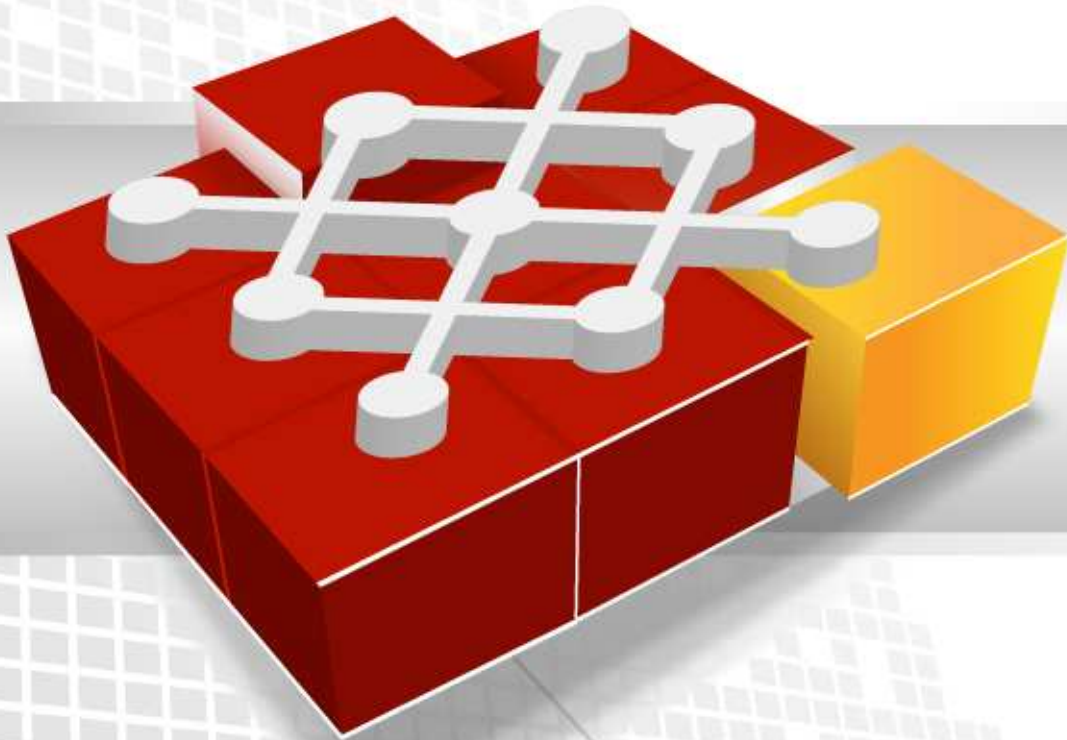




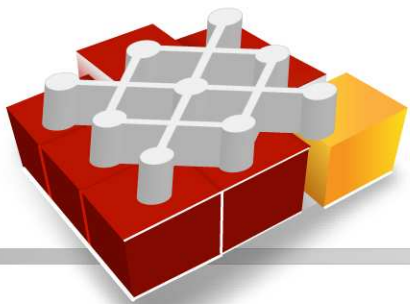
CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
STOCK CODE: 552



Annual Results 2009

30 Mar 2010

Service provider for telecommunications,
media and technology companies



MANAGEMENT

CHAIRMAN

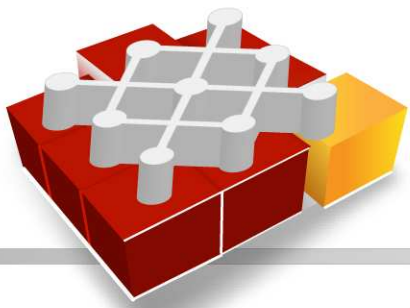
Mr. Li Ping

PRESIDENT

Mr. Zhang Zhiyong

EXECUTIVE VICE PRESIDENT & CFO

Mr. Yuan Jianxing



AGENDA



Overview



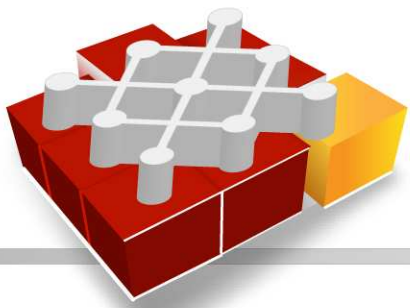
Business Review



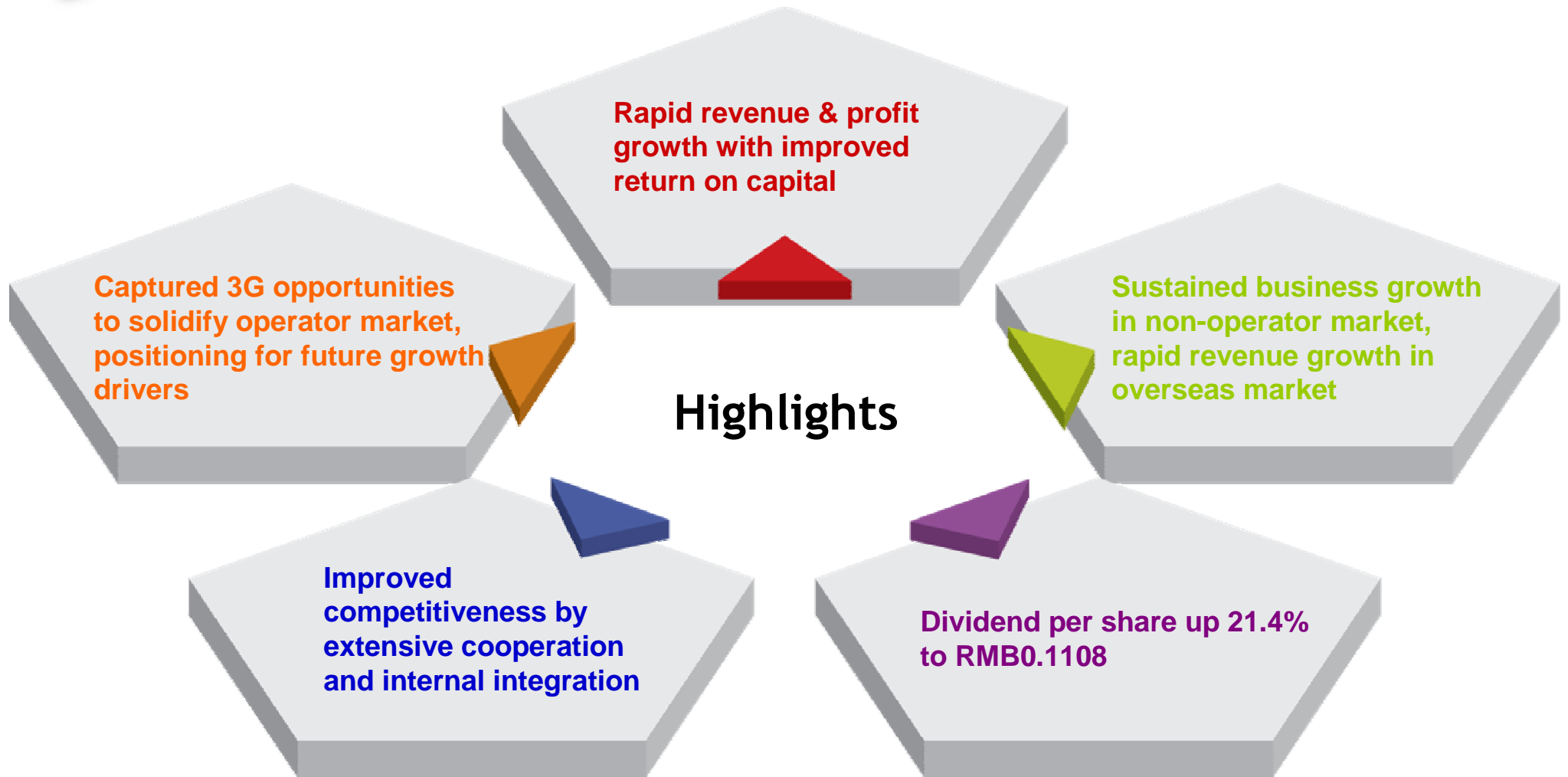
Financial Results

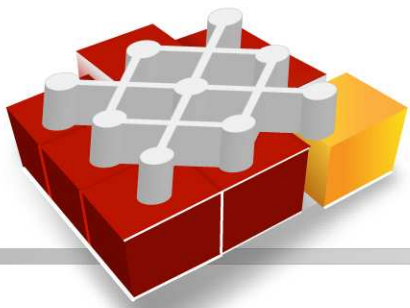


Overview



HIGHLIGHTS





FAVOURABLE OVERALL PERFORMANCE



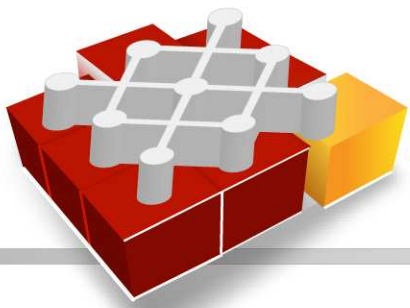
Around 20% growth in both revenue and net profit



ROE up by 1.2 pp

<i>(RMB'M, except EPS & % figures)</i>	2008	2009	Change
Revenue	33,005	39,499	19.7%
Gross Profit	5,373	6,372	18.6%
Gross profit margin	16.3%	16.1%	-0.2pp
Net Profit	1,327	1,599	20.5%
Net profit margin	4.0%	4.0%	-
EPS	0.233	0.277	18.9%
ROE	11.0%	12.2%	+1.2pp

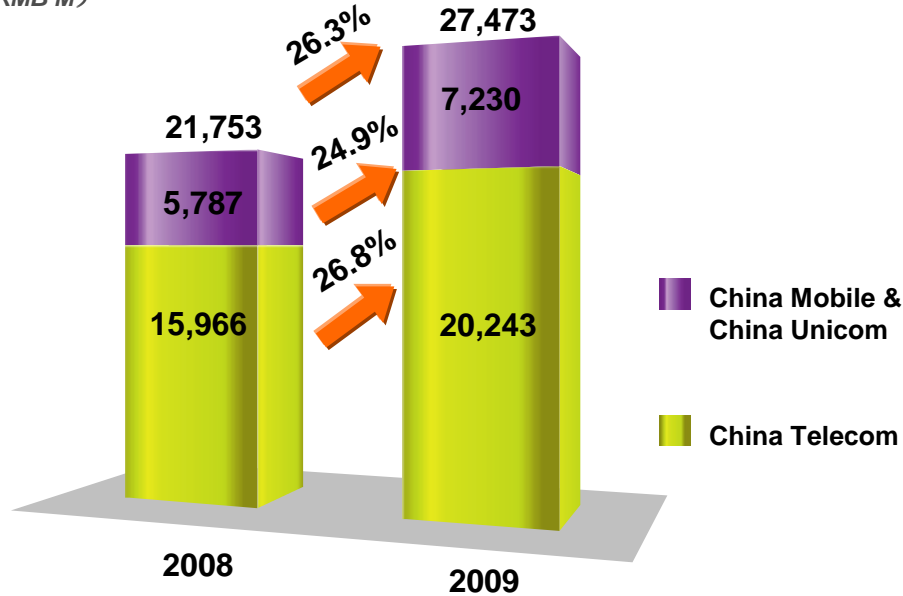
Note : According to IFRS, historical financial data of 2008 has been restated to include the results of the companies we acquired from our Parent Company in May 2009, whereas the results of China International Telecommunications Construction Corporation ("CITCC") were included into our Group since the completion of the acquisition on 30 May 2008.



