



中国通信服务
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2007 INTERIM RESULTS

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CORE BUSINESS GROWS STEADILY MAINTAINS MARKET LEADERSHIP

Financial highlights (unaudited)

	For the six months ended 30 June		Growth
	2006	2007	
Operating revenue (RMB million)	6,372.23	7,365.12	15.6%
Profit attributable to shareholders (RMB million)	194.08	374.21	92.8%
Profit attributable to shareholders (RMB million) (exclude asset devaluation ⁽¹⁾)	299.38	374.21	25.0%
EPS (RMB)	0.049	0.069	40.8%

(Note 1: Net profit before revaluation deficit excludes the effects of deficit on revaluation of property, plant and equipment of RMB105 million in 2006.)

(Hong Kong, 5 September 2007) — **China Communications Services Corporation Limited** (“China Comservice” or “the Company”) (HKSE code: 552), today announced its unaudited interim results for the six months ended 30 June 2007.

In the first half of 2007, the Company’s operating revenue was RMB7,365.12 million, representing an increase of 15.6% over the same period in 2006. In particular, the revenue from non-China Telecom customers amounted to RMB4,007.06 million, or 54.4% of the total revenue, up 5.8 percentage points from the same period last year, indicating an improved revenue structure of the Company. With the effective implementation of existing cost control measures, EBITDA margin was 10.0%, maintained at similar level for the same period of last year. Profit attributable to shareholders was RMB374.21 million, which was 92.8% higher than the same period last year. The substantial growth of profit was primarily contributed by stable revenue growth and deficit on revaluation of

assets of RMB105.30 million incurred during the restructuring in preparation for listing in 2006. Basic earnings per share was RMB0.069. Free cash flow was RMB-540.45 million which represented a remarkable improvement compared with RMB-1,254.10 million of the same period last year, reflecting the Company's strong financial position.

Mr. Li Ping, Vice Chairman & Chief Executive Officer of China Comservice, said, "During the first half of the year, the Company operated favourably with telecommunications infrastructure services, business process outsourcing services, and application, content and others services all reported satisfactory growth. In the meantime, we completed the acquisition of assets of specialized telecommunications support services under our parent company in 13 provinces, thereby strengthened the operating synergies and its leading market position in the industry."

Telecommunications Infrastructure Services

In the first half of 2007, telecommunications infrastructure businesses developed in a steady pace, and remained as the main revenue source of the Company. Revenue reached RMB3,677.29 million, showing an increase of 16.9% when compared with same period last year, accounting for 49.9% of the Company's total revenue. Of the total amount, construction services and design services accounted for 37.0% and 10.8% respectively, ranking the first and the third respectively in terms of revenue contribution to the Company. In anticipation of the continual CAPEX control by fixed line operators, we endeavored to improve our service standard and actively explored business opportunities with other telecommunications operators, thereby successfully maintaining the continual growth in this area.

Business Process Outsourcing Services

Business process outsourcing businesses demonstrated an increasing trend, revenue was RMB2,739.82 million in the first half year, a year-on-year increase of 11.5% and accounted for 37.2% of the total revenue of the Company. Revenue from distribution of telecommunications services and products, the Company's second largest revenue source, contributed 22.0% of the Company's total revenue. Steady revenue growth was mainly attributable to the expanded market for network maintenance business as China Telecom actively engaged in its outsourcing initiative, and mobile operators conducted network capacity expansion and optimization, and our active initiatives in developing facilities management business for the high-end services and government and corporate customers.

Applications, Content and Others

Revenue from applications, content and others services and its percentage over the total revenue were increased, revenue was amounted to RMB948.02 million, a year-on-year increase of 23.3% and accounting for 12.9% of the total revenue. In spite of its long nurturing period and uncertainty of revenue contribution, we believe that with our further efforts on nurturing and integration, these businesses will gradually become the Company's new growth driver.

During the reporting period, telecommunications operator customers are still the major contributors to our revenues. Total revenue from the three major telecommunications operators amounted to

RMB4,695.67 million, representing 63.8% of our total revenues. Since the listing, by leveraging our service neutral and specialized service advantages, with prompt responses to customer needs, the revenue from the other operators and government and corporate customers grew rapidly, bringing it up by 28.9% year-on-year, and further optimized our revenue structure.

On 31 August 2007, the Company completed the acquisition from its parent company, China Telecommunications Corporation, of the assets comprising the business of specialized telecommunications support services in 13 provinces (municipality and autonomous regions), and extended geographical coverage from original 6 provinces to 19 provinces. Also, the majority of the provinces are located in central and western China with rapid economic growth prospects and huge development potential. The strategic acquisitions giving the Company expanded business coverage will benefit the Company to realize its economies of scale for operations nationwide and consolidated its market leadership.

To capture the 3G opportunities, apart from providing highly effective integrated one-stop services and solutions to telecommunication operators, the Company also actively participated in the expanded TD-SCDMA trial network projects in more than half of the participating cities, and engaged in businesses such as design, supervision, management and network optimization of a number of base stations and networks. Looking ahead, the Company will continue to sum up experience and increased the efforts on recruiting and retaining employees with 3G technical and business capabilities, We will also gradually enhance the standard of 3G integrated one-stop service to gain more market share in 3G market.

Looking forward to the second half of the year, the Company will continue to implement its proven development strategies, leveraging on its integrated one-stop service model, continue to improve its service quality and standard focus on customer needs. It will also strengthen centralized planning and management of business strategies and its brand, speed up cross region replication on successful products and services, thereby solidify its leading market position. Furthermore, the Company will seek to optimize resources allocation, accelerate business integration and improve economies of scale and operating efficiency so as to enhance its core competitiveness.

Mr. Wang Xiaochu, Chairman of China Comservice, said, “The China economy will continue to grow rapidly in coming years and present tremendous development opportunities to the telecommunications industry. In addition, with the Chinese government accelerating its “informationalization” and strong growing demand for telecom infrastructure services and IT solutions among enterprises in different sectors, we see promising prospects for its continual development. We will strive to optimize resources allocation, actively expand external market, enhance service and management standards, and step up strategic cooperation with telecommunication operators and equipment vendors to further increase the Company’s value and generate fruitful returns for shareholders.”

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About China Comservice (HKSE code:552)

China Communications Services Corporation Limited (“China Comservice”) is a leading integrated provider of specialized telecommunications support services in the PRC. A subsidiary of China Telecommunications Corporation, China Comservice offers telecommunications infrastructure services, including design, construction, project supervision and management, business process outsourcing services, IT applications, Internet services and value-added voice services. Its shareholders include China Mobile, China Unicom, Cisco and IDG, in addition to its major shareholder, China Telecommunications Corporation. The Company has developed a strong customer base, which includes telecommunications operators, telecommunications equipment manufacturers and other large corporations. On 31 August 2007, China Comservices completed the acquisition of relevant assets of specialized telecommunications support services business of its parent company China Telecom Group in 13 provinces (municipality and autonomous regions) and extended business coverage from 6 provinces to 19 provinces, enabling the Company to further consolidate its market leading position.

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.