



中国通信服务
CHINA COMSERVICE

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

STOCK CODE: 552

Interim Results 2011

August 30, 2011

MANAGEMENT



**EXECUTIVE
DIRECTOR &
PRESIDENT**

MR. ZHENG QIBAO

**EXECUTIVE
DIRECTOR &
EXECUTIVE VICE
PRESIDENT**

MR. YUAN JIANXING

**EXECUTIVE
DIRECTOR &
CFO**

MS. HOU RUI



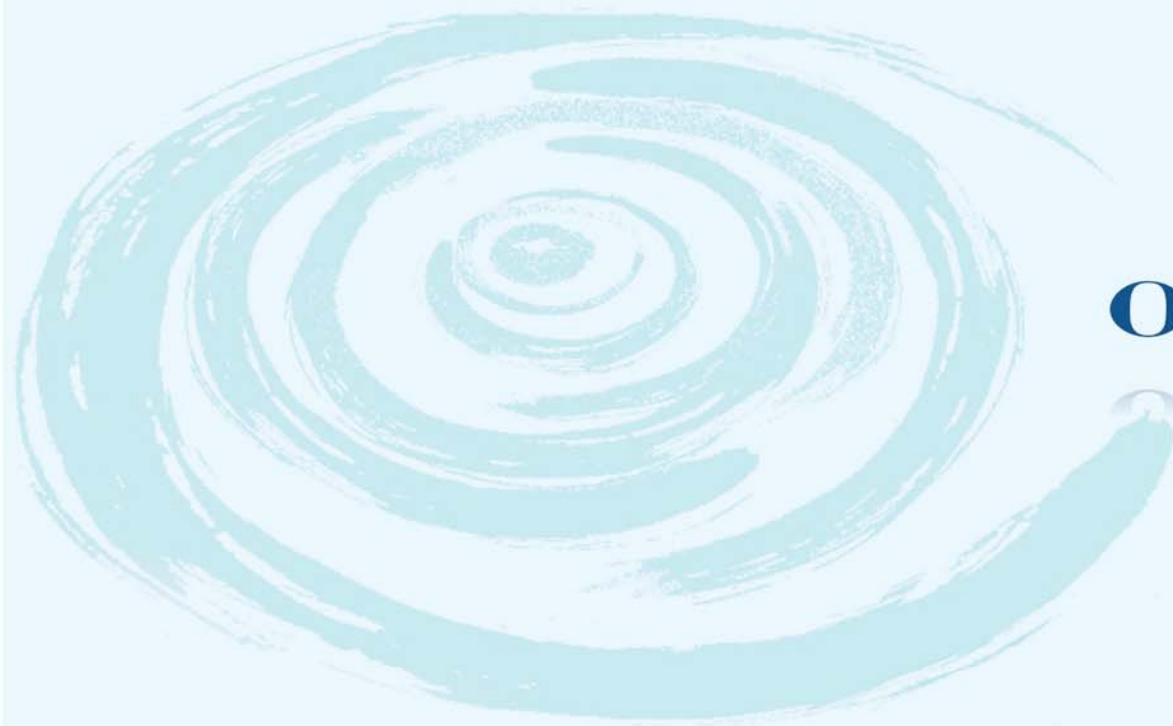
OVERVIEW



BUSINESS REVIEW



FINANCIAL RESULTS



OVERVIEW

CONTENTS

HIGHLIGHTS



Sustained favorable development momentum, revenue up 16.0% and net profit up 16.3%




Continued to optimize revenue mix and achieved healthier quality of revenues

Focused on three major markets, and reinforced our leading position in the domestic operator market through implementing adaptive expansion strategies

Strengthened intensive management and improved resource allocation capability to sustain value creation for shareholders

FAVORABLE OVERALL PERFORMANCE



-  Revenue & net profit grew in tandem and sustained relatively rapid growth
-  Gross profit margin grew by 0.2pp via optimization of revenue mix
-  Net profit margin remained stable and ROE sustained growth

(RMB'M, except EPS & % figures)

	1H2010	1H2011	Change
Revenue	21,720	25,189	16.0%
Gross Profit	3,365	3,948	17.3%
Gross Profit Margin	15.5%	15.7%	+0.2pp
Net Profit	906	1,053	16.3%
Net Profit Margin	4.2%	4.2%	-
EPS (RMB)	0.157	0.182	16.3%
ROE*	13.6%	14.4%	+0.8pp

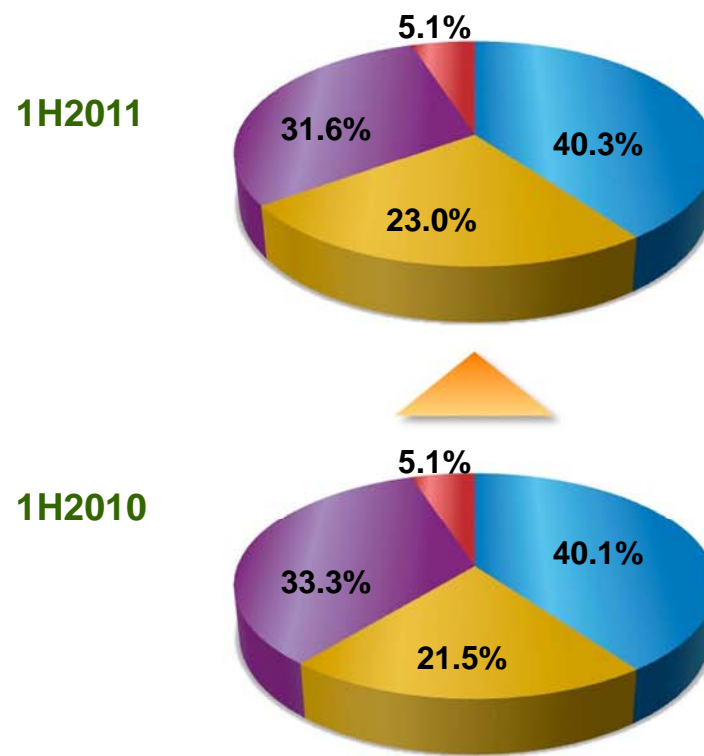
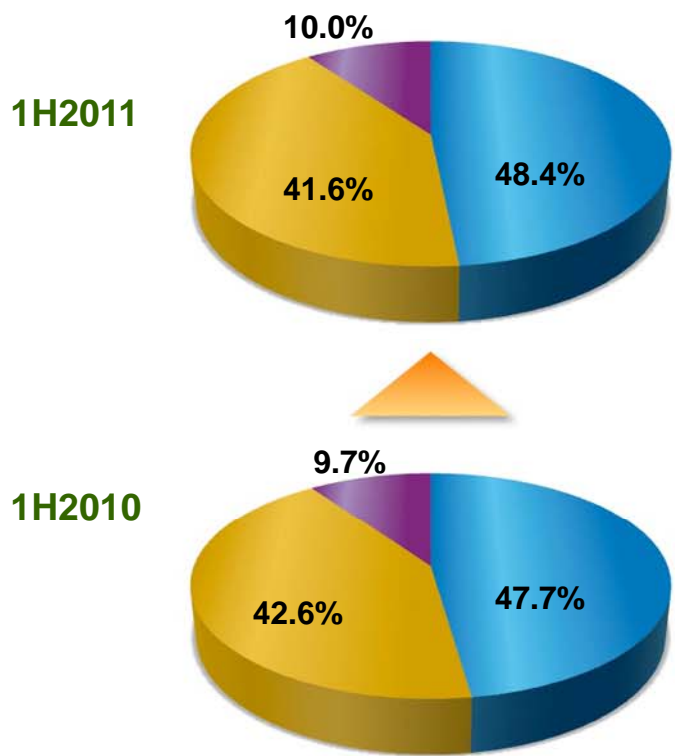
CONTINUED IMPROVEMENT OF REVENUE MIX AND REVENUE QUALITY



