



中国通信服务
CHINA COMSERVICE

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

STOCK CODE: 552



Annual Results 2010

March 30, 2011

MANAGEMENT



MR. LI PING

**EXECUTIVE DIRECTOR &
CHAIRMAN**

MR. ZHENG QIBAO

**EXECUTIVE DIRECTOR &
PRESIDENT**

MS. HOU RUI

**EXECUTIVE DIRECTOR &
CFO**



Overview



Business Review

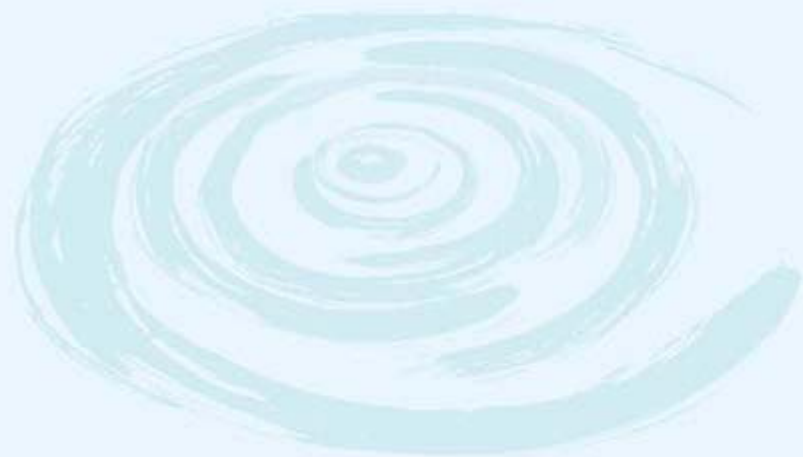


Financial Results



Overview

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HIGHLIGHTS



Rapid revenue & profit growth, optimized revenue mix, and further enhanced shareholder returns

Revenue growth of 7.2% in the domestic operator market, overcoming the impact of decline in operators' CAPEX

Targeting for 'Hundred Billion Enterprise*' with Excellent Performance

Revenue growth of 27.8% and 73.0% respectively in the domestic non-operator market and overseas market, demonstrating vigorous momentum & a promising prospect

Proposed rights issue to better position the Company for more exciting future growth opportunities, and generate better returns for shareholders

SOLID FINANCIAL PERFORMANCE



Continued double-digit growth of both revenue and net profit since IPO, and ROE further increased to 12.8%

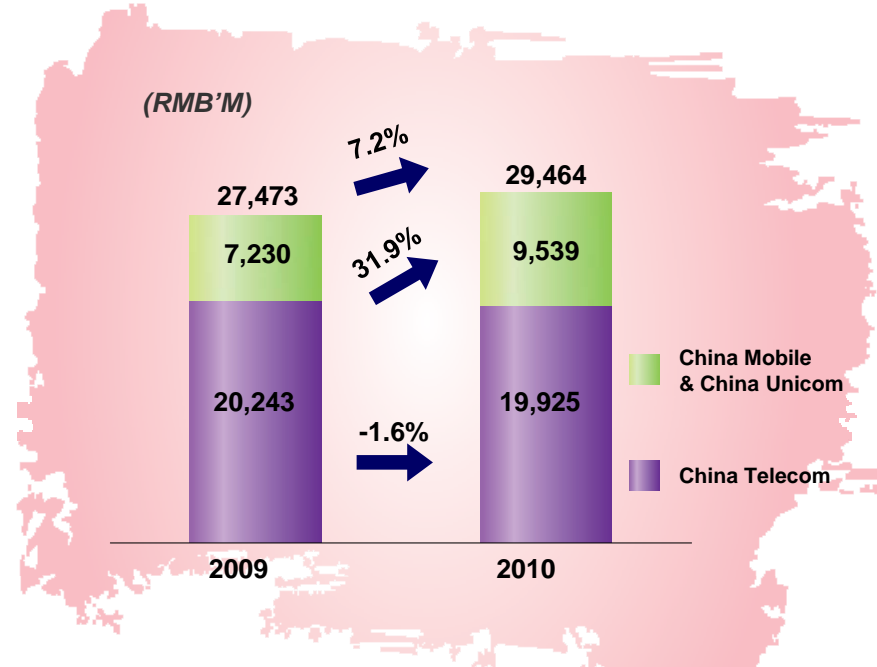
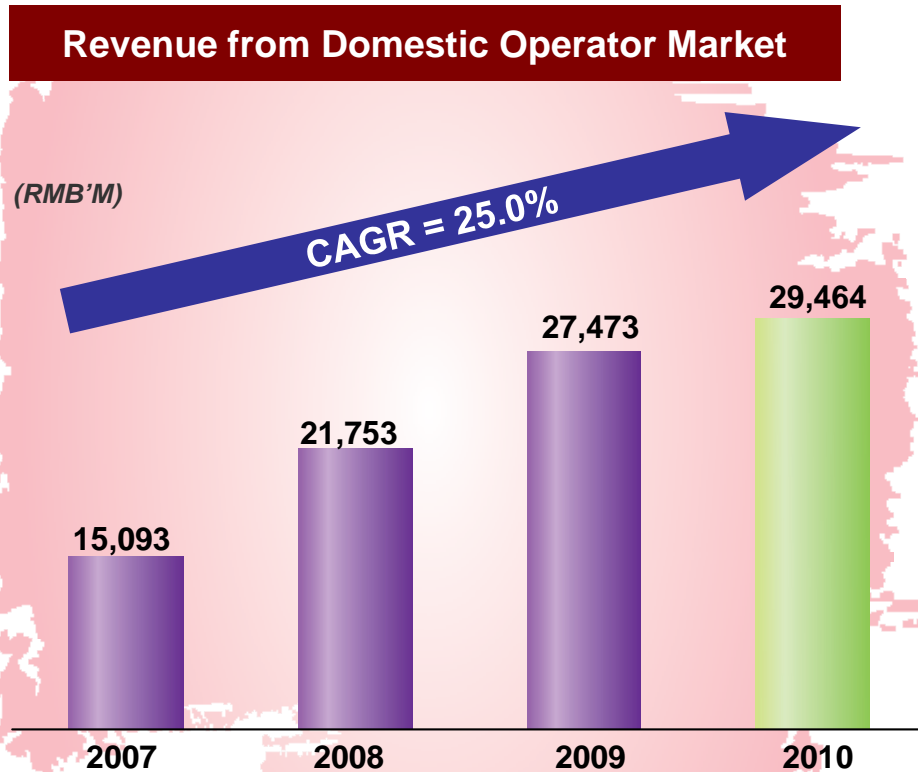
(RMB'M, except EPS & % figures)

	2009	2010	Change
Revenue	39,499	45,417	15.0%
Gross Profit	6,372	7,399	16.1%
Gross Profit Margin	16.1%	16.3%	+0.2pp
Net Profit	1,599	1,818	13.7%
EPS (RMB)	0.277	0.315	13.7%
ROE	12.2%	12.8%	+0.6pp

STEADY GROWTH IN DOMESTIC OPERATOR MARKET



Revenue increased by 7.2% to RMB29.5 billion with decrease in operators' CAPEX* and increase in their OPEX



Continued rapid revenue growth from China Mobile and China Unicom driven by further recognized neutrality and quality of service

Reduced impact of fluctuations in operators' CAPEX by focusing on their needs of full-service operation and providing integrated services covering their entire value chain

* According to data from MIIT, CAPEX for the telecom industry in China for 2010 decreased by 14.2% as compared with last year.