DOMESTIC OPERATOR MARKET

Revenue from 3 Telecom Operators

(RMB'M)



	2008	2009	Change
TIS	12,636	15,825	25.2%
BPO & ACO	9,117	11,648	27.8%

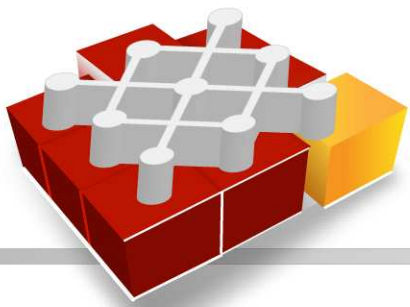
Continued to implement CTW* program, revenue from 3 telecom operators realized rapid and balanced growth.

Fully captured opportunities in network construction, maintenance, logistic and VAS, revenue growth of TIS & BPO/ACO >25%

Positioning to capture future growth:

- ◆ Expand market share in northern China
- ◆ Increase resources allocation in core businesses, such as maintenance service
- ◆ Streamline ACO businesses and centralize resources
- ◆ Deploy trial projects on tower sharing and collaborative logistic business

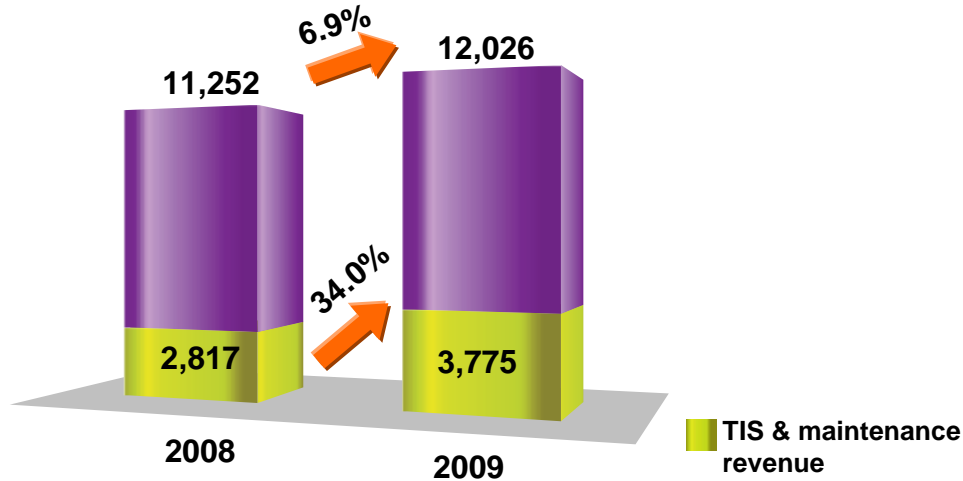
* CTW refers to CDMA, TD-SCDMA, WCDMA and their subsequent technologies



NON-OPERATOR MARKET

Revenue from non-operator customers*

(RMB'M)



Capable to provide integrated one-stop services in communications, IT solutions, weak current system construction and maintenance services for government agencies, vendors, media and infrastructure companies, education and medical institutes and SMEs.

Achieved strong revenue growth of 34% in TIS & maintenance by focusing on key customers and projects, and captured opportunities from the state policies in stimulating domestic demand, urbanization and informatization

Typical cases

Shanghai World Expo

- Ancillary Communications engineering projects

Guangzhou Asian Games

- Ancillary Communications engineering projects

An internationally renowned jeweler

- Integrated network solutions for PRC stores

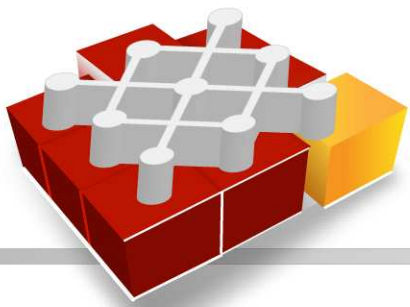
A domestic cable company

- One-stop supply service in network reconstruction

Subway construction in major cities

- Ancillary Communications engineering projects

* Including revenue from overseas market



OVERSEAS MARKET



Revenue from overseas market increased 82.3% to RMB1.29b, representing 3.3% of total revenue



Strive to achieve 8%-10% of total revenue by 2012

Cooperated with equipment vendors, operators, SOEs & financial institutions, complement each other's strength and jointly develop overseas markets

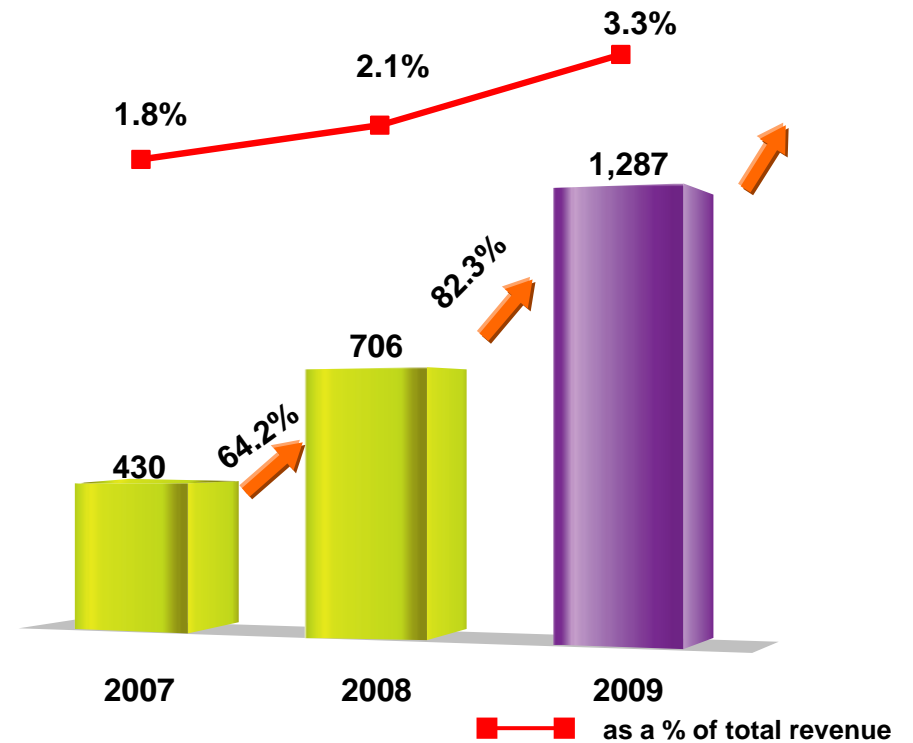
Progressed turn key projects in Congo(K) & Tanzania and developed other strategic projects in Africa, South America and South East Asia regions

Emphasized on both turn key and subcontract opportunities, and actively undertook outsourcing projects from equipment vendors

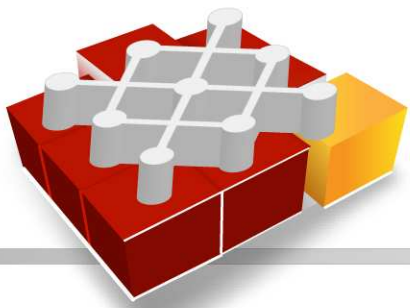
Focused on opportunities of design & consultation, network construction, operational support and equity investment

Revenue from Overseas Market

(RMB'M)



* Revenue from overseas market is included as part of revenue from non-operator customers



INTEGRATE RESOURCES AND ENHANCE CORE CAPABILITIES

- ▶▶ Extended strategic cooperation agreements with China Telecom Listco for another 3 years
- ▶▶ Expanded business in informatization market for Gov't & Enterprises customers by partnering with operators

- ▶▶ Cooperated with equipment vendors and infrastructure companies in various aspects
- ▶▶ Gained credit line and bank guarantee support from state owned financial institutions

CORE RESOURCES, CAPABILITIES & PRODUCTS

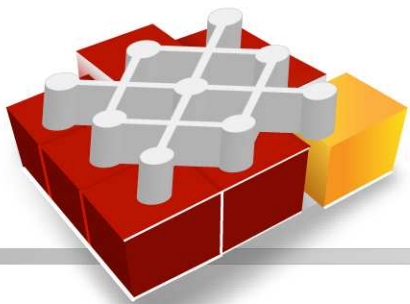
- ▶▶ Acquired interests in Guoxin Lucent, Shanghai Tongmao & Shenzhen Telecom Engineering* and integrated with existing businesses
- ▶▶ Established JV** with Accenture*** to integrate IT resources and achieve win-win situation

- ▶▶ Selected subsidiaries and formed SBUs to centralize resources and create branded products and enterprises
- ▶▶ Implemented centralized cash management on provincial level to enhance efficiency on funding management

* Refers to the acquisition of equity interests in Guoxin Lucent Technologies Network Technologies Co., Ltd. (51%), Shanghai Tongmao Import & Export Co. Ltd. (95.945%) & Shenzhen Telecom Engineering Co. Limited (40%) in May 2009

