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 2016

HIGHLIGHTS

— Overall operating results continued to grow rapidly, with accelerated growth in total revenues and net profit, and significant increase in free cash flow.

- Total revenues were RMB42,176 million, up by 12.3%.
- Profit attributable to equity shareholders of the Company was RMB1,386 million, up by 9.1%.
- Free cash flow was RMB2,385 million, representing a significant increase as compared with the amount of RMB151 million in the same period last year.

— Gross profit margin and net profit margin were 12.8% and 3.3%, respectively.

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of 2016, the Group upheld the management philosophy of "innovation and transformation, seeking steady yet progressive growth and efficient development". Against the backdrop of the macro-economic downturn and the decrease in service charges, the Group endured the unfavourable impact and captured opportunities in the domestic telecommunications operator market whilst persisting in the development of the "Two New Markets"[1], resulting in an accelerated growth in revenue and net profit. The quality of our business development continued to improve as reflected in the continuous optimization in revenue structure of business and customer, decrease in accounts receivable turnover days and remarkable increase in free cash flow. Meanwhile, the Group enhanced corporate vitality through steady promotion of deepened reforms and active innovation of its system and mechanism, thus creating favourable conditions for future development.

Overall Performance

During the first half of 2016, the Group sustained sound growth momentum in the domestic telecommunications operator market, achieved breakthroughs in the domestic non-operator market and resumed growth in the overseas market. As a result, the Group achieved total revenues of RMB42,176 million, representing a year-on-year growth of 12.3%. The cost of revenues was RMB36,784 million, up by 13.6% compared to that of last year. As a result of the decrease in service charges and increase in labour-related cost, the gross profit was RMB5,392 million, representing a year-on-year increase of 4.2%, while the gross profit margin was 12.8%, representing a year-on-year decrease of 1 percentage point. The Group's continuous control in selling, general and administrative expenses was effective and such expenses were RMB4,137 million, accounting for 9.8% of the total revenues and representing a year-on-year decrease of 0.7 percentage point. Profit attributable to the equity shareholders of the Company was RMB1,386 million, representing a year-on-year growth of 9.1%, with a noticeable increase in the growth rate as compared with the same period last year[2]. The net profit margin was 3.3%, remained at a similar level as compared to the corresponding period last year, and the basic earnings per share amounted to RMB0.200. The Group adhered to the "value-driven" appraisal principle and delivered remarkable results in the management of working capital. As a result, turnover days of accounts receivable were 124 days, achieving a year-on-year decrease of 16 days. Free cash flow[3] amounted to RMB2,385 million, representing a significant growth as compared to the corresponding period last year[4].

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

2 In the first half of 2015, profit attributable to the equity shareholders of the Company recorded a year-on-year growth of 2.7%.

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

4 In the first half of 2015, the Group's free cash flow was RMB151 million.

Development Quality

During the first half of 2016, the Group's telecommunications infrastructure ("TIS") services was the main driver to the growth of our operating results. Coupled with the healthy growth of both the "core businesses"[5] of business process outsourcing ("BPO") services and the applications, content and other ("ACO") services, as well as the effective management of the products distribution business[6], the Group continued to optimize its overall revenue structure.

While capturing the opportunities arising from the 4G construction and capacity expansion of fiber optic broadband of domestic telecommunications operators and the enlarged construction scale of the Tower Company[7], we also vigorously explored the demand for construction of informatization projects from domestic non-operator customers and overseas customers. Revenue from TIS services amounted to RMB21,687 million, representing a year-on-year growth of 20.3% and accounting for 51.4% of the total revenues. Among that, the revenue of TIS services from domestic telecommunications operators and overseas customers recorded a year-on-year growth of 13.9% and 21.0%, respectively, whereas the revenue of TIS services from domestic non-operator customers achieved a significant growth of 53.2% compared to the previous year.

Revenue from BPO services amounted to RMB16,144 million, representing a year-on-year growth of 0.6% and accounting for 38.3% of the total revenues. Among that, revenue from management of infrastructure for information technology ("Network Maintenance") secured a rapid year-on-year growth of 14.2%. After integration and cultivation, the Group's supply chain business[6] grew favourably and recorded a year-on-year revenue growth of 23.9%, whereas revenue from products distribution business decreased significantly by 20.2% under the proactive control of the Group.