- Revenue share of TIS and ACO grew by 0.7 pp and 0.3 pp respectively to 48.4% and 10.0%
- Revenue share of China Mobile and China Unicom together grew by 1.5 pp to 23.0%

Business Revenue Mix

Customer Revenue Mix



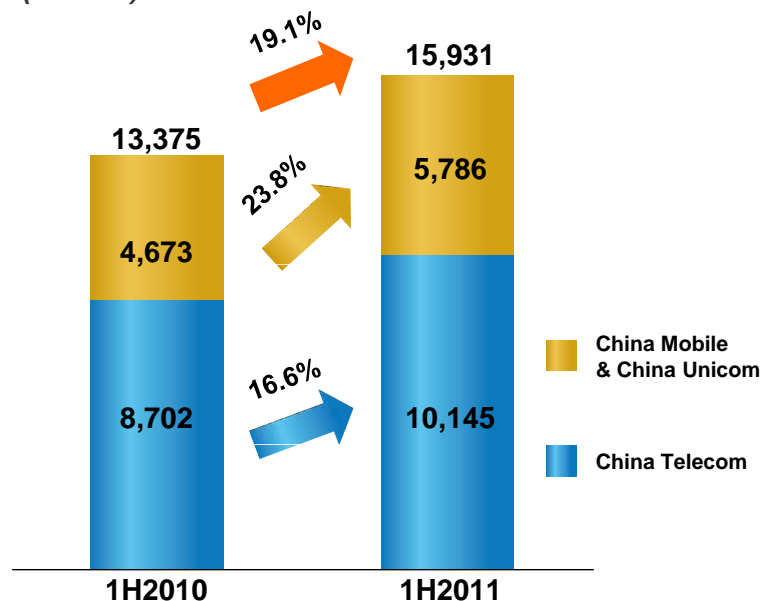
SUSTAINED LEADING POSITION IN THE DOMESTIC OPERATOR MARKET



- Flexibly allocated resources and captured opportunities triggered by operators' CAPEX spending to realize rapid growth
- Outstanding service capability and service quality further recognized by customers

Revenue from Domestic Operator Market

(RMB'M)



(RMB'M)

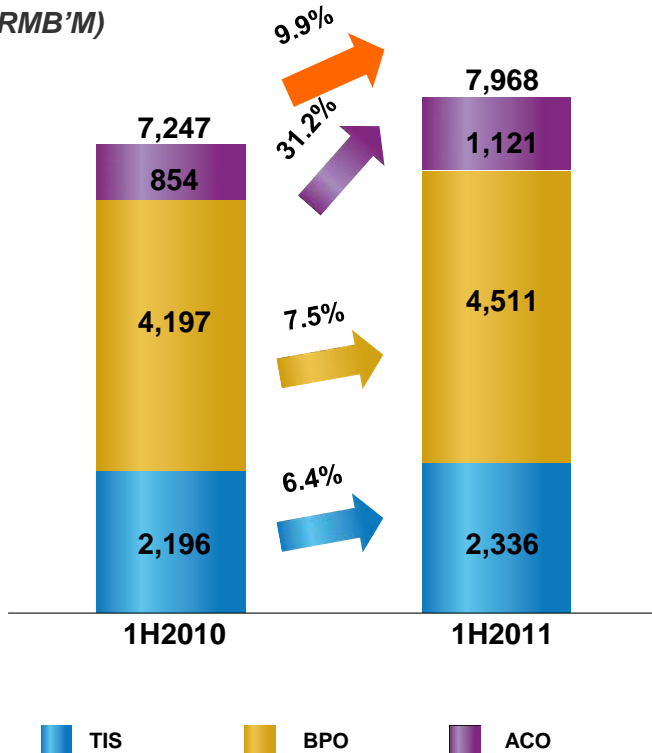
	1H2010	1H2011	Change
TIS	7,304	8,949	22.5%
Mobile, broadband and wireline network design, planning, construction and project management...			
BPO	4,947	5,679	14.8%
Maintenance, distribution and logistics services of communications machineries and mobile phones, facility management...			
ACO	1,124	1,303	16.0%
OSS/BSS/MSS, call centers and IT applications products/services based on mobile Internet for the telecom operators...			
Total	13,375	15,931	19.1%

CONTINUED DEVELOPMENT IN THE DOMESTIC NON-OPERATOR MARKET



Revenue from Domestic Non-operator Market

(RMB'M)



- ACO revenue up over 30% by focusing on the informatization demands from government and industry customers
- Further optimized revenue mix by controlling the growth of low-margin businesses in BPO
- Achieved favorable results in service innovation and continued to develop key industries and key projects

Typical Cases in Key Industries

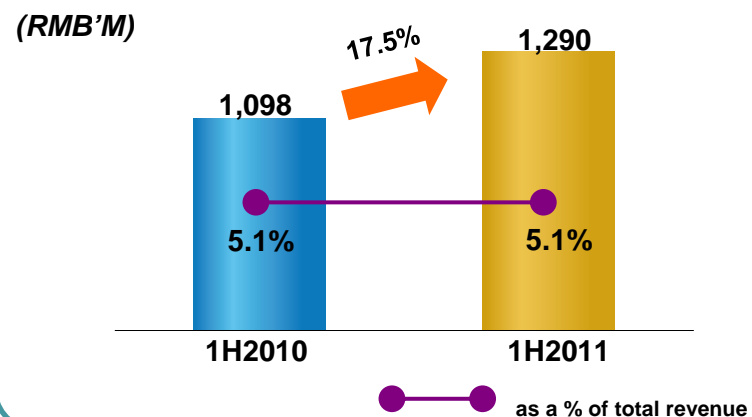


- 2011_Xi'an International Horticultural Exposition – Informatization Project
- PICC – Nation-wide Facility Rooms Safety Project
- China Oil – WAN Network Upgrade Project

PROACTIVE AND PRUDENT EXPANSION IN THE OVERSEAS MARKET



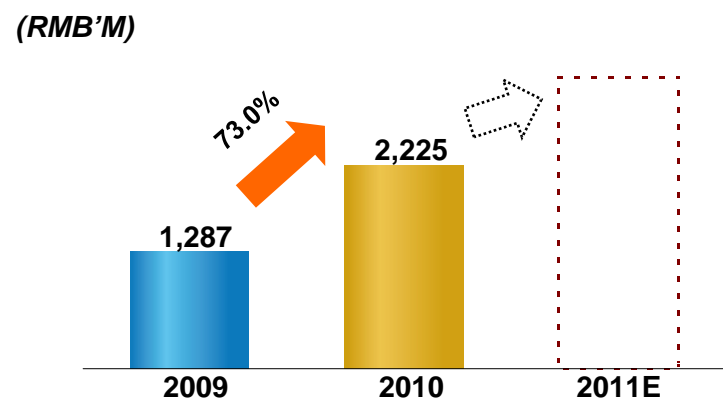
Revenue from Overseas Market



Proactively avoided foreseeable risks in the overseas market and realized relatively stable growth in 1H11

