



中国通信服务

CHINA COMSERVICE

[www.chinaccs.com.hk](http://www.chinaccs.com.hk)

# ANNUAL RESULTS

## 2008

2 APRIL 2009

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED  
STOCK CODE: 552



**Mr. Li Ping**  
Chairman



**Mr. Zhang Zhiyong**  
President



**Mr. Yuan Jianxing**  
Executive Vice President & CFO





**Overview**

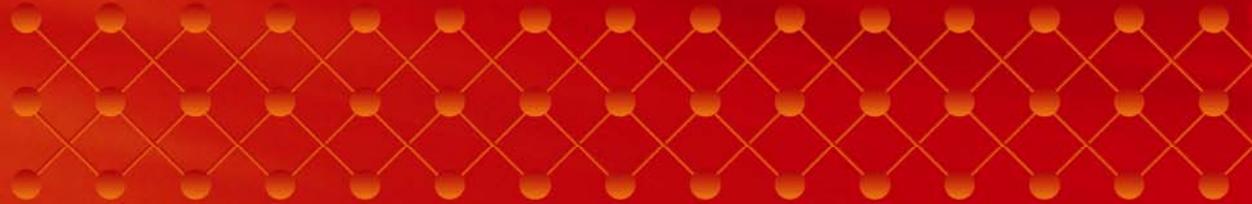
**Business  
Review**

**Financial  
Results**



中国通信服务  
CHINA COMSERVICE

# OVERVIEW





❖ **Rapid revenue & profit growth, further solidified financial position**



❖ **Implemented CTW<sup>1</sup> program and captured opportunities from operators' CAPEX hike**



❖ **Successfully acquired and integrated CITCC<sup>2</sup> with emerging synergies**



❖ **Achieved initial success in overseas market expansion**



(1) CTW refers to CDMA, TD-SCDMA, W-CDMA and their subsequent technologies  
(2) CITCC: China International Telecommunications Construction Corporation

## Revenue, gross profit & net profit maintained double-digit growth

<i>(RMB'M, except % figures)</i>	2007	2008	Change
<b>Revenue</b>	23,538	32,471	37.9%
<b>Gross profit</b>	4,065	5,301	30.4%
<b>Net profit</b>	1,167	1,316	12.8%
<b>Debt to capitalization ratio</b>	21.1%	14.0%	-7.1p.p

Note: The results of CITCC have been included into our Group since the completion of the acquisition on 30 May 2008.

# EFFECTIVELY IMPLEMENTED CUSTOMER-FOCUSED STRATEGY

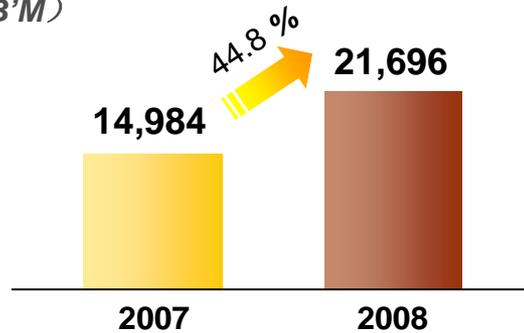


中国通信服务  
CHINA COMSERVICE

Revenues from operators, government & corporate customers increased remarkably

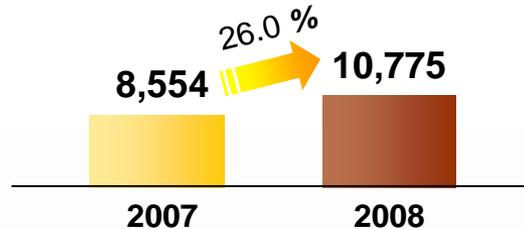
## Revenue from 3 Major Operators

(RMB'M)

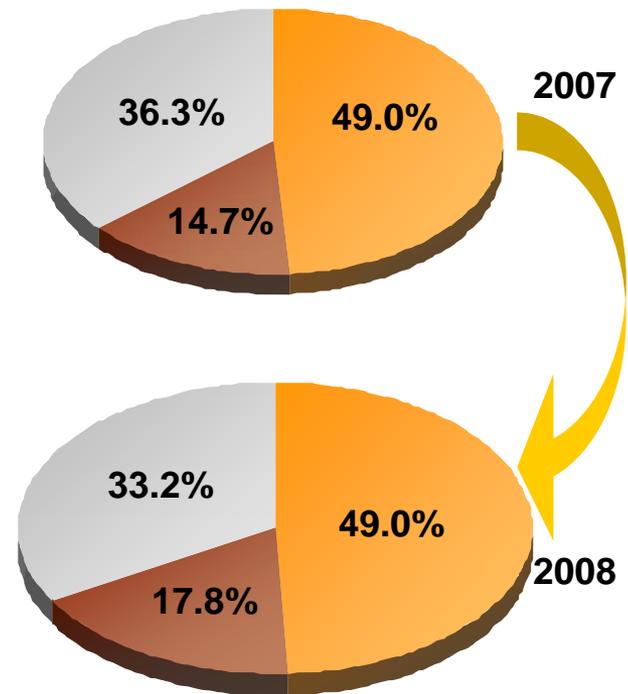


## Revenue from Government, Corporate & Other Customers

(RMB'M)



## Customer Mix



- China Telecom
- China Mobile & China Unicom
- Government, Corporate & Other Customers

