the collaborative logistics services in response to customer requirements. The Group's revenues from the distribution of telecommunications services and products increased by 23.0% over the same period last year.

In the first half of 2012, revenues from applications, content and other ("ACO") services amounted to RMB2,658 million, representing an increase of 5.5% over the same period last year and accounting for 9.1% of total revenues. During the period, the Group further increased its investment in the research and development for its core technologies and products, and gradually improved a model of open innovation. We believe that, after incubation for a period of time, ACO business will be able to achieve a breakthrough in the future as driven by the accelerating industrial developments such as informatization of the community and mobile Internet.

In the first half of 2012, the Group continued to focus on three major markets and allocated its resources in an adaptive manner. As a result, revenues from the domestic telecommunications operator market amounted to RMB19,055 million, representing an increase of 19.4% over the same period last year and accounting for 64.9% of total revenues. In particular, the revenue from China Telecom increased by 20.6% over the same period last year, accounting for 41.7% of total revenues, and revenues from China Mobile and China Unicom in aggregate increased by 17.5% over the same period last year and the proportion of these revenues to total revenues increased to 23.2%, which reflected the continuous improvement of the Group's service quality. Our business in the domestic non-operator market recorded steady growth, with revenues of RMB9,138 million, representing an increase of 14.6% over the same period last year and accounting for 31.1% of total revenues. The Group has been expanding into overseas market in a proactive and prudent manner. Revenues from overseas market amounted to RMB1,163 million, representing a decrease of 9.8% over the same period last year and accounting for 4.0% of total revenues. The decrease in revenues from overseas market in the first half of the year was mainly due to the delayed construction of certain large turnkey projects and the Group's increasing emphasis on efficiency development and proactive risk management. Meanwhile, the Group continued to focus on key overseas markets such as Congo-Kinshasa, Tanzania and Saudi Arabia, and has achieved promising progress in the exploration and cultivation of turnkey projects, which laid a solid foundation for its further scale development in overseas market.

After successful completion of the rights issue, the Group acquired equity interests and assets in relation to several telecommunications infrastructure service companies in Ningxia and Xinjiang as well as 51% equity interests in Sino-British Submarine System Co., Ltd. ("SBSS")[1] in the first half of the year. These acquisitions enabled the Group to further expand its business coverage in the domestic market, enhance its servicing ability in the overseas businesses and add new source of income from the construction and maintenance of submarine fiber-optic cable. The Group has applied its proceeds from the rights issue as planned in various areas, including expansion into domestic non-operator market and overseas market, strategic acquisition and joint ventures, as well as research and development, which will push forward the Group's transformation into a management and technology oriented enterprise and create greater value for our shareholders.

[1] Please refer to the announcement of the Company dated 20 June 2012 for details of the acquisitions. As at 30 June 2012, the acquisition of equity interests and assets in relation to several telecommunications infrastructure service companies in Ningxia and Xinjiang were completed, and the relevant results have been consolidated into the financial statements and historical figures before acquisition have been restated according to relevant accounting standards. Acquisition of equity interest in SBSS was completed on 26 July 2012 and the relevant results have not been consolidated into the financial statements of the Group as at 30 June 2012.

Corporate Management

The Group further promoted high-efficiency management practices focusing on six core areas, including collaboration management, management of construction service procurement, human resource management, fund management, project management and contract management, and strengthened its internal control and risk management procedures to enhance the overall operational efficiency and management capability. During the period, the Group further strengthened its operation and management of collaboration units in the design business and other professional areas. Meanwhile, the Group also promoted centralized fund management, which effectively saved finance costs. In addition, the Group strived to build up and develop a team of talents who are adaptive to the swiftly changing market. In order to achieve sustainable development, the Group further optimized the human resources structure and adopted incentive mechanisms to motivate its core talents.