Enormous room for growth in the overseas market providing favorable opportunities and a base to realize relatively rapid growth for 2011

Revenue from Overseas Market



Typical Cases

- Tanzania ICT National Backbone Fiber Network Construction Phase II
- Nepal Backbone Fiber Network Construction
- Malaysia FTTH Construction
- Saudi Arabia ZAIN Backbone Fiber Network Construction



Broad Market Space in Targeted Markets

- Enormous and sustainable CAPEX and OPEX investment brought by the scale development of mobile and wireline Internet from domestic operators
- Strong demand for informatization construction by government and industry customers with ~ RMB2 trillion investment for informatization during the 12th Five-year period
- Great demand for communications network construction in Africa, Middle East, Latin America and other neighbor countries/regions of China
- New demand for Three Network Convergence and CPN (Customer Premises Network) triggered by penetration among different industries and within certain industry

Focus on Three Major Markets
Realize Balanced Development
Improve Core Capabilities

Adhere to our positioning as a leader of producer services in the informatization sector, adopt proper tactics in executing our development strategies, and focus on three major markets for a balanced development

Enhance intensive operation and management innovation, push forward the transformation into a management and technology focused enterprise, and flexibly allocate resources based on market opportunities

Persist in external growth strategy and acquire quality assets with synergistic effects

Leverage on equity financing (rights issue) and properly utilize financial leverage to provide strong funding support for business development



**BUSINESS
REVIEW**
KEAIEW

REVENUE BREAKDOWN



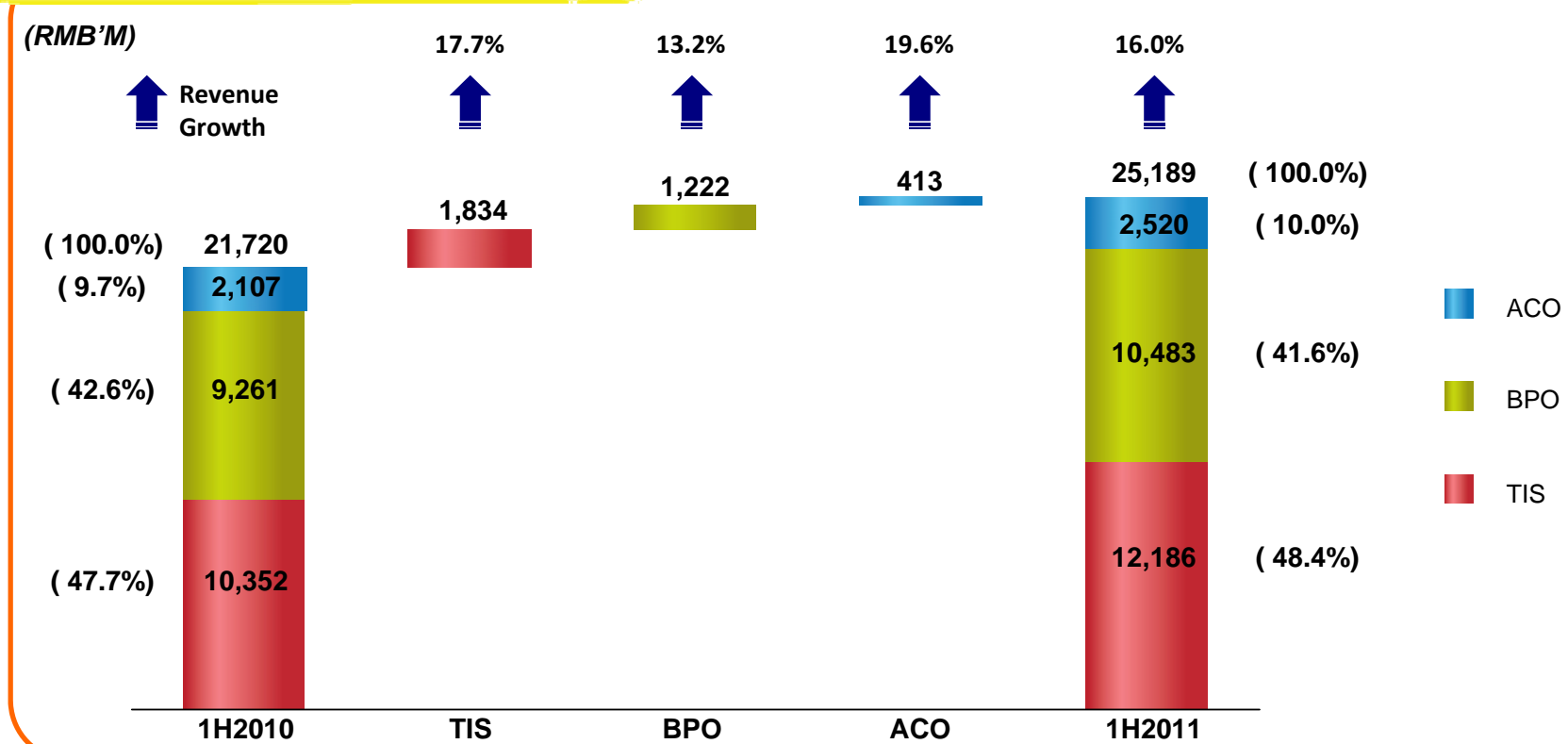
(RMB'M)	1H2010	1H2011	Change	% of revenue
TIS	10,352	12,186	17.7%	48.4%
<i>Design</i>	2,055	2,433	18.4%	9.7%
<i>Construction</i>	7,699	8,979	16.6%	35.6%
<i>Supervision</i>	598	774	29.5%	3.1%
BPO	9,261	10,483	13.2%	41.6%
<i>Maintenance</i>	1,934	2,361	22.1%	9.4%
<i>Distribution</i>	6,256	6,924	10.7%	27.5%
<i>Facility Management</i>	1,071	1,198	11.8%	4.8%
ACO	2,107	2,520	19.6%	10.0%
<i>IT Applications</i>	972	1,315	35.4%	5.2%
<i>Internet Services</i>	187	244	30.4%	1.0%
<i>Voice VAS</i>	338	348	3.0%	1.4%
<i>Others</i>	610	613	0.4%	2.4%
Total	21,720	25,189	16.0%	100.0%

CONTINUED OPTIMIZATION OF BUSINESS REVENUE MIX



- TIS and ACO sustained relatively rapid growth; both growth rates > 17%
- Scale & quality grew in tandem, with optimizing business mix

