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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 2015**

HIGHLIGHTS

- Remarkable overall operating results achieved, with accelerated growth in total revenues, steady growth resumed in net profit, and significant improvement in free cash flow.
 - Total revenues were RMB37,563 million, up by 11.3%.
 - Profit attributable to equity shareholders of the Company was RMB1,271 million, up by 2.7%.
 - Free cash flow was RMB151 million, improved significantly as compared with the outflow of RMB1,077 million in the same period last year.
- Gross profit margin and net profit margin were 13.8% and 3.4%, respectively.
- Fully captured opportunities arising from the issuance of 4G (LTE FDD) license, broadband network construction and continued increase of operating expenditure from domestic telecommunications operators. Revenue from such customers increased by 15.9%, in which revenue from China Telecom increased by 25.4%, and aggregate revenues from customers other than China Telecom remained stable.

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of 2015, following the national initiatives of comprehensively deepening reforms and securing stable economic growth through structural adjustment, the Group fully adopted the management philosophy of “innovation and transformation, seeking steady development, and pursuing efficient development”. While persisting in the development of the “Two New Markets¹”, the Group properly allocated its resources and captured the rare opportunity in the development of domestic telecommunications operator market by leveraging its competence and competitiveness in providing integrated services, which resulted in a remarkable results in the complicated and ever-changing market. The growth of the total revenues accelerated, net profit resumed steady growth and free cash flow achieved a significant improvement compared to the previous year. Meanwhile, the Group insisted on deepening reforms, continuously promoted innovation in operational management and business model, and strengthened the impetus for subsequent development, which laid a solid foundation for its sustainable development.

Operating Results

During the first half of 2015, the Group fully captured business opportunities from domestic telecommunications operators, such as 4G network construction, speed enhancement of fiber optic broadband and maintenance and optimization of networks, and provided its customers with integrated services of “construction and maintenance”, resulting in a significant improvement in operating results. The Group achieved total revenues of RMB37,563 million, representing a year-on-year increase of 11.3% and a remarkable growth in terms of growth rate². The cost of revenues was RMB32,387 million, representing a year-on-year increase of 12.0%. As a result of the decrease in service charges and increase in labour-related cost, the gross profit was RMB5,176 million, representing a year-on-year increase of 7.3%, while the gross profit margin was 13.8%, representing a year-on-year decrease of 0.5 percentage point. The Group strictly implemented cost control in selling, general and administrative expenses and such expenses was RMB3,930 million, accounting for 10.5% of the total revenues and representing a year-on-year decrease of 0.6 percentage point. Profit attributable to the equity shareholders of the Company was RMB1,271 million, resuming a steady growth with a growth rate of 2.7%. The net profit margin was 3.4% and the basic earnings per share amounted to RMB0.184. As a result of the ongoing enhancement of working capital management, turnover days of accounts and bills receivable were 140 days, reversing the growth trend and achieving a year-on-year decrease. Free cash flow³ amounted to RMB151 million, achieving a positive indicator value for a first half-year period for the first time since the listing of the Company.

¹ Two New Markets refer to domestic non-operator market and overseas market.

² In the first half of 2014, the total revenues of the Group were RMB33,743 million, representing a year-on-year increase of 4.3%.

³ Free cash flow = Profit for the year + Depreciation and amortisation – Changes in working capital – Capital expenditure

Business Development

During the first half of 2015, the Group's operating results was characterized by the increase in both the capital expenditure and operating expenditure of domestic telecommunications operators. The issuance of the 4G (LTE FDD) license led to the continuous growth in fixed asset investment of domestic telecommunications industry⁴. The Group captured this opportunity and achieved revenue from telecommunications infrastructure services of RMB18,022 million, representing a year-on-year increase of 16.6%, with a significant increase in the growth rate as compared with the same period last year⁵ and accounting for 48.0% of the total revenues. Among that, the revenue generated from the domestic telecommunications operators⁶ grew even more rapidly with a growth rate of 25.6%. We focused on the opportunities brought by the increase in the operating expenditure of domestic telecommunications operators and helped our customers to enhance their network quality and responsiveness, and the Group's revenue from business process outsourcing services amounted to RMB16,050 million, representing a year-on-year increase of 7.6% and accounting for 42.7% of the total revenues, among which the revenue from management of infrastructure for information technology business ("Network Maintenance") achieved a year-on-year increase of 14.6%. The Group's revenue from applications, content and other services was RMB3,491 million, representing a year-on-year increase of 3.3% and accounting for 9.3% of the total revenues, and indicating that innovation and transformation achieved a preliminary result. We focused on the informatization demand of the government and industrial customers and strongly promoted high-valued products and services such as "Smart City", "Smart Security", "Smart Industrial Park" and "Smart Home". Meanwhile, the Group intensified efforts in expansion of "Success Factors", a human resources management solution, and "Gripay", an Internet mobile financial service platform, resulting in a greater breakthrough in the number of users.