Corporate Social Responsibility

The Group has always been committed to corporate social responsibility. On the one hand, the Group provided reliable communications rescue and relief services to its customers and the society in the event of natural disasters. On the other hand, the Group also promoted energy saving and emission reduction and actively developed certain energy saving products and technologies for the establishment of an energy-efficient community. All of these demonstrated a high degree of corporate social responsibility.

Prospects

Looking forward, the PRC government will push forward the development of the information industry through promoting the integration of informatization and industrialization as part of its initiatives under the "12th Five-Year Plan". The PRC government has also clearly indicated to launch the "Broadband China" strategy and promote the commercialization of LTE. All of these will bring valuable business opportunities to the Group. In addition, the accelerating informatization in China, the further construction of "Smart City", the rapid development of mobile Internet and the huge demand for telecommunications construction from overseas emerging markets also present broader market space and stronger growth momentum for the Group. Meanwhile, the Group faces certain challenges including volatile macro-economy and more intense market competition. Nevertheless, the Group is confident about the future. The Group will further reinforce its leading position in the domestic telecommunications operator market while also vigorously expand into the domestic non-operator market as well as the overseas market. With these measures, the Group aims to build up a "hundred-billion enterprise" with excellent performance, which has strong capabilities in capturing market opportunities, outstanding core competencies, integrated efficient operation and steady value growth, and to create greater value for its customers and shareholders.

On 28 June 2012, the Company successfully completed the election of the directors for the third session of the Board. On behalf of the Board, I would like to express my sincere gratitude to Mr. Wu Shangzhi and Mr. Hao Weimin, who retired as directors upon expiry of their terms of office, and Mr. Chan Mo Po, Paul, who resigned as an independent non-executive director of the Company, for their valuable contributions to the Group. In addition, I would like to take this opportunity to welcome Mr. Wei Leping and Mr. Siu Wai Keung, Francis to join the Company as independent non-executive directors. Finally, on behalf of the Board, I would like to express my sincere gratitude to all of the Group's shareholders, customers and all sectors of society for their long-standing care and support to the Group.

Li Ping
Chairman

Beijing, PRC
29 August 2012

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 2012 extracted from the unaudited financial information of the Group as set out in its 2012 Interim Report.

Consolidated Income Statement — Unaudited
For the six months ended 30 June 2012
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenues	*5*	**29,355,630**	25,212,626
Cost of revenues	*6*	**(24,835,651)**	(21,262,788)
Gross profit		**4,519,979**	3,949,838
Other operating income	*7*	**309,883**	263,354
Selling, general and administrative expenses		**(3,297,153)**	(2,841,189)
Other operating expenses		**(22,657)**	(30,992)
Finance costs	*8*	**(14,175)**	(31,920)
Share of losses of associates		**(2,752)**	(543)
Profit before tax	*9*	**1,493,125**	1,308,548
Income tax	*10(a)*	**(283,739)**	(270,045)
Profit for the period		**1,209,386**	1,038,503
Attributable to:			
Equity shareholders of the Company		**1,208,714**	1,044,525
Non-controlling interests		**672**	(6,022)
Profit for the period		**1,209,386**	1,038,503
Basic and diluted earnings per share (RMB)	*13*	**0.180**	0.176

Consolidated Statement of Comprehensive Income — Unaudited

For the six months ended 30 June 2012

(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
			(Restated)
Profit for the period		**1,209,386**	1,038,503
Other comprehensive income for the period (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		**(3,997)**	6,676
Available-for-sale securities: net movement in the fair value reserve	*11*	**2,618**	(9,075)
		(1,379)	(2,399)
Total comprehensive income for the period		**1,208,007**	1,036,104
Attributable to:			
Equity shareholders of the Company		**1,207,335**	1,042,126
Non-controlling interests		**672**	(6,022)
Total comprehensive income for the period		**1,208,007**	1,036,104

Consolidated Balance Sheet — Unaudited

At 30 June 2012

(Expressed in Renminbi)

