

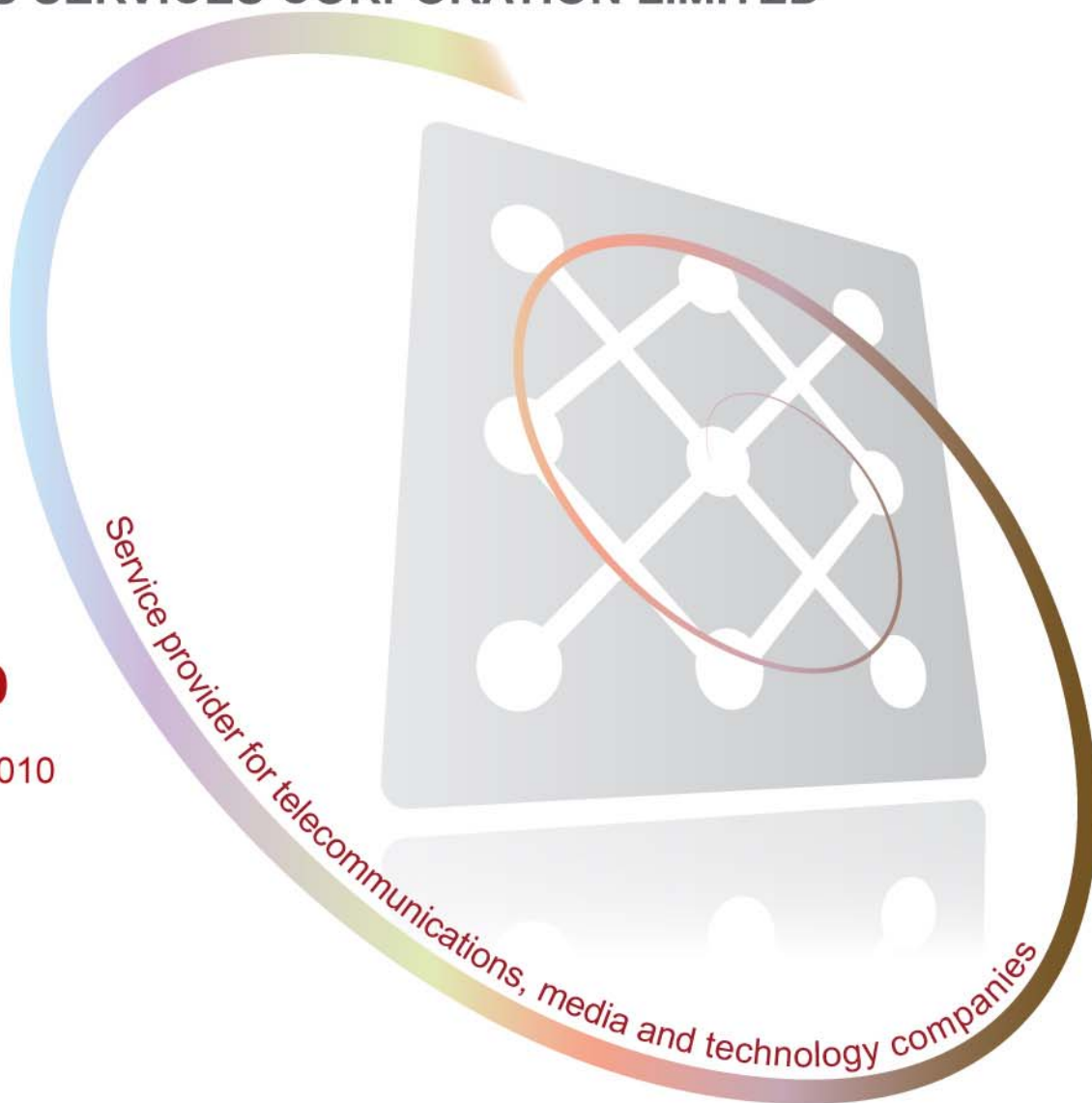


CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

STOCK CODE: 552

Interim Results 2010

31 AUG 2010





MANAGEMENT

MR. LI PING

**EXECUTIVE DIRECTOR &
CHAIRMAN**

MR. ZHENG QIBAO

**EXECUTIVE DIRECTOR &
PRESIDENT**

MR. YUAN JIANXING

**EXECUTIVE DIRECTOR, EXECUTIVE
VICE PRESIDENT & CFO**

MR. LIU XIAOYI

EXECUTIVE VICE PRESIDENT



AGENDA



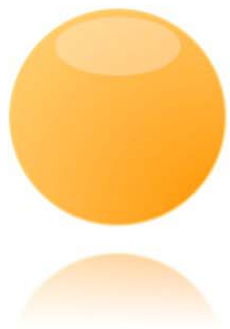
Overview



Business Review



Financial Results



Overview

QALISM



中国通信服务
CHINA COMSERVICE



HIGHLIGHTS

Both revenue and net profit grew > 18% in 1H10, sustained rapid and steady growth in the past 4 years

Achieved 15.7% revenue growth from telecom operators by improving service quality and enhancing market share

Highlights

Continued rapid development in non-operator market, and achieved further breakthrough in overseas market

Strengthened internal management and business integration, proactively captured new opportunities and tested new service models



FAVOURABLE OVERALL PERFORMANCE

- Both revenue and net profit increased at the same pace, profit margin remained stable
- Continued with steady improvement in shareholders return

<i>(RMB'M, except EPS & % figures)</i>	1H2009	1H2010	Change
Revenue	18,263	21,720	18.9%
Gross Profit	2,854	3,365	17.9%
Net Profit	758	906	19.4%
Net Profit Margin	4.2%	4.2%	-
EPS (RMB)	0.131	0.157	19.4%
ROE*	12.4%	13.6%	+1.2pp