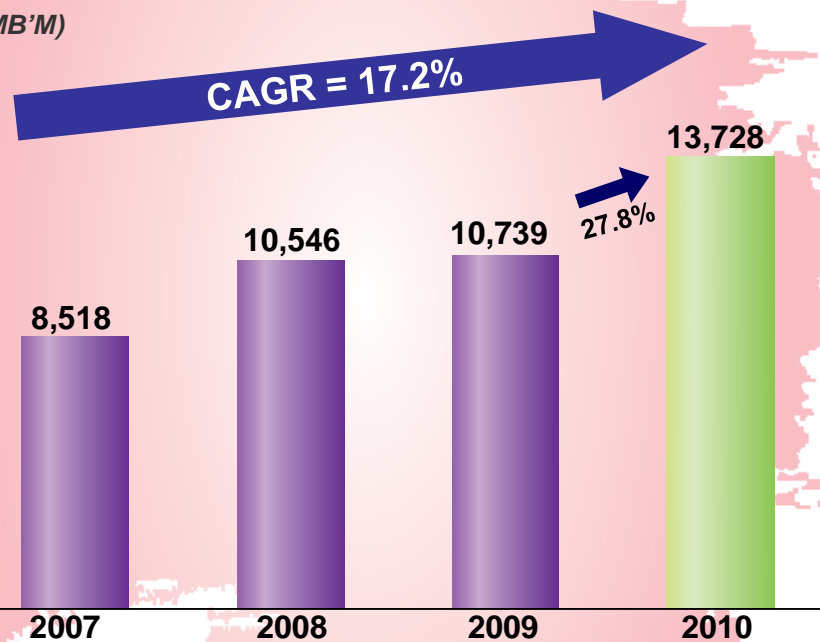
RAPID GROWTH IN DOMESTIC NON-OPERATOR AND OVERSEAS MARKET



- Combined revenue reached RMB16.0 billion, up 32.6% yoy
- Revenue CAGR from domestic non-operators and overseas markets in the past 4 years reached 18.3% and 73.0% respectively, demonstrating vigorous momentum and a promising prospect

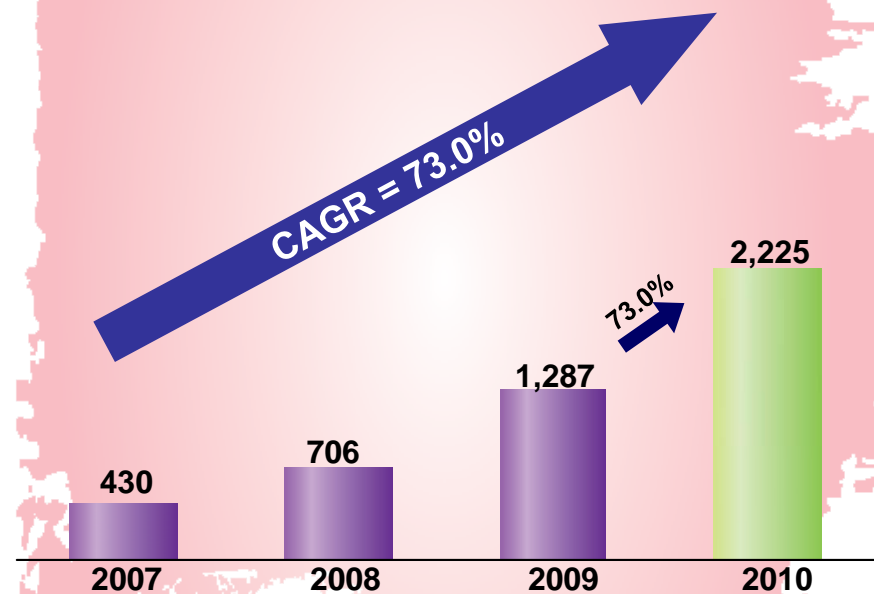
Revenue from Domestic Non-operator Market

(RMB'M)



Revenue from Overseas Market

(RMB'M)



CONTINUED AND STEADY RETURNS FOR SHAREHOLDERS IN THE 11TH FIVE-YEAR PERIOD



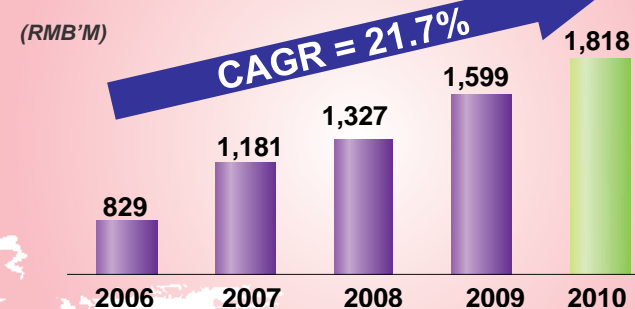
- The Board of Directors proposes a dividend of RMB 0.1260 per share for 2010, increased by 13.7% yoy

Key Initiatives

- Enhanced leadership in the operator market by leveraging on the opportunities brought by domestic 3G development
- Significantly reduced reliance on single client through broadening markets other than China Telecom. Achieved remarkable breakthroughs in the overseas market
- Realized external growth through the acquisition of assets from parent company and the acquisition of CITCC*
- High growth supported by the proceeds from IPO in 2006 and placement of H-share in 2008

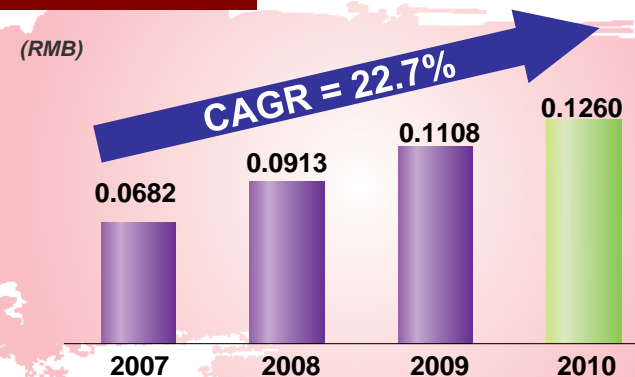
Net Profit

(RMB'M)



Dividend

(RMB)



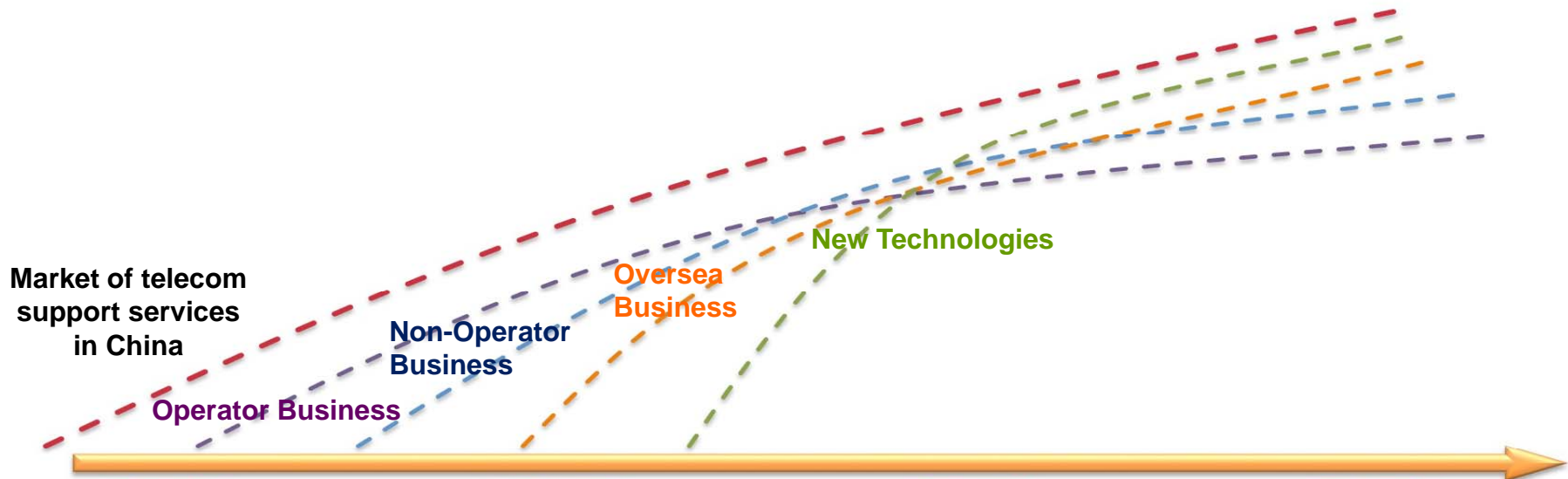
* CITCC: China International Telecommunications Construction Corporation

EXCITING GROWTH OPPORTUNITIES AHEAD



Our strong capabilities put us at a unique position to capture more opportunities, and realize our strategic goal