Revenue Growth Contribution

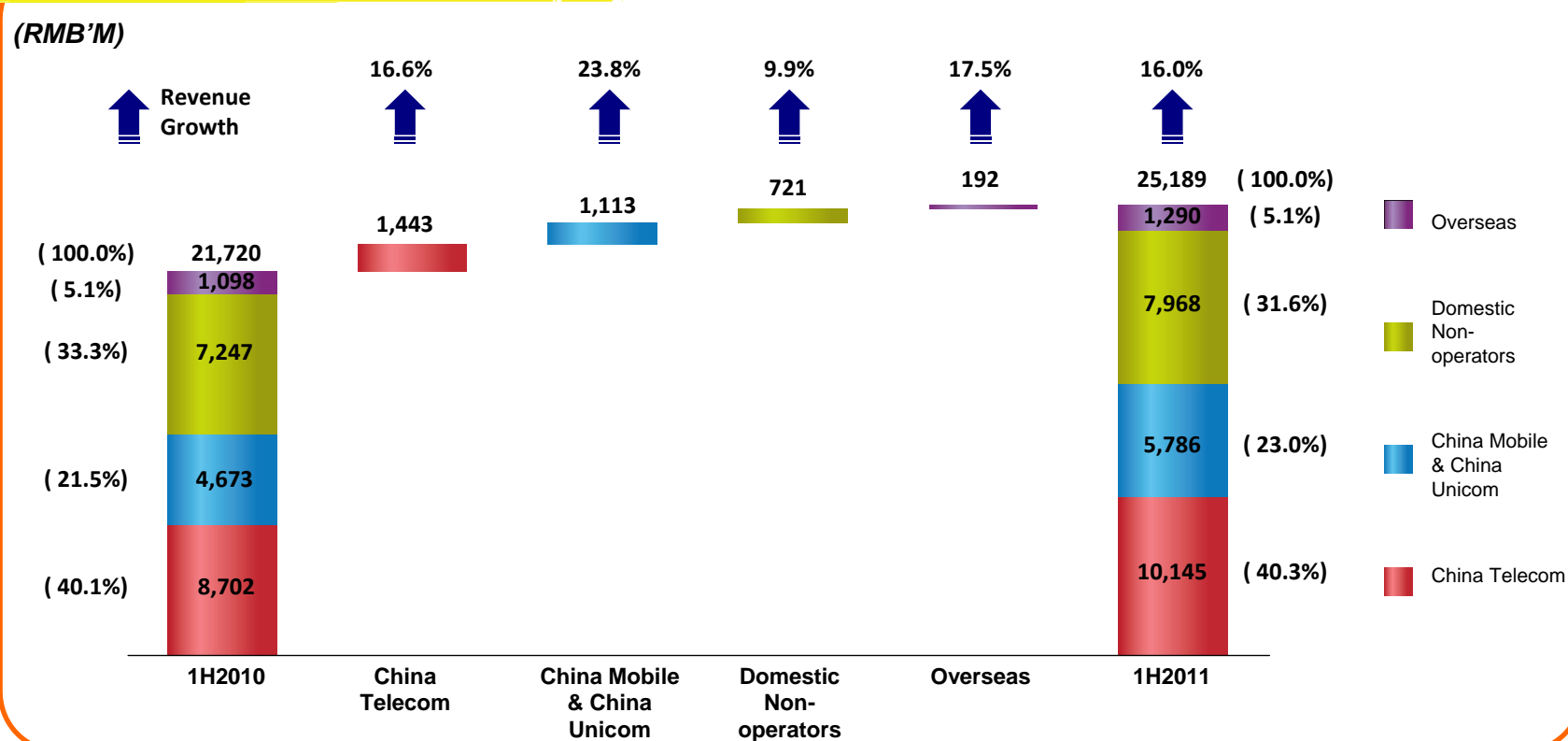


FOCUSING ON THREE MAJOR MARKETS



- 
Combined revenues of China Mobile and China Unicom grew by almost 24% and our leading position in the domestic operator market further enhanced
- 
Persistently developed domestic non-operator market and overseas market with steady revenue growth

Revenue Growth Contribution

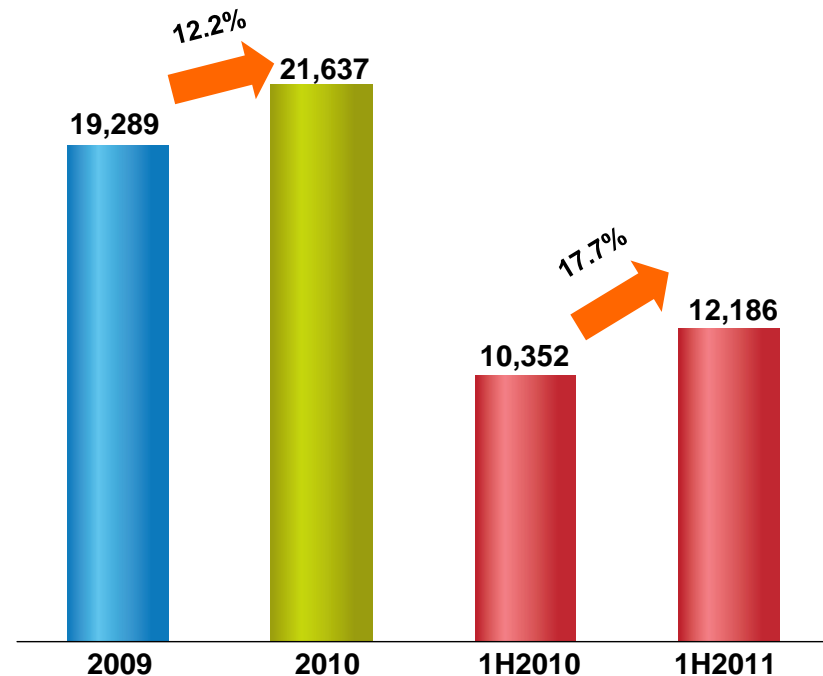


TIS - FAVORABLE GROWTH SUSTAINED



TIS Revenue

(RMB'M)



New opportunities brought by the full-service operation of the domestic operators, including mobile network upgrade, fiber optic broadband and Wi-Fi hot spot construction etc.



TIS revenue from domestic operators recorded RMB8.95 bn, up by 22.5%, among which design up by 23.2% and supervision up by 35.9%, respectively



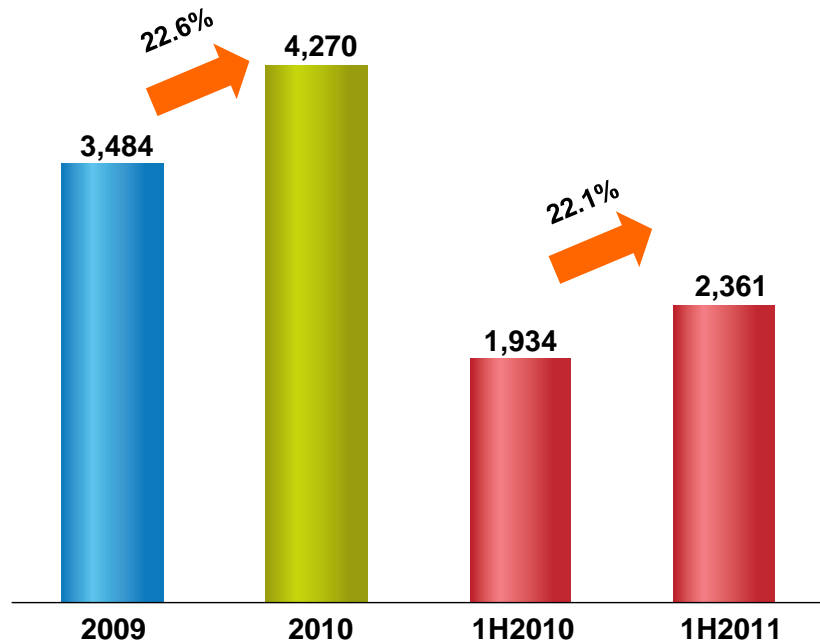
TIS revenue from domestic non-operator and overseas customers sustained steady growth