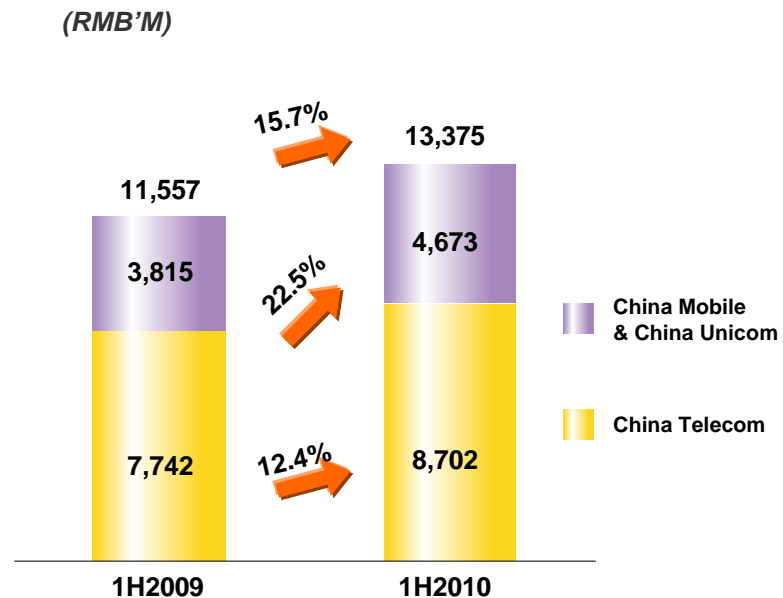
*Annualized basis



DOMESTIC OPERATOR MARKET

- Focused on the needs from operators' full services operation, and provided integrated one-stop services covering their value chain
- Effectively expanded further into markets of China Mobile and China Unicom by improving service quality

(RMB'M)	1H2009	1H2010	Change
TIS Fix-line, mobile and broadband networks' design, planning, construction and project management	6,794	7,304	7.5%
BPO Network maintenance and optimization, distribution, facility management services	3,758	4,947	31.6%
ACO OSS/BSS/MSS, system integration, call centers and other support services	1,005	1,124	11.7%





NON-OPERATOR MARKET

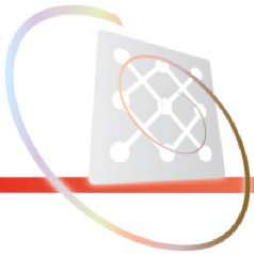
- Enhanced development of non-operator market and achieved revenue of RMB8.3 billion*, up 24.5%
- All business lines recorded revenue growth, and growth of core TIS and ACO expedited

(RMB'M)	1H2009	1H2010	Change
TIS Ancillary communications network, government agencies and enterprises' intranets, weak current system integration	1,977	3,047	54.2%
BPO Supply of communications machineries, facility management services	4,006	4,314	7.7%
ACO System integration, enterprise informatization solutions, mobile internet services	723	984	36.1%
Total	6,706	8,345	24.5%

* Including revenue from overseas market

Typical Cases

- Yum! Brands Inc., China (World-wide catering group)**
 - National network construction and video conference system build-up
- Xi'an Hi-Speed Co. Ltd. (Expressway)**
 - Weak current engineering project
- Guangzhou Tian He Sports Center**
 - Video monitoring system project
- Sichuan Wenchuan County Cable Network**
 - Cable network reconstruction project after severe earthquake

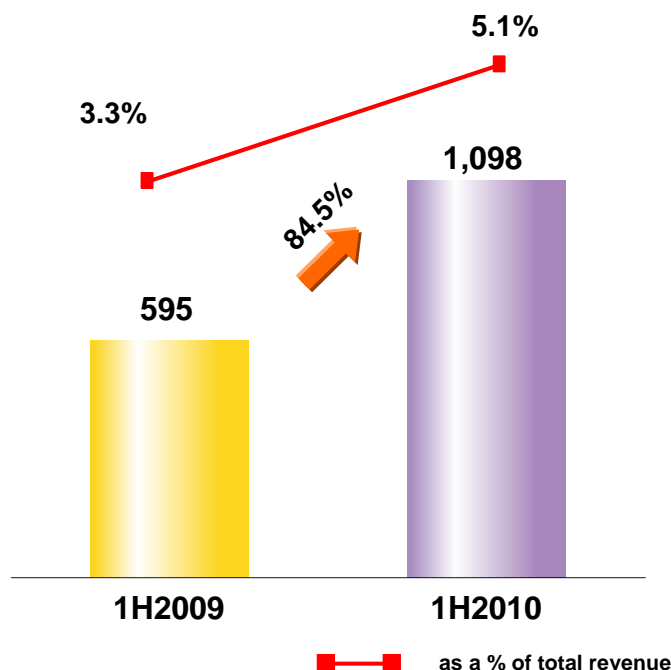


OVERSEAS MARKET

- Sustained rapid revenue growth and achieved RMB1.1 billion, up 84.5%, representing 5.1% of total revenue
- Established 22 overseas platforms on targeted markets, with services covering over 50 countries and regions

Revenue from Overseas Market

(RMB'M)



To Ensure Future Growth

- Track, reserve and progress a batch of key projects
- Continue to enhance cooperation with operators, equipment vendors, financial institutions and government agencies
- Optimize organization structure of overseas business development, increase resource input and enhance incentive policy
- Improve risk management system by fully utilizing EMOSS system*

* EMOSS (Enterprise Management Operation Support System) is an commercialized IT system which has unique intellectual property right by the Company.