** China Communication Service Application Solution Technology Co. Ltd

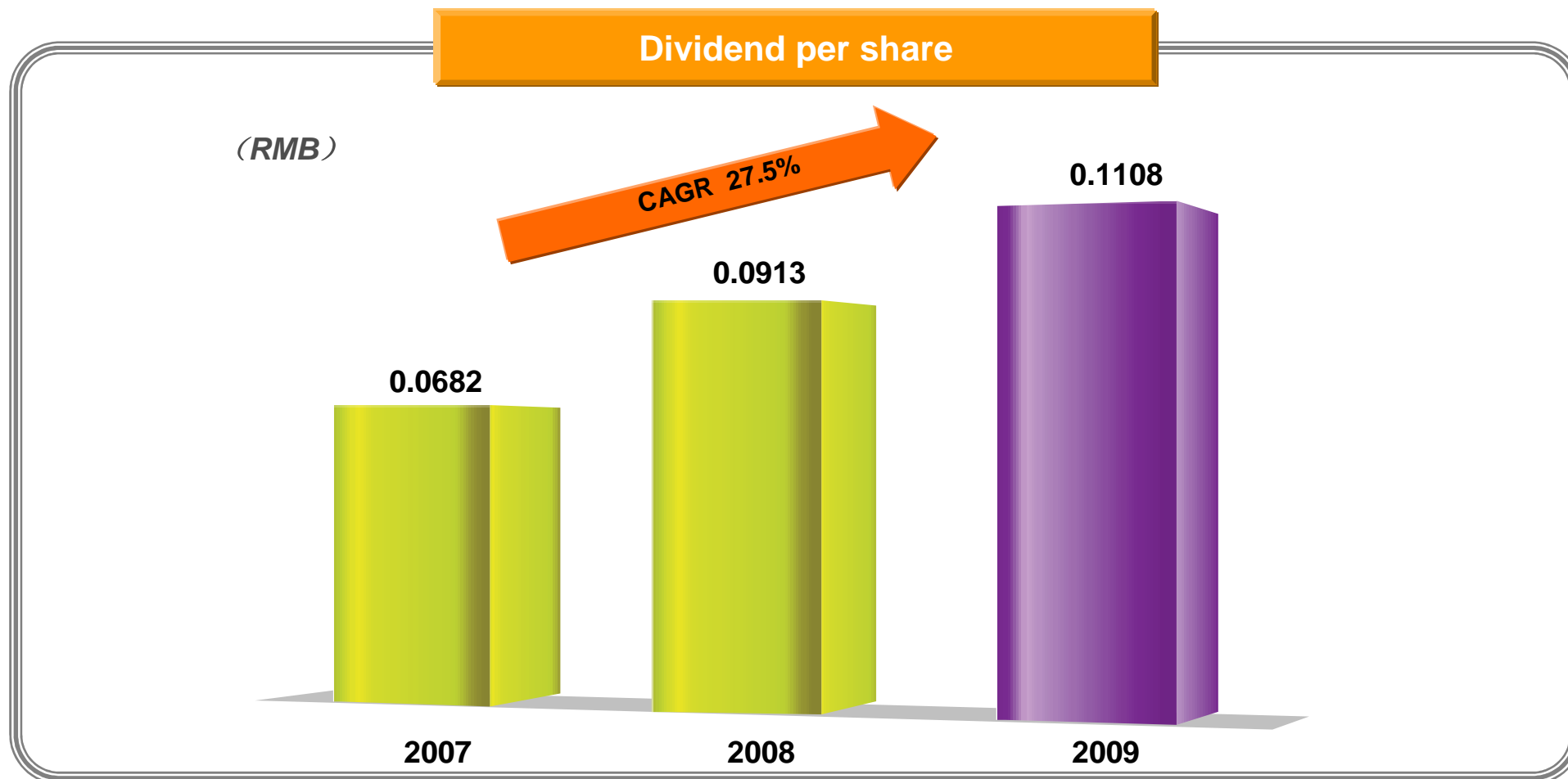
*** Accenture International Sarl

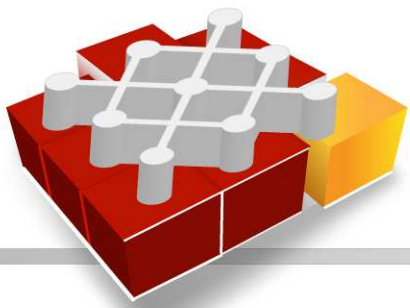


DIVIDEND

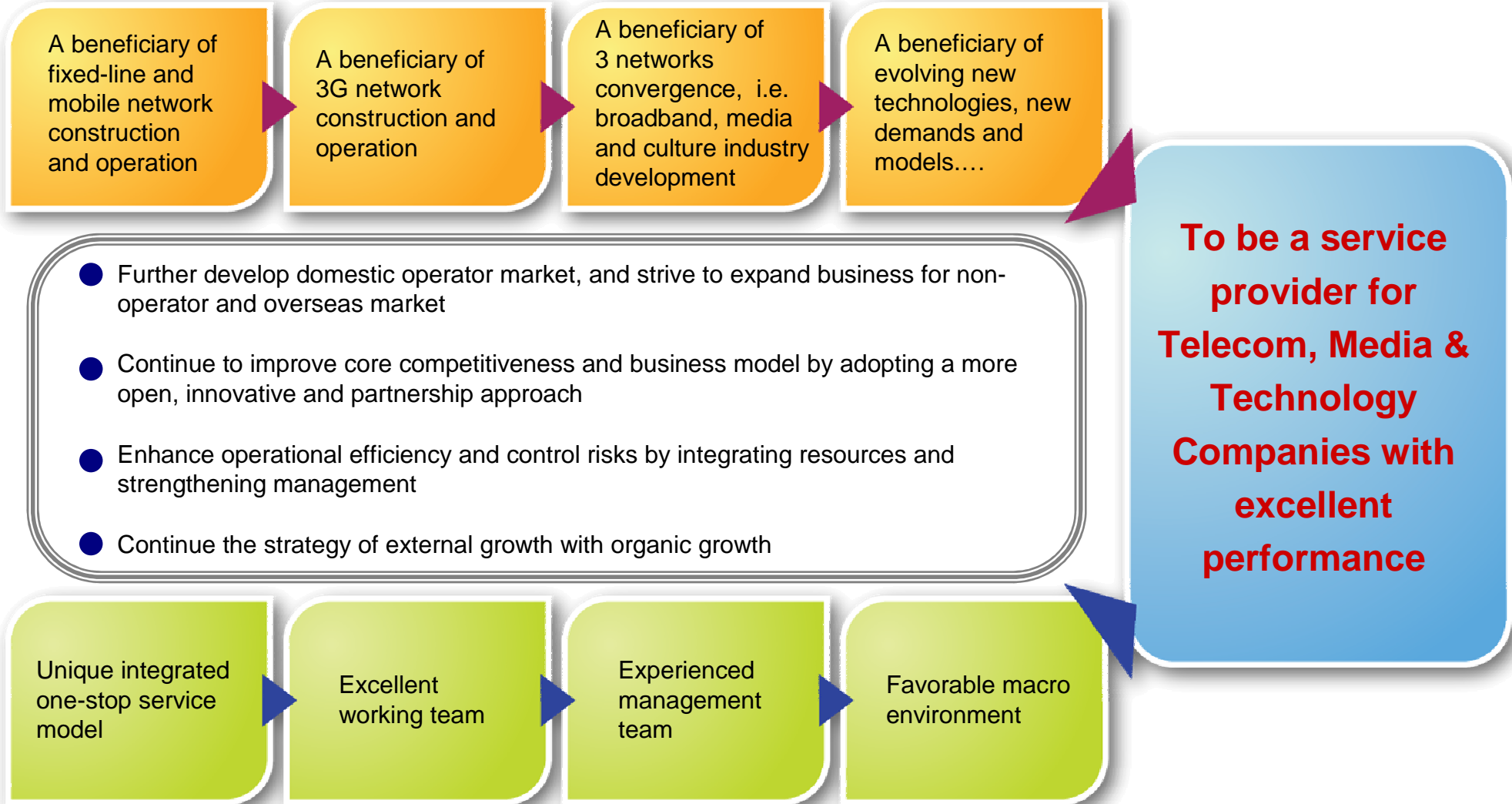


Taking into consideration of the shareholders' interest and return, and the group's funding requirement for long term development, the board of directors recommended a final dividend of RMB0.1108 per share for 2009.





PROSPECTS

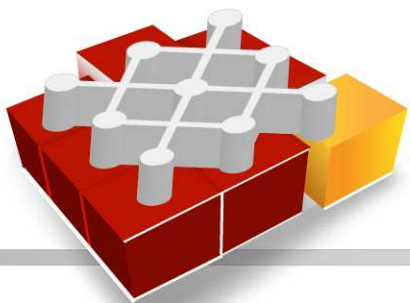




中国通信服务
CHINA COMSERVICE

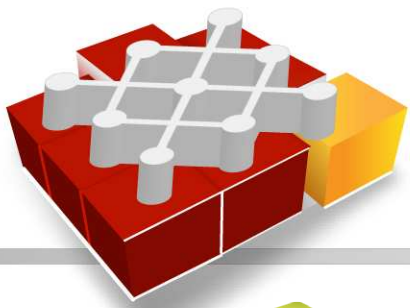


Business Review



REVENUE BREAKDOWN

(RMB'M)	2008	2009	Change	% of revenue
TIS	15,329	19,289	25.8%	48.8%
<i>Design</i>	3,166	4,021	27.0%	10.2%
<i>Construction</i>	11,316	14,086	24.5%	35.6%
<i>Supervision</i>	847	1,182	39.6%	3.0%
BPO	13,744	15,943	16.0%	40.4%
<i>Maintenance</i>	2,357	3,484	47.8%	8.8%
<i>Distribution</i>	9,434	10,390	10.1%	26.3%
<i>Facility Management</i>	1,953	2,069	5.9%	5.2%
ACO	3,932	4,267	8.5%	10.8%
<i>IT Applications</i>	2,077	2,085	0.4%	5.3%
<i>Internet Services</i>	361	287	-20.6%	0.7%
<i>Voice VAS</i>	578	653	12.9%	1.7%
<i>Others</i>	916	1,242	35.6%	3.1%
Total	33,005	39,499	19.7%	100.0%



REVENUE GROWTH DRIVERS



By seizing 3G opportunities, TIS grew rapidly, and BPO & ACO remained stable growth