The Group grasped the demand for informatization construction of our customers, and revenue from ACO services amounted to RMB4,345 million, representing a year-on-year growth of 24.5%, representing a significant increase in the growth rate as compared with the same period last year[8] and accounting for 10.3% of the total revenues.

5 Core businesses of BPO services include management of infrastructure for information technology, general facilities management and supply chain.

6 Since 2016, the Group sub-divided the former distribution business under the BPO services into supply chain business and products distribution business. For ease of comparison, the historical data of these two businesses have been segregated accordingly.

7 The full name of the Tower Company is China Tower Corporation Limited.

8 In the first half of 2015, revenue from ACO services recorded a year-on-year growth of 3.3%.

Customer Development

During the first half of 2016, the Group leveraged on both "CAPEX and OPEX-driven" businesses[9] as the dual growth drivers to accelerate the development of domestic telecommunications operator market, and recorded a steady increase in our overall market share. Revenue from such market amounted to RMB27,240 million, representing a year-on-year growth of 14.4% and accounting for 64.6% of the total revenues. Among that, revenue from China Telecom was RMB16,435 million, representing a year-on-year growth of 3.7% and accounting for 39.0% of the total revenues. Besides, the Group thoroughly expanded the domestic telecommunications operator market other than China Telecom by strengthening high-end marketing, capturing good opportunities arising from the strategic cooperation between China Telecom and China Unicom and capitalizing on the preferential treatment and non-competition arrangements with the Tower Company. As a result, revenue from domestic telecommunications operator customers other than China Telecom amounted to RMB10,805 million, representing a significant increase of 35.9% as compared with the same period last year, and accounting for 25.6% of the total revenues, an increase of 4.4 percentage points compared to that of last year. Among that, revenue from the Tower Company achieved the fastest year-on-year growth and was the biggest contributor to incremental revenue among the domestic telecommunications operators. Revenue from China Unicom also recorded a significant growth over the same period last year.

During the first half of 2016, the Group's revenue from the domestic non-operator market was RMB12,784 million, representing a year-on-year increase of 5.0% and accounting for 30.3% of the total revenues. In particular, revenue from TIS services and ACO services recorded a year-on-year increase of 53.2% and 22.6%, respectively, constituting the main revenue growth drivers for the domestic non-operator market. With a focus on key sectors including government, energy, transportation and internet, the Group continued to achieve breakthroughs in construction for data centre, low voltage communication projects and urban communication pipelines relocation, and the internal synergistic development and promotion of the six major group-level products[10] also achieved substantial progress. The Group adhered to its "value-driven" development philosophy and enhanced its risk awareness amid the current economic conditions, and exercised more stringent selection and control on the expansion of products distribution business during the first half of this year. Revenue from such business in the domestic non-operator market recorded a year-on-year decrease of 31.8%.

9 CAPEX and OPEX refer to the capital expenditure and operating expenditure of domestic telecommunications operators, respectively.

10 Six major group-level products include smart city, smart security, smart industrial park, intelligent building, cloud computing services and e-certification.

During the first half of 2016, the overseas business of the Group resumed steady development and realized a revenue of RMB2,152 million, representing a year-on-year increase of 35.9% and accounting for 5.1% of the total revenues, which reversed the downward trend of revenue in the last two years. We closely followed the national "Belt and Road" Initiative and the "10 Major Plans of Sino-African Cooperation", and proactively promoted our "China-Africa Partnership Program in Trans Africa Information Superhighway" Project, which has been identified as a key project of the relevant ministry of the PRC government in 2016. In addition, the Group has entered into a letter of intent for multilateral cooperation with domestic financial institutions, equipment vendors and the governments and operators of African countries for such project. During the first half of this year, the Group has been steadily pushing forward the implementation of turnkey projects such as national fiber cable backbone network project (Phase III) in Tanzania and proactively utilizing financial instruments such as accounts receivable factoring to facilitate the settlement of overseas projects and avoid operational risks.

