



中國通信服務
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2012 INTERIM RESULTS

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**ACHIEVING FAVOURABLE RESULTS WITH CONTINUING EFFORTS BY PROACTIVELY
SEIZING MARKET OPPORTUNITIES**

Financial Highlights (unaudited)

	For the six months ended 30 June		
	2011 (Restated*)	2012	Change
Revenues (RMB million)	25,213	29,356	16.4%
Gross Profit (RMB million)	3,950	4,520	14.4%
Gross Profit Margin (%)	15.7%	15.4%	-0.3ppt
Profit attributable to shareholders (RMB million)	1,045	1,209	15.7%
Basic Earnings per Share (RMB)	0.176	0.180	2.3%

*The financial results for 2011 have been restated due to the newly acquired companies¹ and the adoption of amendment to IFRS 1. Please refer to the 2012 interim results announcement for details.

(Hong Kong, 29 August 2012) — 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 2012.

In the first half of 2012, the Company recorded continuous and rapid growth of total revenues, which amounted to RMB29,356 million, representing an increase of 16.4% over the same period last year. Cost of revenues amounted to RMB24,836 million, representing an increase of 16.8% over the same period last year. Gross profit grew by 14.4% over the same period last year to RMB4,520 million. During the period, with the enhanced cost management, the Company managed to maintain its gross profit margin and net profit margin at relatively steady levels of 15.4% and 4.1%, respectively. Profit attributable to equity shareholders of the Company grew by 15.7% over the same period last year to RMB1,209 million. Basic earnings per share were RMB0.180.

Mr. Li Ping, Chairman of the China Comservice commented: “In the first half of 2012, the Company firmly captured market opportunities and adhered to its customer-focused innovative service strategy. Following the principle of “leading through innovation and enhancing efficiency through intensive management”, the Company enhanced its management capability and continued to achieve satisfactory results in the challenging market, recording rapid growth of both total revenues and net profit. As a result, the Company is well positioned to embrace the second five-year period since its listing.”

Telecommunications Infrastructure Services

In the first half of 2012, telecommunications infrastructure (“TIS”) services sustained its sound growth momentum, and revenues from TIS services amounted to RMB13,812 million, representing an increase of 13.1% over the same period last year and accounting for 47.0% of total revenues. By firmly capturing the opportunity of steadily increasing capital expenditure from domestic telecommunications operators, the Company focused on key investment areas such as the upgrade and expansion of broadband and mobile network, which further reinforced its market leading position. The TIS revenues from domestic telecommunications operators achieved a rapid growth of 20.7% over the same period last year, and were the major driving force for the growth of TIS business during the period.

Business Process Outsourcing Services

In the first half of 2012, revenues from business process outsourcing (“BPO”) services amounted to RMB12,886 million, representing an increase of 22.9% over the same period last year and accounting for 43.9% of total revenues. During the period, due to the continuous expansion of networks, the outsourcing demand for network services from domestic telecommunications operators continued to increase. Taking advantage of such market opportunities, the Company continued to maintain a rapid growth in its revenues from network maintenance services, representing an increase of 27.7% over the same period last year. In addition, the Company reinforced its capability to deliver integrated services by offering ancillary services such as the distribution of telecommunications machineries and products as well as the collaborative logistics services in response to customer requirements. The Company’s revenues from the distribution of telecommunications services and products increased by 23.0% over the same period last year.

Applications, Content and Other Services

In the first half of 2012, revenues from applications, content and other (“ACO”) services amounted to RMB2,658 million, representing an increase of 5.5% over the same period last year and accounting for 9.1% of total revenues. During the period, the Company further increased its investment in the research and development for its core technologies and products, and gradually improved a model of open innovation. We believe that, after incubation for a period of time, ACO business will be able to achieve a breakthrough in the future as driven by the accelerating industrial developments such as the informatization of the community and mobile Internet.