	Note	30 June 2012 RMB'000	31 December 2011 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment, net		**3,912,405**	3,932,853
Investment properties		**771,700**	729,045
Construction in progress		**281,903**	227,858
Lease prepayments		**935,737**	935,659
Goodwill		**103,005**	103,005
Other intangible assets		**170,160**	144,128
Interests in associates		**59,908**	62,661
Other investments		**666,607**	663,116
Deferred tax assets		**173,207**	196,330
Other non-current assets		**10,913**	28,876
Total non-current assets		**7,085,545**	7,023,531
Current assets			
Inventories		**1,893,846**	1,692,653
Accounts and bills receivable, net	*14*	**21,259,361**	17,304,225
Prepayments and other current assets		**4,980,005**	4,633,667
Restricted deposits		**631,369**	320,039
Cash and cash equivalents		**8,430,356**	7,309,431
Total current assets		**37,194,937**	31,260,015
Total assets		**44,280,482**	38,283,546
Current liabilities			
Interest-bearing borrowings		**263,746**	998,335
Accounts and bills payable	*15*	**14,162,048**	12,766,401
Receipts in advance for contract work		**1,682,521**	1,150,095
Accrued expenses and other payables		**8,366,148**	6,814,795
Income tax payable		**200,529**	305,190
Total current liabilities		**24,674,992**	22,034,816
Net current assets		**12,519,945**	9,225,199
Total assets less current liabilities		**19,605,490**	16,248,730

Consolidated Balance Sheet — Unaudited (continued)
At 30 June 2012
(Expressed in Renminbi)

	Note	**30 June 2012** *RMB'000*	31 December 2011 *RMB'000* (Restated)
Non-current liabilities			
Other non-current liabilities		**73,740**	60,156
Deferred tax liabilities		**10,899**	23,485
Total non-current liabilities		**84,639**	83,641
Total liabilities		**24,759,631**	22,118,457
Equity			
Share capital	*16*	**6,926,018**	5,771,682
Reserves		**12,399,620**	10,272,147
Equity attributable to equity shareholders of the Company		**19,325,638**	16,043,829
Non-controlling interests		**195,213**	121,260
Total equity		**19,520,851**	16,165,089
Total liabilities and equity		**44,280,482**	38,283,546

Notes:

1 PRINCIPAL ACTIVITIES

China Communications Services Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is a leading integrated service provider to the telecommunications, media and technology industries in the People's Republic of China (the "PRC"). Its principal activities comprise provision of a full range of telecommunications support services in the PRC and overseas, including (i) telecommunications infrastructure design, construction and supervision and management; (ii) business process outsourcing (including network maintenance, facilities management, distribution of telecommunications service and products); and (iii) a variety of other services including applications, content and others.

2 BASIS OF PREPARATION

Pursuant to the Equity Transfer Agreements entered into by the Group and the subsidiaries of China Telecommunications Corporation ("Transferors") on 20 June 2012, the Group completed acquisition of (i) 100% equity interest in each of Ningxia Communications Constructions Co., Ltd. ("Ningxia Construction") and Ningxia Telecom Constructions Supervision Consultancy Co., Ltd. ("Ningxia Supervision"); and (ii) 100% equity interest in Xinjiang Communications Planning & Designing Institute Co., Ltd. ("Xinjiang Planning & Designing") (collectively the "Target Interests"), for a consideration of RMB51.07 million, payable in cash. Pursuant to the Equity Transfer Agreements, the net profit or loss made by the Target Interests between the period from the respective valuation dates (31 October 2011 for Ningxia Construction and Ningxia Supervision and 30 June 2011 for Xinjiang Planning & Designing) to 30 June 2012 is attributable to the Transferors. Accordingly, an additional RMB2.64 million is to be paid to the Transferors.

Since the Group and the Target Interests are under common control of China Telecommunications Corporation ("CTC"), the Equity 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.