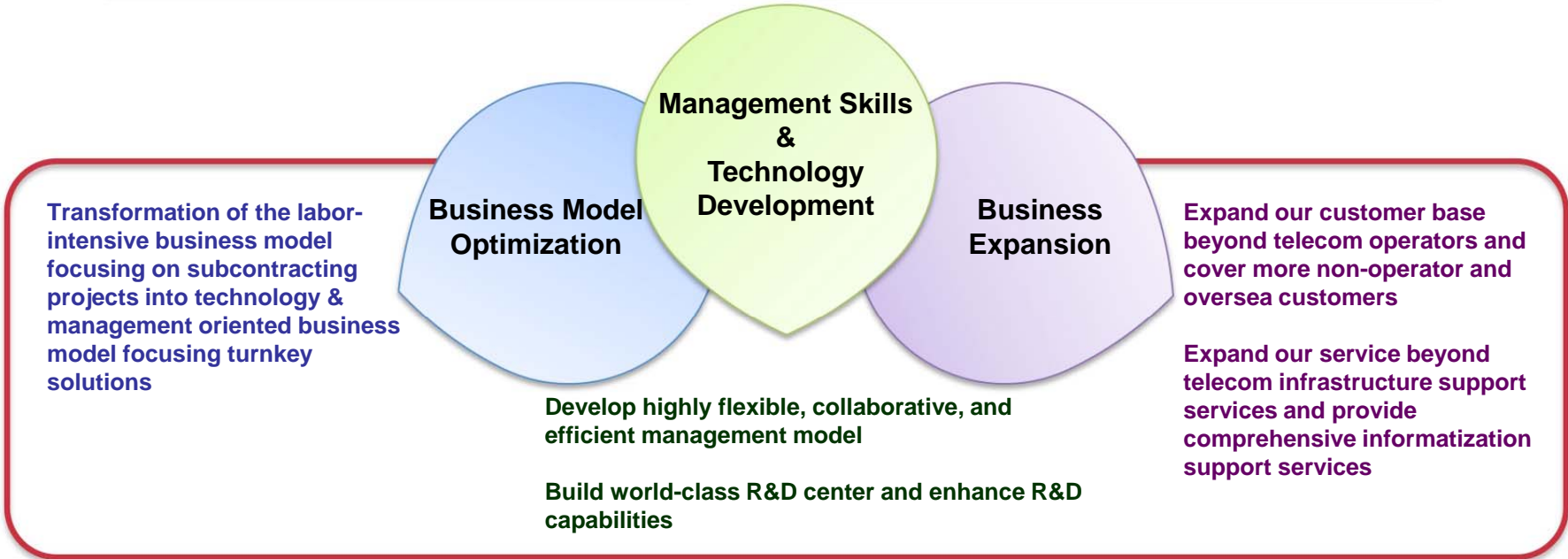
Market of support services for informatization sector in the world



Market of telecom support services in China

Operator Business	Non-Operator Business	Overseas Business	Opportunities from new technologies & models
<ul style="list-style-type: none"> 3G, 4G/LTE Fiber Optic Network Mobile Internet 	<ul style="list-style-type: none"> Government and enterprises informatization Three networks convergence 	<ul style="list-style-type: none"> Strong market needs from overseas market such as Africa Success of Chinese equipment vendors and close cooperation with these companies 	<ul style="list-style-type: none"> Tower sharing Energy saving and emission reduction New Technologies such as Internet of Things, Cloud Computing M&A opportunities

STRATEGIC POSITIONING AND COMPETITIVE STRENGTHS



Further rapid growth supported by our strengths



- Dominant leadership in domestic market
- Solid long-term partnership with telecom operators
- Strong cooperation with telecom equipment manufacturers
- Strong technical capabilities and abundant project experience
- Seasoned and innovative management team
- Robust financial position

INITIATIVES TO SECURE MORE CAPITAL



- Funding from several channels for strategies execution, thus realizing strategic goal of 'Hundred Billion Enterprise'

Higher Capital Requirements for Strategies Execution

- More investment and upfront payments will be required for new market development and for business transformation from focusing subcontracting projects to EPC*
- New technologies and business models, such as 4G, cloud computing, tower sharing, created needs for more R&D
- To enhance and acquire core capabilities, the Company may seek to obtain technology and other resources through acquisitions or joint ventures

Capital Resource

- Raise capital from equity financing (rights issue)
- Consider appropriate timing for debt financing
- Strengthen centralized cash management to enhance cash utilization

* EPC: Engineering, Procurement and Construction

PROPOSED RIGHTS ISSUE PLAN



The Board of Directors passed the resolution to raise up to RMB6 billion through rights issue to all shareholders on March 30, 2011, subject to the approval by the shareholders' meeting and relevant regulatory approvals

Tranche of Shares to be offered and Par Value per Share

Domestic common shares and H shares, with par value of RMB1.00 per share for both tranches

Rights Issue Ratio and Number of Rights Shares

Shares will be offered to all shareholders at the same ratio of up to 4 shares for every 10 existing shares held for both tranches. According to the mandate to be sought from shareholders' meeting, the final ratio shall be determined by the board of directors or other parties it authorizes, subject to the market conditions prior to the issue and discussions with lead underwriters. The proposed rights issue for H share tranche will be on a firm commitment basis. The number of rights shares for both tranches will be determined based on the share capital of domestic common shares and H shares respectively on the date of record for the proposed rights issue

Offering Size

Up to RMB6 billion

Pricing and Pricing Approach

Subject to H-share market trading performance prior to the rights issue announcement, the pricing will represent a discount to the prevailing market price and shall not be lower than the Company's net asset value per share for the latest period prior to the issue as audited by domestic auditors under PRC GAAP. According to the mandate to be granted by the shareholders' meeting, the final pricing shall be determined by the board of directors or other parties it authorizes, subject to the market conditions prior to the issue and discussions with lead underwriters. The pricing for the two tranches will be the same after FX adjustment.

PLANNED USE OF PROCEEDS



Up to RMB2 billion to be used in the Group's overseas expansion as well as the continuing development of non-telecommunications operator businesses in our domestic markets, including the initial deployment of capital and ongoing financial resources required for our projects, such as the purchase of equipment

Up to RMB1.5 billion for potential acquisition of strategic assets and joint venture opportunities

PLANNED USE OF PROCEEDS

Up to RMB1.5 billion for the Group's operations center and investment in research and development and related infrastructure

Up to RMB1 billion for general corporate purposes



Business Review

2013-2014



BUSINESS MIX FURTHER OPTIMIZED



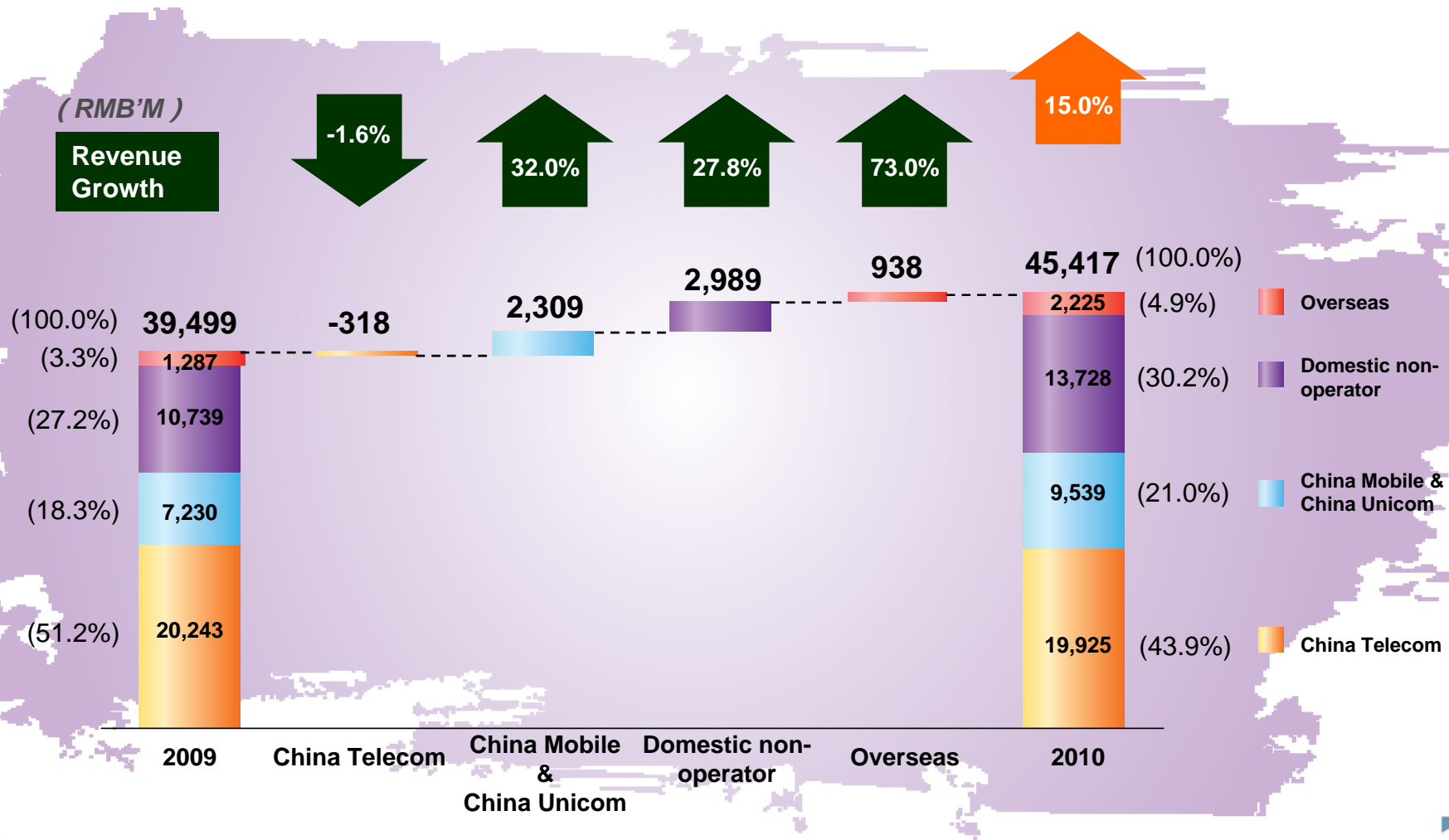
All major businesses recorded double-digit growth; Growth of ACO expedited

