Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

1 Principal activities and basis of presentation

(a) 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 industry 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.

(b) Basis of presentation

Pursuant to the Equity Transfer Agreements entered into by the Company and China Telecommunications Corporation and its subsidiaries ("CTC Group") on 26 May 2009, the Company acquired 95.945% and 51% equity interests in Shanghai Tongmao Import & Export Co. Ltd ("Tongmao") and Guoxin Lucent Technologies Network Technologies Co., Ltd ("Guoxin Lucent") (collectively the "Target Interests") respectively for a total purchase price of RMB98.05 million.

Since the Group and the Target Interests are under common control of CTC, the Target Interests have been accounted for as a combination of entities under common control in a manner similar to pooling-of-interests in the Company's 2009 consolidated financial statements. Accordingly, the assets and liabilities of the Target Interests were accounted for at historical costs and the consolidated financial statements of the Company prior to the acquisitions of the Target Interests were included the results of operations and assets and liabilities of the Target Interests on a combined basis. The considerations paid by the Group for the acquisitions of the Target Interests were accounted for as an equity transaction in the consolidated statement of changes in equity.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 31 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2010 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.

2 Basis of preparation (Continued)

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 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereto 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, 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 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. KPMG's independent review report to the Board of Directors is included on page 6.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information 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 2009 are available from the Company's registered office. The Company's international auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2010.

3 Changes in accounting policies

The IASB has issued two revised IFRS, a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*
- Improvements to IFRSs (2009)
- International Financial Reporting Interpretations Committee ("IFRIC") 17, *Distributions of non-cash assets to owners*

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

3 Changes in accounting policies (Continued)

The amendments to IAS 39 and improvements to IFRSs (2009) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of IFRS 3 (revised 2008) (in respect of recognition of acquiree's deferred tax assets) and the amendments to IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interests) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

As a result of the adoption of the amendments to IAS 27, it requires that if the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. The Group adopted such accounting treatment in previous years and no change in policies in this regard.

IFRIC 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

4 Segment reporting

The Group principally has one reportable segment, which is the provision of integrated telecommunications support services in the PRC. Therefore, no additional reportable segment has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 5.

5 Revenues

Revenues are derived from the provision of integrated telecommunications support services, 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	
	2010	2009
	RMB'000	RMB'000
Revenue from telecommunications infrastructure services	**10,351,840**	8,770,533
Revenue from business process outsourcing services	**9,260,938**	7,764,049
Revenue from applications, content and other services	**2,107,147**	1,728,280
	21,719,925	18,262,862

The Group's major customers are telecommunications operators which include CTC Group and China Mobile Communications Corporation and its subsidiaries ("CM Group"), both with revenue exceeding 10% of the Group's total revenue. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the six months ended 30 June 2010 amount to RMB8,702 million and RMB3,512 million respectively (six months ended 30 June 2009: RMB7,742 million and RMB3,068 million respectively), being 40.1% and 16.2% of the Group's total revenue respectively (six months ended 30 June 2009: 42.4% and 16.8% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2010 amounts to RMB1,098 million (six months ended 30 June 2009: RMB595 million).

6 Cost of revenues

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Depreciation and amortisation	174,440	168,534
Direct personnel costs	3,439,409	3,202,816
Operating lease charges	299,566	264,242
Purchase of materials and telecommunications products	7,010,617	6,015,321
Subcontracting charges	5,667,420	4,235,494
Others	1,763,264	1,522,729
	18,354,716	15,409,136

7 Other operating income

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Interest income	34,908	30,515
Dividend income from unlisted securities	—	1,440
Government grants	46,272	49,180
Gain on disposal of property, plant and equipment	1,515	3,282
Penalty income	2,747	953
Management fee income	102,930	96,041
Write-off of non-payable liabilities	2,005	437
Others	18,066	15,217
	208,443	197,065

8 Finance costs

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Interest on bank advances and other borrowings wholly repayable within five years and others	25,575	47,888

For the periods ended 30 June 2010 and 2009, no borrowing costs were capitalised in relation to construction in progress.

9 Profit before tax

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	4,362,702	3,950,950
Contributions to defined contribution retirement schemes	398,061	378,352
	4,760,763	4,329,302
(b) Other items:		
Amortisation	25,550	18,321
Cost of inventories	7,010,617	6,015,321
Depreciation	282,237	275,709
Inventory write-down and losses, net of reversals	(3,765)	3,754
Impairment losses on accounts and other receivables	8,635	4,433
Reversal of impairment losses on accounts and other receivables	(7,507)	(2,632)
Operating lease charges	376,620	324,401
Research and development costs	155,467	68,910
Share of an associate's taxation	148	137

10 Income tax

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

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Current tax		
Income tax	228,682	231,478
Deferred tax		
Origination and reversal of temporary differences	2,200	(2,475)
Total income tax	230,882	229,003

10 Income tax (Continued)

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

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Profit before tax	**1,140,553**	989,381
Expected income tax expense at PRC income tax statutory tax rate of 25%	**285,138**	247,345
Differential tax rates on subsidiaries' profits (note (i))	**(75,634)**	(52,644)
Non-deductible expenses (note (ii))	**11,620**	14,693
Non-taxable income	**(9,389)**	(2,805)
Tax losses not recognised	**22,845**	19,376
Utilisation of previously unrecognised tax losses	**(3,698)**	(718)
Effect on opening deferred tax resulting from a change in preferential tax qualification	**—**	3,756
Income tax	**230,882**	229,003

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 2010 and the six months ended 30 June 2009, except for certain subsidiaries of the Group, which are taxed at preferential rates of 15% to 22%.