MANAGEMENT & INNOVATION

- ▶▶ Implement trials on “tower sharing” in 4 provinces and 1 city and target to build 200 towers, with some already put in use

- ▶▶ Commenced operations in JV with Accenture on OSS business with favorable momentum
- ▶▶ Continue to seek for strategic partnership in other aspects, e.g. mobile Internet

Capture External Opportunities
&
Advance Internal Management

- ▶▶ Proactively analyzed business opportunities driven by strategic emerging industries, such as networks convergence, energy saving and emission reduction and Internet of Things, already started initial cooperation with related parties

- ▶▶ Establish long-term appraisal and incentive system for subsidiaries to ensure realization of our strategic objectives



REVIEW & PROSPECTS

To create values for shareholders, customers and our staff

Excellent Performance

- ▶▶ Realized rapid growth with CAGR of revenue and net profit exceeding 20%
- ▶▶ Proofed capabilities and business model
- ▶▶ Continued development on customers and markets, reduced dependency on single customer

Structure Optimization

- ▶▶ Continue to optimize revenue structure by developing customers, market, services and business models

Management Enhancement

- ▶▶ Improve efficiency of resource utilization by strengthening internal resource integration

Efficiency Improvement

- ▶▶ Realize gradual improvement in profit margin & ensure sustainability of our business model

Opportunities

from Market

- China's urbanization and informatization
- Energy saving and emission reduction and Internet of Things
- Overseas market

from Industry

- 3G/LTE
- Broadband network upgrade
- Networks convergence
- Tower sharing

from Customers

- Telecom operators
- Cable operators
- Government agencies
- Enterprise customers

2006 -2009

2010 ...



Business Review

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REVENUE BREAKDOWN

(RMB'M)	1H2009	1H2010	Change	% of revenue
TIS	8,771	10,352	18.0%	47.7%
<i>Design</i>	1,866	2,055	10.2%	9.5%
<i>Construction</i>	6,413	7,699	20.1%	35.4%
<i>Supervision</i>	492	598	21.5%	2.8%
BPO	7,764	9,261	19.3%	42.6%
<i>Maintenance</i>	1,572	1,934	23.0%	8.9%
<i>Distribution</i>	5,215	6,256	20.0%	28.8%
<i>Facility Management</i>	977	1,071	9.6%	4.9%
ACO	1,728	2,107	21.9%	9.7%
<i>IT Applications</i>	799	972	21.6%	4.5%
<i>Internet Services</i>	115	187	62.5%	0.9%
<i>Voice VAS</i>	325	338	4.1%	1.5%
<i>Others</i>	489	610	24.7%	2.8%
Total	18,263	21,720	18.9%	100.0%

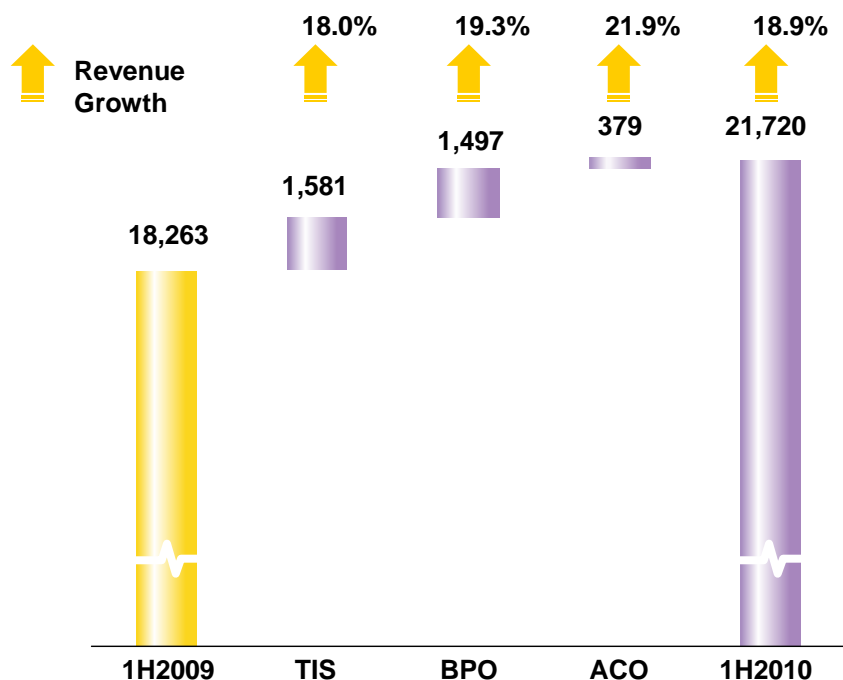


REVENUE GROWTH DRIVERS

- All 3 business lines recorded balanced and rapid growth with growth rates all above 18%
- ACO growth significantly expedited after incubation for a period of time

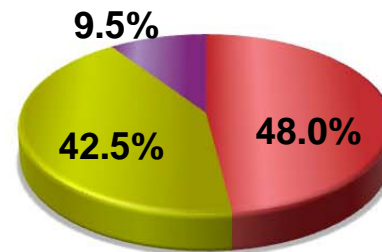
Revenue Growth Contribution

(RMB'M)

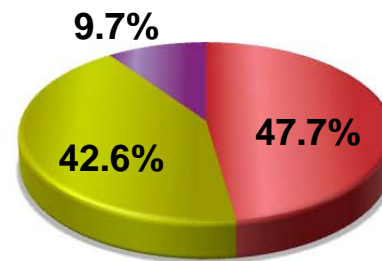


Revenue Mix

1H2009



1H2010

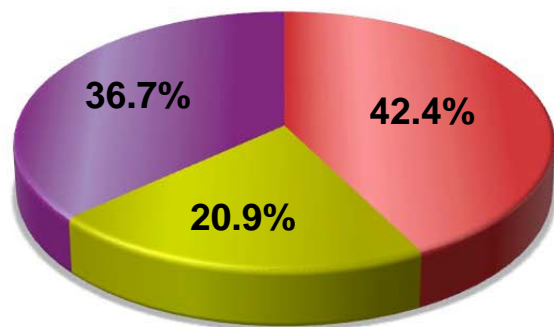




CONTINUED SUCCESS IN MARKET DEVELOPMENT

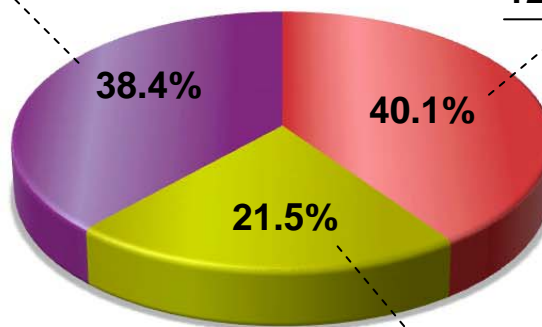
- Revenue from customers other than China Telecom accounted for almost 60% of total revenue for the first time
- Non-operator customers contributed 47.4% to the incremental revenue