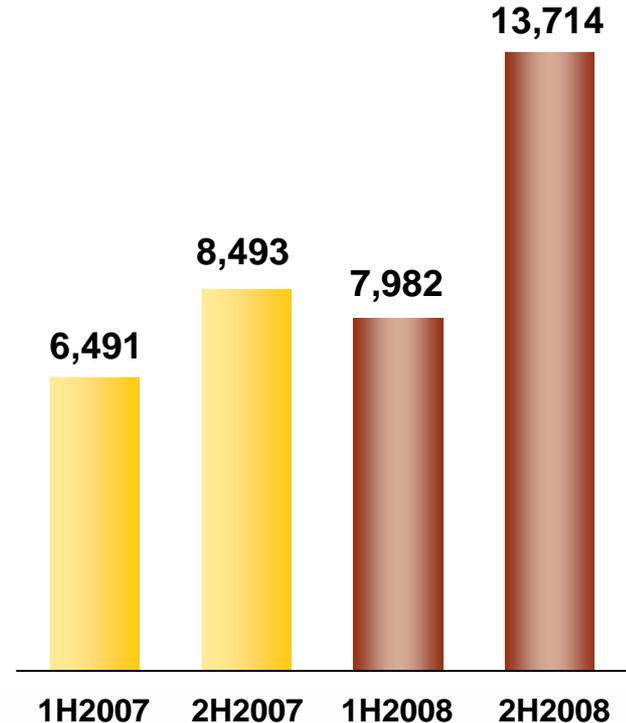


## Captured opportunities from operators' CAPEX hike

- ❑ Establish dedicated support teams (with firewall) for China Mobile, China Unicom and China Telecom
- ❑ Focus on businesses in network construction, maintenance & optimization, sales of handsets, logistics & IT applications, etc.
- ❑ Leverage on neutral, professional and integrated service capabilities to solidify market share

### Revenue from 3 Major Operators

(RMB'M)

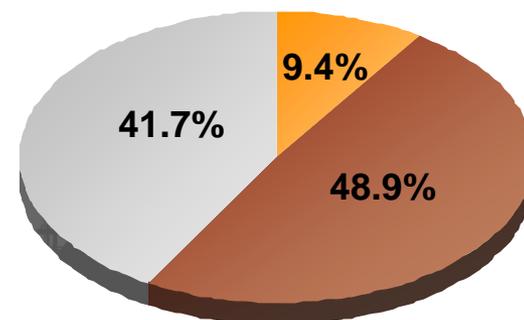


## Successfully acquired and integrated CITCC with emerging synergies

- ❏ Completed the placement of 327 million new H shares in April 2008 with net proceeds of HK\$1,668 million, part of proceeds was utilized for consideration of CITCC acquisition
- ❏ Revenue and net profit contributed by CITCC amounted to RMB1,690 million & RMB 41 million respectively<sup>1</sup>, drove revenue and net profit growth of the Group by 7.1pp & 3.6pp
- ❏ Provided significant complementary benefits in customer diversification and market expansion in overseas and northern provinces in PRC
- ❏ Accumulated experience for the Group's external growth strategy

(1) The results of CITCC have been included into our Group since the completion of the acquisition on 30 May 2008.

### Customer Mix of CITCC



Note: The above is June to December 2008 figures



## Achieved initial success

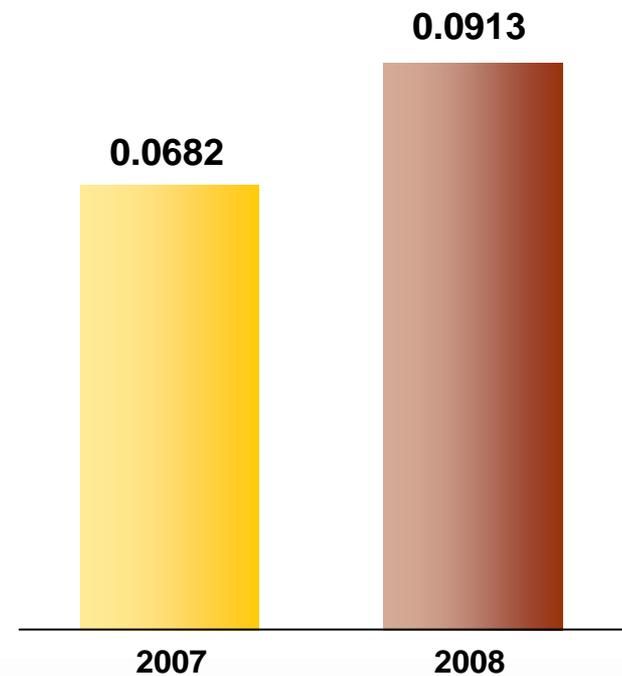
- Started projects as principal contractor in regions such as Africa
- Revenue from overseas up by >50%
- Allocate resources of the whole Group. Undertake projects as principal contractor and subcontractor, focus on markets in Africa, Middle East, Latin America, Hong Kong/Macau and Southeast Asia





## Dividend per share

(RMB)



- ❑ The board of directors recommended a final dividend of RMB0.0913 per share for 2008, representing a payout ratio of 40%
- ❑ Proper balance between shareholders' cash return requirement and future investment needs for the Company's long term sustainable development



## Opportunities

- ❑ Increasing CAPEX and outsourcing of non-core businesses by operators after the industry restructuring and 3G licensing
- ❑ Increasing spending by government on infrastructure and informatization
- ❑ Great opportunities in telecom network supporting system, value-added business and Internet business
- ❑ Regions such as Africa and Middle East are still in the developing stage of telecom network construction



