



中國通信服務
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2010 INTERIM RESULTS

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**SUCCESSFULLY CAPTURED MARKET OPPORTUNITIES AND
SUSTAINED RAPID GROWTH**

Financial Highlights (unaudited)

	For the six months ended 30 June		
	2009	2010	Change
Revenues (RMB million)	18,263	21,720	18.9%
Gross Profit (RMB million)	2,854	3,365	17.9%
Gross Profit Margin (%)	15.6%	15.5%	-0.1pp
Profit attributable to shareholders (RMB million)	758	906	19.4%
EPS (RMB)	0.131	0.157	19.4%

(Hong Kong, 31 August 2010) — 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 2010.

In the first half of 2010, the Company recorded revenues of RMB 21,720 million, representing an increase of 18.9% over the same period last year. Cost of revenues amounted to RMB 18,355 million, representing an increase of 19.1% over the same period last year. Gross profit grew by 17.9% over the same period last year to RMB 3,365 million. Due to the effective control over the costs and human resources and the flexible subcontracting measures, the Company managed to achieve a relatively stable gross profit margin of 15.5% as compared to the same period last year. Profit attributable to equity shareholders of the Company grew by 19.4% over the same period last year to RMB 906 million. Basic earnings per share were RMB 0.157.

Mr. Li Ping, Chairman of the Company commented, “2010 is the first year after domestic investment in 3G peaked in 2009, and domestic telecommunications operators have reduced their capital expenditure (“CAPEX”) in various extents. However, our long-term strategic planning and the timely proactive measures have begun to produce positive effects, resulting in another rapid growth in operating performance in the first half of the year. We have not only successfully captured market opportunities other than those of telecommunications infrastructure services, but have also further developed customers portfolio beyond telecommunications operators. Our customer and business portfolio is further optimized, thereby laying a stronger foundation for our

continuous, steady and healthy development in the future. Meanwhile, China is gradually promoting policies including the “Three Networks Convergence”, which creates new opportunities for our future development.”

Telecommunications Infrastructure Services

In the first half of 2010, the Company’s revenue from telecommunications infrastructure services (“TIS”) was RMB 10,352 million, achieving an increase of 18.0% over the same period last year, and representing 47.7% of total revenues. The Company achieved sustainable development in telecommunications infrastructure services through various measures, such as continuously expanding the market share of telecommunications operators, focusing on the business expansion in the northern regions and developing government agencies and corporate customers. TIS revenues from domestic telecommunications operators increased by 7.5% over the same period last year; TIS revenues from government agencies and corporate customers experienced a rapid growth of 54.2% over the same period last year. The further development of the government agencies and corporate customers market is conducive to the optimization of the customer portfolio and offsets of the adverse effects from the reduction of CAPEX by domestic telecommunications operators. In addition, the Company undertook large-scale communications and ancillary information projects for power companies, metro companies as well as the Asian Games, which also contributed to the promotion of the Company’s brand awareness.

Business Process Outsourcing Services

In the first half of the year, revenue from business process outsourcing services (“BPO”) amounted to RMB 9,261 million, representing an increase of 19.3% over the same period last year and accounting for 42.6% of the total revenues. Benefitting from the increasing operating expenses (“OPEX”) on network expansions and more business subcontracts from the domestic telecommunications operators, the Company experienced rapid growth of over 20% in both maintenance business, and the distribution of telecommunications services and products.

Applications, Content and Other Service

In the first half of the year, revenue from applications, content and other services (“ACO”) was RMB 2,107 million, representing an increase of 21.9% over the same period last year and accounting for 9.7% of the total revenues. Due to continuous resource integration, management innovations and efforts in exploring the government agencies and corporate customer market, ACO services demonstrated a favorable development momentum, where the revenue growth rate obviously accelerated as compared to previous years.