The Group adopted the amendment to International Financial Reporting Standard ("IFRS") 1 in the second half year of 2011, and retrospectively adjusted the comparative figures of its 2011 annual financial statements. Details of the change in accounting policy related to the adoption of the amendment to IFRS 1 has been included in the 2011 annual financial statements of the Group. As the amendment to IFRS 1 had not yet been adopted in the 2011 interim financial statements, the results of operations for the six months ended 30 June 2011 have been restated to reflect this change in accounting policy.

The results of operations for the six months ended 30 June 2011, the balance as at 31 December 2011 and the cash flow effect for the six months ended 30 June 2011 previously reported by the Group have been restated to reflect the acquisition of the Target Interests and the retrospective adjustments that have been made in accordance with the amendment to IFRS 1 are set out below:

	The Group (as previously reported) *RMB'000*	Change in accounting policy *RMB'000*	Target Interests acquired *RMB'000*	Combined *RMB'000*
Results of operations for the six months ended 30 June 2011				
Revenues	25,189,276	—	23,350	25,212,626
Gross profit	3,948,400	(2,825)	4,263	3,949,838
Profit for the period	1,047,259	(10,341)	1,585	1,038,503
Basic and diluted earnings per share (in RMB)	0.182			0.176
Balance as at 31 December 2011				
Total assets	38,196,675	—	86,871	38,283,546
Total liabilities	22,071,848	—	46,609	22,118,457
Total equity	16,124,827	—	40,262	16,165,089
Cash flow effect for the six months ended 30 June 2011				
Net cash used in operating activities	(1,049,940)	—	(10,638)	(1,060,578)
Net cash used in investing activities	(197,626)	—	(99)	(197,725)
Net cash used in financing activities	(472,408)	—	13,536	(458,872)

For the period/year presented, all significant balances and transactions between the Group and the Target Interests have been eliminated on combination.

This interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issuance on 29 August 2012.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2012 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 a few amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

Amendments to IFRS 7, Financial instruments: Disclosures — Transfers of financial assets

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT REPORTING

The Group principally has one reportable segment, which is the provision of integrated telecommunications support services in the informatization sector. 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	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Revenue from telecommunications infrastructure services	**13,811,780**	12,209,454
Revenue from business process outsourcing services	**12,885,641**	10,482,981
Revenue from applications, content and others	**2,658,209**	2,520,191
	29,355,630	25,212,626

The Group's major customers are telecommunications operators which include CTC and its subsidiaries ("CTC Group") and China Mobile Communications Corporation and its subsidiaries ("CM Group"), each contributing a revenue exceeding 10% of the Group's total revenues. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the six months ended 30 June 2012 amounted to RMB12,255 million and RMB5,597 million respectively (six months ended 30 June 2011: RMB10,164 million (as restated) and RMB4,645 million (as restated) respectively), being 41.7% and 19.1% of the Group's total revenues respectively (six months ended 30 June 2011: 40.3% (as restated) and 18.4% (as restated) respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2012 amounted to RMB1,163 million (six months ended 30 June 2011: RMB1,290 million).

6 COST OF REVENUES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Depreciation and amortisation	**194,622**	184,467
Direct personnel costs	**4,192,667**	3,783,891
Operating lease charges	**439,609**	408,336
Purchase of materials and telecommunications products	**8,927,661**	7,604,619
Subcontracting charges	**8,868,013**	7,318,814
Others	**2,213,079**	1,962,661
	24,835,651	21,262,788

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Interest income	**42,959**	39,295
Dividend income from unlisted securities	**68,129**	37,637
Government grants	**64,056**	50,987
Gain on disposal of property, plant and equipment	**1,181**	1,965
Penalty income	**1,132**	1,152
Management fee income	**114,902**	116,710
Write-off of non-payable liabilities	**1,169**	971
Others	**16,355**	14,637
	309,883	263,354

8 FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Interest on bank advances and other borrowings wholly repayable within five years	**14,175**	31,920

For the periods ended 30 June 2012 and 2011, no borrowing costs were capitalised in relation to construction in progress.

