



中國通信服務
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2011 INTERIM RESULTS

* * * *

**EFFECTIVELY GRASPING OPPORTUNITIES BROUGHT BY INFORMATIZATION AND
ACHIEVING STEADY GROWTH IN OPERATING PERFORMANCE**

Financial Highlights (unaudited)

	For the six months ended 30 June		
	2010	2011	Change
Revenues (RMB million)	21,720	25,189	16.0%
Gross Profit (RMB million)	3,365	3,948	17.3%
Gross Profit Margin (%)	15.5%	15.7%	+0.2pp
Profit attributable to shareholders (RMB million)	906	1,053	16.3%
EPS (RMB)	0.157	0.182	16.3%

(Hong Kong, 30 August 2011) — 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 2011.

In the first half of 2011, the Company recorded a stable and relatively rapid growth of revenues, which amounted to RMB25,189 million, representing an increase of 16.0% over the same period last year. Cost of revenues amounted to RMB21,241 million, representing an increase of 15.7% over the same period last year. Gross profit grew by 17.3% over the same period last year to RMB3,948 million. The Company persisted in optimizing revenue structure and therefore our high-value businesses recorded faster growth rate than the Company’s average. Meanwhile, the Company also enhanced cost management, as a result of these, the Company managed to improve its gross profit margin to 15.7%, slightly higher than the same period last year. Profit attributable to equity shareholders of the Company grew by 16.3% over the same period last year to RMB1,053 million. Basic earnings per share were RMB0.182, representing an increase of 16.3%.

Mr. Li Ping, Chairman of China Comservice commented, “In the first half of 2011, China’s economy continued to develop favourably. Driven by the waves of informatization, domestic telecommunications operators accelerated their pace of transformation and development, and

progressively increased their investment in information network infrastructures. In this situation, the Company firmly captured the industrial development opportunities, and adhered to its customer-focused innovative service strategy. As a result, our operating results steadily increased and our revenue structure achieved continued optimization, thus laying a solid foundation to realize our strategic goal of becoming a “hundred-billion enterprise” with excellent performance.”

Telecommunications Infrastructure Services

In the first half of 2011, telecommunications infrastructure services (“TIS”) achieved sustained, rapid and healthy growth, and the revenue from TIS services amounted to RMB12,186 million, representing an increase of 17.7% over the same period last year and its percentage of revenues further increased to 48.4%. In the period, we proactively expanded our high-value businesses, among which our design and supervision businesses grew rapidly and increased by 18.4% and 29.5% as compared to the same period last year respectively. Furthermore, the Company fully supported domestic telecommunications operators in meeting their business demands for the upgrade of optical-fiber networks as well as the expansion of mobile, fixed line and data networks. The revenue of telecommunications infrastructure services from domestic telecommunications operators increased by 22.5% over the same period last year, and our leading position in the market was further strengthened.

Business Process Outsourcing Services

In the first half of 2011, business process outsourcing services (“BPO”) achieved a more favorable business structure by our effective control on low-end businesses. Revenue from BPO services amounted to RMB10,483 million, representing an increase of 13.2% over the same period last year and accounting for 41.6% of revenues. The Company proactively captured business opportunities brought by the full-service operations of the domestic telecommunications operators; as a result our maintenance business achieved favorable development and its revenue increased rapidly by 22.1% as compared to the same period last year.

Applications, Content and Other Service

In the first half of 2011, applications, content and other services (“ACO”) sustained rapid growth. Revenue from ACO services amounted to RMB2,520 million, representing an increase of 19.6% over the same period last year and accounting for 10.0% of revenues. We proactively explored new businesses, seized the most attractive development opportunities brought by the informatization construction of domestic non-operator customers and the mobile Internet growth of telecommunications operators. We also put more efforts into the cultivation and marketing of application products for different industries. As a result, revenues from IT applications and Internet services recorded rapid increases of 35.4% and 30.4% over the same period last year respectively. In the period, we proactively and prudently introduced strategic partners and signed a partnership agreement with Sybase Inc., to jointly expand mobile Internet and system integration businesses, and to provide our customers with leading software solutions.

Focusing on Three Major Markets

In the first half of 2011, the Company provided strong support to the full-service operations of the domestic telecommunications operators and further strengthened our leading position in the domestic telecommunications operator market. Revenues from domestic telecommunications operators amounted to RMB15,931 million, representing an increase of 19.1% over the same period last year, of which, revenue from China Telecom increased by 16.6%, accounting for 40.3% of revenues. Our service quality was further recognized by China Mobile and China Unicom and revenues from them in aggregate rapidly increased by 23.8%, and the proportion of such revenues increased to 23.0%.

Revenue from domestic non-operator customers was RMB7,968 million, representing an increase of 9.9% over the same period last year and accounting for 31.6% of revenues. The slowdown of revenue growth in the domestic non-operator market was mainly due to the Company's proactive control over the development pace of businesses with low profit margin so as to optimize the revenue structure. In the period, though revenue from overseas was impacted by the turbulent political situation in certain areas in the Middle East and Africa, the Company managed to ensure its staff's personal safety, planned prudently and avoided foreseeable risks proactively, while continuing its strategy of penetrating overseas markets and fully executing various key projects. Moreover, the Company enhanced its cooperation with major equipment manufacturers, financial institutions and state-owned enterprises to realize overseas expansion synergies. As a result, revenue from overseas market amounted to RMB1,290 million, representing an increase of 17.5% over the same period last year and accounting for 5.1% of revenues.

Rights Issue

In the first half of 2011, the Company proposed to its shareholders a rights issue scheme of not more than RMB4 billion, and obtained their approval. Equity financing is expected to effectively enhance the Company's financial strength, and enable us to build a stronger capital foundation, thus enabling us to expand into new markets and support the long-term development of the Company. In addition to the rights issue, we also plan to actively leverage on debt financing and reinforce internal cash management so as to meet future funding requirements. We believe the above measures will provide a solid basis for capturing the Company's new development opportunities, such as the expansion into the overseas and domestic non-operator customer market, strategic acquisitions and joint ventures, as well as R&D. This will push forward the Company's transformation into a management and technologies focused enterprise, and create higher value for our shareholders.

Looking forward, Mr. Li Ping, Chairman of China Comservice said, “With the ever advancing information communications technologies, the rapid development of 3G applications, optical-fiber broadband networks, mobile Internet and 4G/LTE has pushed the information industry into a new era of strategic opportunities, and domestic telecommunications operators will continue to invest in information network infrastructures. Accelerated informatization process in government and industry sectors, the ongoing developments in Three Networks Convergence, and the strong demand for telecommunications services from overseas emerging markets, will enable the Company to expand into broader markets beyond the domestic telecommunications operator market. In addition, there are industrial opportunities underlying the rapid development of new technologies, such as cloud computing and Internet of Things, which will be further explored by us. Based on our strategic position as a leader of producer services in the informatization sector, the Company will endeavor to support the full-service operations of domestic telecommunications operators, put more efforts into the expansion of domestic non-operator customers, and drive our scalable development in overseas markets so as to build an enterprise with excellent performance, which has strong capabilities in capturing market opportunities, outstanding core competencies, an integrated efficient operation and steady value growth.”

– End –

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 and China Unicom are also shareholders of the Company. In 2010, China Comservice was granted the gold award in “The Asset Corporate Awards 2010” election organized by “The Asset”, an authoritative international financial magazine.

For further information, please browse the Company’s website at: www.chinaccs.com.hk

For press enquiries:

Investor Relations Department

Mr. Terence Chung

Ms. Sharon Lou

Tel : (852) 3699 0000

Fax: (852) 3699 0120

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.