## Challenges

- ❑ Economy downturn may affect domestic telecom industry and lead to further pressure on our pricing and profitability
- ❑ Competitiveness, service capability & branding in some of our services need further enhancement
- ❑ Our business model need continuous optimization for sustainable growth





**Customer-focused  
Strategy**

**Overseas Development  
Strategy**

**Innovative & External  
Growth Strategy**

**Human Resources  
Strategy**



中国通信服务  
CHINA COMSERVICE

**Neutral & Professional**

**“Service Provider for Telecom,  
Media & Technology Companies”**

-  **Excellent Service**
-  **Excellent Team**
-  **Excellent Management**



中国通信服务  
CHINA COMSERVICE

# BUSINESS REVIEW

# REVENUE BREAKDOWN



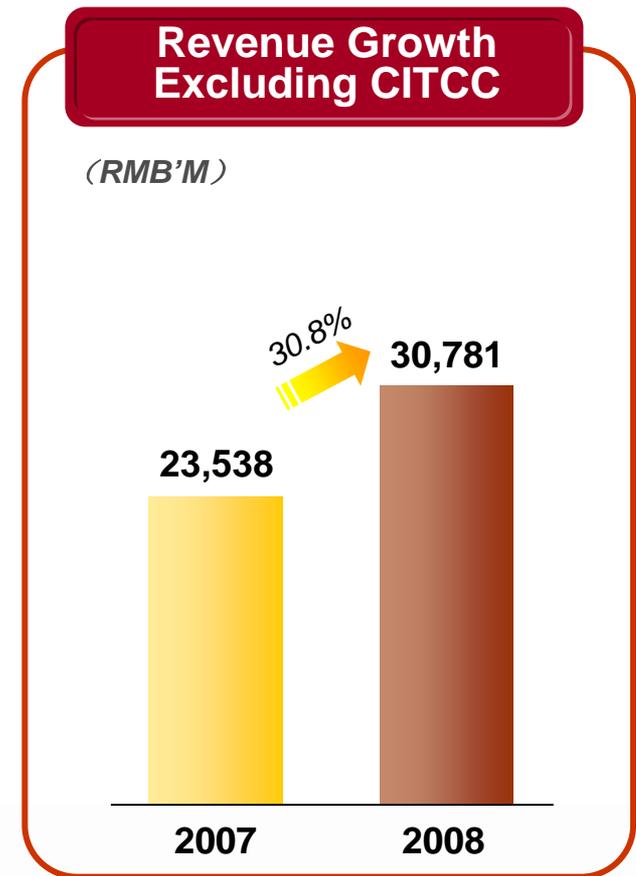
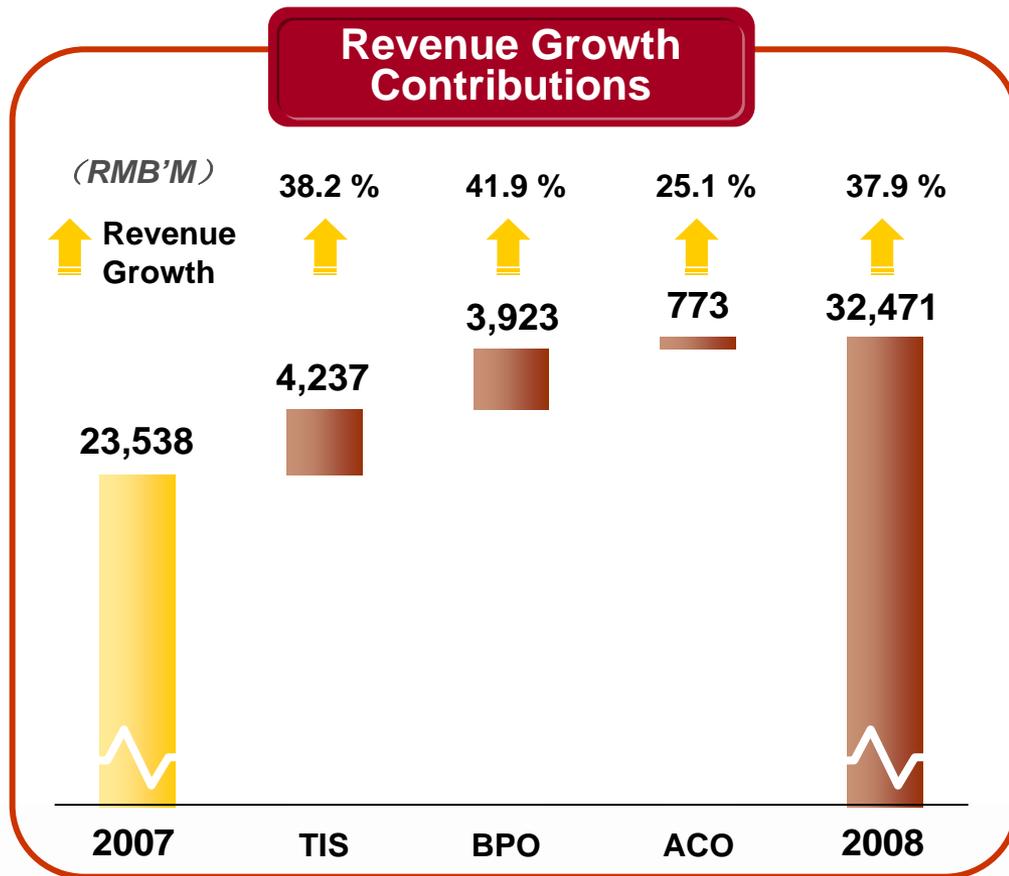
中国通信服务  
CHINA COMSERVICE