9 PROFIT BEFORE TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
(a) Staff costs:		
Salaries, wages and other benefits	**5,805,247**	5,088,833
Contributions to defined contribution retirement schemes	**474,568**	409,577
	6,279,815	5,498,410
(b) Other items:		
Amortisation	**34,236**	34,543
Cost of inventories	**8,927,661**	7,604,619
Depreciation	**310,759**	299,178
Inventory write-down and losses, net of reversals	**4,309**	1,027
Impairment losses on accounts and other receivables	**33,826**	53,821
Reversal of impairment losses on accounts and other receivables	**(12,005)**	(1,486)
Operating lease charges	**532,108**	497,389
Research and development costs	**380,880**	238,879
Share of an associate's taxation	**94**	158

Research and development costs include RMB345 million (six months ended 30 June 2011: RMB212 million) relating to staff costs, which amount is also included in the staff cost disclosed in note 9(a).

10 INCOME TAX

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Income tax	**293,404**	257,768
Deferred tax		
Origination and reversal of temporary differences	**(9,665)**	12,277
Total income tax	**283,739**	270,045

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	**1,493,125**	1,308,548
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2011: 25%)	**373,281**	327,137
Differential tax rates on subsidiaries' profits *(note (i))*	**(88,532)**	(78,540)
Non-deductible expenses *(note (ii))*	**6,299**	12,150
Non-taxable income	**(17,128)**	(10,154)
Tax losses not recognised	**23,297**	28,306
Utilisation of previously unrecognised tax losses	**(13,478)**	(3,151)
Effect on opening deferred tax resulting from a reduction in PRC statutory tax rate *(note (iii))*	**—**	(5,703)
Income tax	**283,739**	270,045

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 2012 and 2011, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 15%, where applicable; and for certain overseas subsidiaries of the Group, which are taxed at respective statutory rates.

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

(iii) The amount for the six months ended 30 June 2011 represents 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 concerned. The deferred tax assets were remeasured for the change in applicable tax rates.

11 OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**3,491**	(12,100)
Net deferred tax charged to other comprehensive income	**(873)**	3,025
Net movement in the fair value reserve during the period recognised in other comprehensive income	**2,618**	(9,075)

12 DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: 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	
	2012	2011
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2011, declared during the interim period of RMB0.1222 per share[(i)] (six months ended 30 June 2011: RMB0.1260 per share)	**846,359**	727,232

(i) Calculated on the basis of the total share capital of the Company after the rights issue on 8 February 2012.

No final dividend was paid during the six months ended 30 June 2012 and 2011.

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 2012 of RMB1,209 million (six months ended 30 June 2011: RMB1,045 million (as restated)) and the weighted average number of shares in issue during the six months ended 30 June 2012 of 6,716,818 thousand shares (six months ended 30 June 2011: 5,949,749 thousand shares). As described in Note 16, the Company completed the rights issue in February 2012. In calculating earnings per share, the weighted average number of shares outstanding during the periods ended 30 June 2012 and 2011 were calculated as if the bonus elements without consideration included in the rights issue had existed from the beginning of the comparative year.

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 2012 *RMB'000*	At 31 December 2011 *RMB'000* (Restated)
Bills receivable	**147,707**	318,955
Unbilled revenue for contract work	**7,924,295**	4,698,824
Trade receivables	**13,646,367**	12,723,595
	21,718,369	17,741,374
Less: impairment losses	**(459,008)**	(437,149)
	21,259,361	17,304,225

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB9,105 million as at 30 June 2012 (31 December 2011: RMB7,600 million (as 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 2012 *RMB'000*	At 31 December 2011 *RMB'000* (Restated)
Current	**8,844,266**	6,791,692
Within 1 year	**10,678,335**	8,941,249
After 1 year but less than 2 years	**1,235,624**	1,158,233
After 2 years but less than 3 years	**342,843**	298,345
After 3 years	**158,293**	114,706
Amount past due	**12,415,095**	10,512,533
	21,259,361	17,304,225