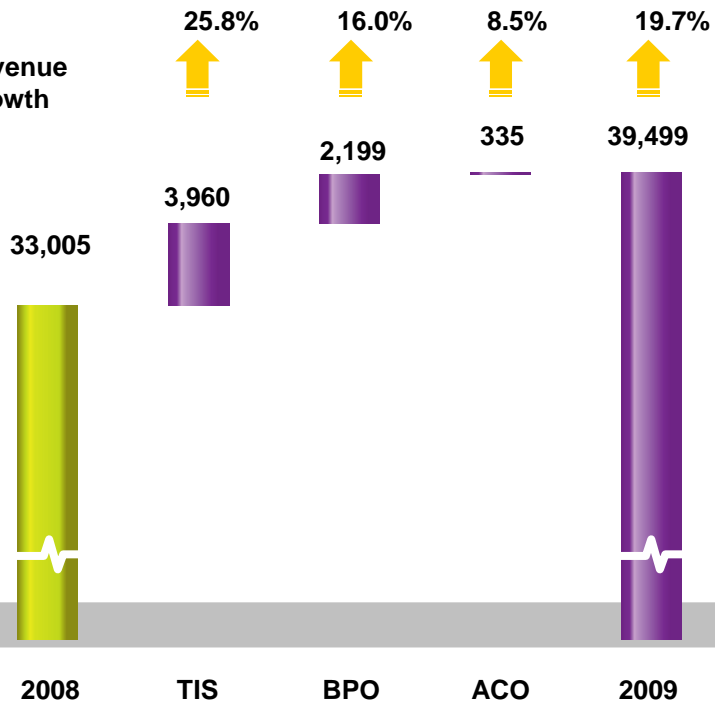
2H09 revenue sustained growth momentum after relatively fast growth in 1H09 of >30%

Revenue Growth Contribution

(RMB'M)

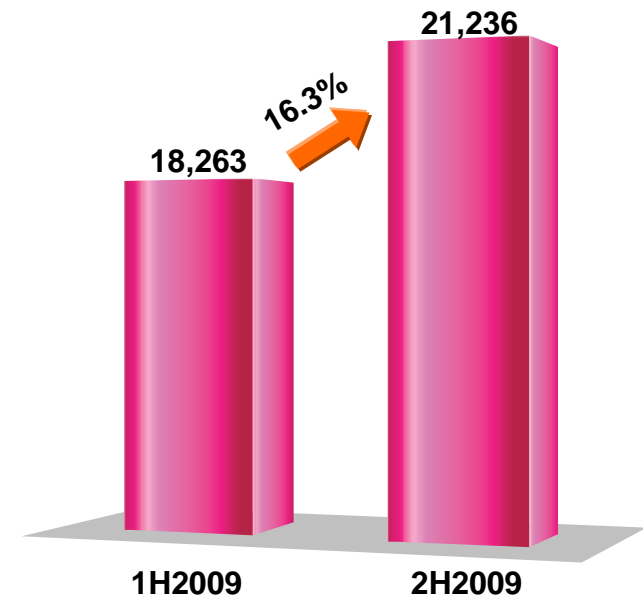


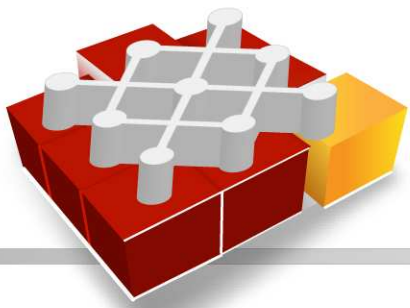
Revenue Growth



Revenue

(RMB'M)

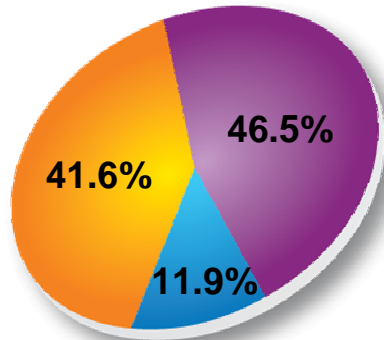




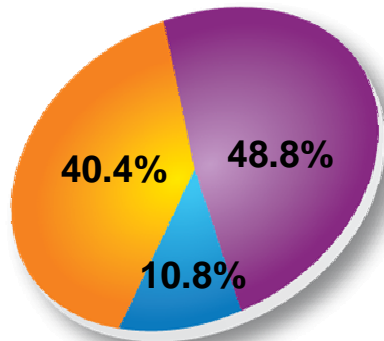
REVENUE MIX

Business Mix

2008

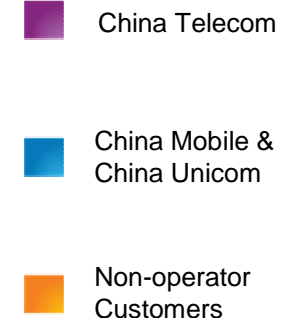
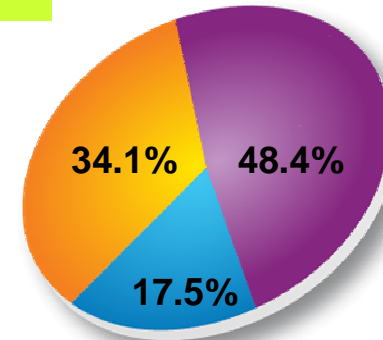


2009

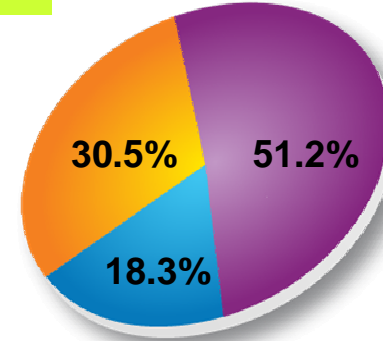


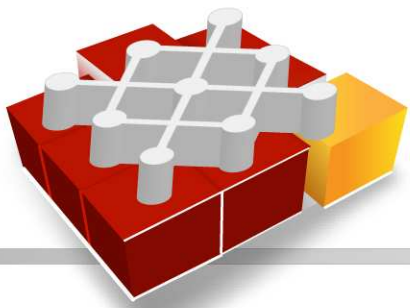
Customer Mix

2008

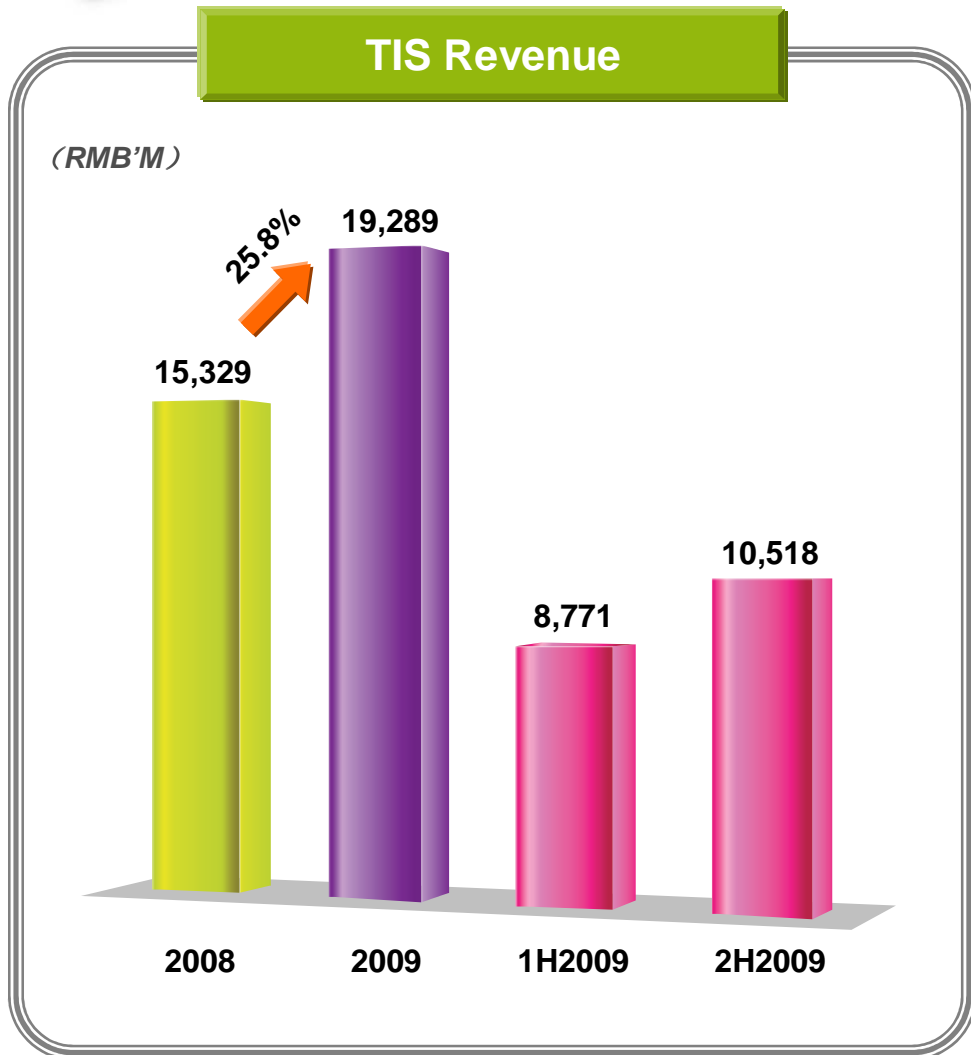


2009





TIS BUSINESSES



All 3 businesses, i.e. design, construction and supervision recorded >20% revenue growth, supervision revenue up around 40%



Captured the capex hike of telecom operators, maintained stable market share

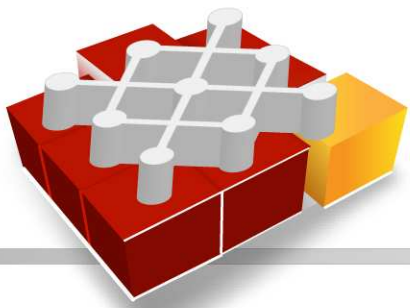
(RMB'B)

	2008	2009	
TIS revenue from 3 telecom operators	12.6	15.8	↑ 25.2%
Capex in PRC telecom industry*	295.4	372.5	↑ 26.1%