1H2009



1H2010

revenue up
24.5%




revenue up
12.4%

revenue up
22.5%

 China Telecom

 China Mobile and
China Unicom

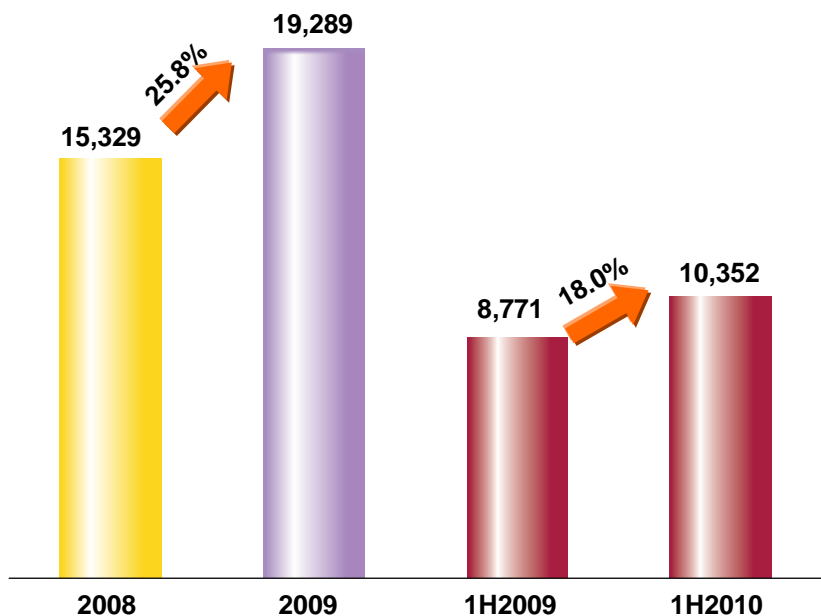
 Non-operator (including
overseas customers)



TIS BUSINESSES

TIS Revenue

(RMB'M)



- ▶ Increasing market share of China Mobile, China Unicom and North China market

Revenue from operators up 7.5%

- ▶ Huge demands for ancillary communications and IT system construction driven by urbanization and informatization

Revenue from non-operators up 54.2%

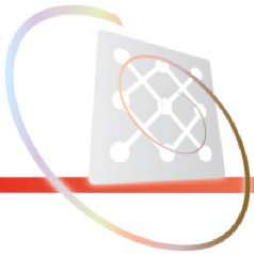
TIS Revenue Up 18%

Adjustment of operators' CAPEX structure

- ▶ CAPEX cut on construction of wireless network while increasing CAPEX in broadband network

Sustained growth in operators' OPEX

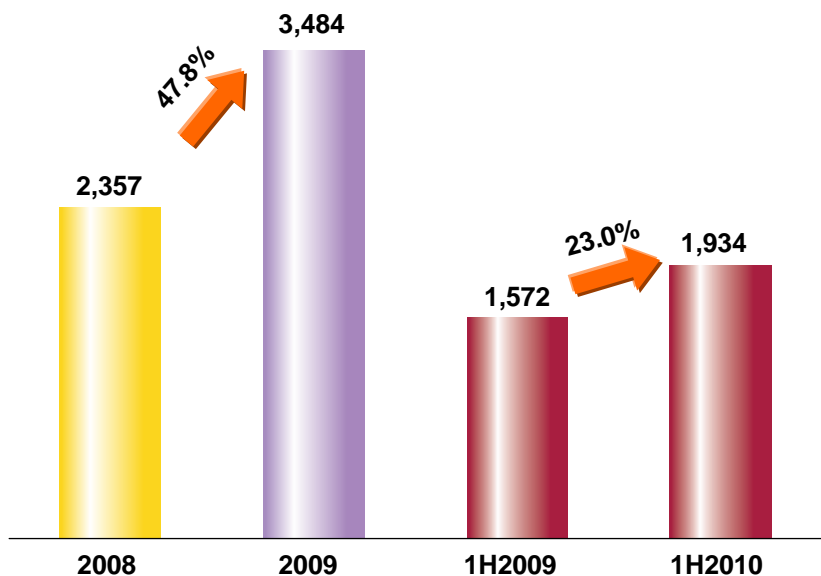
- ▶ Increasing expenditure in wireless network optimization



BPO - MAINTENANCE SERVICE

Maintenance Revenue

(RMB'M)



Ample Market Potential

- Operators' OPEX input in network maintenance continued to grow following the enlarging network scale

Proactive Market Expansion

- Proactively managed maintenance projects outsourced by operators and non operators
- Maintenance revenue from customers other than China Telecom increased over 35%

Upgrade Service Content

- Gradually transform service content from basic network maintenance service to network optimization service