Innovation in Mechanism

During the first half of 2016, the Group continued to promote deepened reforms to adjust and optimize the management mechanism for its overseas operations and set up a new operating entity for overseas business. We actively promoted the synergistic operation of supply chain business, officially commenced the operation of China Comservice Supply Chain Management Company Ltd. and created a unified brand of "中通福" for its distribution chain stores. The Group further expanded into the northern China market by commencing the formal operation of Inner Mongolia Autonomous Region Communications Services Company Limited and studying the feasibility of establishing new branches for our northern China business, with a view to strengthening our business development in the northern China market.

Corporate Governance

The Group has always maintained high standards of corporate governance practices. During the first half of 2016, I was honored the "Best CEO" Award in the 6th Asian Excellence Recognition Awards 2016 organized by *Corporate Governance Asia*, a famous corporate governance journal in Asia. Ms. Hou Rui, the Chief Financial Officer of the Company, was once again honored the "Best CFO" Award in the same election. According to the "2016 FORTUNE China 500" released by *FORTUNE China*, the Group ranked 71st, moving up seven places as compared to the corresponding period last year.

Social Responsibilities

During the first half of 2016, many places in southern China suffered catastrophic floods resulting from severe convective weather. The Group promptly initiated contingency plans and proactively participated in flood prevention and disaster relief, repairing and restoring more than 10,000 communications facilities as well as fiber optic cables and electric cables of nearly 22,000 km in total. Through research and development efforts, the Group has effectively mastered the key energy saving technology for large-scale data centres in severely cold regions, and successfully applied such technology in information parks operated by domestic telecommunications operators. This not only addressed the technological difficulties of anti-freeze, energy saving and safety in severely cold regions, but also made new contribution to the establishment of a green, energy-saving and environmental-friendly society.

Prospects

Although the Group achieved encouraging operating results during the first half of 2016, we are clearly aware that the Company is still confronted with challenges amid the bumpy recovery in global economy and the "New Normal" of China's economy. Under such circumstances, the Company must stay vigilant and make innovative breakthroughs for long-term and sustainable development.

By capturing the opportunities arising from various national strategies such as "Cyberpower", "Broadband China" and "Internet+", we will focus on the development of both "CAPEX and OPEX-driven" businesses in the domestic telecommunications operator market and pursue revenue growth from businesses driven by OPEX spending of operators. Leveraging on the opportunities arising from strategic cooperation between China Telecom and China Unicom as well as the preferential treatment and non-competition arrangements between the Group and the Tower Company, we will strive to further enlarge our market share and maintain our leading position in the domestic telecommunications operator market. Benefited from the favourable opportunities arising from the vigorous promotion of the national policies of "Supply-side Structural Reform", "SOE Reform", "Made in China 2025" and development of information economics, we will focus on the informatization demand from customers in sectors including government, energy, transportation and information security, and continue to expand the Group's business scale in the domestic non-operator market. We will also continue to promote group-level products such as "Smart City", "Smart Security", "Smart Industrial Park" and "Intelligent Building", and accelerate the development of new products to further enhance our business value. Meanwhile, we will closely monitor the implementation of the "Belt and Road" Initiative and the overseas informatization demand. By leveraging the opportunities arising from our "China-Africa Partnership Program in Trans Africa Information Superhighway" Project, the favourable conditions in our overseas synergistic operation and aiming at breakthrough in "EPC+" projects, we will focus on project implementation, with a view to expanding our business scale in overseas market.

Meanwhile, the Group will vigorously develop cross-sector business according to different characteristics of the three key business segments and the changes in market demand. We will also strengthen business innovation and actively promote innovations in service, product and management, so as to enhance our core competence and provide better support for integrated intelligent information service in the future as well as creating higher returns for shareholders through better quality of development.

Finally, on behalf of the Board, I would like to express my sincere gratitude to Mr. Wang Jun, who resigned as an independent non-executive director of the Company in June 2016, for his outstanding contributions to the Group and express my sincere welcome to Mr. Liu Linfei for joining the Board. I would also like to take this opportunity to express my sincere gratitude to the 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
25 August 2016

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 2016 extracted from the unaudited financial information of the Group as set out in its 2016 Interim Report.