BPO - RAPID GROWTH OF MAINTENANCE BUSINESS CONTINUED



Maintenance Revenue

(RMB'M)

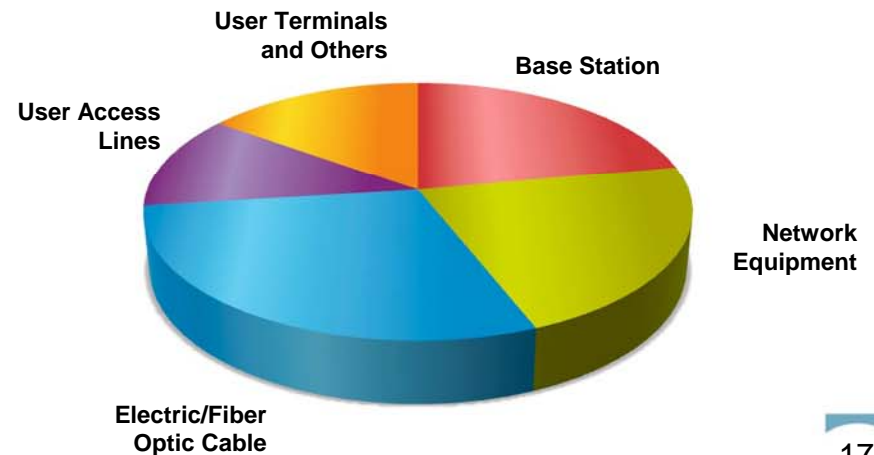


Proactively took part in high-end maintenance business outsourced from telecom operators by leveraging on our competitive edges of integrated “Construction, Maintenance, Optimization” service model



High quality maintenance services demonstrated positive effects for retaining customers and winning construction projects

Revenue Structure

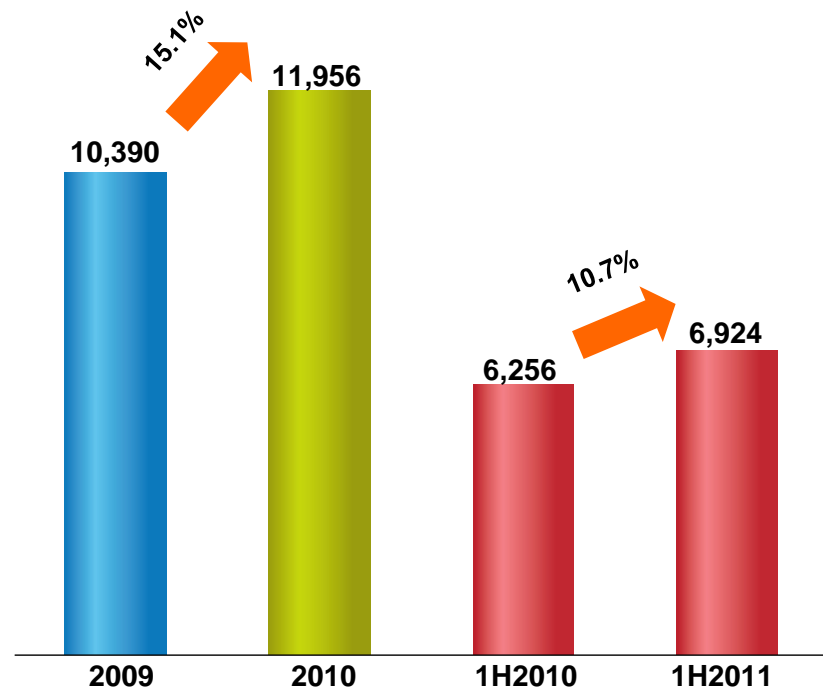


BPO - IMPROVED QUALITY OF DISTRIBUTION BUSINESS



Distribution Revenue

(RMB'M)

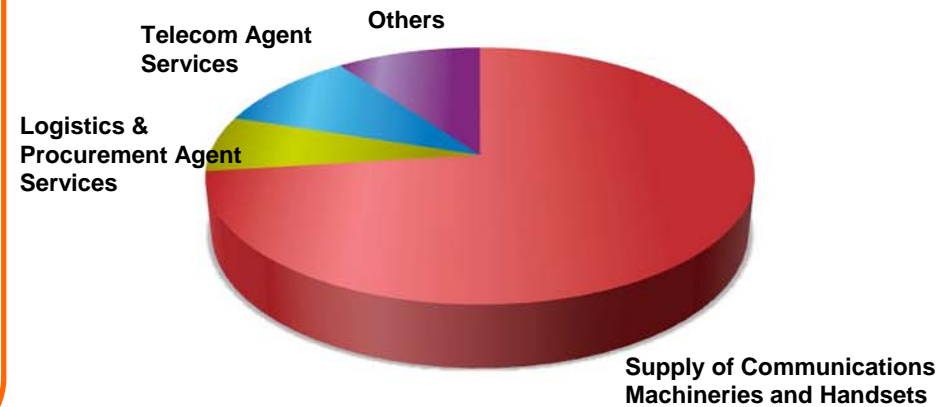


Tilting resource towards high-end customers and high-end businesses to improve revenue quality



Strictly controlled the growth of low-end businesses to improve profitability

Revenue Structure

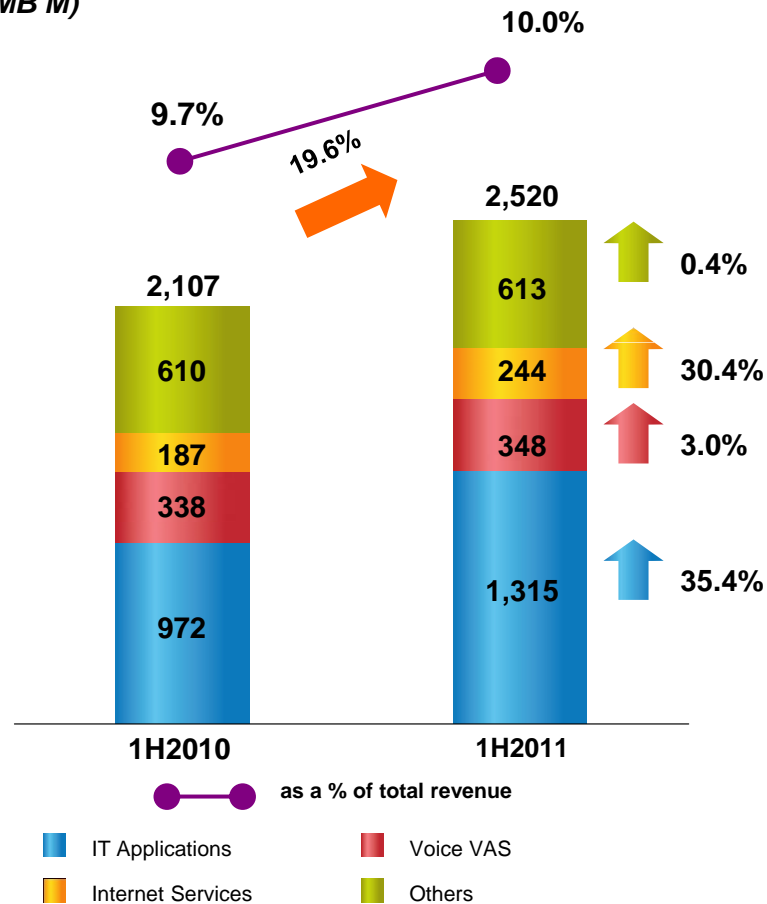


ACO - RAPID GROWTH AND IMPROVED QUALITY



ACO Revenue

(RMB'M)