Maintenance Revenue Mix *

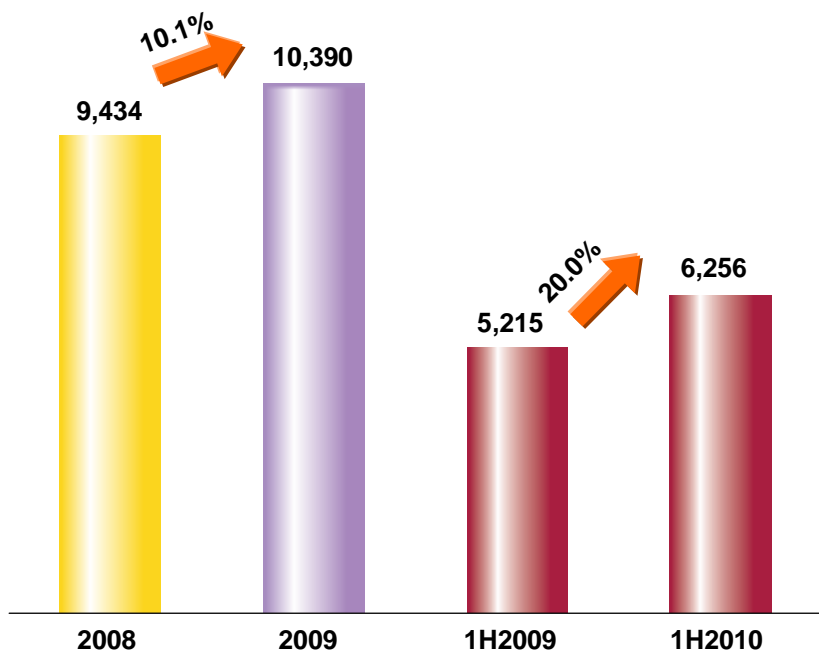
	1H2010
Base Stations	20%
Network Equipments	15%
Electric / Fibre Optic Cable	25%
User Access Lines	20%
User Terminals and Others	20%
Total	100%



BPO - DISTRIBUTION

Distribution Revenue

(RMB'M)



- Provide distribution services to telecom operators, equipment vendors and IT companies by leveraging our advantages in resources and capabilities
- Ensure our return at certain level while satisfying needs and tightening relationship with our customers
- Logistics revenue up 40%; continue to consolidate resources in warehouses, vehicles and personnel and started trials on collaborative logistics services

Distribution Revenue Mix

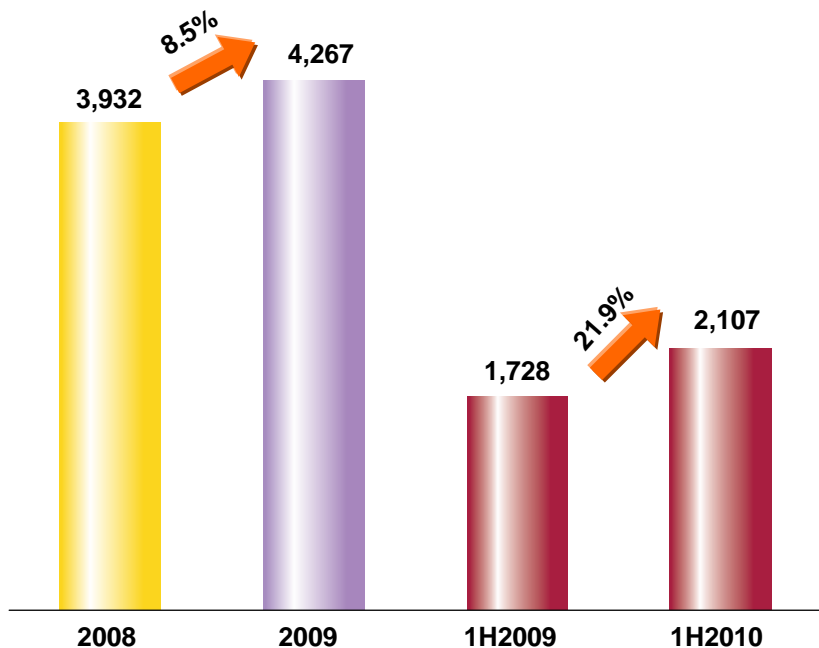
	1H2010
Supply of Communications Machineries and Handsets	72%
Logistics & Procurement Agent Services	6%
Telecom Agent Services	10%
Others	12%
Total	100%



ACO BUSINESSES

ACO Revenue

(RMB'M)



Mobile Internet VAS Achieved Initial Success



- ▶▶ Provided supporting services for China Telecom's music platform, mobile video, 3G and broadband users