<i>(RMB'M)</i>	2007	2008	Change	% of revenue
<b>TIS</b>	<b>11,093</b>	<b>15,330</b>	<b>38.2%</b>	<b>47.2%</b>
<i>Design</i>	2,436	3,167	30.0%	9.8%
<i>Construction</i>	8,071	11,316	40.2%	34.8%
<i>Supervision</i>	586	847	44.6%	2.6%
<b>BPO</b>	<b>9,365</b>	<b>13,288</b>	<b>41.9%</b>	<b>40.9%</b>
<i>Maintenance</i>	1,573	2,350	49.4%	7.2%
<i>Distribution</i>	6,097	8,985	47.4%	27.7%
<i>Facility Management</i>	1,695	1,953	15.2%	6.0%
<b>ACO</b>	<b>3,080</b>	<b>3,853</b>	<b>25.1%</b>	<b>11.9%</b>
<i>IT Applications</i>	1,546	1,998	29.2%	6.2%
<i>Internet Services</i>	478	361	-24.4%	1.1%
<i>Voice VAS</i>	326	578	77.5%	1.8%
<i>Others</i>	730	916	25.5%	2.8%
<b>Total</b>	<b>23,538</b>	<b>32,471</b>	<b>37.9%</b>	<b>100.0%</b>

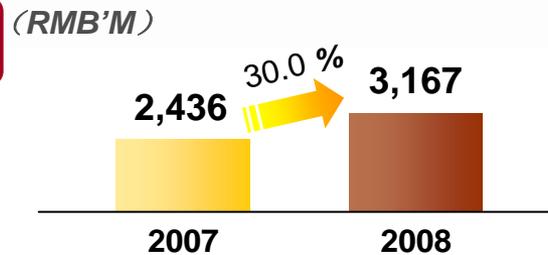
# REVENUE GROWTH DRIVERS



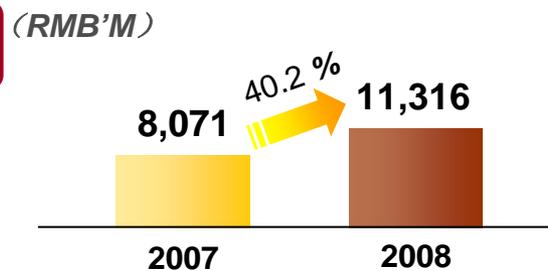
Rapid growth in all businesses, TIS growth accelerated



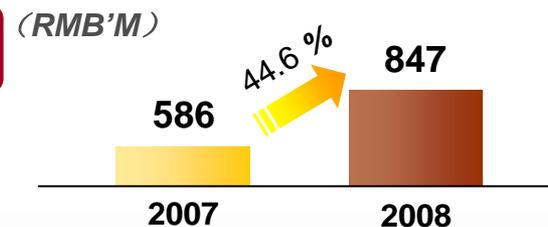
## Design



## Construction



## Supervision



(RMB'B)	2007	2008	Change
CAPEX in PRC telecom industry*	227.99	295.37	29.6%
TIS revenue from 3 major operators	8.79	12.64	43.7%
TIS revenue from government, corporate & other customers	2.30	2.69	17.1%

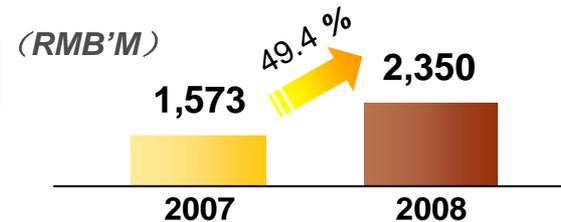
\*Figures from MIIT

- ❑ Captured opportunities from the operators' CAPEX increase, and provided integrated services of planning, design, construction and supervision
- ❑ Participated in communications system construction related to infrastructure projects like highway, subway, airport, harbour and stadium etc.

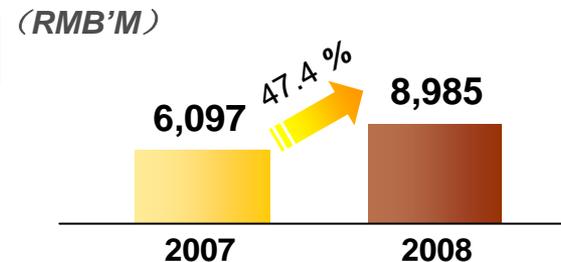
## Fully utilize our integrated service advantage

- ❑ Increase in operators' network capacity and outsourcing scale, driving rapid growth of maintenance business
- ❑ Closely cooperate with operators and equipment vendors to provide distribution services, enhancing customer loyalty
- ❑ Actively develop non-operator market and expand geographic coverage, leading to favourable growth of facility management business