⁴ In the first half of 2015, fixed asset investment in domestic telecommunications industry was RMB143.73 billion, representing a year-on-year increase of 5.6%. (Source: Ministry of Industry and Information Technology of the People's Republic of China)

⁵ In the first half of 2014, the Group's revenue of telecommunications infrastructure services was RMB15,453 million, representing a year-on-year increase of 0.7%.

⁶ The Tower Company (full name: China Tower Corporation Limited) was jointly established by the three domestic telecommunications operators in July 2014. Since 2015, the Group's revenue from the Tower Company is temporarily classified as revenue from the domestic telecommunications operator market.

The Group has fully leveraged the development trend in the domestic telecommunications industry, and allocated resources and provided services according to the market demand. During the first half of 2015, revenue from the domestic telecommunications operator market was RMB23,802 million, representing a year-on-year increase of 15.9% and accounting for 63.4% of the total revenues. Among that, revenue from China Telecom was RMB15,850 million, representing a year-on-year increase of 25.4% and accounting for 42.2% of the total revenues. We seized the opportunity arising from the increase in the operating expenditure of the domestic telecommunications operators and the aggregate revenues from sources other than China Telecom⁷ was RMB7,952 million, representing a year-on-year steady increase of 0.6% and accounting for 21.2% of the total revenues. In accordance with the arrangements of preferential treatment and non-competition made with the Tower Company, the Group commenced to undertake business from the Tower Company and further reached consensus on cooperation during the first half of this year, making full preparation to serve the customers comprehensively.

During the first half of this year, the Group's revenue from the domestic non-operator market was RMB12,177 million, representing a year-on-year increase of 6.3% and accounting for 32.4% of the total revenues. The Group identified six major group-level products⁸, put in more marketing efforts and successfully realized cross-region promotion of its products. The Group focused more in expanding market coverage, resulting in an initial breakthrough in industries such as electricity and transportation. The Group strengthened cooperation with domestic telecommunications operators to jointly develop projects in the domestic non-operator market, with the revenue generated therefrom amounting to approximately RMB700 million. During the first half of 2015, the Group's revenue from the overseas market was RMB1,584 million, representing a year-on-year decrease of 9.2% and accounting for 4.2% of the total revenues. Although there was a decline in overseas revenue due to the Group's initiative to scale down business with low operating efficiency and the cyclical fluctuations of large projects and implementation timing of projects, we strengthened our development efforts in overseas turnkey projects and continuously optimized the revenue structure in overseas market, and the proportion of the revenue from turnkey projects increased to 69% of revenue from overseas market.

Corporate Management and Governance

During the first half of 2015, the Group was awarded "5A" qualification certificate as a logistics enterprise by China Federation of Logistics & Purchasing, becoming the only enterprise awarded with the "5A" logistics qualification in the telecommunications industry. The Group further established China Comservice Supply Chain Management Ltd. in July 2015 to further integrate resources to actively explore professional logistics business. Also, we commenced to explore the feasibility of professional operation for the traditional business segments and improved the standard in synergistic operation. Regarding the fundamental management, the Group continued to optimize the organization structure, streamlined administrative staff, increased manpower for frontline marketing activities, and facilitated cost-effectiveness.

⁷ Revenues from sources other than China Telecom include revenue from China Mobile, China Unicom and the Tower Company.

⁸ Six major group-level products include "Smart City", "Smart Security", "Intelligent Building", "Smart Industrial Park", "Cloud Computing" and "E-certification".

During the first half of 2015, the Group was again awarded “Best CFO” and “Best Investor Relations” in the 5th session of the Asian Excellence Recognition Awards 2015 by *Corporate Governance Asia*, a renowned journal on corporate governance in Asia.

