



中国通信服务
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2008 INTERIM RESULTS

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**ACHIEVED FAVOURABLE RESULTS IN MARKET EXPANSION
OPERATING RESULTS GREW STEADILY**

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**WELL PREPARED FOR INDUSTRY RESTRUCTURING
SEIZE OPPORTUNITIES TO REALIZE GROWTH**

Financial Highlights (Unaudited)

	For the six months ended 30 June		Growth
	2007	2008	
Revenues (RMB million)	9,908	13,629	37.5%
Gross Profit (RMB million)	1,793	2,145	19.6%
Profit attributable to shareholders (RMB million)	510	567	11.3%
EPS (RMB)	0.094	0.101	7.4%

(Hong Kong, 8 September 2008) — **China Communications Services Corporation Limited** (“China Comservice” or “the Company”)(HKSE code: 552), today announced its unaudited interim results for the six months ended 30 June 2008.

In the first half of 2008, the Company recorded revenues of RMB13,629 million, representing an increase of 37.5% over the same period last year. Gross profit grew by 19.6% over the same period last year to RMB2,145 million. Profit attributable to equity shareholders grew by 11.3% over the same period last year to RMB567 million. Basic earnings per share were RMB0.101.

In order to offer better integrated services to telecommunications operators, the Company further expanded the comprehensive logistics business relating to telecommunications equipments since the second half of 2007. Accordingly, the relevant revenue increased significantly as compared to the same period last year and the corresponding procurement costs of related equipments also grew significantly, contributing to the decline in the Company's overall gross profit margin. In addition, inflation, particularly the rising costs of construction materials, had certain impact to the Company's operating costs. The Company continued to adopt the subcontracting arrangement proactively and alleviated the impact of the rising costs of construction materials to a certain extent.

Mr. Li Ping, Chairman of the Company said "During the first half of the year, the Company achieved sound operating results, with sustained growth in revenues and profit. During the period under review, the Company completed the acquisition of China International Telecommunications Construction Corporation ("CITCC"), which further enhanced our overall competitiveness and strengthened our capability in serving the markets in northern regions of China and overseas, thereby laying a solid foundation for our sustained growth in future."

Telecommunications Infrastructure Services

In the first half of 2008, revenue from telecommunications infrastructure services was RMB5,895 million, an increase of 9.7% from the same period last year, representing 43.3% of total revenues. The major revenue source of telecommunications infrastructure services was still the three major telecommunications operator customers. In order to capture the opportunities in the network expansion and optimization of the mobile operators, the Company actively implemented the customer-focused service strategy and competitive pricing strategy, thereby achieved satisfactory results in market expansion. Infrastructure services business from mobile operators grew rapidly and offset the impact of the decreased network construction investments from fixed line operators.

Business Process Outsourcing Services

In the first half of 2008, revenue from business process outsourcing services was RMB6,074 million, an increase of 83.7% from the same period last year, representing 44.6% of total revenues. In particular, revenue from distribution of telecommunications services and products increased significantly from the same period last year, which was primarily driven by the further expansion of comprehensive logistics business of telecommunications equipments since the second half of 2007. The provision of logistics services allowed the Company to better satisfy its customers' demand and increase customer loyalty, and had a positive contribution to profit growth. The Company anticipates that the demand from telecommunications operators for logistics services will be even greater as they commence their full-service operations. Going forward, the Company will endeavour to expand high-end businesses and optimize the business structure to ensure its profitability level.

Applications, Content and Others

In first half of 2008, revenue from the applications, contents and other services was RMB1,660 million, an increase of 35.0% from the same period last year, representing 12.1% of total revenues. Revenue from IT applications, which mainly included system integration service, and revenue from voice VAS, which included call center service and ring-tone service, recorded a rapid growth. During the first half of the year, the Company made further progress on its "Golden Seeds" projects as scheduled. In future, the Company will strengthen the cooperation with business partners so as to enhance its core capabilities in this area.

In first half of the year, by pursuing the customer-focused service strategy, the Company closely monitored its customer needs, and implemented performance review and appraisal system for different classes of customers. The Company's efforts brought satisfactory results and revenue from telecommunications operators, government, corporate and other customers all recorded satisfactory growth. Revenue from three major telecommunications operator customers was RMB7,982 million, an increase of 23.0% from the same period last year, representing 58.6% of total revenues. Of which, revenue from China Telecom accounted for 41.9% of total revenues and revenue from China Mobile and China Unicom accounted for 16.7% of total revenues. Revenue from customers other than China Telecom amounted to RMB7,916 million, accounting for 58.1% of total revenues and representing an increase of 6.1 percentage points over the same period last year. This indicated the continued improvement of the Company's revenue structure.

On 30 May 2008, the Company completed the acquisition of CITCC, and the results of CITCC were included in the consolidated statements of the Group since June 2008. Immediately after the completion of acquisition, the Company started a comprehensive integration exercise in respect of marketing, financial management, human resources, IT system construction and risk management. In the first half of the year, CITCC made significant progress in overseas business development by leveraging on its strength and market expansion efforts in the overseas market. The Company believes that synergies will be further realized as integration proceeds further.

In 2008, the snowstorms and the Sichuan Earthquake have caused catastrophic losses to many southern provinces of China and telecommunications facilities were seriously damaged. Leveraging on its nationwide services support capabilities, the Company deployed resources like staff and equipments and participated in the front-line rescue to fully support the major operators in telecommunications network restoration and post-disaster network reconstruction. The Company took its social responsibilities and demonstrated its sound corporate image.

In the first half of 2008, the telecommunications industry restructuring proposal in the PRC has been formally announced, which provided new opportunities for the industry development. The Company has implemented a number of initiatives such as the establishment of dedicated support teams specializing in the projects of different operators. The Company closely monitors the demand and strategic moves of telecommunications operators and formulates project support proposals. At the same time, the Company also accelerates the integration of newly acquired businesses and strengthens its internal resources allocation, so as to provide neutral, professional and integrated comprehensive business support services.

Looking forward, Mr. Li Ping, Chairman of the Company, said: "With the commencement of the telecommunications industry restructuring in China, the industry is expected to undergo a new round of large-scale network construction, and this will provide us favourable growth potential. At the same time, we also realize that we are facing certain challenges such as the change in industry landscape and inflation. As the leading provider in the telecommunications support service industry, we will continue to focus on the execution of our established strategies, enhance core competitiveness, focus on internal resource integration, and strengthen operational management so as to turn challenges into opportunities under the new environment. We will better coordinate with our major operator customers to achieve a win-win situation. In the meanwhile, we will continue to seek suitable external growth opportunities in future to generate greater returns for our shareholders."

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 spanning from design, construction to project supervision and management, business process outsourcing services, IT applications, Internet services and value-added voice services. Its shareholders include China Mobile, China Unicom and Cisco 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.