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

11 Other comprehensive income

Available-for-sale securities

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Changes in fair value recognised during the period	**3,186**	26,786
Net deferred tax charged to other comprehensive income	**(1,070)**	(5,830)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**2,116**	20,956

12 Dividends

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: 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	
	2010	2009
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2009 and 2008, declared during the interim period of RMB0.1108 per share (six months ended 30 June 2009: RMB0.0913 per share)	**639,502**	526,955

No final dividend was paid during the six months ended 30 June 2010 and six months ended 30 June 2009.

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 2010 of RMB906 million (six months ended 30 June 2009: RMB758 million) and the weighted average number of shares in issue during the six months ended 30 June 2010 of 5,771,682 thousand shares (six months ended 30 June 2009: 5,771,682 thousand shares).

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

14 Property, plant and equipment, net

During the six months ended 30 June 2010, additions of property, plant and equipment (including direct purchase, transfer from construction in progress and investment properties) of the Group amounted to RMB184 million (six months ended 30 June 2009: RMB339 million). Items of property, plant and equipment with net book value totalling RMB13 million were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB7 million).

15 Accounts and bills receivable, net

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Bills receivable	52,350	101,718
Unbilled revenue for contract work	3,626,197	2,970,511
Trade receivables	10,006,576	7,727,589
	13,685,123	10,799,818
Less: impairment losses	(331,804)	(332,129)
	13,353,319	10,467,689

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB7,274 million as at 30 June 2010 (31 December 2009: RMB6,772 million). 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 2010 RMB'000	At 31 December 2009 RMB'000
Current	7,236,560	5,313,774
Within 1 year	5,310,270	4,320,911
After 1 year but less than 2 years	593,327	618,309
After 2 years but less than 3 years	128,847	130,957
After 3 years	84,315	83,738
Amount past due	6,116,759	5,153,915
	13,353,319	10,467,689

15 Accounts and bills receivable, net (Continued)

(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 2010 RMB'000	At 31 December 2009 RMB'000
At 1 January	332,129	301,104
Impairment loss recognised	7,107	46,077
Reversal of impairment loss previously recognised	(6,847)	(9,260)
Uncollectible amounts written off	(585)	(5,792)
At 30 June/31 December	331,804	332,129

At 30 June 2010, the Group's accounts and bills receivable of RMB282.2 million were individually determined to be impaired (31 December 2009: RMB290.3 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 RMB223.8 million were recognised (31 December 2009: RMB234.4 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 2010 RMB'000	At 31 December 2009 RMB'000
Neither past due nor impaired	7,236,560	5,313,774
Within 1 year	5,310,270	4,320,911
After 1 year but less than 2 years	406,021	335,743
After 2 years but less than 3 years	64,571	64,262
After 3 years	27,161	22,005
	13,044,583	10,056,695

15 Accounts and bills receivable, net (Continued)

(e) Accounts and bills receivable that are not impaired (Continued)

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.

16 Cash and cash equivalents

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash at bank and in hand	6,656,259	7,420,776
Highly liquid investments	60,000	163,000
Deposits with banks and other financial institutions	1,078,362	1,286,648
Cash and cash equivalents	7,794,621	8,870,424

17 Interest-bearing borrowings

The Group's short-term borrowings are comprised of:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
RMB denominated		
Borrowings from banks		
— unsecured	750,000	850,000
Loans from ultimate holding company		
— unsecured	300,000	300,000
Loans from fellow subsidiaries		
— unsecured	254,090	118,280
	1,304,090	1,268,280

17 Interest-bearing borrowings (Continued)

The Group's short-term borrowings bearing fixed interest rate per annum are as follows:

	At 30 June 2010	At 31 December 2009
RMB denominated		
Borrowings from banks		
— unsecured	3.51%	3.51%
Loans from ultimate holding company		
— unsecured	3.89%	3.89%
Loans from fellow subsidiaries		
— unsecured	2.39%–6.56%	2.39%–5.31%

As at 30 June 2010, no borrowings from banks were subject to financial covenants.