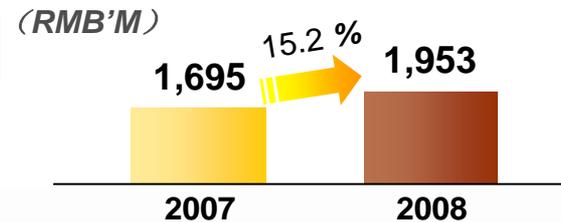
### Maintenance



### Distribution



### Facility Management

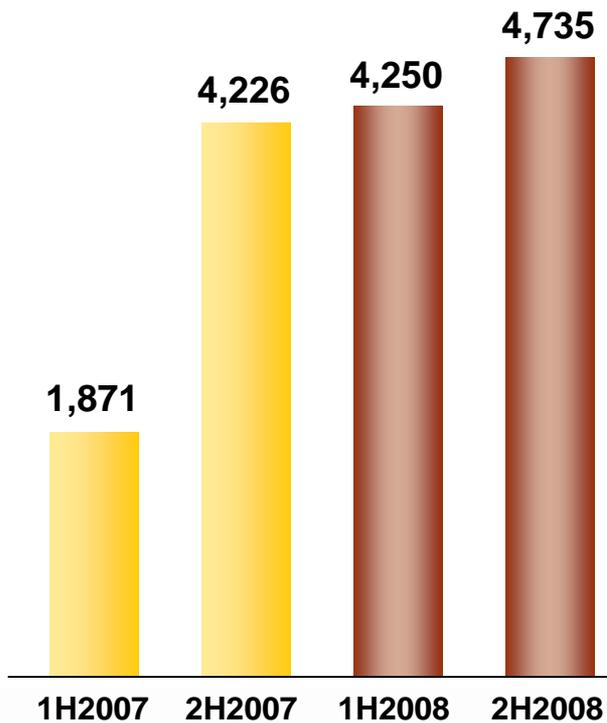




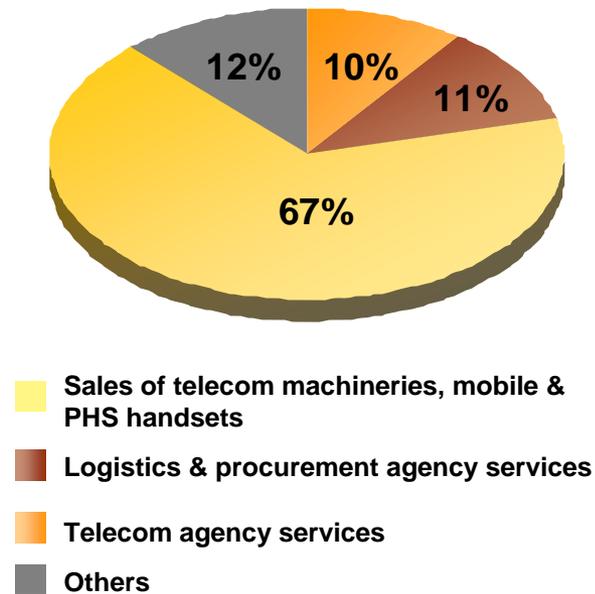
## Sustainable healthy development

### Revenue

(RMB'M)



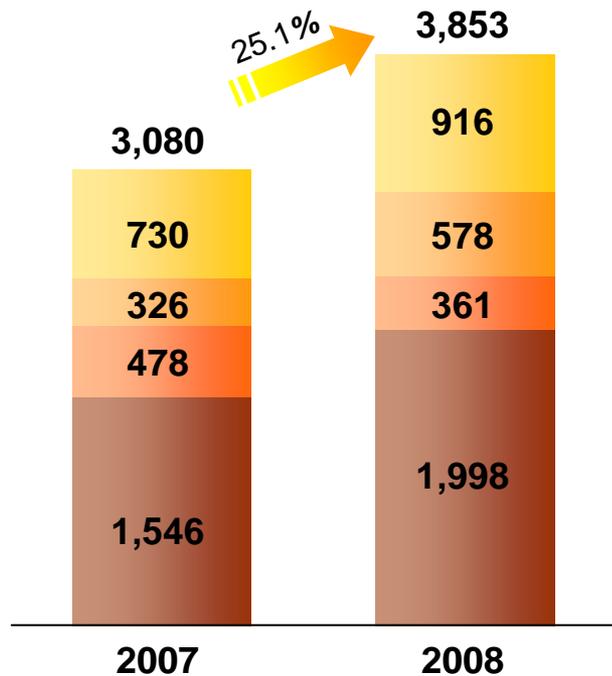
### Composition



Note: The above is 2008 figures

## Revenue

(RMB'M)



IT Applications
  Internet Services  
 Voice VAS
  Others

## Development Strategy

- ❑ Build reputable brands through various cooperation with partners to enhance our products offering & services capabilities
- ❑ Expand our market share in OSS, BSS & MSS businesses to operators
- ❑ Undertake call centre outsourcing service from operators and government and corporate customers
- ❑ Develop value added business for operators on wireline, wireless and integrated services

OSS: Operation Support System ; BSS: Business Support System;  
MSS: Management Support System

# BUSINESS DEVELOPMENT STRATEGIES



中国通信服务  
CHINA COMSERVICE

## “CTW” Program

- ❑ Fully support the network construction and business development of operators
- ❑ Focus on network construction and maintenance, subscriber development, value added business, formation of distribution channel and sale of handsets

## “T” Program

- ❑ Actively undertake overseas telecom infrastructure projects as principal contractor
- ❑ Endeavour to significantly increase the proportion of overseas revenue to our total revenues



Enhance  
Operational  
Efficiency

## “E” Program

- ❑ Work with operators and equipment vendors to focus on informatization projects of government and corporates
- ❑ Capture opportunities from the government stimulation plan and cooperate with infrastructure companies to undertake communication related construction projects