(RMB'M)	2009	2010	Change	% of revenue
TIS	19,289	21,637	12.2%	47.6%
<i>Design</i>	4,021	4,454	10.8%	9.8%
<i>Construction</i>	14,086	15,797	12.1%	34.8%
<i>Supervision</i>	1,182	1,386	17.3%	3.1%
BPO	15,943	18,508	16.1%	40.8%
<i>Maintenance</i>	3,484	4,270	22.6%	9.4%
<i>Distribution</i>	10,390	11,956	15.1%	26.3%
<i>Facility Management</i>	2,069	2,282	10.3%	5.0%
ACO	4,267	5,272	23.6%	11.6%
<i>IT Applications</i>	2,085	2,638	26.5%	5.8%
<i>Internet Services</i>	287	484	68.8%	1.1%
<i>Voice VAS</i>	653	706	8.2%	1.6%
<i>Others</i>	1,242	1,444	16.3%	3.2%
Total	39,499	45,417	15.0%	100.0%

CUSTOMER MIX FURTHER OPTIMIZED



Revenue contribution from customers other than China Telecom up from 48.8% to 56.1% of operating revenue



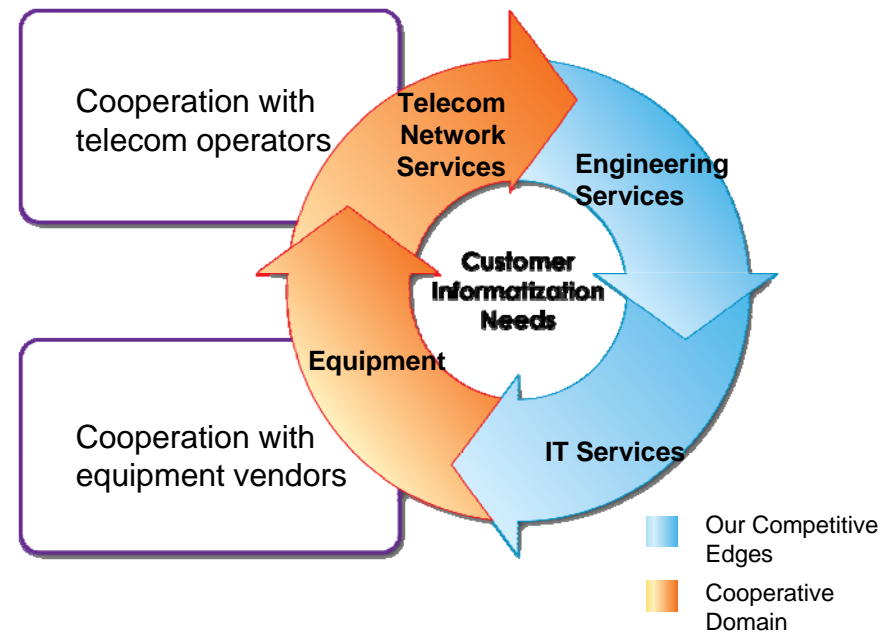
DOMESTIC NON-OPERATOR MARKET SHOWING STRONG REVENUE GROWTH MOMENTUM



Revenue increased by 27.8% to RMB13.73 billion; Rapid growth in core TIS and ACO businesses

(RMB'M)	2009	2010	Change
TIS Ancillary communications network, government agencies and enterprises' intranets, weak current system integration	2,475	3,681	48.7%
BPO Supply of communications machineries, facility management services	6,631	7,797	17.6%
ACO System integration, enterprise informatization solutions, mobile internet services	1,633	2,250	37.8%
Total	10,739	13,728	27.8%

We provide integrated service solutions by leveraging on our competitive edges and extensive cooperation based on the informatization needs of government agencies and sectors such as transportation, energy, construction and cable televisions.



Typical Cases

- Guangzhou Asian Games – Ancillary communications engineering projects
- Chow Tai Fook (A renowned jeweler) – Integrated network solutions for PRC stores (Phase II)
- China's national expressways - Communications cable relocation project
- Ningbo International Finance Service Center – Weak current engineering system projects

CONTINUING STRONG GROWTH MOMENTUM OF OVERSEAS BUSINESS



 Revenue grew by 73.0% to RMB2.23 billion, accounting for 4.9% of total revenue

Typical Cases*

Bahamas
leisure venues -
Weak current
engineering
projects,
mechanical and
electrical
engineering
projects


Yemen -
Campus intranet
construction


Tanzania -
National fibre optic
backbone &
transmission network
construction (Phase I)

Australia-New
Zealand's -
Submarine cable
projects

 Achieved breakthroughs in EPC projects with potential contract value over USD1billion driven by great demands for infrastructure communications construction and maintenance services in countries such as Africa

 Signed strategic agreements with domestic equipment vendors to gain further subcontracting projects in overseas markets

 Established 27 overseas platforms to better enable global planning

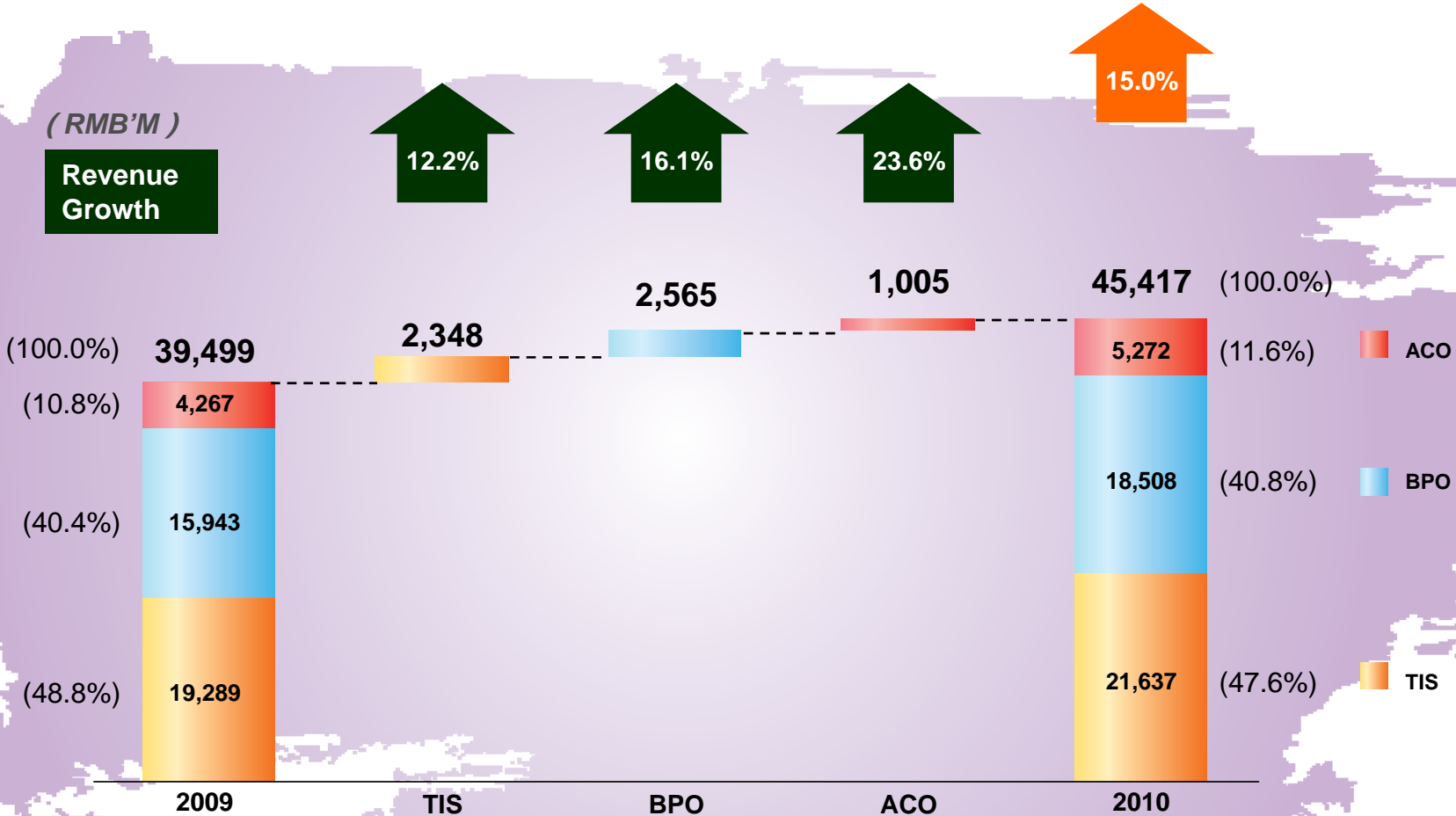
 Nurtured talent team and enhanced our project execution capabilities