18 Accounts and bills payable

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Accounts payable	8,064,625	7,054,217
Bills payable	1,221,418	1,790,501
	9,286,043	8,844,718

18 Accounts and bills payable (Continued)

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year	8,587,460	8,302,532
After 1 year but less than 2 years	548,902	407,273
After 2 years but less than 3 years	91,519	79,705
After 3 years	58,162	55,208
	9,286,043	8,844,718

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB299 million as at 30 June 2010 (31 December 2009: RMB283 million). The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

19 Share capital

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Registered, issued and fully paid:		
3,778,831,800 domestic state-owned ordinary shares of RMB1.00 each	3,778,832	3,778,832
1,992,850,200 H shares of RMB1.00 each	1,992,850	1,992,850
	5,771,682	5,771,682

20 Commitments and contingent liabilities

(a) Capital commitments

As at 30 June 2010, the Group has capital commitments for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Authorised and contracted for	**106,731**	100,064
Authorised but not contracted for	**88,085**	117,019

(b) Operating lease commitments

As at 30 June 2010, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year	**163,944**	114,187
After 1 year but within 5 years	**227,294**	120,369
After 5 years	**46,239**	6,608
	437,477	241,164

The Group leases a number of properties under operating leases. The leases typically run for a period of one year to six years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Contingent liabilities

As at 30 June 2010, the Group had no material contingent liabilities and no financial guarantees issued.

(Expressed in Renminbi)

21 Related parties

The Group is part of a larger group of companies under CTC Group and has significant transactions and relationships with members of CTC Group. Apart from the transactions and balances disclosed in the interim financial report set out above, there are the following related party transactions:

(a) Transactions with CTC Group

Because of the relationships between the Group, CTC and members of the CTC Group, it is possible that the terms of those transactions are not the same as those that would result from transactions among unrelated parties.

The principal transactions with CTC Group which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Income from related parties:		
Engineering related services (note (i))	4,260,828	4,152,205
IT application services (note (ii))	402,206	369,910
Provision of ancillary telecommunications services (note (iii))	2,151,386	1,902,964
Provision of operation support services (note (iv))	739,650	732,712
Supplies procurement service (note (v))	1,131,940	560,705
Property leasing (note (vi))	16,198	23,673
Management fee income (note (vii))	102,930	96,041
Expenses paid/payable to related parties:		
Property leasing charges (note (viii))	51,828	52,389
IT application service charges (note (ix))	80,176	26,895
Operation support service charges (note (x))	124,712	129,810
Supplies procurement service charges (note (xi))	142,114	286,422
Interest paid/payable (note (xii))	11,764	24,976

21 Related parties (Continued)

(a) Transactions with CTC Group (Continued)

Notes:

(i) The amount represents the engineering related services, such as design, construction and project management for telecommunications infrastructure project provided to CTC Group.

(ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group.

(iii) The amount represents ancillary telecommunications services such as maintenance of network facilities including optical ducts and cables, exchange buildings and base stations; operation of distribution channels; fixed line and wireless value-added service; internet contents and information services provided to CTC Group.

(iv) The amount represents the facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group.

(v) The amount represents supplies procurement service such as supplies procurement service, management of biddings, warehousing, transportation and installation services.

(vi) The amount represents rental income in respect of premises leased to CTC Group.

(vii) The amount represents management fee income in respect of centralised services provided to CTC Group.

(viii) The amount represents rentals from operating leases in respect of business premises paid and payable to CTC Group.

(ix) The amount represents basic telecommunications service, value-added service and information application service charged by CTC Group.

(x) The amount represents the charge paid and payable to CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.

(xi) The amount represents the charge paid and payable to CTC Group for supplies procurement services, warehouse, transportation and installation services.

(xii) Interest paid/payable represents the interest paid or payable to CTC Group in respect of the loans from CTC and fellow subsidiaries.

21 Related parties (Continued)

(a) Transactions with CTC Group (Continued)

Amounts due from/to CTC Group included in respective balances are summarised as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Accounts and bills receivable, net	7,274,037	6,771,830
Prepayments and other current assets	445,678	392,209
Total amounts due from CTC Group	7,719,715	7,164,039
Interest-bearing borrowings	554,090	418,280
Accounts and bills payable	299,080	282,570
Receipts in advance for contract work	64,431	56,569
Accrued expenses and other payables	1,952,060	1,605,436
Total amounts due to CTC Group	2,869,661	2,362,855

As at 30 June 2010, impairment losses for bad and doubtful debts of RMB2.7 million (31 December 2009: nil) were recorded in respect of amounts due from CTC Group.

(b) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	1,898	1,273
Retirement benefits	616	564
Bonus	3,316	2,305
	5,830	4,142

Total remuneration is included in "Staff costs" in note 9.

21 Related parties (Continued)

(c) Contributions to defined contribution retirement plans

In accordance with the labour regulations of the PRC, the Group participates in various defined contribution retirement schemes organised by the municipal and provincial governments for its employees. The Group is required to make contributions to the retirement schemes at rates ranging from 18% to 22% of the salaries, bonuses and certain allowances of the employees. A member of the scheme is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

As at 30 June 2010 and 31 December 2009, there was no material outstanding contribution to post-employment benefit plans.

(d) Transactions with ten largest state-controlled customers and suppliers

The directors consider that the transactions with state-controlled entities which require disclosure in the interim financial report have been set out above. The following are the additional disclosure in respect of transactions entered into by the Group with its ten largest state-controlled customers and suppliers:

Transactions with the Group's ten largest customers, which are state-controlled entities, amount to RMB13,499 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB13,044 million).

Transactions with the Group's ten largest suppliers, which are state-controlled entities, amount to RMB467 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB920 million).