



中国通信服务
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2010 ANNUAL RESULTS

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MAINTAINING EXCELLENCE IN OVERALL PERFORMANCE AND RAISING FUND FOR FUTURE GROWTH

Financial Highlights (audited)

For the year ended 31 December	2009	2010	Growth
Revenues (RMB million)	39,499.45	45,417.23	15.0%
Gross Profit (RMB million)	6,371.94	7,398.99	16.1%
Gross Profit Margin (%)	16.1%	16.3%	0.2pp
Profit Attributable to Shareholders (RMB million)	1,598.59	1,817.81	13.7%
Basic Earnings per Share (RMB)	0.277	0.315	13.7%
Dividend per Share (RMB)	0.1108	0.1260	13.7%

(Hong Kong, 30 March 2011) — **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 2010, and it has resolved on 30 March 2011 to seek the approval of the shareholders for the rights issue, including the issuance of both the Domestic Shares and the H Shares.

In 2010, the Company recorded total revenues of RMB45,417 million, representing a year-on-year growth of 15.0%. Profit attributable to equity shareholders amounted to RMB1,818 million, representing a year-on-year growth of 13.7%. The sustained and healthy growth of our operating results was mainly attributable to the successful expansions by the Company in domestic non-operator market and overseas market as well as the prompt response to the demands for support services from domestic telecommunications operators.

In 2010, costs of revenues of the Company amounted to RMB38,018 million, representing a year-on-year growth of 14.8%, which was slightly lower than its revenue growth. The Company was committed to developing businesses with relatively higher profit margin and strengthening cost control, and its gross profit margin and net profit margin were 16.3% and 4.0%, respectively, remaining stable over the past three years. As a result of increasing requirement for working capital driven by the rapid growth of businesses, its free cash flow for the year declined on a year-on-year basis, but remained at a healthy level of RMB628 million.

Having considered the interests of and returns to our shareholders, the Board of Directors has proposed to pay a final dividend of RMB0.1260 per share for the financial year ended 31 December 2010, representing a year-on-year growth of 13.7%.

To fulfill the capital needs for our future strategic growth, the Company aims to increase its funding through several channels. The Board of Directors of the Company has resolved today to seek the approval of the shareholders for the issuance of both the Domestic Rights Shares and the H Rights Shares with the gross proceeds not more than RMB6 billion. The Rights Issue will be conducted on the basis of up to four (4) Rights Shares for every ten (10) existing Shares. The proceeds from the Rights Issue to be used for the Company's overseas expansion as well as the continuing development of non-telecommunications operator businesses in our domestic markets, potential acquisition of strategic assets and joint venture opportunities, the Company's operations center and investment in research and development and related infrastructure and general corporate purposes.

Telecommunications Infrastructure Services

The Company's revenues from telecommunications infrastructure ("TIS") services were RMB21,637 million, representing a year-on-year increase of 12.2% and accounting for 47.6% of revenues. Among which, TIS revenues from domestic operators grew by 3.7%, as the Company continued to provide domestic operators with capacity expansion services for mobile, wireline and data networks and seized the business opportunities triggered by broadband network upgrading. In addition, TIS revenues from domestic non-operator and overseas customers increased significantly by 50.9%, accounting for 24.2% of total TIS revenue, as China Comservice vigorously expanded such markets and fully demonstrated its integrated service capability in the informatization sector and focused on leading companies of the industry and key projects.

Business Process Outsourcing Services

In 2010, revenues from business process outsourcing services were RMB18,508 million, representing a year-on-year increase of 16.1% and accounting for 40.8% of revenues. In particular, maintenance service, being one of the key development focuses, sustained rapid growth and recorded a growth rate of 22.6% over the previous year. The rapid growth in revenue was mainly due to the Company's prompt response to the increasing demand from domestic operators for network optimization and maintenance. Moreover, distribution of telecommunications services and products business grew steadily under the Company's effective control and management.

Applications, Content and Other Service

In 2010, revenues from applications, content and other (“ACO”) services grew rapidly and saw RMB5,272 million, representing a year-on-year increase of 23.6%, and its proportion of total revenues further increased to 11.6%. Driven by the industrial opportunities emerging from informatization of society and the development of mobile Internet business, the revenues from IT applications and Internet services achieved rapid growth by 26.5% and 68.8%, respectively. After a period of incubation, the revenue growth from ACO business started to accelerate, and this would be beneficial to the enhancement of the overall profitability of the Company.