 Further strengthened risk management

BUSINESS MIX FURTHER OPTIMIZED



 Greater revenue contribution from BPO and ACO rather than from TIS

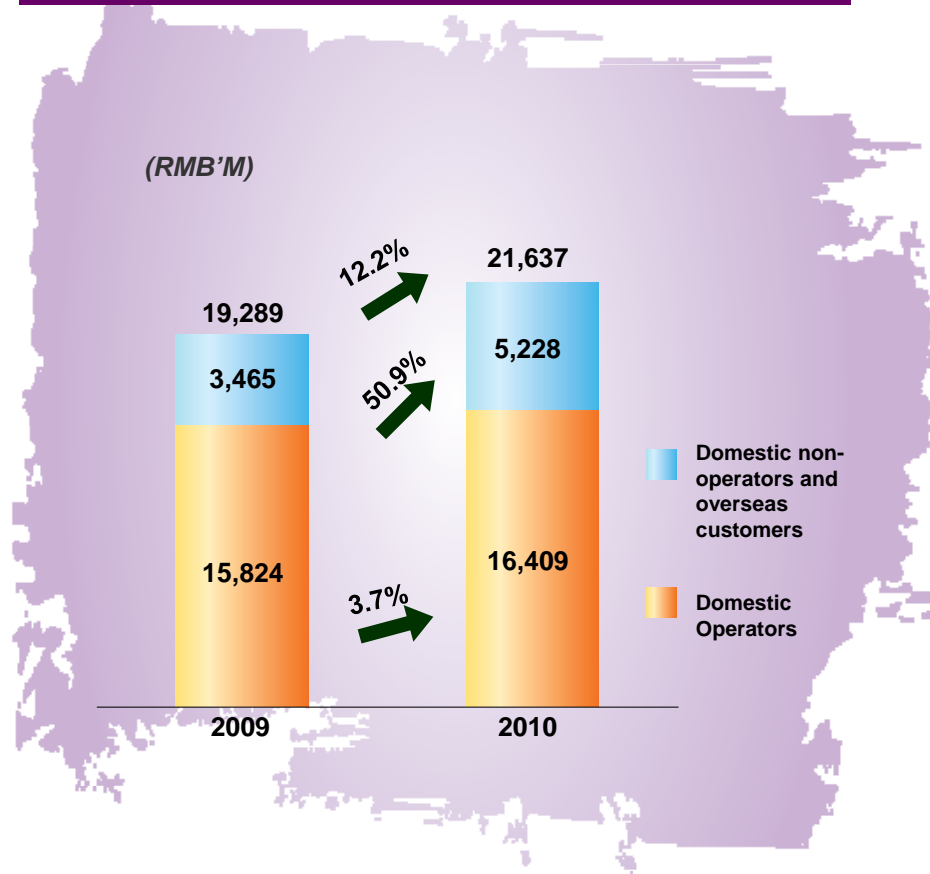


TIS - STEADY GROWTH



Revenue from domestic non-operators and overseas markets up > 50%, driving total TIS revenue up 12.2% to RMB 21.64 billion

TIS Revenue



Provided network capacity expansion and optimization, and captured the opportunities of operators' broadband network upgrade, TIS revenue from domestic operators increased by 3.7%

Leveraged on our leading TIS service capabilities and focused on key industries, key projects and key countries, TIS revenue from domestic non-operators and overseas markets increased by 50.9%

Established trans-regional business collaborations in the design realm to realize synergies

BPO - RAPID GROWTH

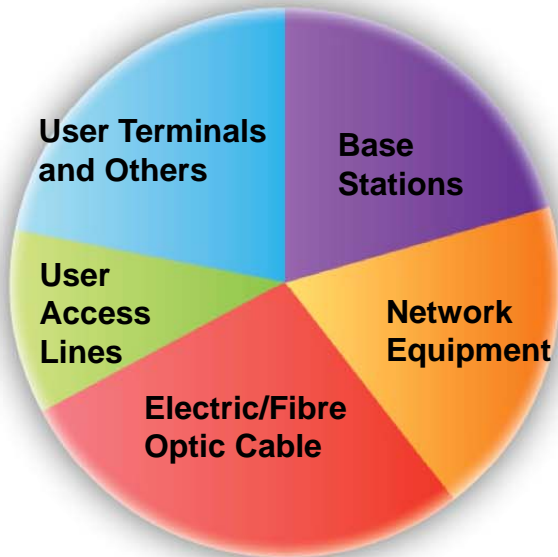


BPO revenue increased by 16.1% to RMB18.51 billion

Maintenance Business: Maintained Rapid Growth

- Revenue up 22.6% to RMB4.27 billion, of which revenue from China Mobile & China Unicom up 44.4%
- Improved service level by striving for indoor coverage and network optimization services, etc.

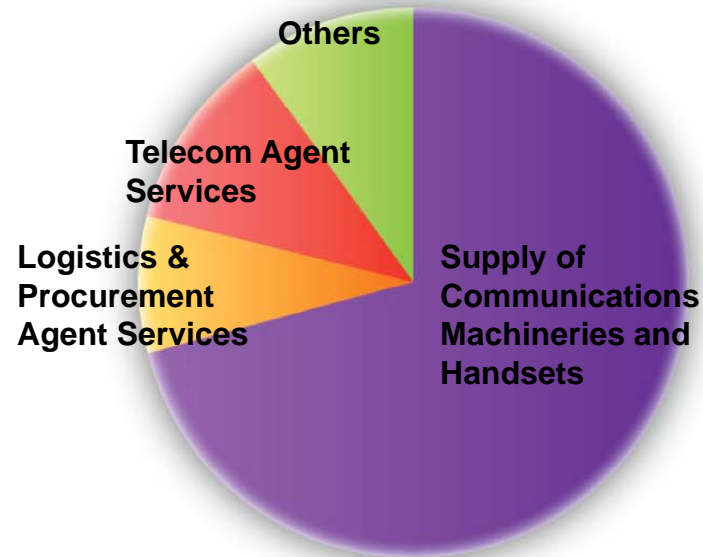
Mix of maintenance business



Distribution Business: Effectively Controlled with Steady Growth

- Revenue up 15.1% to RMB12.0 billion
- Focused on high-end logistics business. Taking the opportunity of developing collaborative logistics with China Telecom, we integrate existing resources and search for business partner to improve overall service capability