Corporate Social Responsibility

The Group has always focused on environmental protection, energy conservation and emission reduction, actively participated in various disaster relief and charitable activities so as to fulfill the social responsibility and actively contribute to the society. The Group insists on promoting energy-saving products and services and assists domestic telecommunications operators to handle redundant assets and save operating cost through contracted energy management platform and other innovative methods. During the first half of this year, after the occurrence of a magnitude 8.1 earthquake in Nepal, the Group immediately joined the international disaster relief by assisting the local operators and the PRC Embassy in restoring the communications network and aid supply delivery, which demonstrated social responsibility and international humanity of the PRC enterprises. After the sinking of the cruise ship *Eastern Star* in the Yangtze River Basin and the disaster brought by Typhoon Chan-hom, the Group actively assisted the operator customers to ensure the normal operation of the communications network and received extensive praises from customers and the society.

Prospects

Against the backdrop of slow recovery in global economy and with China’s economy entering into a “new normal” phase, the Group is encountering many new situations and changes in its development. The strong promotion by the government in areas, such as the “Internet+”, “Broadband China”, “Made in China 2025”, “One Belt, One Road”, “Information Security”, “Utility Tunnel System” construction, and “enhancement of the speed and quality of operators”, will expand the market potential for the Group. Meanwhile, factors such as slowdown of the macroeconomic growth, low development rate of the communications industry, decrease in service charges and changes in regulatory policies also brought many challenges to the Group. We will capture the opportunity arising from domestic telecommunications operators’ construction of 4G and fiber optic broadband network, continuously seek new business opportunities in the internet-oriented transformation of domestic telecommunications operators and step up efforts in the expansion of northern China market, with a view to maintaining a stable fundamental of our operation. Meanwhile, the Group will strengthen the value-driven principle, deepen innovation and transformation, and facilitate the development through innovation. Firstly, the Group will optimize the structure of its businesses and customers. The Group will continuously pursue opportunity arising from the increase in the operating expenditure of domestic telecommunications operators, strongly expand the businesses that foster customers’ loyalty, such as maintenance and logistics, and also the high-valued businesses such as “Smart City”, “Smart Security”, “Smart Industrial Park” and “Smart Home”. The Group will also capture the opportunity in the industrial Internet and speed up the development in major sectors, such as government, electricity,

water conservancy, transportation and municipal infrastructure to realize the scale development in the domestic non-operator market. Leveraging on the opportunity of the “One Belt, One Road”, the Group will pursue breakthrough in the turnkey projects in overseas market. Secondly, the Group will optimize its operating model. The Group will actively explore the operating model in combination of investment and financing, undertake large turnkey projects under the BT/BOT model on a trial basis, accelerate integration of the new technology with traditional business and promote cross-sector operation. The Group will gradually promote the appropriate integration within professions such as logistics, distribution, design and construction, and strengthen synergistic operation. Thirdly, the Group will optimize its internal management. The Group will further build a flat organization structure to increase management efficiency, sub-divide performance evaluation unit to match resources precisely and strengthen the foundation management to prevent various risks. Through continuous optimization, the Group can speed up its transformation towards high-end areas and continually create higher values for its shareholders and customers.

Finally, on behalf of the Board, I would like to express my sincere gratitude to Mr. Wei Leping, who resigned as an independent non-executive director of the Company in June 2015, for his outstanding contributions to the Group and express my sincere welcome to Mr. Lv Tingjie and Mr. Wu Taishi for joining the Board. I would also like to take this opportunity to express my sincere gratitude to shareholders and customers of the Group and all sectors of society for their long standing care and support to the Group.

Sun Kangmin

Chairman

Beijing, PRC

26 August 2015

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 2015 extracted from the unaudited financial information of the Group as set out in its 2015 Interim Report.

Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	RMB'000	RMB'000
Revenues	5	37,562,595	33,742,897
Cost of revenues	6	<u>(32,387,089)</u>	<u>(28,919,619)</u>
Gross profit		5,175,506	4,823,278
Other operating income	7	377,505	414,977
Selling, general and administrative expenses		(3,930,101)	(3,729,968)
Other operating expenses		(59,192)	(33,926)
Finance costs	8	(23,765)	(5,075)
Share of profits of associates		<u>12,444</u>	<u>11,462</u>
Profit before tax	9	1,552,397	1,480,748
Income tax	10	<u>(281,542)</u>	<u>(237,913)</u>
Profit for the period		<u>1,270,855</u>	<u>1,242,835</u>
Attributable to:			
Equity shareholders of the Company		1,271,070	1,237,571
Non-controlling interests		<u>(215)</u>	<u>5,264</u>
Profit for the period		<u>1,270,855</u>	<u>1,242,835</u>
Basic earnings per share (RMB)	13	<u>0.184</u>	<u>0.179</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	RMB'000	RMB'000
Profit for the period		<u>1,270,855</u>	<u>1,242,835</u>
Other comprehensive income for the period (after tax)			
Items that may be subsequently reclassified to profit or loss (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		(8,359)	938
Available-for-sale securities:			
Net movement in the fair value reserve	11	<u>26,815</u>	<u>(2,782)</u>
		<u>18,456</u>	<u>(1,844)</u>
Total comprehensive income for the period		<u><u>1,289,311</u></u>	<u><u>1,240,991</u></u>
Attributable to:			
Equity shareholders of the Company		1,289,526	1,235,727
Non-controlling interests		<u>(215)</u>	<u>5,264</u>
Total comprehensive income for the period		<u><u>1,289,311</u></u>	<u><u>1,240,991</u></u>