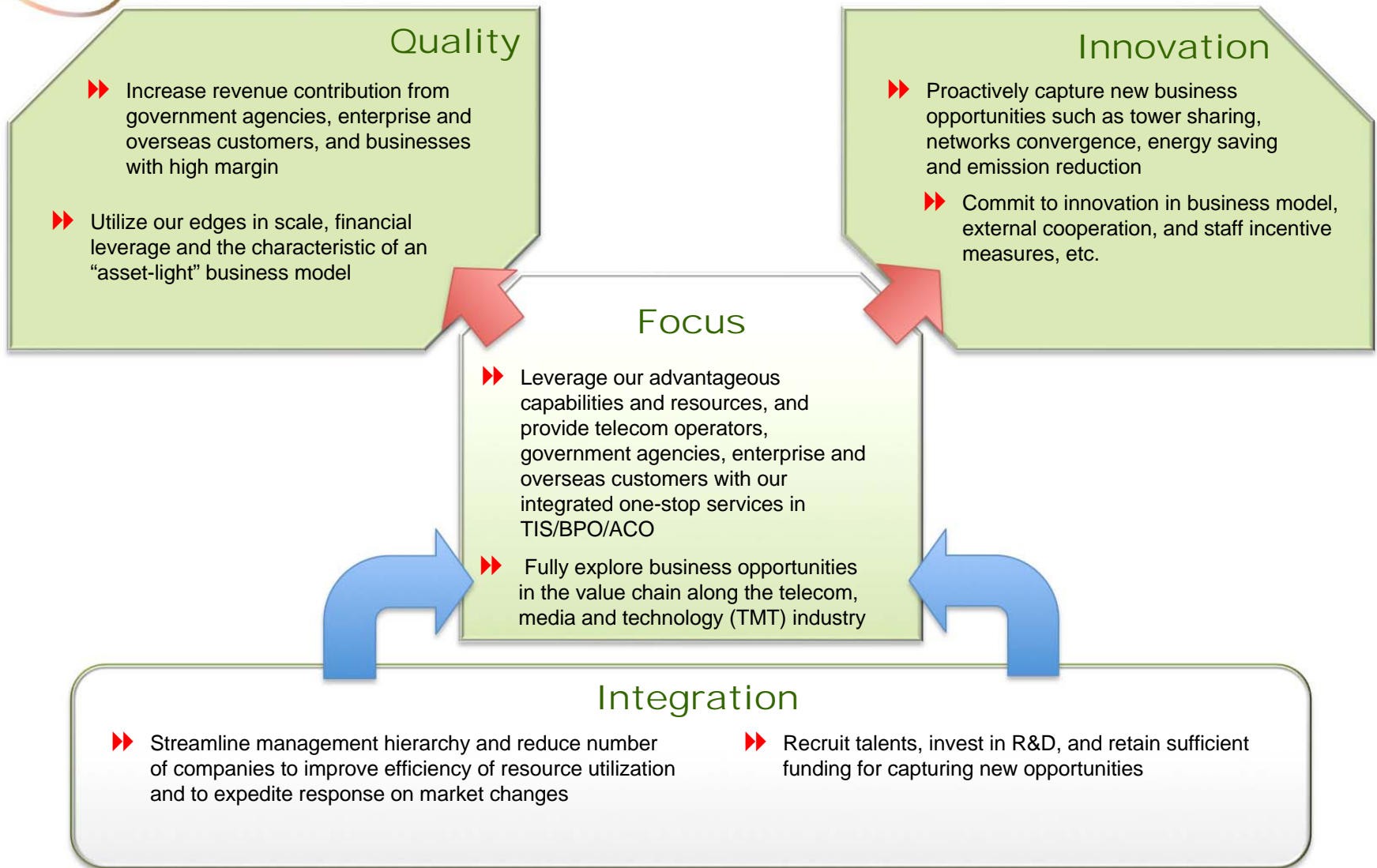
OSS Achieved Breakthrough in CM/CU Market and Non-operator Market

- ▶▶ OSS projects with China Mobile and China Unicom
- ▶▶ Electricity resource management project with China Southern Power Grid
- ▶▶ Implementation service for Chengdu Metro EAM (Enterprise Asset Management) system

Overseas Expansion

- ▶▶ Hong Kong I.T
 - E-commerce platform and system integration

DEVELOPMENT STRATEGIES





Financial Results

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FINANCIAL PERFORMANCE

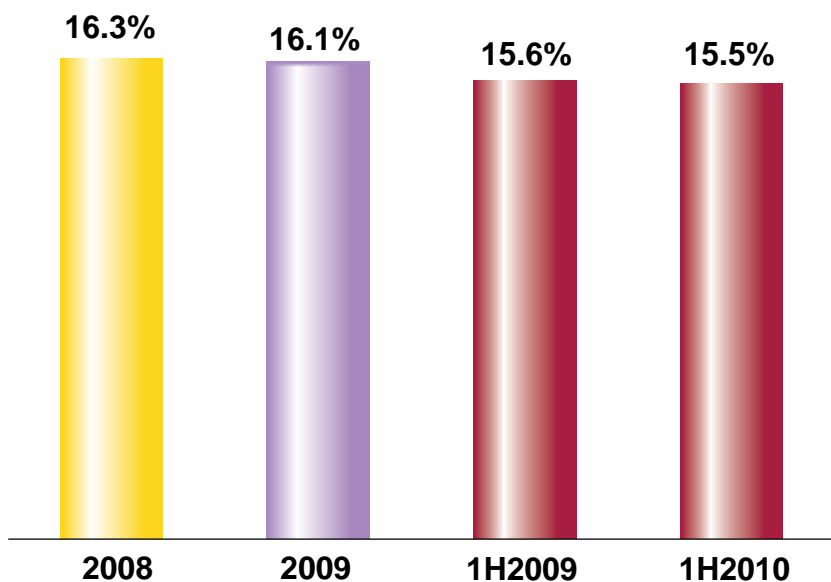
	1H2009	1H2010	Change	% of revenue
<i>(RMB'M, except EPS)</i>				
Revenue	18,263	21,720	18.9%	100%
Cost of Revenue	15,409	18,355	19.1%	84.5%
Direct personnel	3,203	3,439	7.4%	15.8%
Subcontracting	4,235	5,667	33.8%	26.1%
Materials	6,015	7,011	16.5%	32.3%
D&A	169	175	3.5%	0.8%
Others	1,787	2,063	15.4%	9.5%
Gross Profit	2,854	3,365	17.9%	15.5%
SG&A	1,997	2,384	19.4%	11.0%
Net Profit	758	906	19.4%	4.2%
EPS (RMB)	0.131	0.157	19.4%	N/A