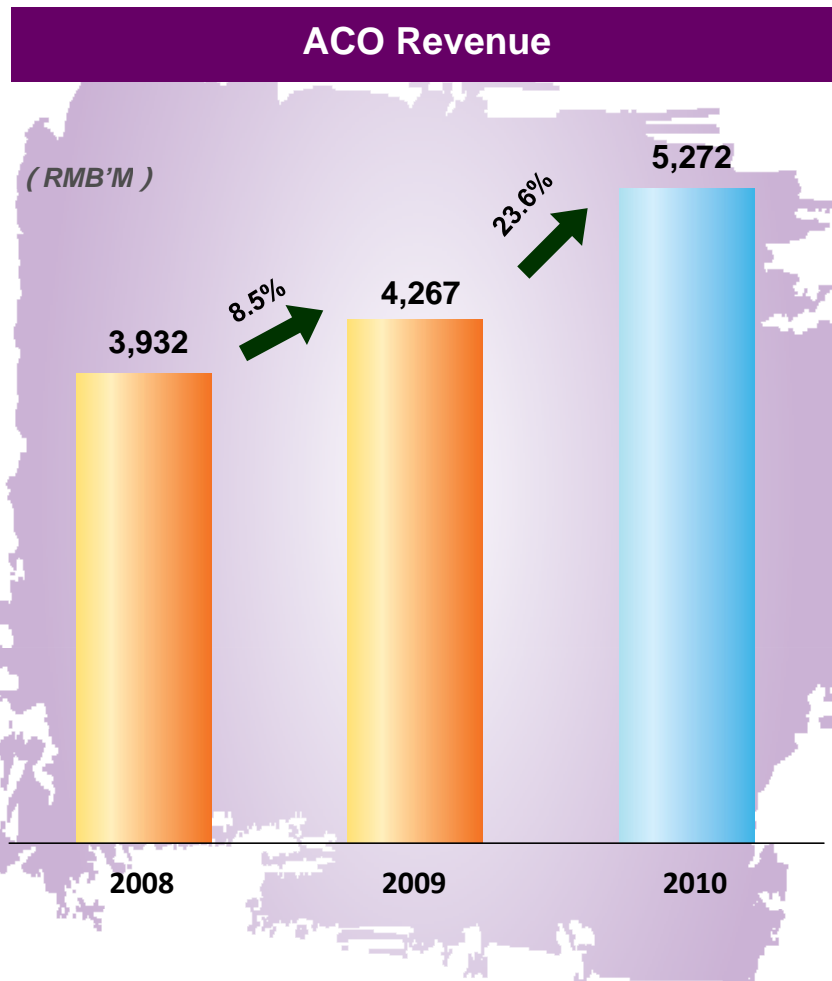
Mix of distribution business



ACO - EXPEDITED GROWTH



ACO revenue increased by 23.6% to RMB5.27 billion



(RMB'M)	2009	2010	Change
IT Applications	2,085	2,638	26.5%
Internet Services	287	484	68.8%
Voice VAS	653	706	8.2%
Others	1,242	1,444	16.3%
Total	4,267	5,272	23.6%

- Provided support services for China Telecom's music platform, video platform and broadband users
- Expanded business support system services (BSS/OSS/MSS) to customers beyond China Telecom
- Developed IT applications business together with telecom operators for government agencies and sectors including finance and transportation, etc.
- Gained recognition on service quality for mobile Internet business



Financial Results

2023 ANNUAL REPORT

FINANCIAL PERFORMANCE



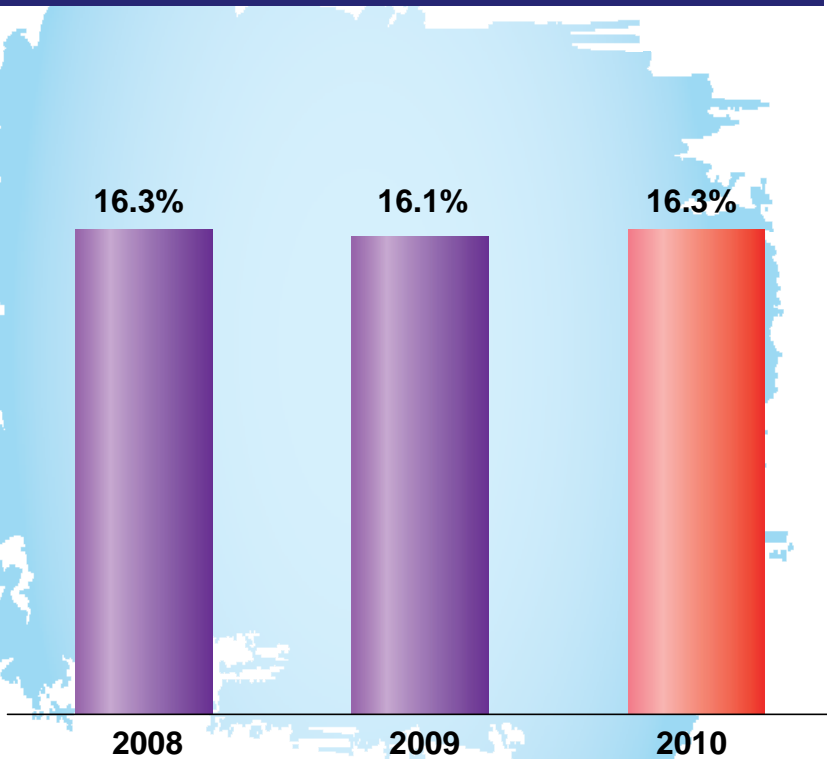
	2009	2010	Change	% of revenue
<i>(RMB'M, except EPS)</i>				
Revenue	39,499	45,417	15.0%	100%
Cost of Revenue	33,127	38,018	14.8%	83.7%
Direct personnel	7,073	7,460	5.5%	16.4%
Subcontracting	9,065	11,884	31.1%	26.2%
Materials	12,365	13,506	9.2%	29.7%
D&A	351	359	2.2%	0.8%
Others	4,273	4,809	12.5%	10.6%
Gross Profit	6,372	7,399	16.1%	16.3%
SG&A	4,692	5,627	19.9%	12.4%
Net Profit	1,599	1,818	13.7%	4.0%
EPS (RMB)	0.277	0.315	13.7%	N/A

GROSS PROFIT MARGIN & COST COMPONENT

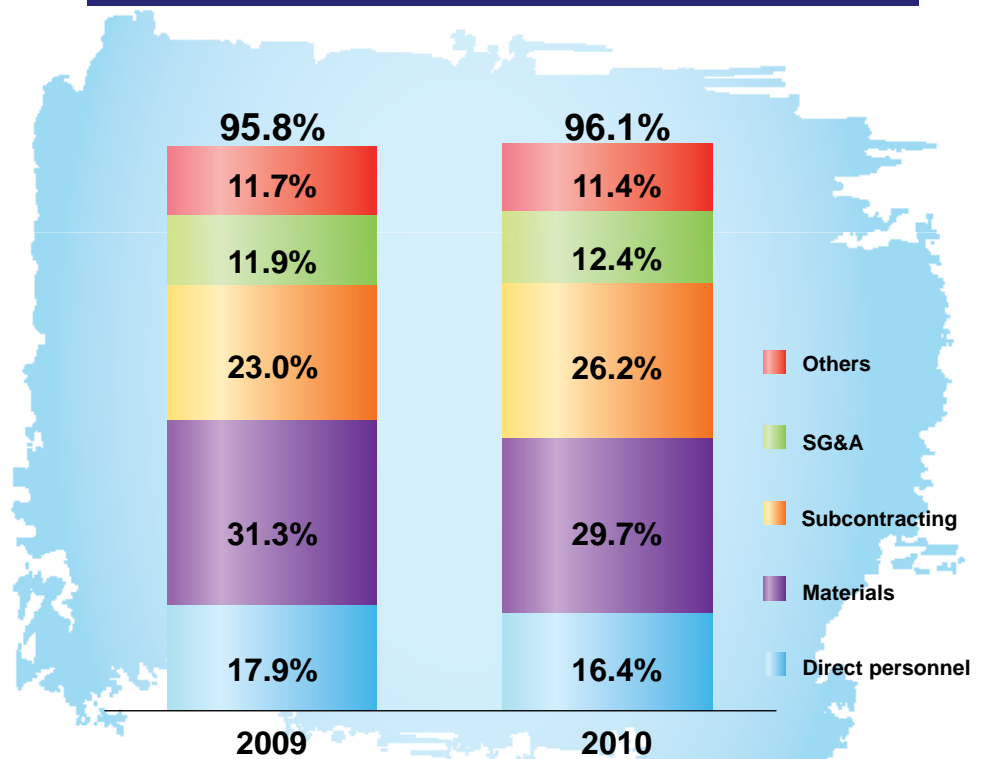


Costs changed in line with business development with gross margin up from 16.1% to 16.3%