Benefited by the great social needs for informatization, ACO revenue up by almost 20%



Revenues from IT applications and Internet Services both up over 30%



Signed JV agreement with Sybase to provide mobile Internet related products and services

Typical Cases

- China Development Bank – Smart Building Weak Current Engineering Construction Project
- Erdos Economy Development Park – Smart Weak Current Engineering Construction Project
- Yunnan Courts – Province-wide IT Network Reconstruction and Long-Distance IT System Construction Project
- “Safety City” Public Safety Monitoring Project



BUSINESS DEVELOPMENT STRATEGY



Domestic Operator Customers

- Network upgrade, fiber Optic network, broadband
- 3G,4G/LTE
- WiFi hot spot
- Mobile payment

Domestic Non-operator Customers

- High-end communications planning and consulting services
- Integrated informatization solutions
- Integrated service capabilities

Overseas Customers

- Turnkey network construction projects for overseas operators
- ICT construction for overseas government and industry customers
- Overseas subcontracting projects from equipment vendors
- Overseas communications system construction projects from large SOEs

Satisfy Increasing Customer Demands

Leverage on integrated service capability

Sustain leading position in the operator market

Further expand non-operator and overseas markets

Customer and Market Expansion

Provide comprehensive integrated communications construction solutions

Optimize resource allocation and strengthen explorations in domestic non-operator, overseas and Northern market of China

Business Model Optimization

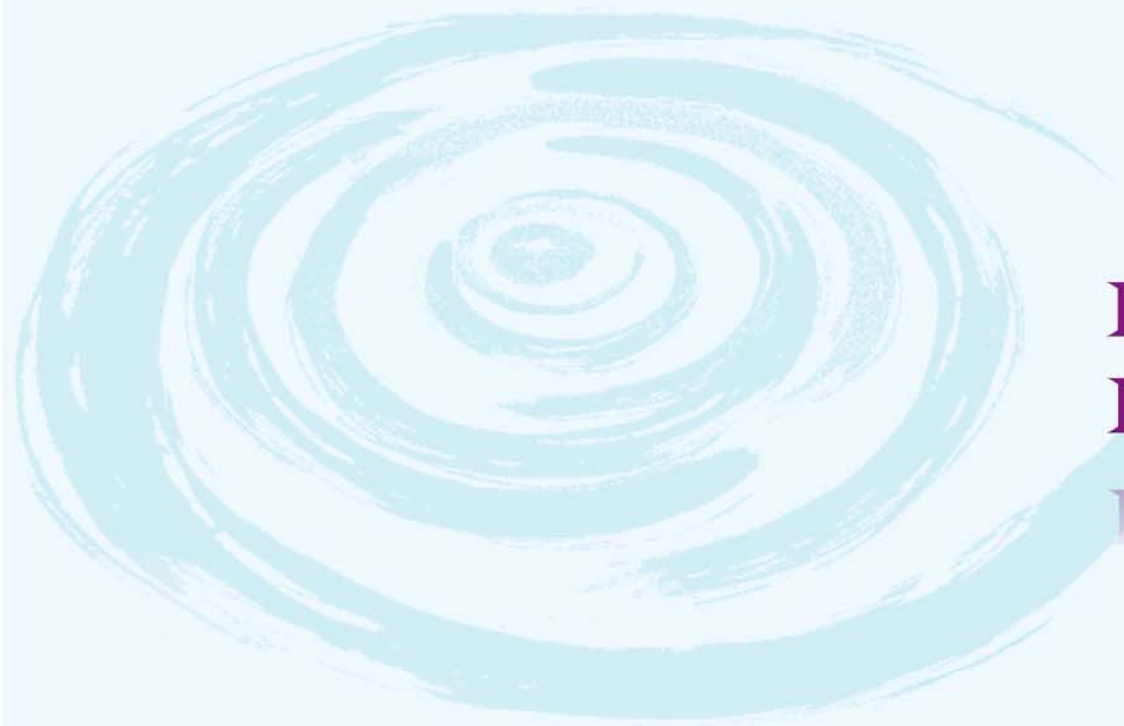
Increase revenue share of high-end businesses and control growth of low-end businesses to improve profitability and revenue quality

Enhance coordination among regions and business lines, increase investment in R&D, innovate services and products to strengthen service capabilities

External Resources Integration

Introduce strategic partners for high-end and innovative businesses

Properly utilize proceeds raised via rights issue, acquire assets having synergistic effects with the Company's existing businesses



FINANCIAL RESULTS RESULTS




FINANCIAL PERFORMANCE



<i>(RMB'M, except EPS)</i>	1H2010	1H2011	Change	% of revenue
Revenue	21,720	25,189	16.0%	100%
Cost of Revenue	18,355	21,241	15.7%	84.3%
Direct personnel	3,439	3,779	9.9%	15.0%
Subcontracting	5,667	7,318	29.1%	29.1%
Materials	7,011	7,596	8.3%	30.1%
D&A	175	181	4.0%	0.7%
Others	2,063	2,367	14.7%	9.4%
Gross Profit	3,365	3,948	17.3%	15.7%
SG&A	2,384	2,831	18.7%	11.2%
Net Profit	906	1,053	16.3%	4.2%
EPS (RMB)	0.157	0.182	16.3%	N/A