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000	31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment, net		4,297,497	4,538,844
Investment properties		678,859	682,289
Construction in progress		274,830	234,890
Lease prepayments		828,202	872,348
Goodwill		103,005	103,005
Other intangible assets		250,896	249,618
Interests in associates		79,655	67,211
Available-for-sale financial assets		870,325	838,778
Deferred tax assets		343,563	331,854
Other non-current assets		<u>700,538</u>	<u>634,084</u>
Total non-current assets		<u>8,427,370</u>	<u>8,552,921</u>
Current assets			
Inventories		2,484,062	2,420,898
Accounts and bills receivable, net	14	29,988,007	27,441,198
Prepayments and other current assets		6,457,043	5,883,187
Restricted deposits		2,203,937	1,119,411
Cash and cash equivalents		<u>6,251,197</u>	<u>7,313,515</u>
Total current assets		<u>47,384,246</u>	<u>44,208,209</u>
Total assets		<u>55,811,616</u>	<u>52,761,130</u>
Current liabilities			
Interest-bearing borrowings		192,817	246,818
Accounts and bills payable	15	20,118,602	18,815,568
Receipts in advance for contract work		1,404,264	1,578,088
Accrued expenses and other payables		8,817,335	7,424,966
Income tax payable		<u>268,876</u>	<u>312,796</u>
Total current liabilities		<u>30,801,894</u>	<u>28,378,236</u>
Net current assets		<u>16,582,352</u>	<u>15,829,973</u>
Total assets less current liabilities		<u>25,009,722</u>	<u>24,382,894</u>

Consolidated Statement of Financial Position (Unaudited) (Continued)

At 30 June 2015

		30 June 2015	31 December 2014
	<i>Notes</i>	RMB'000	RMB'000 (audited)
Non-current liabilities			
Interest-bearing borrowings		35,497	38,708
Other non-current liabilities		783,904	787,642
Deferred tax liabilities		17,853	<u>13,357</u>
Total non-current liabilities		<u>837,254</u>	<u>839,707</u>
Total liabilities		<u>31,639,148</u>	<u>29,217,943</u>
Equity			
Share capital	<i>16</i>	6,926,018	6,926,018
Reserves		16,748,569	<u>16,103,855</u>
Equity attributable to equity shareholders of the Company		23,674,587	23,029,873
Non-controlling interests		497,881	<u>513,314</u>
Total equity		<u>24,172,468</u>	<u>23,543,187</u>
Total liabilities and equity		<u><u>55,811,616</u></u>	<u><u>52,761,130</u></u>

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 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 services (including management of infrastructure for information technologies, general facilities management, distribution of telecommunications service and products); and (iii) a variety of other services including applications, content and others.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”).

3. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared on the historical basis except for certain financial instruments, which are measured at fair values.

The interim financial report has been prepared in accordance with the same accounting policies and methods of computation adopted in the consolidated financial statements of the Group for the year ended 31 December 2014, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB for the preparation of the interim financial report:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The application of the amendments to IFRSs as mentioned above in the current period has had no material effect on the amounts reported and/or disclosures set out in the interim financial report.

The Group has not applied any new or revised IFRSs that is not yet effective for the current period.

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 contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The consolidated financial statements and notes thereof do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs. IFRSs include all applicable IFRSs, IASs and related interpretations.

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 independent auditors, Deloitte Touche Tohmatsu ("DTT"), 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.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2014 are available from the Company's registered office. The Company's independent auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2015.