Gross Profit Margin



Cost Component As a % of Total Revenue



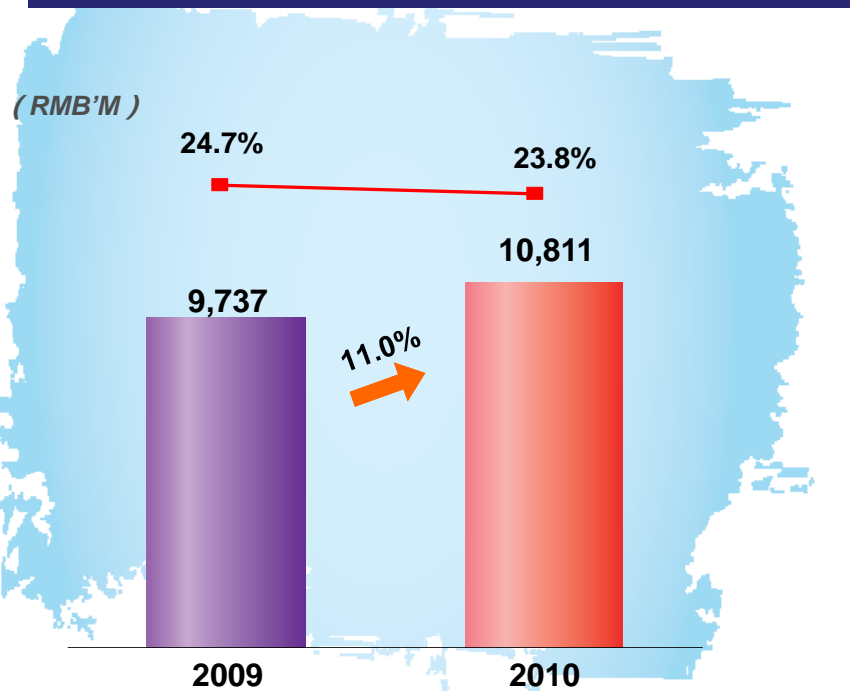
TOTAL PERSONNEL COST



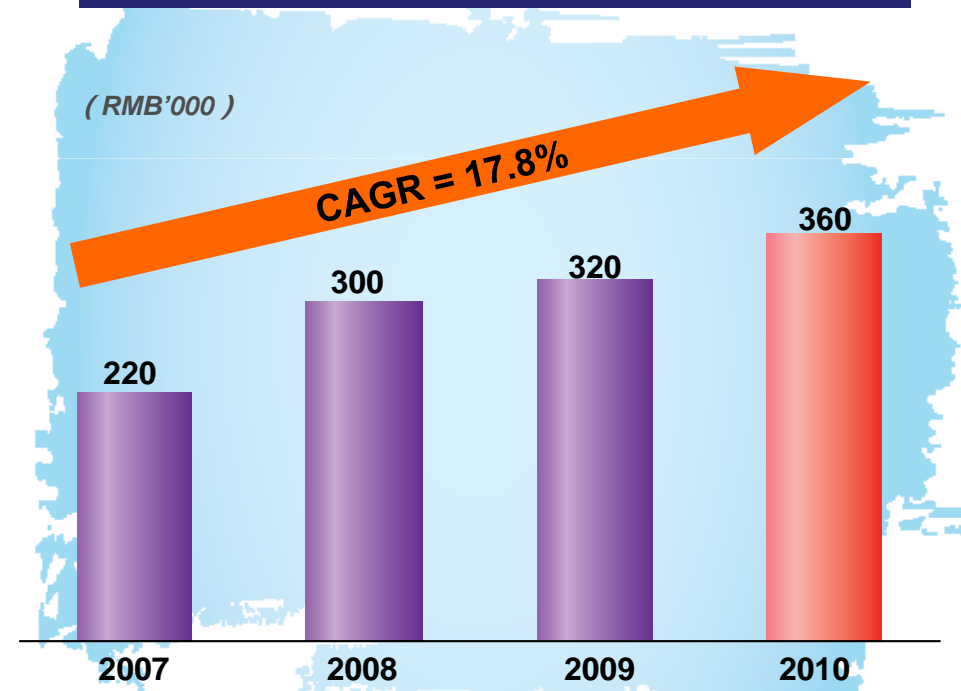
Total personnel cost increased by 11.0%, growth slower than revenue and net profit

- ▶ Facilitated stringent control over total staff number, continued optimization of personnel structure, furthered enhancement on human resource input and appraisal system for domestic non-operator market and overseas markets
- ▶ Introduced and nurtured talents for project management, and enhanced training to support the Company's transformation to "technology and management focused" business model

Total Personnel Costs*



Labor Productivity**



— as a % of total revenue

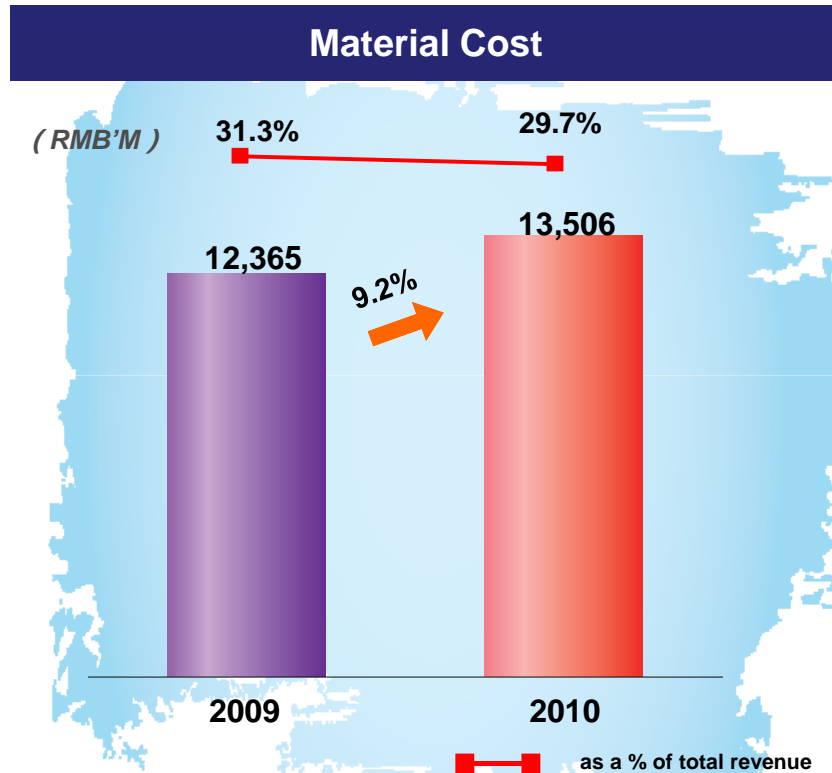
* Total personnel costs = Direct personnel + Staff cost in SG&A

** Labor productivity = Revenue over year end / staff number

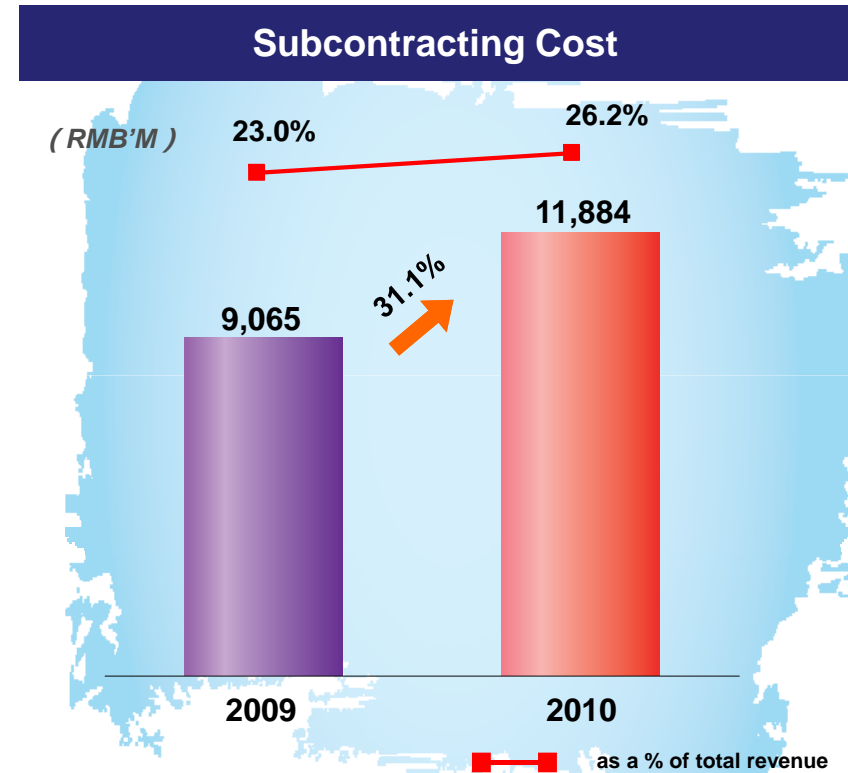
MATERIAL & SUBCONTRACTING COSTS



Cost management enhanced by thorough analysis of needs for business development and external environment changes



