



中国通信服务  
CHINA COMSERVICE

## CHINA COMSERVICE ANNOUNCES 2011 ANNUAL RESULTS

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### SUCCESSFULLY CAPTURED MARKET OPPORTUNITIES AND SUSTAINED RAPID GROWTH

#### Financial Highlights (audited)

For the year ended 31 December	2010(Restated*)	2011	Change
Revenues (RMB million)	45,417.23	53,507.40	17.8%
Gross Profit (RMB million)	7,393.34	8,509.08	15.1%
Gross Profit Margin (%)	16.3%	15.9%	-0.4pp
Profit Attributable to Shareholders (RMB million)	1,803.75	2,114.86	17.2%
Basic Earnings per Share (RMB)	0.313	0.366	17.2%

\*In 2011, the company retrospectively adopted the amendment to IFRS 1. Please refer to our announcement for details.

(Hong Kong, 29 March 2012) — **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 2011.

In 2011, the Company recorded total revenues of RMB53,507 million, representing a year-on-year growth of 17.8%. Profit attributable to equity shareholders amounted to RMB2,115 million, representing a year-on-year growth of 17.2%. The sustained and rapid growth of our operating results was mainly attributable to the deliberate allocation of resources by the Company to reinforce its share in its core market, capturing the development opportunities arising from the network upgrade and expansion and broadband construction of the domestic telecommunications operators, while simultaneously expanding into the domestic non-operator market and overseas market.

The cost of revenues of the Company amounted to RMB44,998 million, representing a year-on-year increase of 18.3%, and the gross profit margin was 15.9%. Selling, general and administrative expenses amounted to RMB6,401 million, representing a year-on-year increase of 13.6%. As a result of the Company's measures to enhance operational efficiency, such as centralized fund management and collaborative management, and the realization of economies of scale, net profit margin was 4.0% and remained stable over the past few years. As the Company devoted more efforts in market development, there was an increasing demand for working capital, and free cash flow for the year was RMB414 million, representing a decline on a year-on-year basis.

Having considered the interests of and returns to our shareholders, the Board of Directors has proposed to maintain 40% dividend payout ratio and pay a final dividend of RMB0.1222 per share for the financial year ended 31 December 2011.

### **Telecommunications Infrastructure Services**

In 2011, the Company sustained its sound growth momentum in all of its three main businesses. The revenue from telecommunications infrastructure ("TIS") services realized a year-on-year increase of 16.1%, accounting for 46.9% of total revenues. The Company allocated its resources flexibly as the market environment required and has committed resources to support domestic telecommunications operators on key projects such as the upgrade and expansion of the mobile network and fiber optic broadband network. TIS revenue from domestic telecommunications operators increased by 15.1% over the same period last year, and was the major driving force for the growth of TIS services during the period. In addition, in response to the enormous demand for domestic informatization construction and telecommunications infrastructure construction from overseas customers, the Company devoted more efforts to the development of the domestic non-operator market and the overseas market. The TIS revenues from these two markets grew by 19.1% year-on-year in aggregate, and those two markets has become an important driving force for the future growth of TIS business.

### **Business Process Outsourcing Services**

In 2011, business process outsourcing ("BPO") services achieved a year-on-year increase of 20.6%, accounting for 41.7% of total revenues. Within this, network maintenance services secured relatively rapid growth and realized a year-on-year increase of 23.6%. By leveraging its advantages in delivering integrated services, the Company provided ancillary services such as the distribution of telecommunications machineries in response to customer requirements. The Company's revenues from the distribution of telecommunications services and products ("Distribution Business") achieved a year-on-year increase of 20.8%, which led to the fast growth of BPO revenue. The Company will actively manage and control the development of its Distribution Business, and strike a proper balance between scale of development and economic efficiency.

### **Applications, Content and Other Services**

In 2011, applications, content and other ("ACO") services grew steadily and its revenue achieved a year-on-year increase of 15.3%, accounting for 11.4% of total revenues. During the period, the Company took advantage of the opportunities created as a result of industry developments, such as the informatization of the community and mobile Internet, and used its best endeavours to promote an innovative business development model. This included the proactive introduction of strategic cooperation partners, increased investment in

research and development and the promotion of innovation of services and products. All of the above facilitated the Company's market development and value enhancement.