## Innovative ACO Development Model

- ❑ Target to have breakthrough on cooperation with strategic partners
- ❑ Enhance our core capabilities & branding





中国通信服务  
CHINA COMSERVICE

# FINANCIAL RESULTS

# FINANCIAL PERFORMANCE

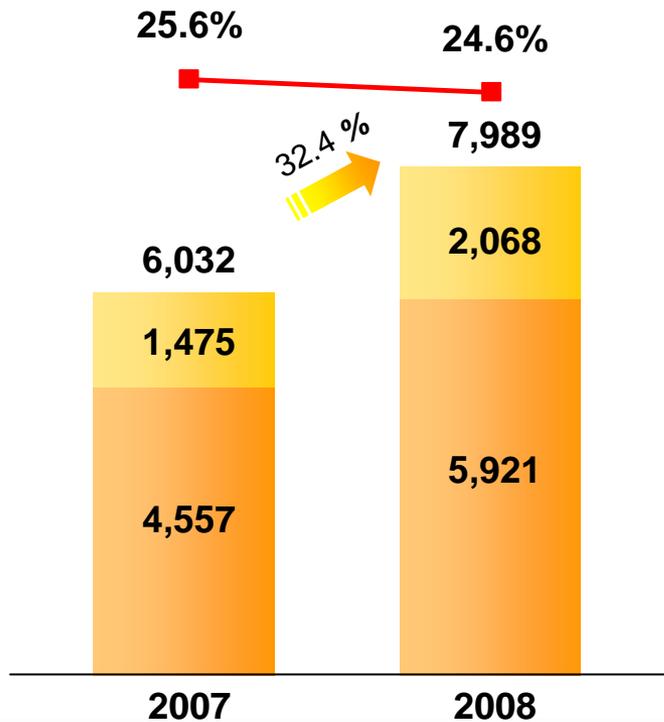


中国通信服务  
CHINA COMSERVICE

<i>(RMB'M)</i>	2007	2008	Change	% of revenue
<b>Revenue</b>	<b>23,538</b>	<b>32,471</b>	<b>37.9 %</b>	<b>100.0 %</b>
<b>Cost of Revenue</b>	<b>19,473</b>	<b>27,170</b>	<b>39.5 %</b>	<b>83.7 %</b>
Direct personnel	4,557	5,921	29.9 %	18.2 %
Subcontracting	4,577	6,966	52.2 %	21.5 %
Materials	7,632	10,830	41.9 %	33.4 %
D&A	305	335	9.8 %	1.0 %
Others	2,402	3,118	29.8 %	9.6 %
<b>Gross Profit</b>	<b>4,065</b>	<b>5,301</b>	<b>30.4 %</b>	<b>16.3 %</b>
<b>SG&amp;A</b>	<b>2,795</b>	<b>3,854</b>	<b>37.9 %</b>	<b>11.9 %</b>
<b>Net Financing Income/(Expense)</b>	<b>42</b>	<b>(78)</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Profit</b>	<b>1,167</b>	<b>1,316</b>	<b>12.8 %</b>	<b>4.1 %</b>
<b>EPS (RMB)</b>	<b>0.214</b>	<b>0.232</b>	<b>8.4 %</b>	<b>N/A</b>

## Personnel Cost

(RMB'M)



■ Staff cost in SG&A     ■ Direct personnel  
■—■ as a % of total revenue

## HR Strategy

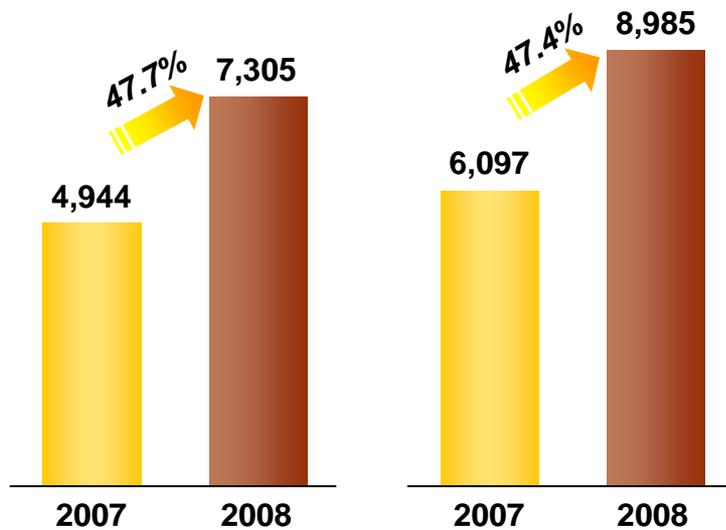
- Attract, retain and train talents specialized in 3G & overseas businesses according to our business development needs
- Control total headcount and optimize HR structure
- Strengthen training to management and key staff on leadership and execution capability
- Optimize performance-based remuneration mechanism to enable our staff to reap the fruits from our development