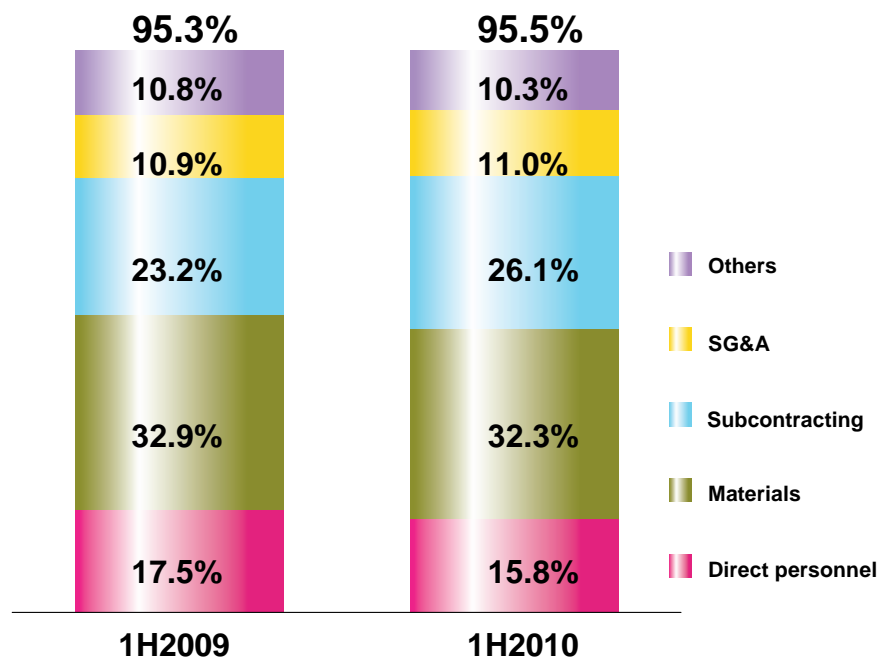
GROSS PROFIT MARGIN & COST COMPONENT

- Overcame challenges and sustained relatively stable margin
- All costs except subcontracting cost maintained steady growth

Gross Profit Margin



Costs As a % of Total Revenue



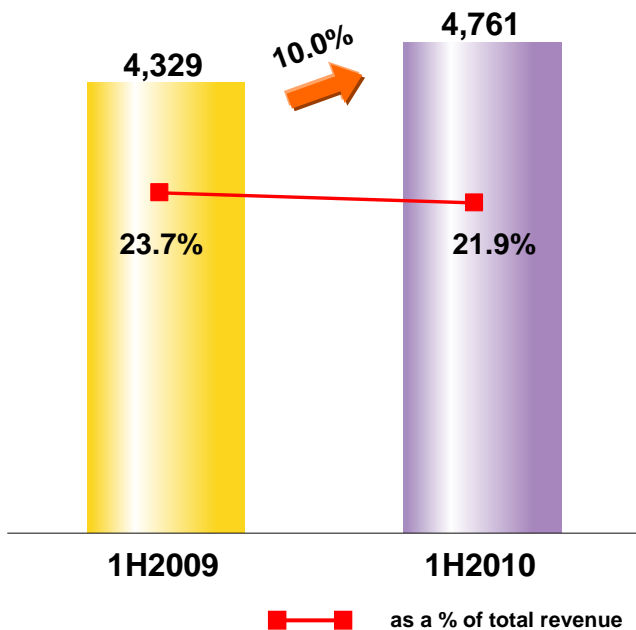


TOTAL PERSONNEL COSTS

- Personnel costs were effectively controlled and grew at a slower pace than profit growth by stringent control on headcount
- Continue to improve appraisal and incentive system to have employees to reap the fruit of enterprise development; labor productivity up ~ 10%

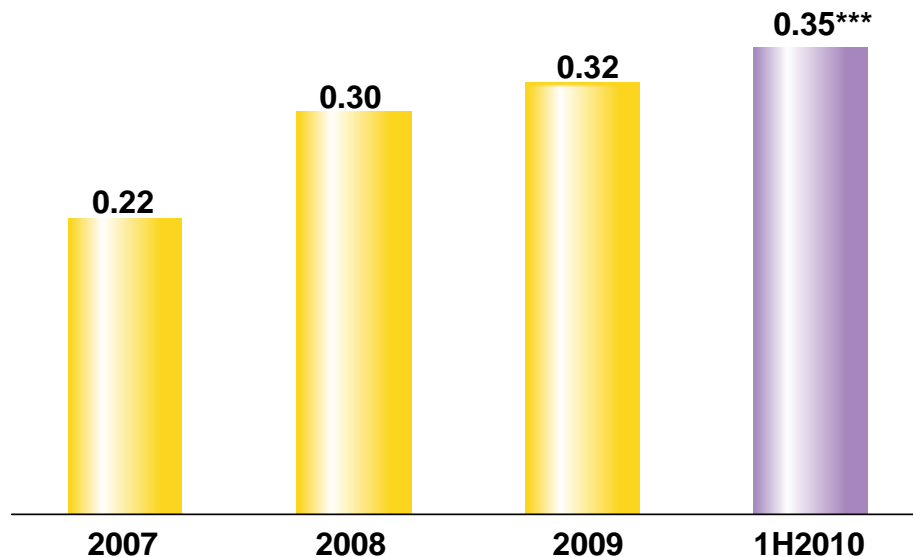
Total Personnel Costs *

(RMB'M)



