



中国通信服务
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2006 ANNUAL RESULTS

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**CONTINUES TO ENHANCE CORE COMPETITIVENESS
SEIZES OPPORTUNITIES IN THE INDUSTRY**

Financial Highlights (audited)

	2005	2006	Growth
Operating revenue (RMB million)	13,232	14,183	7.2%
EBITDA (RMB million)	1,233	1,416	14.8%
EBITDA Margin	9.3%	10.0%	0.7 percentage points
Profit attributable to shareholders (RMB million)	598	696	16.5%
EPS (RMB)	0.151	0.172	13.9%

(Hong Kong, 17 April 2007) — **China Communications Services Corporation Limited** (“China Comservice” or “the Company”)(HKSE code: 552), today announced its audited annual results for the year ended 31 December 2006.

The Company’s operating revenues during the period were RMB14,183 million, an increase of 7.2% against RMB13,232 million in 2005. Operating costs were under effective control and free cash flow was noticeably improved, EBITDA margin was 10.0%, an increase of 0.7 percentage point from 2005. Profit attributable to shareholders was RMB696 million, represented an increase of 16.5% from 2005. Earnings per share were RMB0.172.

Mr. Li Ping, Vice Chairman & Chief Executive Officer of the Company, said, “This is our first annual results announcement since listing on the Hong Kong Stock Exchange on 8th December, 2006. During 2006, we completed corporate restructuring and further improved the quality of services. Together with the strengthening of operation and development, costs control and enhancing operational efficiency, we achieved favorable results in 2006.”

As a leading integrated service provider in the PRC, the Company offers telecommunications support services to telecommunications operators, our major business areas are: (1) telecommunications infrastructure services which include design, construction and project supervision and management (2) business process outsourcing services such as network maintenance, facilities management, and distribution of telecommunication services and products, and (3) application, content and other services which include IT applications, Internet service and value added voice services, as well as other services.

Telecommunications Infrastructure Services

In 2006, revenue from telecommunications infrastructure services was RMB7,472 million, which accounted for 52.7% of the Company's operating revenue, an increase of 3.8% when compared with 2005. Revenue from this area was derived mainly from telecommunications operators' CAPEX. In 2006, although major telecommunications operators in the PRC have tightened control on CAPEX, the Company maintained a steady revenue growth in telecommunications infrastructure services by actively exploring business opportunities.

Business Process Outsourcing Services

In 2006, revenue from business process outsourcing services was RMB5,154 million, which accounted for 36.3% of the Company's operating revenue, an increase of 18.1% over RMB4,363 million in 2005. Revenue from distribution of telecommunications services and products was RMB3,516 million, an increase of 36.5% when compared with 2005. It was mainly driven by the rapid growth of distribution business of PHS and other mobile handsets.

Applications, Content and Others

Revenue from applications, content and others was RMB1,557 million in 2006, which accounted for 11.0% of the Company's operating revenue, a decrease of 6.8% over RMB1,670 million in 2005. The drop was mainly due to the adjustment to the way of doing business with the customers, where the cost of hardware and equipment included in the revenues was reduced. Most of the businesses in this segment was in the incubation period and not yet stably developed.

In order to be better positioned to grasp 3G opportunities, in addition to strengthening cooperation with telecommunications operators and equipment vendors, the Company also proactively made preparation on many other areas, including the participation in the research and development of various 3G technology standards, network and design planning, and works related to the TD-SCDMA trial network constructions. Through these efforts, the Company will be one of the first and major beneficiaries for 3G deployment in China.

Looking into 2007, the Company will continue to enhance its core competitiveness. It will actively expand its specialized operation and cross-regional cooperation, and strive to consolidate its market leadership through organic growth and external expansion by strategic acquisitions. As for customer service, the Company will improve its customer-centric service teams to provide customers with

neutral, professional and integrated one-stop services, to quickly respond to customer's needs, and enhance the value of both customers and the Company. The Company will improve our operational efficiency and labor productivity, strengthen resources allocation, utilize a centralized IT management system and optimize human resources structure to achieve effective control on operating costs. In addition to building a strong company structure and implementing its service integration plans, the Company will step up strategic cooperation with telecommunications operators and equipment vendors, and strengthen cooperation with upstream and downstream enterprises along the value chain to create a win-win situation.

Mr. Wang Xiaochu, Chairman of the Company, said, "China's prosperous economic growth brings tremendous business opportunities to the telecommunications industry, which creates a promising growth prospect for our Company. In accordance with the non-competition undertaking with our parent company, China Telecommunications Corporation, we have been granted a priority right to acquire its certain quality assets of telecommunications support services. Through carrying out a cross-regional and cross-market businesses integration of such specialized companies to be acquired in the future, we will be able to further enhance our core competitiveness. We are fully confident that we will continue to maintain our leader position in the industry and provide best quality services to our customers, thus create greater value for our shareholders."

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About China Comservice (HKSE code:552)

China Communications Services Corporation Limited ("China Comservice") is a leading integrated provider of specialized telecommunications support services in the PRC. A subsidiary of China Telecommunications Corporation, China Comservice offers telecommunications infrastructure services, including design, construction, project supervision and management, business process outsourcing services, IT applications, Internet services and value-added voice services. Its shareholders include China Mobile, China Unicom, Cisco and IDG, in addition to its major shareholder, China Telecommunications Corporation. The Company has developed a strong customer base, which includes telecommunications operators, telecommunications equipment manufacturers and other large corporations.

For further information, please browse the Company's website at: www.chinaccs.com.hk

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Forward-looking statements

This press release contains forward-looking statements and information relating to us and our operations and prospects that are based on current beliefs and assumptions as well as information currently available to us. The words “anticipate”, “believe”, “estimate”, “expect”, “plans”, “prospects”, “going forward” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions.

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statement. We do not intend to update these forward-looking statements other than our on-going disclosure obligations pursuant to the Hong Kong Listing Rules or other requirements of the Hong Kong Stock Exchange.