# MATERIAL COST

## Cost of Telecommunications Products

## Revenue of Distribution Service

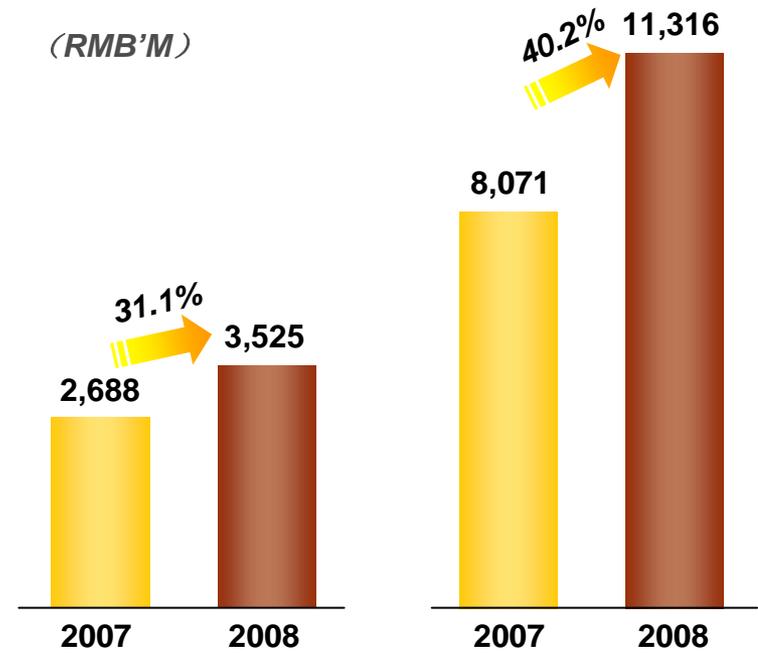
(RMB'M)



## Cost of Construction Materials

## Revenue of Construction Service

(RMB'M)



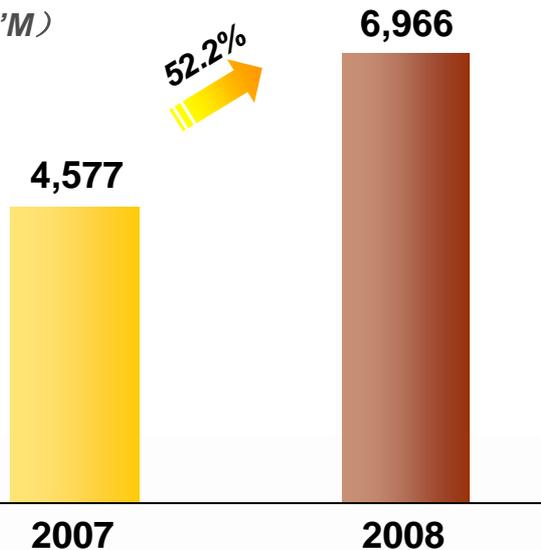
Notes: Material costs comprise the cost of telecommunications products and construction materials

# SUBCONTRACTING COST

- ❑ Rapid business growth drove higher subcontracting demand
- ❑ Subcontract certain low-end tasks to control fixed cost

## Subcontracting Cost

(RMB'M)



## Control Initiatives

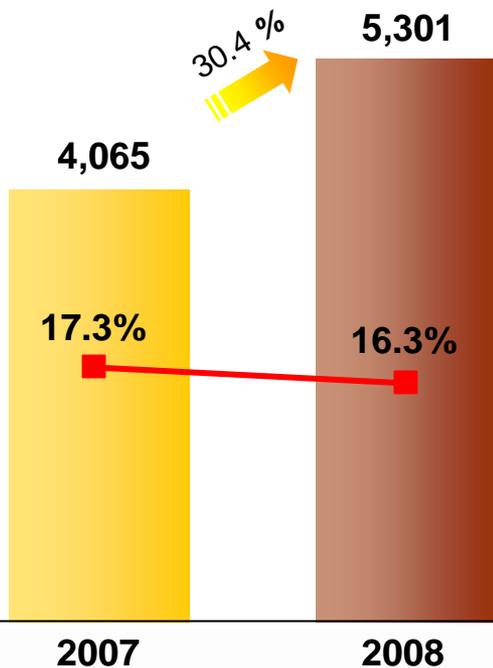
- ❑ Establish mechanism on eligible subcontractor selection
- ❑ Utilize IT system to standardize management process
- ❑ Through audit review and assessment to strengthen subcontracting control



## Gross profit margin still facing pressure

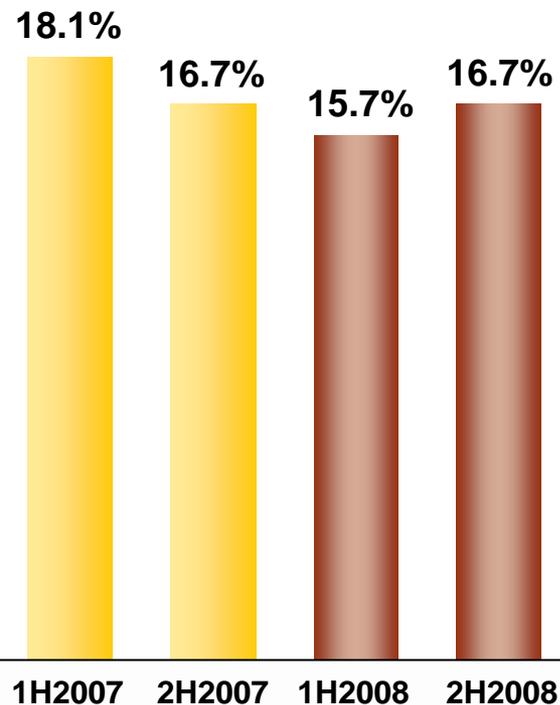
### Gross Profit

(RMB'M)