Consolidated Statement of Profit or Loss (Unaudited)
For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Revenues	*5*	**42,175,618**	37,562,595
Cost of revenues	*6*	**(36,784,008)**	(32,387,089)
Gross profit		**5,391,610**	5,175,506
Other operating income	*7*	**431,791**	377,505
Selling, general and administrative expenses		**(4,136,824)**	(3,930,101)
Other operating expenses		**(40,135)**	(59,192)
Finance costs	*8*	**(20,967)**	(23,765)
Share of profits of associates		**35,144**	12,444
Profit before tax	*9*	**1,660,619**	1,552,397
Income tax	*10*	**(269,603)**	(281,542)
Profit for the period		**1,391,016**	1,270,855
Attributable to:			
Equity shareholders of the Company		**1,386,347**	1,271,070
Non-controlling interests		**4,669**	(215)
Profit for the period		**1,391,016**	1,270,855
Basic earnings per share (RMB)	*13*	**0.200**	0.184

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Profit for the period		**1,391,016**	1,270,855
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		**9,248**	(8,359)
Available-for-sale securities:			
Net movement in the fair value reserve	*11*	**(10,919)**	26,815
		(1,671)	18,456
Total comprehensive income for the period		**1,389,345**	1,289,311
Attributable to:			
Equity shareholders of the Company		**1,384,642**	1,289,526
Non-controlling interests		**4,703**	(215)
Total comprehensive income for the period		**1,389,345**	1,289,311

Consolidated Statement of Financial Position (Unaudited)
At 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment, net		**4,167,901**	4,331,796
Investment properties		**628,466**	658,186
Construction in progress		**395,949**	360,977
Lease prepayments		**782,362**	793,586
Goodwill		**103,005**	103,005
Other intangible assets		**236,767**	269,231
Interests in associates		**172,244**	117,196
Available-for-sale financial assets		**852,226**	865,072
Deferred tax assets		**451,642**	408,869
Other non-current assets		**636,745**	636,375
Total non-current assets		**8,427,307**	8,544,293
Current assets			
Inventories		**2,659,208**	2,883,989
Accounts and bills receivable, net	*14*	**29,980,229**	27,520,829
Prepayments and other current assets		**6,093,045**	6,873,074
Restricted deposits		**2,635,107**	2,555,290
Cash and cash equivalents		**11,486,339**	9,535,851
Total current assets		**52,853,928**	49,369,033
Total assets		**61,281,235**	57,913,326
Current liabilities			
Interest-bearing borrowings		**46,286**	177,005
Accounts and bills payable	*15*	**21,892,117**	19,699,385
Receipts in advance for contract work		**2,441,112**	2,911,542
Accrued expenses and other payables		**9,851,097**	8,691,602
Income tax payable		**289,440**	309,261
Total current liabilities		**34,520,052**	31,788,795
Net current assets		**18,333,876**	17,580,238
Total assets less current liabilities		**26,761,183**	26,124,531

Consolidated Statement of Financial Position (Unaudited) (Continued)
At 30 June 2016

	Notes	**30 June 2016** **RMB'000** **(unaudited)**	31 December 2015 *RMB'000* (audited)
Non-current liabilities			
Interest-bearing borrowings		**31,866**	34,455
Other non-current liabilities		**887,221**	865,780
Deferred tax liabilities		**13,315**	14,687
Total non-current liabilities		**932,402**	914,922
Total liabilities		**35,452,454**	32,703,717
Equity			
Share capital	*16*	**6,926,018**	6,926,018
Reserves		**18,449,264**	17,834,795
Equity attributable to equity shareholders of the Company		**25,375,282**	24,760,813
Non-controlling interests		**453,499**	448,796
Total equity		**25,828,781**	25,209,609
Total liabilities and equity		**61,281,235**	57,913,326

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, supply chain and products distribution); and (iii) a variety of other services including applications, content and others.

2. BASIS OF PREPARATION

The interim financial report contains condensed 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 2015 annual financial statements. The condensed 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 International Financial Reporting Standards ("IFRSs"). IFRSs include all applicable IFRSs, International Accounting Standards ("IASs") and related interpretations.

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 IAS 34, Interim Financial Reporting.

3. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared on the historical cost 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 2015, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs for the preparation of the interim financial report:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

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.