TIS revenue from non-operator customers up by 28.6%

* Figures from MIIT



TIS BUSINESSES - CONTINUED

Domestic operator market

- ▶▶ Operators' capex spending will remain at certain level to maintain network and service quality
- ▶▶ New technologies and demands will drive operators to continue network upgrade and expansion

Domestic non-operator market

- ▶▶ Infrastructure construction such as subway and express railway, and urbanization will create demands on ancillary communications facility
- ▶▶ The informatization demands from the government and the industry

Overseas market

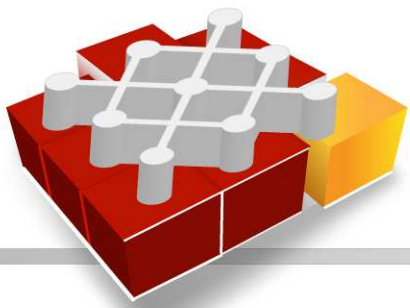
- ▶▶ Developing countries such as Africa have huge demands for communications infrastructure services due to insufficient supply

Industry development and policies

- ▶▶ 3 networks convergence
- ▶▶ Energy saving and emission reduction
- ▶▶ Internet of Things
- ▶▶ Cloud computing



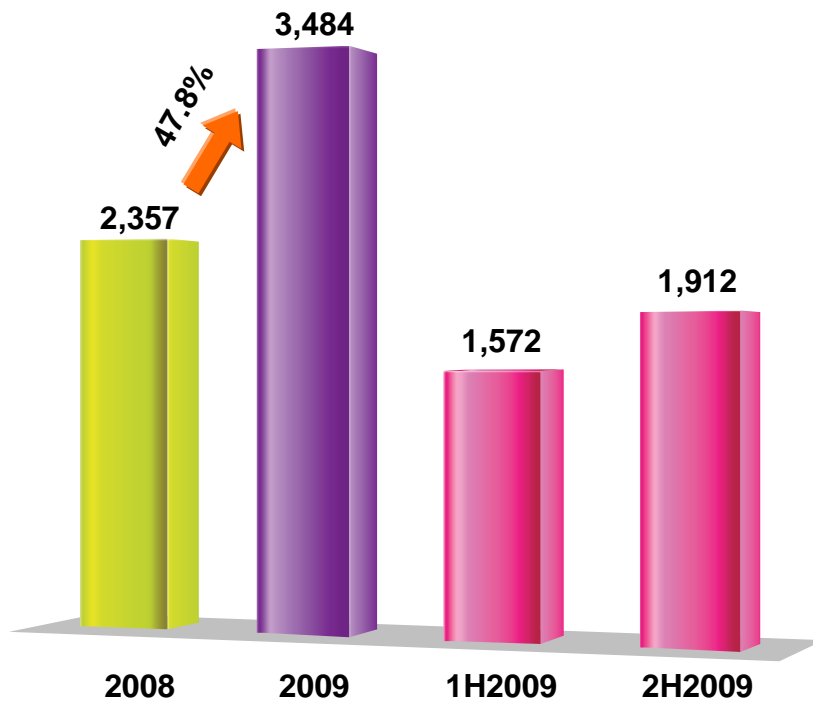
**Ample
development
opportunities in
TIS Businesses**



BPO - MAINTENANCE SERVICE

Maintenance Revenue

(RMB'M)



Sustained rapid growth in maintenance revenue driven by operators network expansion and increase in non-core business outsourcing

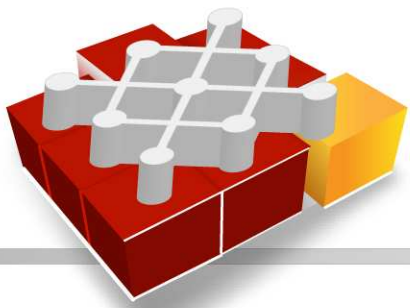
	2008	2009
No. of base station under CCS maintenance ('000)	67.6	175
% of total base stations*	~10%	~20%



Leveraged on one-stop service advantage to drive network construction and optimization services, actively undertake construction of indoor coverage systems and repeaters

- ◆ Strengthen service team for wireless optimization service and provide tailored training
- ◆ Revenue from wireless optimization services recorded significant growth

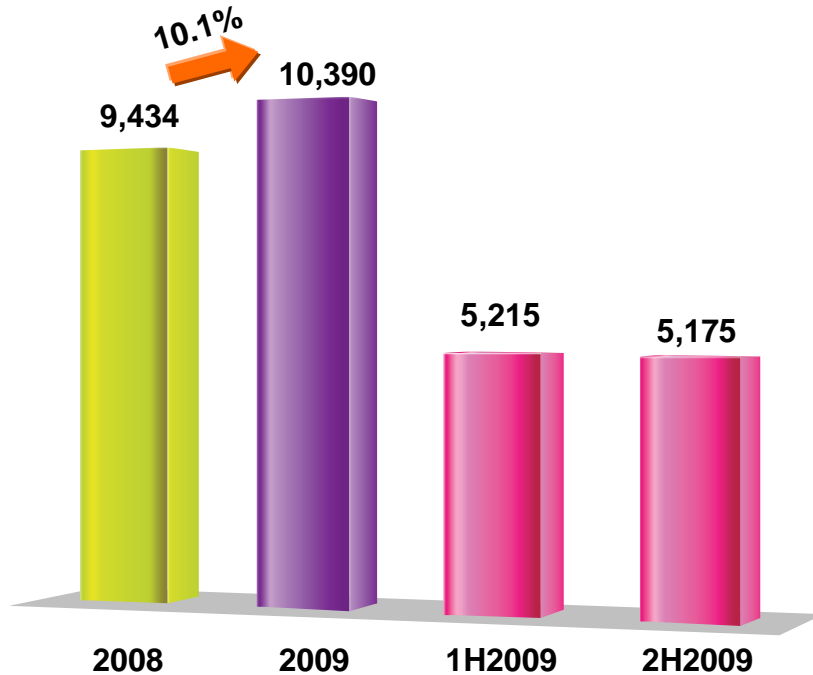
* By company's internal estimation



BPO - DISTRIBUTION SERVICE

Distribution Revenue

(RMB'M)



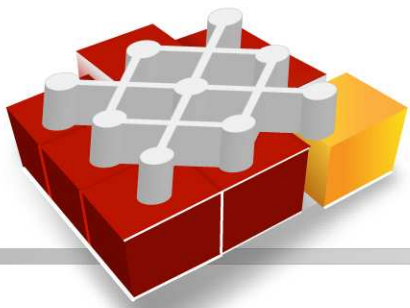
Following 3G construction, focus on demand of procurement on telecom machineries / handsets and logistic businesses. Further control on the growth of lower margin distribution services

Distribution Service Composition	2008	2009
Sales of telecom machineries and mobile handsets	68%	73%
Logistic & procurement agency services	9%	9%
Telecom agency services	13%	12%
Others	10%	6%



Fully utilize existing resources and improve service capability to build up branded enterprises in logistic services of IT industry

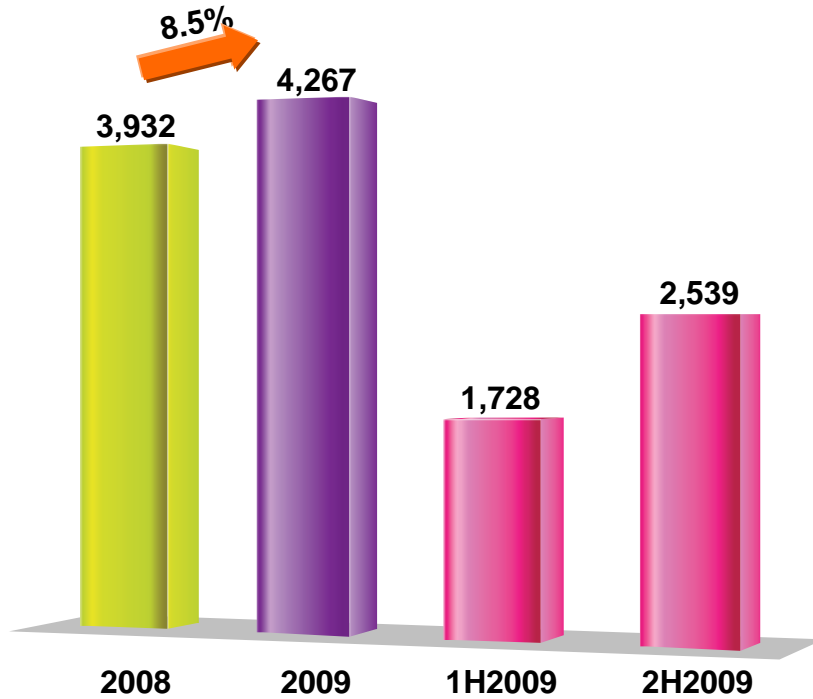
- ◆ Acquired and integrated Shanghai Tongmao, which has rich experience and comprehensive qualifications on logistic services
- ◆ Commenced trials on collaborative logistic services



ACO BUSINESSES

ACO Revenue

(RMB'M)



Revenue Breakdown (RMB'M)	2008	2009
IT Applications	2,077	2,085
Internet Services	361	287
Voice VAS	578	653
Others	916	1,242



Voice VAS up 12.9% driven by call center and voice message services outsourced by operators, government and enterprise customers



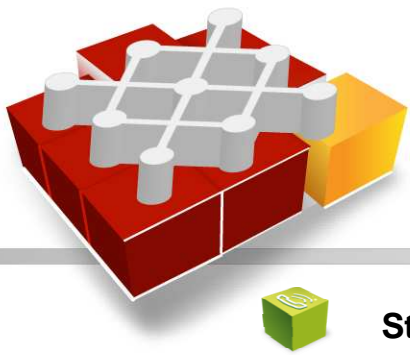
IT application services (mainly included system integration and software / hardware development) remained stable



Adjusted development strategy of Internet services, continued to close down non-profitable internet cafes