■ — ■ GP Margin

### GP Margin



# FINANCIAL POSITION



中国通信服务  
CHINA COMSERVICE

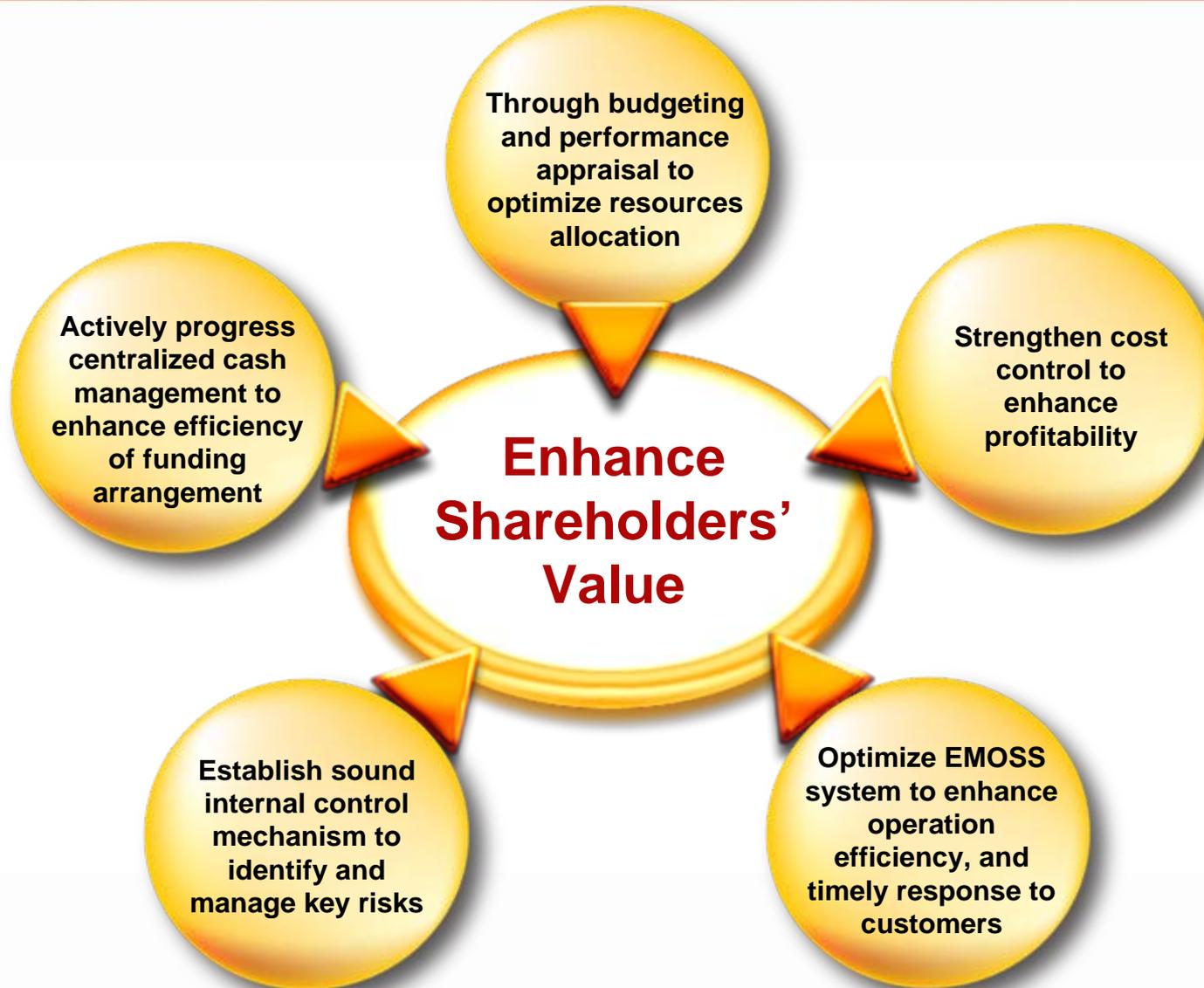
	2007	2008
<b>CAPEX (RMB'M)</b>	720	707
<b>Free cash flow (RMB'M)</b>	1,025	1,271
<b>Account receivable turnover days</b>	103	103

<i>(RMB'M, except % figures)</i>	2007.12	2008.12
<b>Total assets</b>	21,840	27,459
Cash & cash equivalents	6,632	8,415
<b>Total liabilities</b>	12,202	15,347
Total debt	2,561	1,954
<b>Total liabilities/Total assets</b>	55.9%	55.9%
<b>Debt to capitalization ratio</b>	21.1%	14.0%

# ENHANCE SHAREHOLDERS' VALUE



中国通信服务  
CHINA COMSERVICE



Thank You

[www.chinaccs.com.hk](http://www.chinaccs.com.hk)

# FORWARD-LOOKING STATEMENTS



中国通信服务  
CHINA COMSERVICE

**This presentation and the presentation materials distributed herewith include "forward-looking statements". All statements, other than statements of historical facts, that address activities, events or developments that China Communications Services Corporation Limited ("China Communications Services") expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. China Communications Services' actual results or developments in the futures, including those of the businesses that China Communications Services may acquire, may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to the level of demand for telecommunications services; competitive forces in more liberalized markets; the effects of tariff reduction initiatives; changes in the regulatory policies and other risks and factors beyond China Communications Services' control. In addition, China Communications Services makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.**