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 segment information 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 sales discounts. The Group's revenues by business nature can be summarised as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue from telecommunications infrastructure services	**21,686,537**	18,022,125
Revenue from business process outsourcing services	**16,143,790**	16,049,450
Revenue from applications, content and other services	**4,345,291**	3,491,020
	42,175,618	37,562,595

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 2016 amounted to RMB16,435 million and RMB7,842 million respectively (six months ended 30 June 2015: RMB15,850 million and RMB6,853 million respectively), being 39.0% and 18.6% of the Group's total revenues respectively (six months ended 30 June 2015: 42.2% and 18.2% respectively). The revenue derived from areas outside Mainland China for the six months ended 30 June 2016 amounted to RMB2,152 million (six months ended 30 June 2015: RMB1,584 million). In addition, revenues from products distribution for the six months ended 30 June 2016 amounted to RMB5,496 million (six months ended 30 June 2015: RMB6,887 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Depreciation and amortisation	**222,605**	221,780
Direct personnel costs	**3,952,385**	4,237,545
Operating lease charges	**587,603**	568,720
Materials	**4,279,181**	3,569,353
Direct costs of products distribution	**5,114,033**	6,565,666
Subcontracting charges	**19,413,318**	14,376,892
Others	**3,214,883**	2,847,133
	36,784,008	32,387,089

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest income	**84,426**	66,348
Dividend income from listed securities	**—**	94
Dividend income from unlisted securities	**50,628**	62,775
Government grants	**105,835**	89,328
Gain on disposal of investments	**35,822**	—
Gain on disposal of property, plant and equipment	**1,631**	4,085
Gain on disposal of intangible assets	**—**	31,000
Penalty income	**1,566**	681
Management fee income	**123,694**	111,274
Others	**28,189**	11,920
	431,791	377,505

8. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**5,761**	11,269
Interest for convertible preference shares and preference shares	**15,206**	12,496
	20,967	23,765

For the six months ended 30 June 2016 and 2015, no borrowing costs were capitalised in relation to construction in progress.

9. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
(a)	Staff costs:		
	Salaries, wages and other benefits	**6,189,190**	6,368,423
	Contributions to defined contribution retirement schemes	**547,808**	520,393
		6,736,998	6,888,816
(b)	Other items:		
	Amortisation	**56,467**	51,350
	Depreciation	**362,153**	357,612
	Materials	**4,279,181**	3,569,353
	Direct costs of products distribution	**5,114,033**	6,565,666
	Inventory write-down and losses, net of reversals	**3,065**	13,523
	Impairment losses on accounts and other receivables	**122,496**	124,148
	Reversal of impairment losses on accounts and other receivables	**(33,265)**	(13,559)
	Changes in fair value of financial derivatives	**1,370**	(2,836)
	Operating lease charges	**721,432**	695,406
	Research and development costs	**887,391**	776,601

The selling expenses, general and administrative expenses and other expenses of the Group are RMB638 million, RMB3,278 million and RMB221 million (six months ended 30 June 2015: RMB609 million, RMB3,153 million and RMB168 million) respectively for the six months ended 30 June 2016. Research and development costs include staff costs of RMB686 million (six months ended 30 June 2015: RMB620 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	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
Income tax	**311,820**	293,487
Deferred tax		
Origination and reversal of temporary differences	**(42,217)**	(11,945)
Total income tax	**269,603**	281,542

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**1,660,619**	1,552,397
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2015: 25%)	**415,155**	388,099
Differential tax rates on subsidiaries' profits *(note (i))*	**(131,635)**	(107,065)
Non-deductible expenses *(note (ii))*	**32,645**	40,699
Non-taxable income	**(27,340)**	(28,317)
Tax losses not recognised	**51,302**	43,400
Utilisation of previously unrecognised tax losses	**(10,100)**	(7,600)
Over provision in respect of prior years	**(10,396)**	(11,451)
Effect of tax exemptions	**(2,690)**	(216)
Others *(note (iii))*	**(47,338)**	(36,007)
Income tax	**269,603**	281,542

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 2016 and 2015, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 20%, 15% and 10%, 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 additional deductions in research and development expense.

11. OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Changes in fair value recognised during the period	**(12,847)**	31,547
Net deferred tax charged to other comprehensive income	**1,928**	(4,732)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(10,919)**	26,815

12. DIVIDENDS

(a) Dividends attributable to the period

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

(b) Dividends attributable to the previous financial year, approved during the period

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the period of RMB0.1011 per share (2015: RMB0.0931 per share)	**700,220**	644,812
Special dividend in respect of the previous financial year, approved during the period of RMB0.0101 per share (2015: nil)	**69,953**	—
	770,173	644,812

No final dividend or special dividend was paid during the six months ended 30 June 2016 and 2015.

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 2016 of RMB1,386 million (six months ended 30 June 2015: RMB1,271 million) and the number of shares in issue during the six months ended 30 June 2016 of 6,926,018 thousand shares (six months ended 30 June 2015 of 6,926,018 thousand shares).

14. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bills receivable	**210,174**	202,069
Unbilled revenue for contract work	**7,531,075**	7,864,033
Trade receivables	**23,396,617**	20,536,104
	31,137,866	28,602,206
Less: impairment losses	**(1,157,637)**	(1,081,377)
	29,980,229	27,520,829

(a) Included in accounts and bills receivable are amounts due from CTC Group, associates of the Group and associates of CTC Group of RMB17,311 million as at 30 June 2016 (31 December 2015: RMB16,155 million), which are unsecured, interest free and are expected to be recovered within one year.

(b) The ageing analysis of accounts and bills receivable (net of impairment losses) based on credit terms is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current *(note)*	**12,362,428**	13,211,725
Within 1 year	**14,870,188**	11,666,256
After 1 year but less than 2 years	**2,096,393**	2,131,351
After 2 years but less than 3 years	**623,195**	511,497
After 3 years	**28,025**	—
Amount past due	**17,617,801**	14,309,104
	29,980,229	27,520,829

Note: Included revenues within the credit terms for contract work.

(c) **Impairment of accounts and bills receivable**

Impairment losses in respect of accounts and bills receivable are recorded using an allowance account unless the Group considers 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
At 1 January	**1,081,377**	624,376
Impairment loss recognised	**109,676**	577,101
Reversal of impairment loss previously recognised	**(30,765)**	(101,648)
Uncollectible amounts written off	**(2,651)**	(18,452)
At 30 June/31 December	**1,157,637**	1,081,377

At 30 June 2016, the impairment losses of accounts and bills receivable of RMB1,708 million were individually determined (31 December 2015: RMB1,421 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 RMB355 million were recognised (31 December 2015: RMB511 million). The Group does not hold any collateral over these balances.

(d) 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Neither past due nor impaired	**12,362,428**	13,211,725
Past due but not impaired		
Within 1 year	**11,251,002**	10,285,576
After 1 year but less than 2 years	**1,312,103**	1,000,787
After 2 years but less than 3 years	**281,398**	269,883
	25,206,931	24,767,971

Receivables that were neither past due nor impaired mainly relate to telecommunications service providers for whom there was no recent record 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Accounts payable	**20,134,056**	17,429,304
Bills payable	**1,758,061**	2,270,081
	21,892,117	19,699,385

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 year	**20,197,464**	17,984,560
After 1 year but less than 2 years	**1,205,177**	1,191,927
After 2 years but less than 3 years	**267,223**	270,058
After 3 years	**222,253**	252,840
	21,892,117	19,699,385

Included in accounts and bills payable are amounts due to CTC Group, associates of the Group and associates of CTC Group of RMB2,023 million as at 30 June 2016 (31 December 2015: RMB1,777 million), which are unsecured, interest free and are expected to be settled within one year.

16. SHARE CAPITAL

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Registered, issued and fully paid:		
4,534,598,160 (31 December 2015: 4,534,598,160) Domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2015: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

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 2015 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 the risk management, internal control and financial reporting matters including the review of the Interim Report for the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has not only complied with the relevant provisions of the Listing Rules but also has abided by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basic guidelines for the Company's corporate governance. Throughout the six months ended 30 June 2016, 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 OF LISTED ISSUERS

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 the directors and supervisors of the Company. Having made specific enquiries by the Company, each of the directors and the supervisors has confirmed his/her compliance with the Model Code in connection with the transactions of the Company's securities for the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2016, 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 2016 will be despatched to shareholders and made available on the HKExnews website of the Stock Exchange (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
25 August 2016

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. Zhao Chunjun, Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wu Taishi and Mr. Liu Linfei.