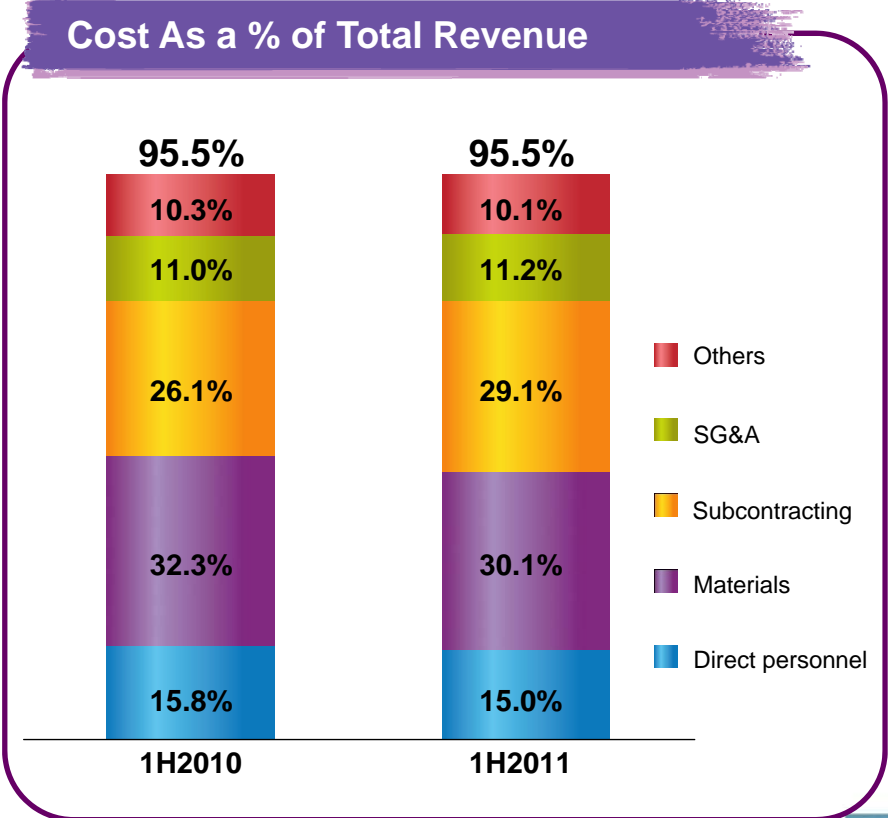
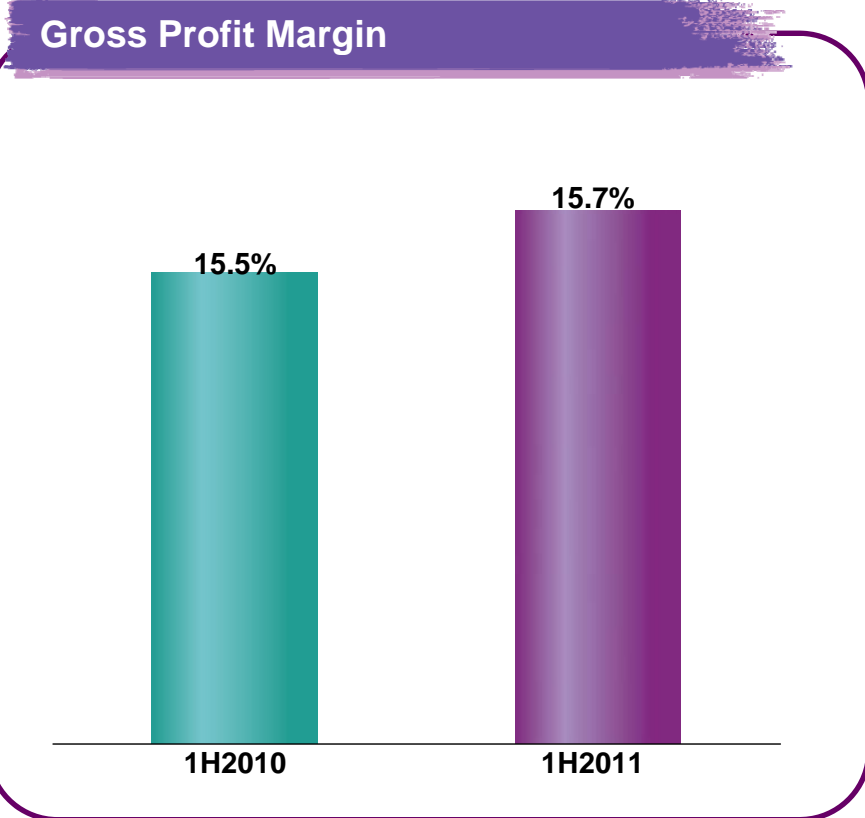
GROSS PROFIT MARGIN AND COST STRUCTURE



-  Revenue continued stable growth
-  Service capability and quality further recognized by customers
-  Continuously optimized revenue mix and implemented effective cost control



Gross profit margin up by 0.2 pp



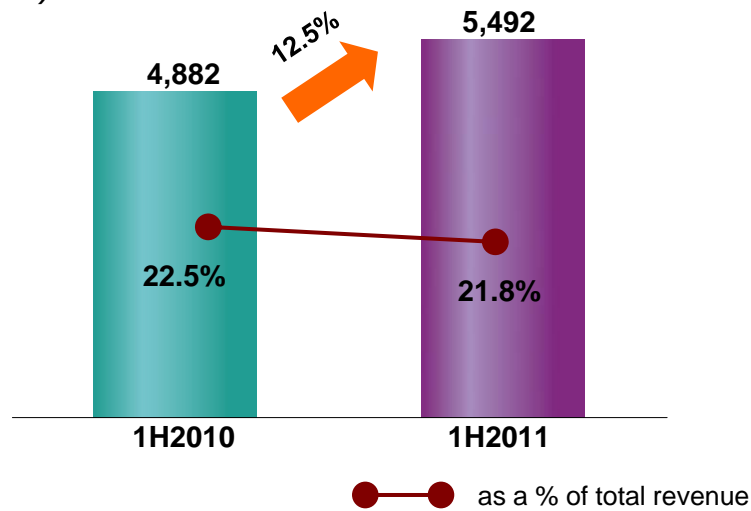
TOTAL PERSONNEL COST



- Increase of total personnel cost lower than both revenue growth and net profit growth
- Labor productivity continued to grow
- Total personnel cost / total revenues remained stable while achieving scale development

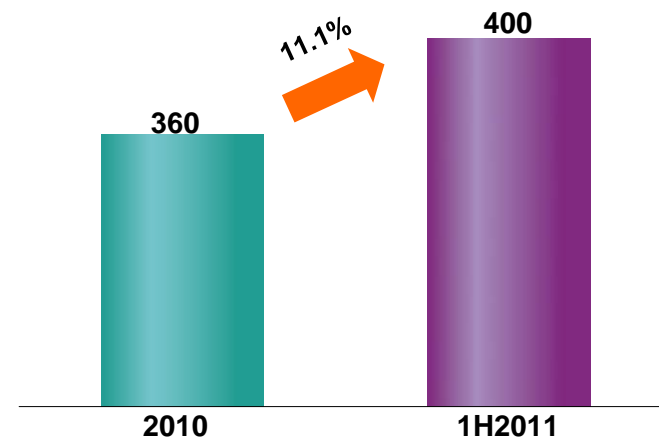
Total Personnel Cost*

(RMB'M)



Labor Productivity**

(RMB'000)