4. SEGMENT REPORTING

The Group principally has one operating and 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from telecommunications infrastructure services	18,022,125	15,453,038
Revenue from business process outsourcing services	16,049,450	14,910,717
Revenue from applications, content and other services	<u>3,491,020</u>	<u>3,379,142</u>
	<u><u>37,562,595</u></u>	<u><u>33,742,897</u></u>

The Group's major customers are telecommunications operators which include China Telecommunications Corporation and its subsidiaries (excluding the Group) ("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 2015 amounted to RMB15,850 million and RMB6,853 million respectively (six months ended 30 June 2014: RMB12,637 million and RMB6,847 million respectively), being 42.2% and 18.2% of the Group's total revenues respectively (six months ended 30 June 2014: 37.4% and 20.3% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2015 amounted to RMB1,584 million (six months ended 30 June 2014: RMB1,744 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Depreciation and amortisation	221,780	223,136
Direct personnel costs	4,237,545	4,220,593
Operating lease charges	568,720	514,827
Purchase of materials and telecommunications products	10,135,019	9,586,244
Subcontracting charges	14,376,892	11,841,419
Others	2,847,133	2,533,400
	<u>32,387,089</u>	<u>28,919,619</u>

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest income	66,348	47,952
Dividend income from listed securities	94	–
Dividend income from unlisted securities	62,775	53,940
Government grants	89,328	83,366
Gain on disposal of investments	–	69,411
Gain on disposal of property, plant and equipment	4,085	1,346
Gain on disposal of intangible assets	31,000	–
Penalty income	681	1,309
Management fee income	111,274	127,273
Others	11,920	30,380
	<u>377,505</u>	<u>414,977</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable within five years	11,269	5,075
Interest for convertible preference shares and preference shares (<i>note (i)</i>)	12,496	–
	<u>23,765</u>	<u>5,075</u>

For the six months ended 30 June 2015 and 2014, no borrowing costs were capitalised in relation to construction in progress.

Note:

- (i) On 25 July 2014, a subsidiary of the Company has placed 66,670,000 convertible preference shares and 33,330,000 preference shares to an independent third party at par value of US\$1 for each of the convertible preference share and preference share.

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	6,368,423	6,134,625
Contributions to defined contribution retirement schemes	<u>520,393</u>	<u>509,992</u>
	<u>6,888,816</u>	<u>6,644,617</u>
(b) Other items:		
Amortisation	51,350	43,945
Cost of inventories	10,135,019	9,586,244
Depreciation	357,612	360,686
Inventory write-down and losses, net of reversals	13,523	3,943
Impairment losses on accounts and other receivables	124,148	71,386
Reversal of impairment losses on accounts and other receivables	(13,559)	(9,308)
Changes in fair value of financial derivatives	(2,836)	450
Operating lease charges	695,406	649,764
Research and development costs	<u>776,601</u>	<u>658,257</u>

Research and development costs include staff costs of RMB620 million (six months ended 30 June 2014: RMB526 million), which is also included in the staff cost disclosed in note 9(a).

10. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
Income tax	293,487	237,377
Deferred tax		
Origination and reversal of temporary differences	<u>(11,945)</u>	<u>536</u>
Total income tax	<u>281,542</u>	<u>237,913</u>

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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>1,552,397</u>	<u>1,480,748</u>
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2014: 25%)	388,099	370,187
Differential tax rates on subsidiaries' profits (<i>note (i)</i>)	(107,065)	(84,042)
Non-deductible expenses (<i>note (ii)</i>)	40,699	12,716
Non-taxable income	(28,317)	(29,617)
Tax losses not recognised	43,400	35,884
Utilisation of previously unrecognised tax losses	(7,600)	(1,284)
Over provision in respect of prior years	(11,451)	(19,312)
Effect of tax exemptions	(216)	(10,189)
Others (<i>note (iii)</i>)	<u>(36,007)</u>	<u>(36,430)</u>
Income tax	<u>281,542</u>	<u>237,913</u>

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 2015 and 2014, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 20% and 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 amounts primarily represent the effect of research and development expense deduction.

11. OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in fair value recognised during the period	31,547	(3,273)
Net deferred tax charged to other comprehensive income	<u>(4,732)</u>	<u>491</u>
Net movement in the fair value reserve during the period recognised in other comprehensive income	<u>26,815</u>	<u>(2,782)</u>

12. DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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	
	2015	2014
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2014, declared during the current interim period of RMB0.0931 per share (six months ended 30 June 2014: RMB0.1293 per share)	<u>644,812</u>	<u>895,534</u>

No final dividend was paid during the six months ended 30 June 2015 and 2014.