In the first half of the year, the Company strengthened its business cooperation with domestic telecommunications operators, and continued to fortify its leading market position. Revenue from domestic telecommunications operators amounted to RMB 13,375 million in total, representing an increase of 15.7% over the same period last year, of which, revenue from China Telecom increased by 12.4%, accounting for 40.1% of the total revenue; revenue from China Mobile and China Unicom together increased by 22.5%, accounting for 21.5% of the total revenues. The continuous and rapid increase in the revenue from domestic telecommunications operators was mainly attributable to the further extension of the cooperation between the Company and the telecommunications operators to develop more BPO and other businesses. In addition to the domestic telecommunications operator market, the Company proactively developed the market of government agencies and corporate customers and achieved great accomplishments. In the first half of 2010, revenue from

government agencies and corporate customers amounted to RMB 8,345 million, representing an increase of 24.5% over the same period last year, and accounting for 38.4% of the total revenues.

Overseas expansion is one of the Company's long-term development strategies and we have served more than 50 countries and regions all over the world. In the first half of 2010, with strong support from the state policies, the Company further improved overseas expansion mechanisms and strengthened our capability in service support and risk management in 22 overseas platforms. These efforts have laid a strong foundation for our stable and rapid development of overseas business. In the first half of the year, revenue from overseas market amounted to RMB 1,098 million, achieving a continuous and rapid growth rate of 84.5% over the same period last year.

In the first half of 2010, in accordance with the Company's objective of business integration on ACO businesses and our development strategy, the Company completed the acquisition of the remaining 49% equity interest in Guoxin Lucent Technologies Network Technologies Co., Ltd., to make it a wholly-owned subsidiary of the Company. Together with the joint venture formed with Accenture earlier for the development of Operating Support System ("OSS") business, relevant acquisitions and joint ventures helped the Company to obtain core customer resources, world's leading technological support, advanced management experience and prestigious brand equity, and, at the same time, have contributed to the Company's rapid establishment of a branded enterprise with great potential in innovation and growth.

During the period, Mr. Zhang Zhiyong resigned as President and Executive Director. Mr. Zheng Qibao was appointed as the new President of the Company on 21 June 2010 and as an Executive Director of the Company on 10 August 2010, respectively. Mr. Zheng Qibao has extensive management experience and valuable expertise, and we believe that China Comservice will benefit a lot from his joining.

Looking forward, Mr. Li Ping, Chairman of China Comservice said, "Our strategic positioning as "service provider for telecommunications, media and technology companies" soon after our listing has supported our continuous development of customer base and the optimization of our business structure. The above strategy has also successfully addressed the challenges of the CAPEX reduction by domestic telecommunications operators in the first half of 2010. In the Information Age, the social demand for communications and information services will keep increasing and drive the rapid innovation of the communications technology and the further expansion of telecommunication and media operators. Looking forward, new industry opportunities, such as the "Three Networks Convergence" and the joint construction and sharing of telecommunications facilities are emerging and maturing and will create new opportunities for our development. In particular, following the rapid implementation of the "Three Networks Convergence" policy, broadcasting and television enterprises are expected to grow with scale and position equivalent to telecommunications operators. Meanwhile, the urbanization development of China and informatization of other customers in the community will also provide plenty of business opportunities. We believe that China Comservice will fully demonstrate collaborative advantages in establishing an internationally renowned enterprise with excellent performance in the future."

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About China Comservice (HKSE code:552)

China Communications Services Corporation Limited (“China Comservice”) is a service provider for telecommunications, media and technology companies, and also the largest telecommunications infrastructure service group in the PRC. As a subsidiary of China Telecommunications Corporation, China Comservice provides integrated one-stop services covering telecommunications operators’ value chain. 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 Telecom, China Mobile and China Unicom. The Company has developed a strong customer base, which includes both domestic and overseas telecommunications operators, telecommunications equipment manufacturers and other large corporations. In 2009, China Comservice ranked the third in the telecom industry category in the award for The Most Promising Companies by the authoritative financial magazine, The Asset.

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.