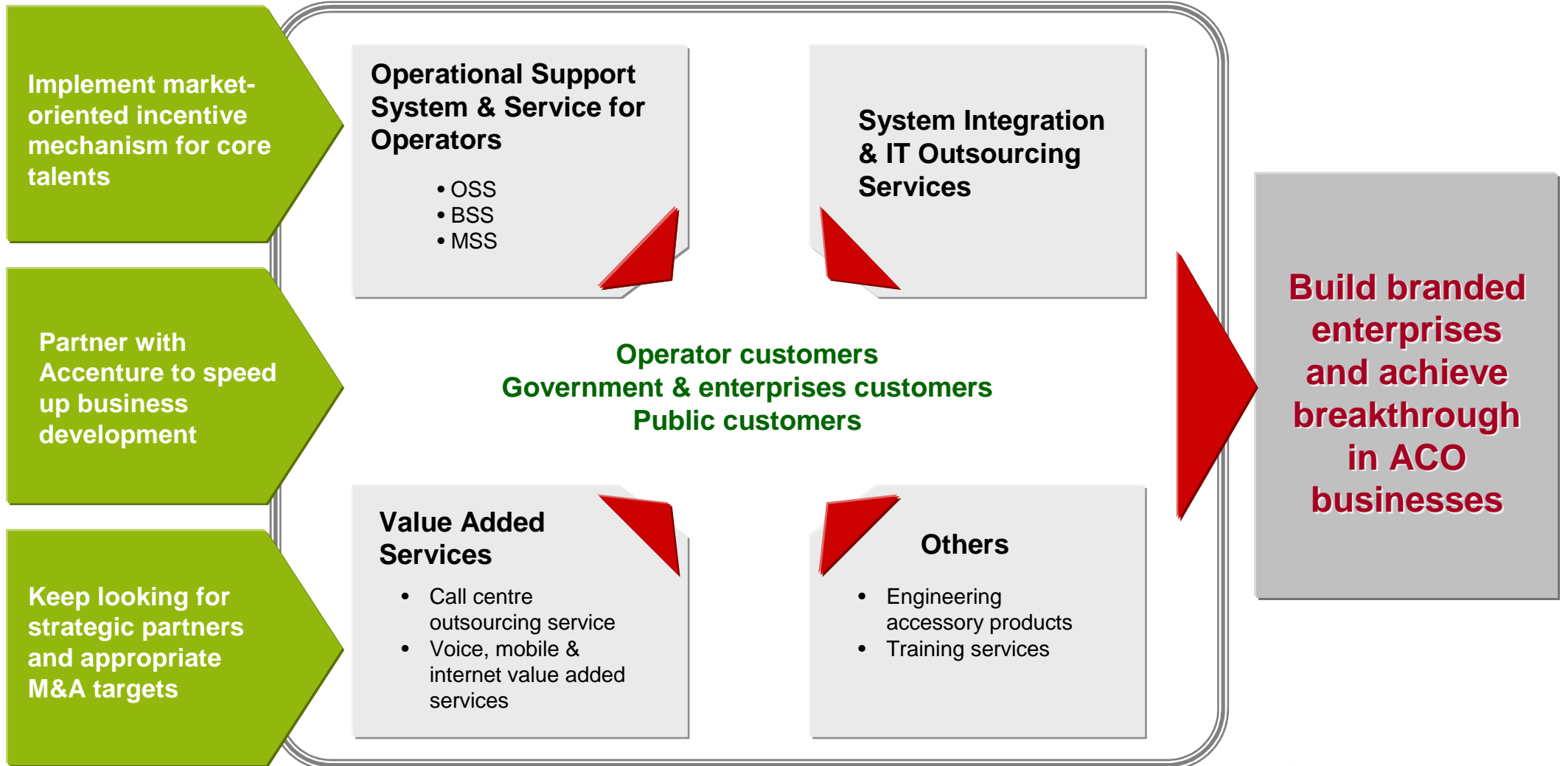


Other revenue in ACO up 35.6% driven by 3G investment and increased demands of engineering accessory products



ACO BUSINESSES - CONTINUED

Streamlined ACO businesses according to customers' demand





BUSINESS DEVELOPMENT STRATEGIES

Business expansion in domestic operator market

- ▶▶ Maintain stable revenue growth in TIS, and speed up development in maintenance, network optimization, logistics and mobile internet value added businesses
- ▶▶ Step up efforts on market expansion into northern China
- ▶▶ Push forward trial projects on tower sharing and closely follow the opportunities from 3 networks convergence

Further expand into non-operator market

- ▶▶ Focus on the demands of non-operator customer, especially for key customers and projects
- ▶▶ Strive to achieve further breakthrough and maintain rapid growth in overseas market
- ▶▶ Cooperate with equipment vendors, operators and financial institutions

Realize sustainable development

Continue to refine business model

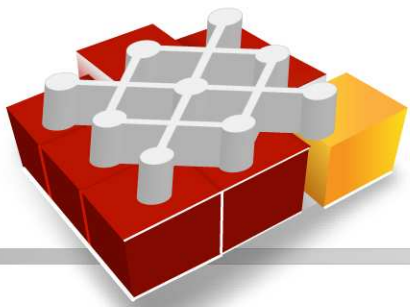
- ▶▶ Increase revenue contribution from sustainable businesses such as maintenance, network optimization etc.
- ▶▶ Build core businesses and products in ACO, improve service quality and create brand names
- ▶▶ Optimize organization structure to improve service quality and response to customer demand timely



中国通信服务
CHINA COMSERVICE

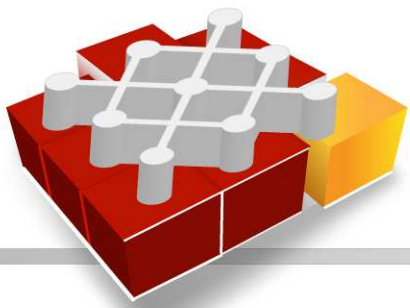


Financial Results



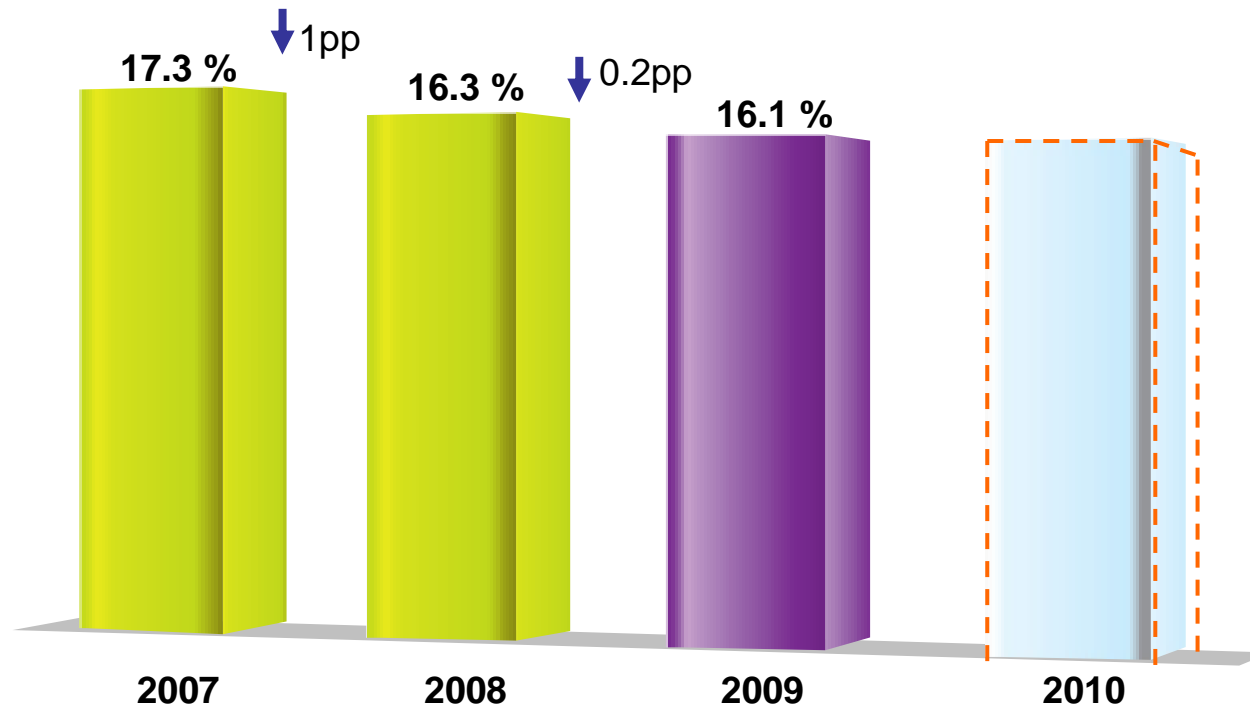
FINANCIAL PERFORMANCE

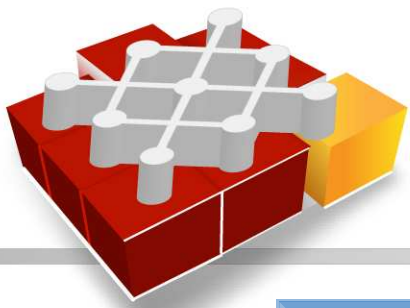
(RMB'M, except EPS)	2008	2009	Change	% of revenue
Revenue	33,005	39,499	19.7%	100%
Cost of Revenue	27,632	33,127	19.9%	83.9%
Direct personnel	5,962	7,073	18.6%	17.9%
Subcontracting	6,971	9,065	30.0%	23.0%
Materials	11,167	12,365	10.7%	31.3%
D&A	337	351	4.4%	0.9%
Others	3,195	4,273	33.8%	10.8%
Gross Profit	5,373	6,372	18.6%	16.1%
SG&A	3,905	4,692	20.1%	11.9%
Net Financing Expense	176	88	-50.0%	N/A
Net Profit	1,327	1,599	20.5%	4.0%
EPS (RMB)	0.233	0.277	18.9%	N/A