(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 2012 *RMB'000*	At 31 December 2011 *RMB'000* (Restated)
At 1 January	**437,149**	395,797
Impairment loss recognised	**34,258**	84,904
Reversal of impairment loss previously recognised	**(12,399)**	(38,212)
Uncollectible amounts written off	**—**	(5,340)
At 30 June/31 December	**459,008**	437,149

At 30 June 2012, the Group's accounts and bills receivable of RMB337 million were individually determined to be impaired (31 December 2011: RMB346 million (as restated)). 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 RMB268 million were recognised (31 December 2011: RMB266 million (as restated)). 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 2012 *RMB'000*	At 31 December 2011 *RMB'000* (Restated)
Neither past due nor impaired	**8,844,266**	6,791,692
Within 1 year	**10,675,311**	8,922,927
After 1 year but less than 2 years	**803,325**	882,393
After 2 years but less than 3 years	**172,764**	222,100
After 3 years	**91,147**	41,966
At 30 June/31 December	**20,586,813**	16,861,078

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

Accounts and bills payable comprise:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000* (Restated)
Accounts payable	**12,372,675**	10,696,775
Bills payable	**1,789,373**	2,069,626
	14,162,048	12,766,401

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

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000* (Restated)
Within 1 year	**13,034,481**	11,871,053
After 1 year but less than 2 years	**735,782**	623,612
After 2 years but less than 3 years	**175,816**	178,110
After 3 years	**215,969**	93,626
	14,162,048	12,766,401

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB1,097 million as at 30 June 2012 (31 December 2011: RMB813 million (as restated)). The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

16 SHARE CAPITAL

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Registered, issued and fully paid:		
4,534,598,160 (31 December 2011: 3,778,831,800) domestic shares of RMB1.00 each	**4,534,598**	3,778,832
2,391,420,240 (31 December 2011: 1,992,850,200) H shares of RMB1.00 each	**2,391,420**	1,992,850
	6,926,018	5,771,682

	2012 Thousand shares	2011 Thousand shares
At 1 January	**5,771,682**	5,771,682
Issue of domestic shares	**755,766**	—
Issue of H shares	**398,570**	—
At 30 June/31 December	**6,926,018**	5,771,682

On 8 February 2012, the Company issued 398,570,040 H shares on the basis of 2 H rights shares for every 10 existing H shares at HK$3.19 per H rights share, and issued 755,766,360 domestic shares on the basis of 2 domestic rights shares for every 10 existing domestic shares at RMB2.59 per domestic rights share. The total gross proceeds raised under the rights issue were RMB2,991 million, and the net proceeds raised under the rights issue were RMB2,956 million, after deduction of issuing expenses amounted to approximately RMB35 million. The rights issue increased RMB1,154 million of the Company's share capital and RMB1,802 million of the Company's share premium.

17 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 20 June 2012, the Company entered into an equity transfer agreement with China Telecommunications Corporation Industrial Assets Management Centre, a directly wholly-owned subsidiary of CTC. Pursuant to the agreement, the Company shall acquire 51% equity interest in SBSS and all the associated rights and obligations for a total consideration of RMB265 million, payable in cash and the agreement will become effective when all relevant conditions precedent to the completion are fulfilled.

The acquisition was completed on 26 July 2012.

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 in this announcement, 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 2011 Annual Report.

AUDIT COMMITTEE

The audit committee has reviewed with management and the Company's international auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Interim Report for the six months ended 30 June 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2012, the Company has complied with the code provisions as set out in the former Code on Corporate Governance Practices and the new Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules.

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 2012 to 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM REPORT

The Interim Report for the six months ended 30 June 2012 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, uncertainties and assumptions, which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications market in China, the development of the regulatory environment and our abilities 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), Mr. Yuan Jianxing (Executive Vice President) and Ms. Hou Rui (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. Zhao Chunjun, Mr. Wei Leping and Mr. Siu Wai Keung, Francis.