### **Expansion of Customer Groups**

As a result of the proliferating informatization trends, domestic telecommunications operators accelerated their development and increased their capital expenditures steadily in 2011. Driven by the increasing popularity of smart terminals, mobile Internet development and the "Broadband China" strategy, domestic telecommunications operators further increased their investment in areas such as fiber optic broadband and mobile network upgrade and expansion. Under such circumstances, the Company has been closely monitoring the change in customer requirements and supporting the full-service operations of domestic telecommunications operators. It has also actively participated in the network construction and provided network optimization and maintenance businesses which have been brought about by the expansion of networks. As a result, the Company further reinforced its market leading position. The revenue from the domestic telecommunications operator market achieved a rapid growth of 15.9%, representing 63.8% of total revenues.

The accelerating industrial informatization and urbanization of China has generated a large scale of investment, which has in turn created a significant domestic non-operator market for the Company to develop. The Company, with its capacity, resources and successful experience gained from serving domestic telecommunications operators for many years, is able to provide integrated communications solutions for domestic non-operator customers, and focused on government agencies and key industries such as infrastructure, transportation, energy, and financial sectors. In 2011, the revenue from domestic non-operators market increased by 15.7%, representing 29.7% of total revenues.

In 2011, the revenue of the Company from overseas markets achieved a rapid growth of 56.0%, and its proportion to total revenues further increased to 6.5%. The Company further promoted its cooperation with large-scale state-owned enterprises, equipment manufacturers and financial institutions. It also rapidly expanded and cultivated turnkey projects, and developed subcontracting projects with enlarged scale and in an efficient manner. Whilst the Company is eager to expand its presence in overseas markets, it is also concerned about risk management and gradually improves its operational support mechanism for its overseas operations. During the year, the Company signed strategic alliance agreements with financial institutions to guard against financial risks in its overseas operations through measures such as credit insurance. The above measures are to ensure that scale breakthrough in overseas markets can be achieved in a prudent manner.

### **Prospects**

Mr. Li Ping, Chairman of the Company said, "With strong shareholder support, the Company successfully completed the rights issue of H shares and domestic shares in February 2012 and recorded over-subscription for the rights issue shares. The Company believes the proceeds from the rights issue will provide strong financial support for the implementation of various development opportunities, including its expansion into domestic non-operator markets and overseas markets, strategic acquisitions and joint ventures, as well as research and development, thus bolstering the Company's long-term development.

With the constant evolution in communications technologies, domestic telecommunications operators are striving to transform into integrated information services providers. Their continual investment in 3G, mobile Internet, Wifi and broadband will lay a solid foundation for the future sustainable development for the Company. Furthermore, the large-scale investment in informatization driven by government policies, technological and social development, as well as the huge demand from overseas markets for informatization infrastructure and telecommunications facilities, have allowed the Company to identify two new growth engines with great potential: the domestic non-operator market and the overseas market. The Company is confident about the future and will continue with its customer-focused innovative service strategies. Following the principle of “leading through innovation and enhancing efficiency through intensive management”, the Company will tap further into the needs of the domestic telecommunications operators market while simultaneously expanding into the domestic non-operator market and overseas markets, with the aim of building up a “hundred- billion enterprise” which creates more value for its customers and shareholders through its consistently excellent performance.”

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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, China Unicom and China National Postal and Telecommunications Appliances Corporation are also shareholders of the Company.

In 2011, China Comservice was once again awarded a Gold Award in “The Asset Corporate Awards 2011” and recognized as one of “China’s Most Promising Companies 2011” in the telecommunications category by *The Asset*, a respected financial magazine in Asia. Moreover, China Comservice was given one of the “Best Investor Relations by a China Company” awards in the “Asian Excellence Recognition Awards” 2011 by *Corporate Governance Asia*, a respected journal on Corporate Governance in Asia.

For further information, please browse the Company’s website at: [www.chinaccs.com.hk](http://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.