GROSS PROFIT MARGIN

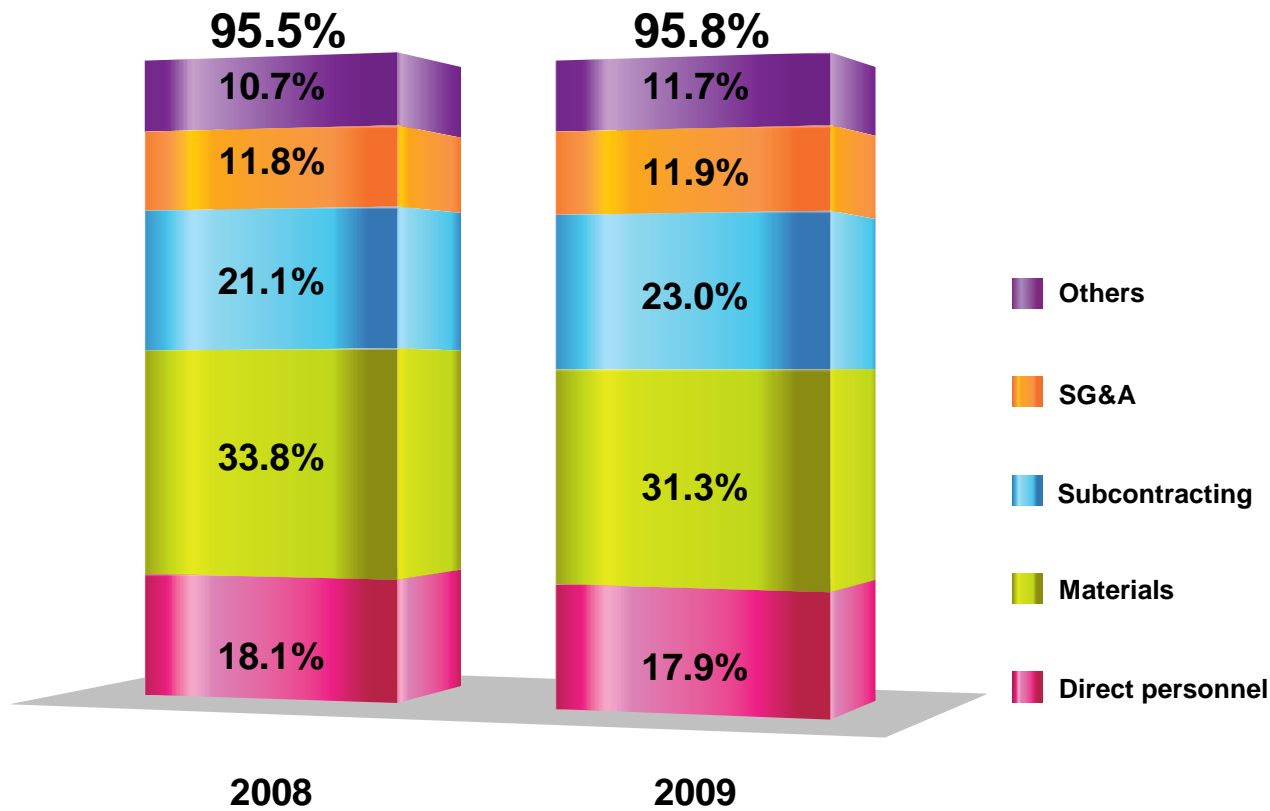
Gross margin stabilized through optimization of revenue structure and stringent cost control





COST COMPONENT

As a % of total revenue



The change of cost components were in line with business development

Increased spending in R&D and marketing for long term business development



TOTAL PERSONNEL COST



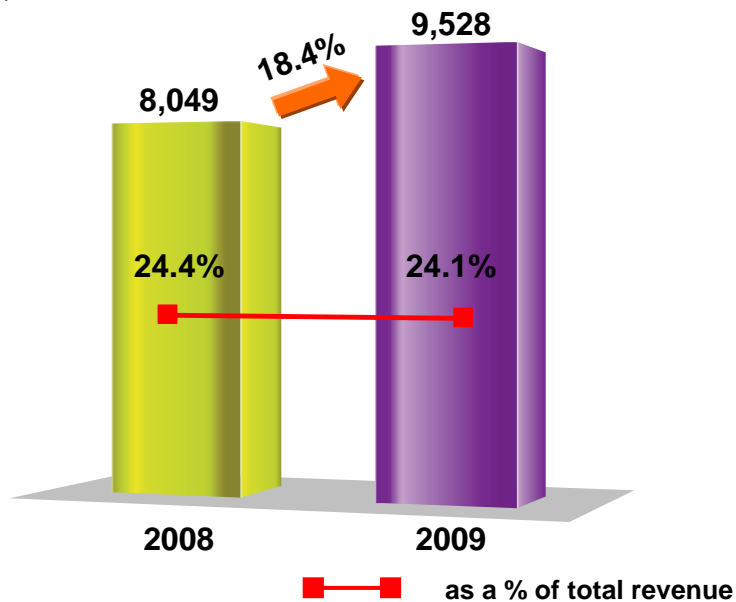
Personnel cost growth remained slower than revenue growth; labor productivity improved



Recruited more staff * according to business development needs, such as in TIS, maintenance, overseas, ACO businesses.

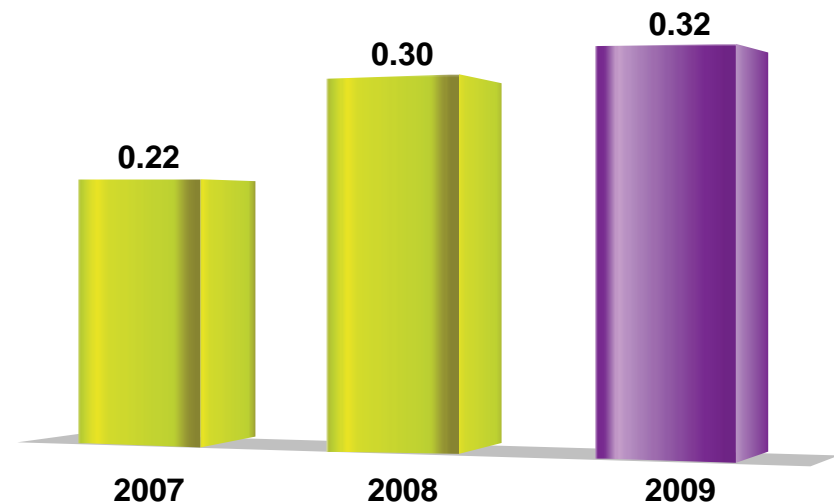
Total personnel cost **

(RMB'M)

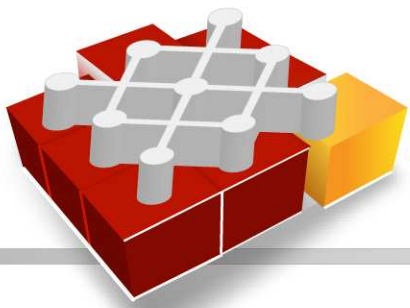


Labor productivity ***

(RMB'M)

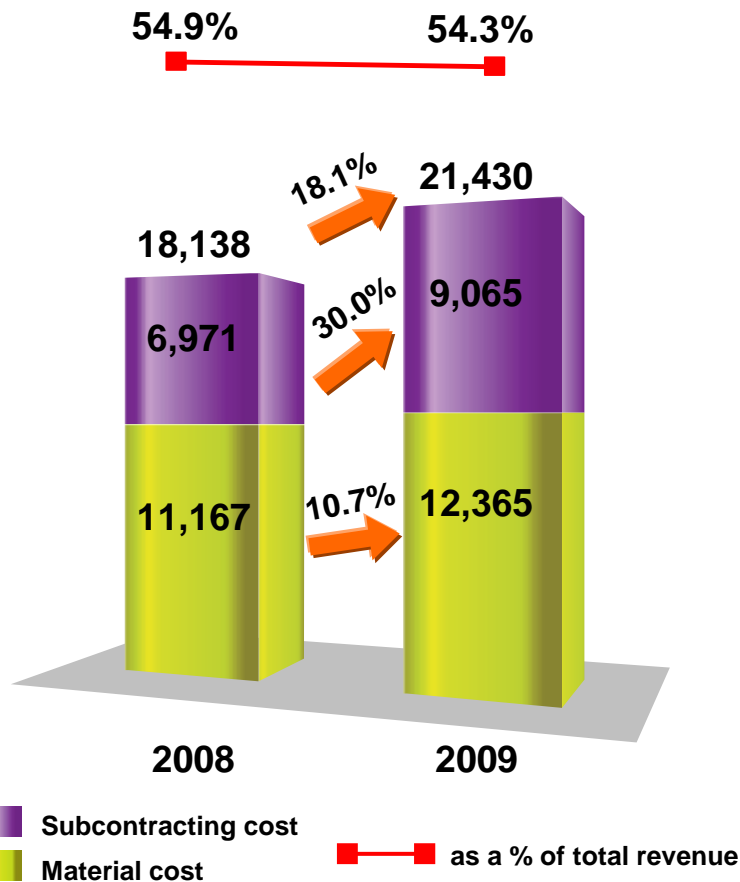


* Staff number as of December 31, 2009 was around 125k;
 ** Total personnel cost = Direct personnel + Staff cost in SG&A;
 *** Labor productivity = Revenue/ Year end staff number



SUBCONTRACTING & MATERIAL COSTS

(RMB'M)

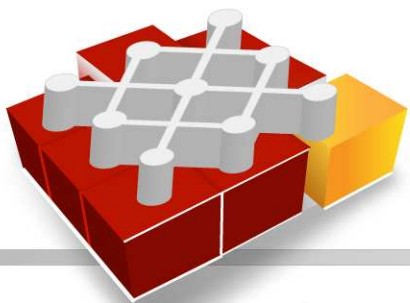


As a % of revenue, material cost together with subcontracting cost dropped by 0.6pp

Material cost was effectively under control through stringent control on lower margin distribution business

Selectively outsource certain businesses with consideration on effectiveness and efficiency

Continue to implement stringent cost control by implementing centralized procurement and centralized subcontracting



CASH MANAGEMENT



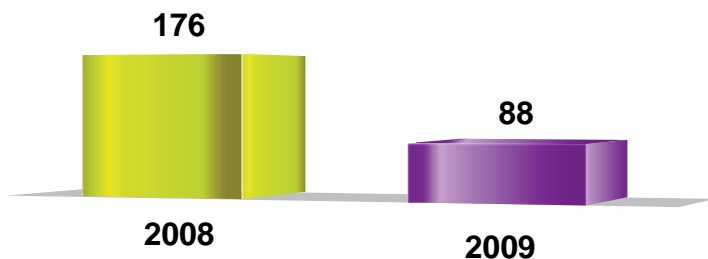
Continue to centralize cash management and enhance cash utilization efficiency



Continue to strengthen working capital management, AR turnover was below 100 days, free cash flow was remained stable