* Total personnel costs=Direct personnel + Staff cost in SG&A

** Labor Productivity= Revenue over year end/period end staff number (Annualized basis)

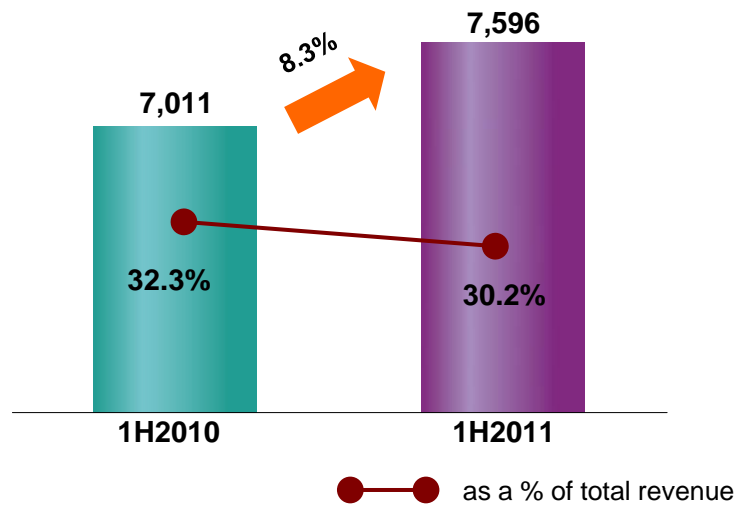
MATERIAL COST AND SUBCONTRACTING COST



- Effectively controlled the growth of material cost by curbing the distribution business
- Continued to outsource low-end and labor-intensive businesses to advance the transformation to technology and management focused model
- Included subcontracting management as part of our value enhancement program and built up comprehensive subcontracting management system

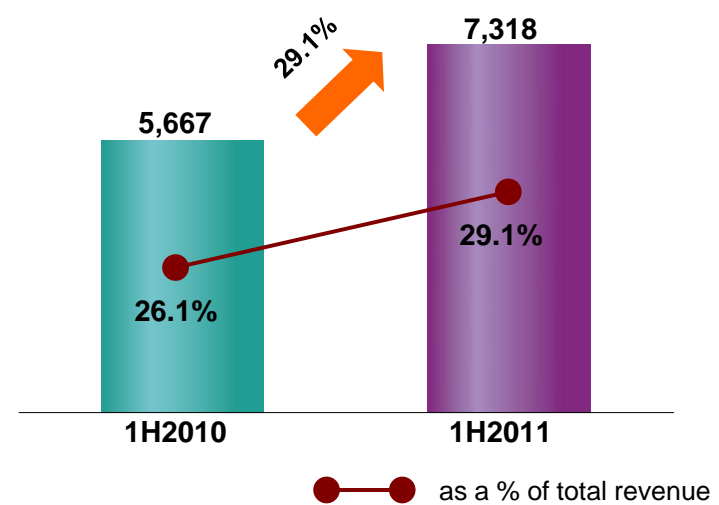
Material Cost *

(RMB'M)



Subcontracting Cost

(RMB'M)



* Material cost refers to the purchase of materials and telecommunications products

CASH MANAGEMENT



Enhanced working capital management and continuously improved utilization efficiency



Further implemented centralized cash management and expedited internal cash turnover to support business development

Cash and Cash Equivalents

(RMB'M)

8,470

2010.12

6,745

2011.6

Working Capital/Revenue*

17.4%

1H2010

16.2%

1H2011

AR Turnover **

(days)

100

1H2010

108

1H2011

* Annualized basis, working capital refers to average current assets – average current liabilities

** Annualized basis, accounts receivable refers to average of the beginning and period end balance

CAPITAL STRUCTURE



Solid capital structure



Seek for the best capital structure to further increase shareholders' return

<i>(RMB'M)</i>	2010.12.31	2011.6.30	Change
Total Assets	33,868	35,586	1,718
Cash and cash equivalents	8,470	6,745	-1,725
Account receivables	12,888	16,967	4,079
Fixed assets (NBV)	4,026	3,913	-113
Total Liabilities	19,514	20,920	1,406
Interest-bearing borrowings	1,781	1,312	-469
Account payables	9,769	11,371	1,602
Equity attributable to equity shareholders	14,221	14,544	323
Total liabilities/Total assets	57.6%	58.8%	+1.2pp
Debt-to-capitalization ratio	11.1%	8.3%	-2.8pp

RIGHTS ISSUE



- Obtained approval from Shareholders on the rights issue proposal to raise not more than RMB4 billion
- To launch the rights issue proposal with accordance to the condition of the capital market in due course after obtaining approval from CSRC



CONTINUE TO CREATE VALUES FOR SHAREHOLDERS



Utilize proceeds from rights issue as planned, continue to expand domestic and overseas markets, increase R&D investment and capture M&A/JV opportunities to broaden revenue source

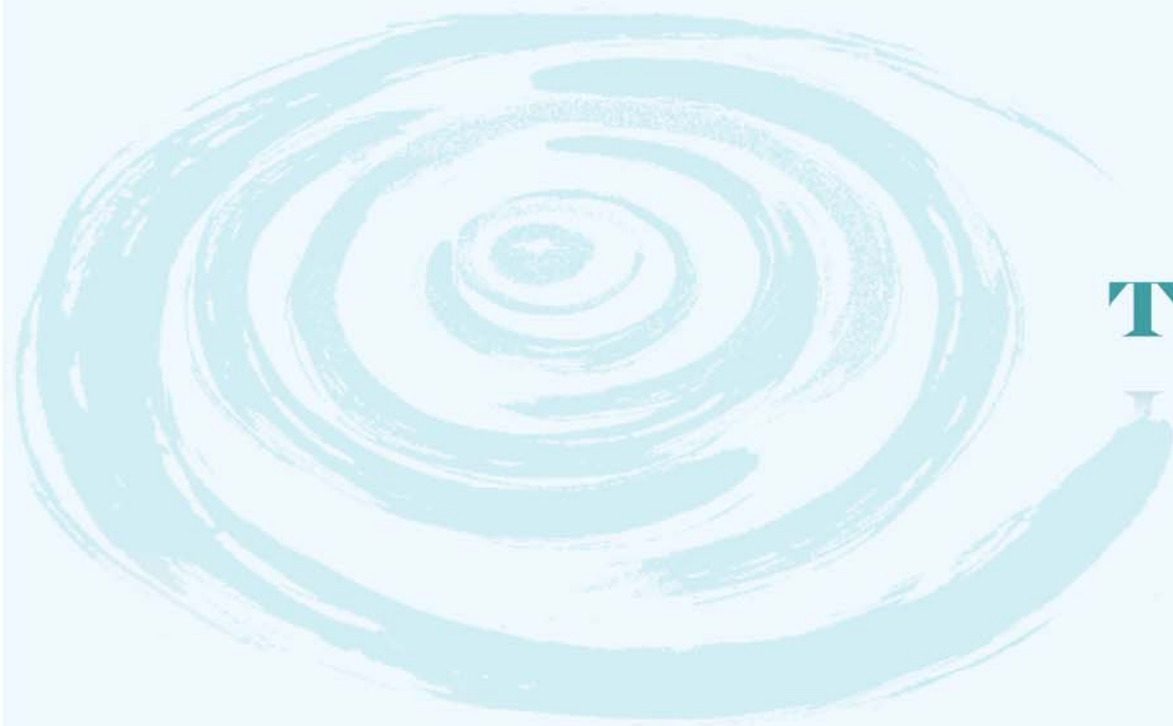
Optimize capital structure and rationally use financial leverage

Enhance internal financing to improve efficiency of funding utilization

Maximize Return for Our Shareholders

Strengthen intensive management, integrate internal resources and enhance internal coordination, project management and IT system to improve operating efficiency and core competence

Strengthen risk management to ensure healthy and sustainable development



THANK YOU

THANK YOU

FORWARD-LOOKING STATEMENTS



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.