- ▶▶ Implemented subcontracting practices with pertinence and centralized material procurement to alleviate cost pressure caused by material cost inflation



- ▶▶ Expedited business model optimization and continued to outsource low-end tasks
- ▶▶ Struck a proper balance between personnel cost and subcontracting cost

CASH MANAGEMENT

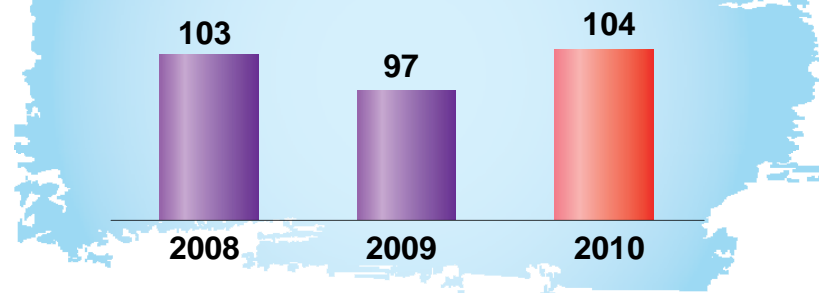


Free Cash Flow of RMB628 million in 2010

- ▶ Significant saving on finance cost through implementation of central cash management at the provincial level
- ▶ Greater demand for working capital and CAPEX due to rapid expansion of domestic non-operator and overseas markets

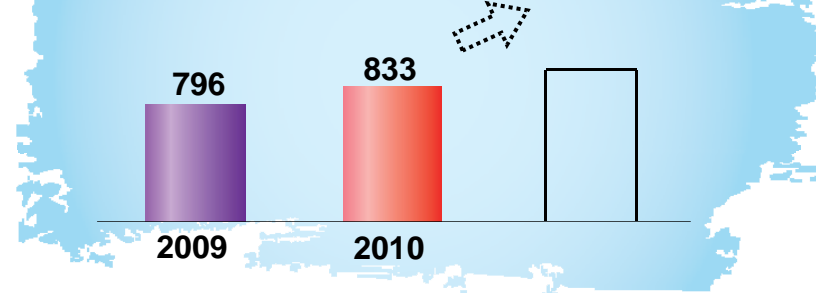
AR Turnover

(Days)

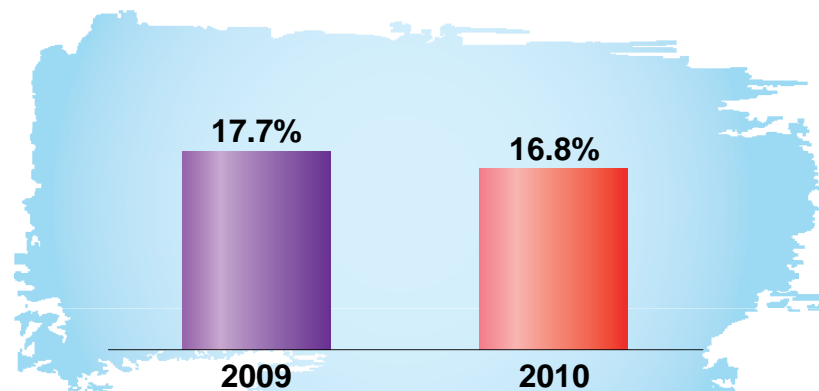


CAPEX

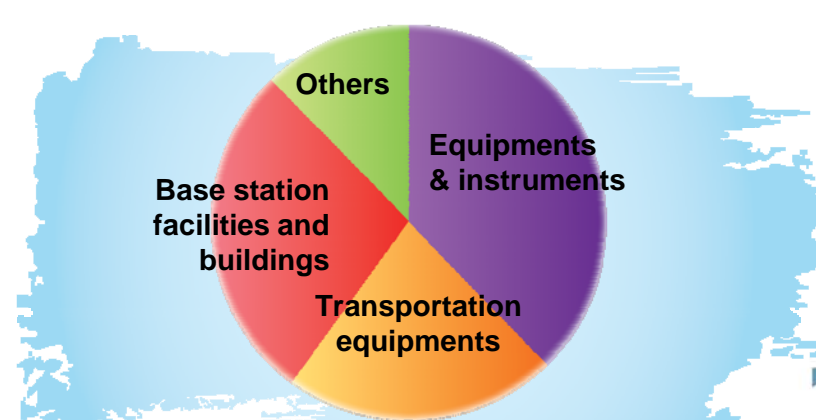
(RMB'M)



Working Capital* / Revenue



CAPEX Structure



CAPITAL STRUCTURE



Maintaining stable capital structure

<i>(RMB'M)</i>	2009.12.31	2010.12.31	Change
Total Assets	30,162	33,868	3,706
Cash & cash equivalents	8,870	8,470	-400
Account receivables	10,468	12,888	2,420
Fixed assets (NBV)	3,913	4,026	113
Total Liabilities	16,985	19,514	2,529
Interest-bearing borrowings	1,268	1,781	513
Account payables	8,845	9,769	924
Equity attributable to equity shareholders	13,069	14,221	1,152
Total liabilities/Total assets	56.3%	57.6%	1.3pp
Debt-to-capitalization ratio	8.8%	11.1%	2.3pp

ENHANCEMENT OF SHAREHOLDERS RETURN



To enhance control on costs and risks by leveraging on centralized management, including subcontracting management and procurement management

To further improve cash management efficiency and utilization

Maximize
Return for Our
Shareholders

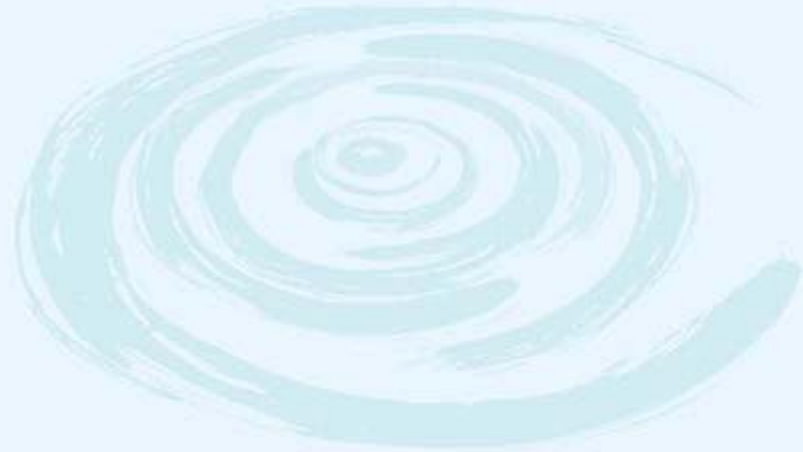
To launch equity financing and additional financing to strengthen R&D and technology capabilities, as well as to aggressively expand in domestic and overseas markets

To strengthen our information system (EMOSS) to better support managerial and operating practices



Thank You

CHINA COMSERVICE



FORWARD-LOOKING STATEMENTS



This presentation and the presentation materials distributed herewith include "forward-looking statements". All statements, other than statements of historical facts, that address activities, events or developments that China Communications Services Corporation Limited ("China Communications Services") expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. China Communications Services' actual results or developments in the futures, including those of the businesses that China Communications Services may acquire, may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to the level of demand for telecommunications services; competitive forces in more liberalized markets; the effects of tariff reduction initiatives; changes in the regulatory policies and other risks and factors beyond China Communications Services' control. In addition, China Communications Services makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.