In 2010, capital expenditures of domestic telecommunications operators decreased significantly. With focus on the operators’ full-service operations by providing integrated services covering their value chain, the Company’s revenues from domestic operators sustained continuous growth and reached RMB29,464 million, representing a year-on-year growth of 7.2% and accounting for 64.9% of its revenues. While providing in-depth services to the domestic telecommunications operators in all aspects, the Company made great efforts to expand domestic non-operator market and overseas market and achieved remarkable results with the further optimized customer structure. In 2010, the Company benefited from the accelerating development the domestic informatization and the strong demand from overseas telecommunications market, combined revenues from domestic non-operator market and overseas market increased by 32.6% over the same period last year and reached RMB15,953 million in 2010, and its proportion of revenues of the Company increased notably to 35.1% from 30.4% last year.

China Comservice has served domestic telecommunications operators for many years, and thus is equipped with important expertise, resources and experience. These successful factors can also be applied easily to the non-operator customers for their integrated telecommunications support services. By utilizing our expertise and experience to broader markets, the Company was able to maintain a long-term growth momentum. The revenues from domestic non-operator customers amounted to RMB13,728 million, representing a year-on-year growth of 27.8% and accounting for 30.2% of total revenues, which has become an important driving force of the Company’s revenues.

The Company continued to optimize its overseas expansion plans based on its extensive experience in overseas expansion over the past years. The Company intensified its cooperation with telecommunications equipment manufacturers, financial institutions and state-owned enterprises, and established strategic partnerships with them to jointly explore overseas markets. As a result, the Company not only achieved a stable and rapid growth for businesses of overseas subcontracted engineering services, but also made breakthroughs in winning more EPC (engineering, procurement and construction) businesses. The overseas business maintained a high-speed growth, and the revenues from overseas market amounted to RMB2,225 million, representing a year-on-year growth of 73.0%, and its proportion of total revenues increased to 4.9%. Following the further business penetration into more countries and regions, businesses from overseas market will become a strong driver for our future growth.

During the year, following the appointment of Mr. Zheng Qibao with extensive experience in the telecommunications industry, as the president of the Company, Ms. Hou Rui joined the Company as its chief financial officer. We regard that Mr. Zheng and Ms. Hou both own extensive management experience and

industry knowledge, and their joining can surely further enhance the competence of the Board and management structure of the Company.

Mr. Li Ping, Chairman of the Company said, “Since the listing on 8 December 2006, the Company has been adhering to its corporate philosophy of “running a promising and meaningful business”. During these years, the Company managed its business in an organized and efficient way and achieved a healthy and rapid development. The compound annual growth rates of our revenues and net profit both exceeded 20%, realizing a sustainable growth of our shareholders value. Looking ahead to the “12th Five-Year Plan” period, China Comservice has promptly set its strategic goal of developing itself as a “hundred-billion enterprise” with excellent performance, and this means that, by the end of the “12th Five-Year Plan” period or longer, the Company will develop strong capabilities to grasp market opportunities, build outstanding core competence, enhance intensive high-efficiency operations and realize stable growth in enterprise value, with a goal of becoming “world-class information network builder”. Meanwhile, responding to the new circumstances and new opportunities, the Company has extended its positioning from a “service provider for telecommunications, media and technology companies” to a “leading provider of producer services in the informatization sector.” Going forward, China Comservice will firmly capture the future growth opportunities and achieve the significant development of the Company.”

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About China Comservice (HKSE code:552)

China Communications Services Corporation Limited (“China Comservice”) is a leading service provider for integrated support services in the informatization sector. The Company offers telecommunications infrastructure services spanning from design, construction to project supervision and management; business process outsourcing services spanning from maintenance, distribution to facility management; applications, content and other services spanning from IT applications, Internet services to value-added voice services. The Company’s major customers include domestic telecommunications operators, domestic non-operator customers including government agencies, telecommunications equipment manufacturers and large corporations, and overseas customers. Its controlling shareholder is China Telecommunications Corporation, and China Mobile and China Unicom are also shareholders of the Company. In 2010, China Comservice was granted the gold award in “The Asset Corporate Awards 2010” election organized by “The Asset”, an authoritative international financial magazine.

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.