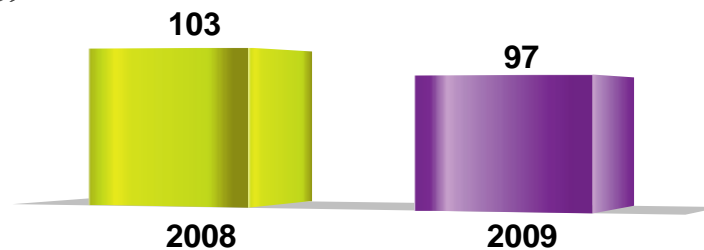
Finance cost

(RMB'M)



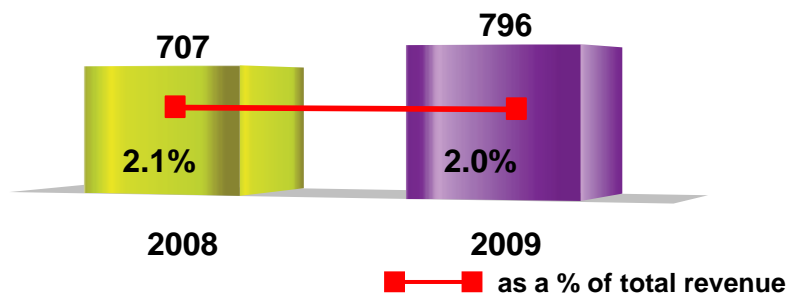
AR Turnover

(Days)



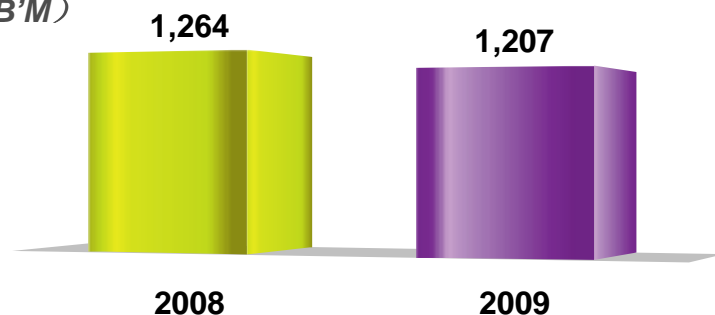
CAPEX

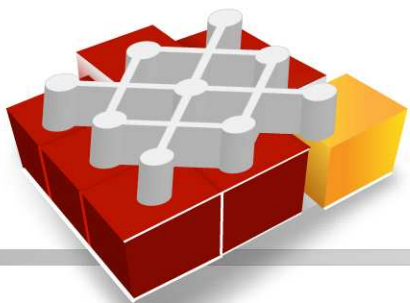
(RMB'M)






Free Cash Flow

(RMB'M)

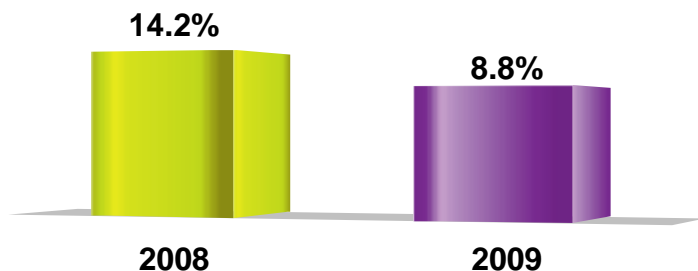




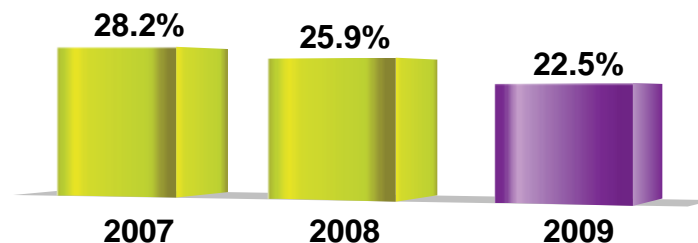
CAPITAL STRUCTURE

-  Existing capital structure provides strong support for future development
-  Continued improvement in cash utilization efficiency
-  Sufficient cash is necessary for business development

Debt-to-capitalization ratio

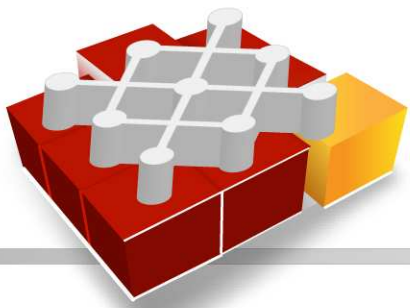


Cash & cash equivalents / Revenue

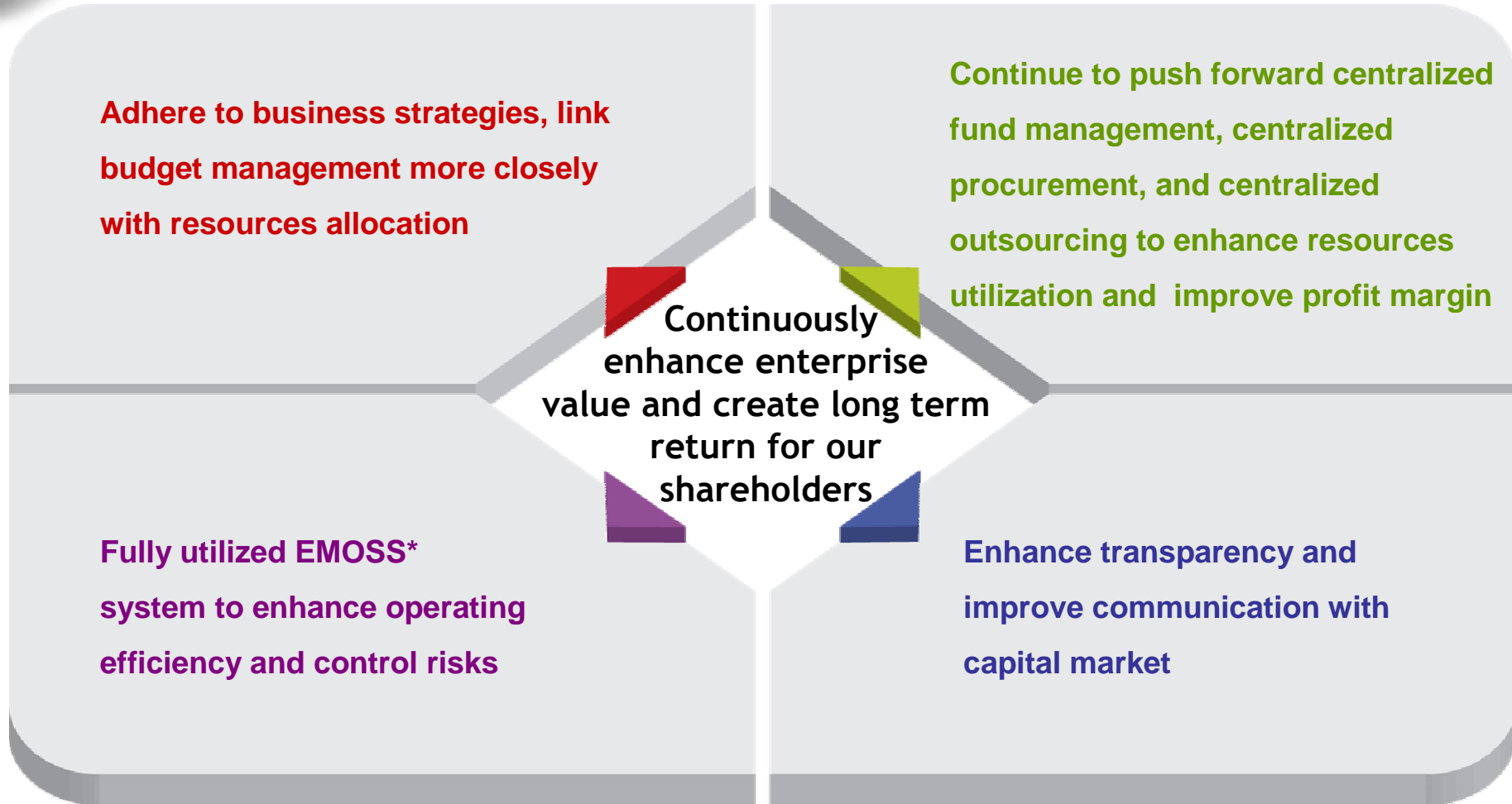


(RMB'M)

	2008	2009
Total assets	27,837	30,162
Cash & cash equivalents	8,538	8,870
Total liabilities	15,593	16,985
Total debt	1,993	1,268



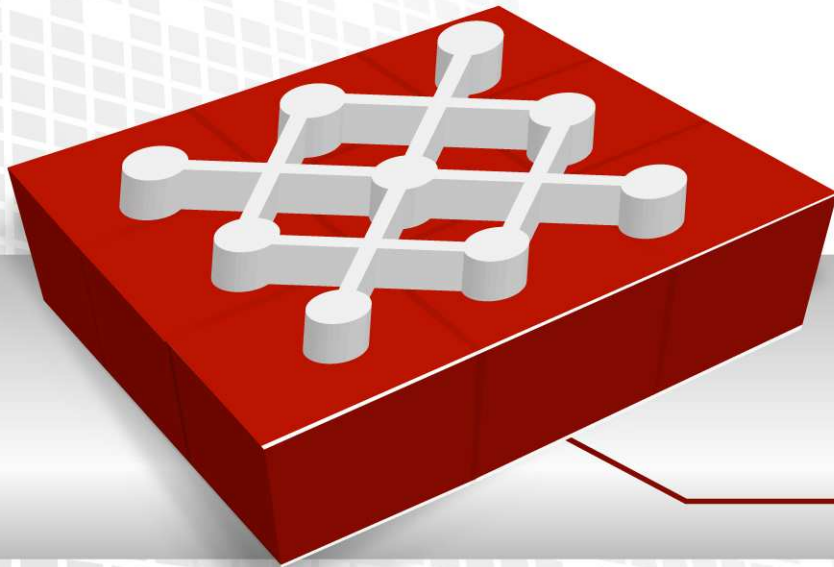
STRENGTHEN FINANCIAL MANAGEMENT



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



中国通信服务
CHINA COMSERVICE



Thank You

www.chinaccs.com.hk