Labor Productivity **

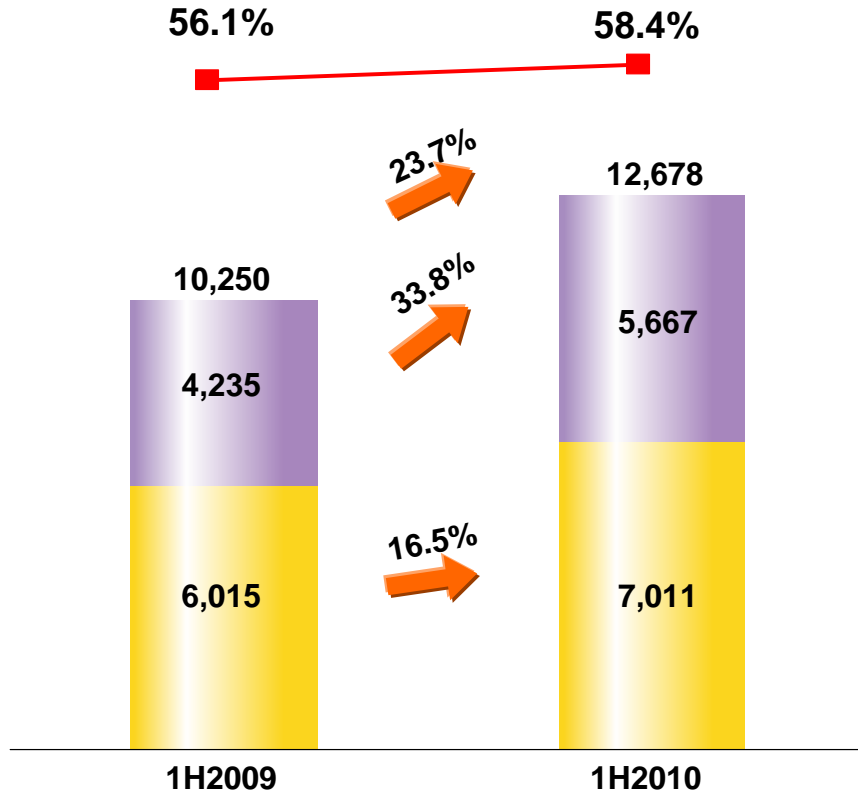
(RMB'M)



* Total personnel costs = Direct personnel + Staff cost in SG&A
** Labor productivity = Revenue over year end /period end staff number
*** Annualized basis

MATERIAL & SUBCONTRACTING COSTS

(RMB'M)



■ Subcontracting cost ■—■ as a % of total revenue
■ Material cost

Material Cost

- Growth of material cost in line with business development
- Material cost growth less than revenue growth by 2.4pp through measures such as centralized procurement

Subcontracting Cost

- Outsource low-end business to third parties is a key characteristic of our business model
- Outsource professional practices (i.e. fire/electricity) from our turnkey projects, required by legal regulations
- Strike proper balance between subcontracting and head count control for sustainable development
- Improve service quality and manage risks by enhancing project management and subcontractor management

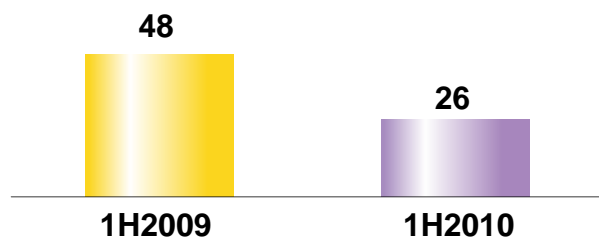


CASH MANAGEMENT

- Realizing benefits from centralized cash management, with interest expense dropped significantly
- Strengthening working capital management, AR turnover and free cash flow continuously improved

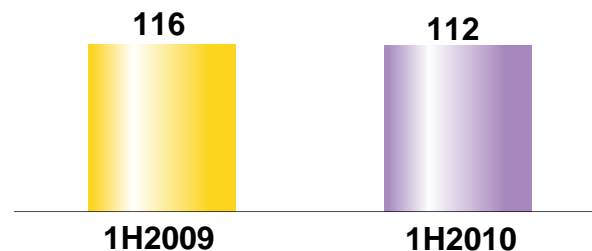
Interest Expense

(RMB'M)



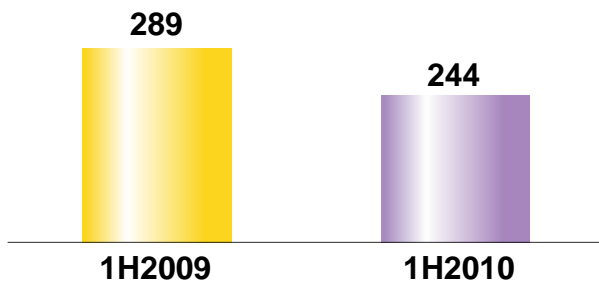
AR Turnover *

(Days)



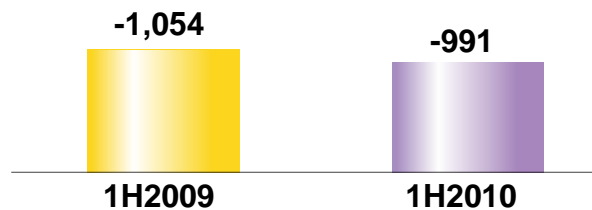
CAPEX

(RMB'M)



Free Cash Flow

(RMB'M)



* Annualized basis



CAPITAL STRUCTURE

- **Maintain strong and healthy capital structure**
- **Percentage of cash over total assets continued to decline**

<i>(RMB'M)</i>	2009.12.31	2010.6.30	Change
Total assets	30,162	32,035	1,873
Cash & cash equivalents	8,870	7,795	-1,075
Total liabilities	16,985	18,558	1,573
Interest-bearing borrowings	1,268	1,304	36
Equity attributable to equity shareholders	13,069	13,328	259
Total liabilities/Total assets	56.3%	57.9%	1.6pp
Debt-to-capitalization ratio	8.8%	8.9%	0.1pp
Cash / Total Assets	29.4%	24.3%	-5.1pp



STRENGTHEN AND INNOVATE FINANCIAL MANAGEMENT

Through mid-long term planning and annual budgeting to allocate resources to key businesses and regions

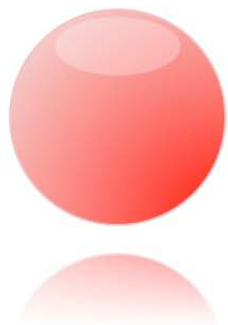
Fully utilize EMOSS system to enhance managerial expertise, management operation efficiency and risk control

Create Better Return for Our Shareholders

Focus on strengthening cash management and monitoring

Continue to push forward centralized financial management; enhance overall project management

Realize stringent costs control by capping costs



Thank You

THANK YOU



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