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 2015 of RMB1,271 million (six months ended 30 June 2014: RMB1,238 million) and the number of shares in issue during the six months ended 30 June 2015 of 6,926,018 thousand shares (six months ended 30 June 2014 of 6,926,018 thousand shares).

There was no 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 2015 RMB'000	At 31 December 2014 RMB'000
Bills receivable	354,028	431,134
Unbilled revenue for contract work	8,886,853	7,856,102
Trade receivables	<u>21,474,692</u>	<u>19,778,338</u>
	<u>30,715,573</u>	<u>28,065,574</u>
Less: impairment losses	<u>(727,566)</u>	<u>(624,376)</u>
	<u>29,988,007</u>	<u>27,441,198</u>

- (a) Included in accounts and bills receivable are amounts due from CTC Group of RMB15,885 million as at 30 June 2015 (31 December 2014: RMB13,612 million). The amounts due from CTC Group 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) based on the invoice date is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current (<i>note</i>)	<u>14,059,119</u>	<u>13,536,273</u>
Within 1 year	12,981,886	11,228,501
After 1 year but less than 2 years	1,982,784	1,938,198
After 2 years but less than 3 years	790,127	648,426
After 3 years	<u>174,091</u>	<u>89,800</u>
Amount past due	<u>15,928,888</u>	<u>13,904,925</u>
	<u>29,988,007</u>	<u>27,441,198</u>

Note: Included unbilled revenue for contract work.

(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 2015 RMB'000	At 31 December 2014 RMB'000
At 1 January	624,376	372,576
Impairment loss recognised	115,786	295,706
Reversal of impairment loss previously recognised	(12,325)	(34,208)
Uncollectible amounts written off	<u>(271)</u>	<u>(9,698)</u>
At 30 June/31 December	<u>727,566</u>	<u>624,376</u>

At 30 June 2015, the impairment losses of accounts and bills receivable of RMB2,745 million were individually determined (31 December 2014: RMB2,152 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 RMB270 million were recognised (31 December 2014: RMB317 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 2015 RMB'000	At 31 December 2014 RMB'000
Neither past due nor impaired	14,059,119	13,536,273
Within 1 year	11,040,285	10,127,135
After 1 year but less than 2 years	995,158	938,591
After 2 years but less than 3 years	451,786	245,510
After 3 years	90,645	39,114
	<u>26,636,993</u>	<u>24,886,623</u>
At 30 June/31 December		

Receivables that were neither past due nor impaired mainly relate to telecommunications 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 further 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 2015 RMB'000	At 31 December 2014 RMB'000
Accounts payable	17,965,182	16,366,810
Bills payable	2,153,420	2,448,758
	<u>20,118,602</u>	<u>18,815,568</u>

The ageing analysis of accounts and bills payable based on the invoice date is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	18,511,362	17,370,714
After 1 year but less than 2 years	976,167	994,309
After 2 years but less than 3 years	347,264	237,301
After 3 years	283,809	213,244
	<u>20,118,602</u>	<u>18,815,568</u>

Included in accounts and bills payable are amounts due to CTC Group and an associate of the Group of RMB2,598 million as at 30 June 2015 (31 December 2014: RMB2,239 million). The amounts due to CTC Group and an associate of the Group are unsecured, interest free and are expected to be settled within one year.

16. SHARE CAPITAL

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<i>Registered, issued and fully paid:</i>		
4,534,598,160 (31 December 2014: 4,534,598,160) domestic shares of RMB1.00 each	4,534,598	4,534,598
2,391,420,240 (31 December 2014: 2,391,420,240) H shares of RMB1.00 each	<u>2,391,420</u>	<u>2,391,420</u>
	<u>6,926,018</u>	<u>6,926,018</u>

MANAGEMENT DISCUSSION AND ANALYSIS

According to paragraph 40 of Appendix 16 to 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 2014 Annual Report.

AUDIT COMMITTEE

The audit committee has reviewed with management and the Company’s international auditors, Deloitte Touche Tohmatsu, 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 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to 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 to the Listing Rules to govern securities transactions by directors and supervisors. Having made specific enquiries to the directors and supervisors, each of the directors and supervisors has confirmed his/her compliance with the Model Code in connection with the transactions of the Company’s securities for the period from 1 January 2015 to 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2015, 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 2015 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.

Beijing, PRC, 26 August 2015

As at the date of this announcement, our executive directors are Mr. Sun Kangmin, Mr. Si Furong and Ms. Hou Rui, our non-executive directors are Mr. Li Zhengmao and Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Zhao Chunjun, Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie and Mr. Wu Taishi.