Market Development

In the first half of 2012, the Company continued to focus on three major markets and allocated its resources in an adaptive manner. As a result, revenues from the domestic telecommunications operator market amounted to RMB19,055 million, representing an increase of 19.4% over the same period last year and accounting for 64.9% of total revenues. In particular, the revenue from China Telecom increased by 20.6% over the same period last year, accounting for 41.7% of total revenues; and revenues from China Mobile and China Unicom in aggregate increased by 17.5% over the same period last year and the proportion of these revenues to total revenues increased to 23.2%, which reflected the continuous improvement of the Company's service quality. Our business in the domestic non-operators market recorded steady growth, with revenues of RMB9,138 million, representing an increase of 14.6% over the same period last year and accounting for 31.1% of total revenues. The Company has been expanding into overseas market in a proactive and prudent manner. Revenues from overseas market amounted to RMB1,163 million, representing a decrease of 9.8% over the same period last year and accounting for 4.0% of total revenues. The decrease in revenues from overseas market in the first half of the year was mainly due to the delayed construction of certain large turnkey projects and the Company's increasing emphasis on efficiency development and proactive risk management. Meanwhile, the Company continued to focus on key overseas markets such as Congo-Kinshasa, Tanzania and Saudi Arabia, and has achieved promising progress in the exploration and cultivation of turnkey projects, which laid a solid foundation for its further scale development in overseas market.

Proceeds from Rights Issue Deployed as Planned

After successful completion of the rights issue, the Company acquired certain equity interests and assets in relation to several telecommunications infrastructure service companies in Ningxia and Xinjiang as well as 51% equity interests in Sino-British Submarine System Co., Ltd. ('SBSS')¹ in the first half of the year. These acquisitions enabled the Company to further expand its business coverage in the domestic market, enhance its servicing ability in the overseas businesses and add new source of income from the construction and maintenance of submarine fiber-optic cable. The Company has applied its proceeds from the rights issue as planned in various areas, including expansion into domestic non-operator market and overseas market, strategic acquisition and joint ventures, as well as research and development, which will push forward the Company's transformation into a management and technology oriented enterprise and create greater value for our shareholders.

Prospects

Mr. Li Ping, Chairman of China Comservice said, "The PRC government will push forward the development of the information industry through promoting the integration of informatization and industrialization as part of its initiatives under the "12th Five-Year Plan". The PRC government has

¹ Please refer to the announcement of the Company dated 20 June 2012 for details of the acquisitions. As of 30 June 2012, the acquisition of equity interests and assets in relation to several telecommunications infrastructure service companies in Ningxia and Xinjiang were completed, and the relevant results have been consolidated into the financial statements and historical figures before acquisition have been restated according to relevant accounting standards. Acquisition of equity interest in SBSS was completed on 26 July 2012 and the relevant results have not been consolidated into the financial statements of the Group as of 30 June 2012.

also clearly indicated to launch the “Broadband China” strategy and promote the commercialization of LTE. All of these will bring valuable business opportunities to the Company. In addition, the accelerating informatization in China, the further construction of “Smart City”, the rapid development of mobile Internet and the huge demand for telecommunications construction from overseas emerging markets also present broader market space and stronger growth momentum for the Company. Meanwhile, the Company faces certain challenges including volatile macro-economy and more intense market competition. Nevertheless, the Company is confident about the future. The Company will further reinforce its leading position in the domestic telecommunications operator market while also vigorously expand into the domestic non-operator market as well as the overseas market. With these measures, the Company aims to build up a “hundred-billion enterprise” with excellent performance, which has strong capabilities in capturing market opportunities, outstanding core competencies, integrated efficient operation and steady value growth, and to create greater value for its customers and shareholders.”

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About China Comservice (HKSE code:552)

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 Communications Corporation, China United Network Communications Group Company Limited and China National Postal and Telecommunications Appliances Corporation are also shareholders of the Company.

In 2012, China Comservice has been recognized as one of "The Best of Asia" in the "8th Corporate Governance Asia Recognition Award 2012" and one of the “Best Investor Relations by a China Company” awards in the “Asian Excellence Recognition Awards 2012” by *Corporate Governance Asia*, an authoritative journal on Corporate Governance in Hong Kong and Asia. In 2011, China Comservice was once again awarded a Gold Award in “The Asset Corporate Awards 2011” and recognized as one of “China’s Most Promising Companies 2011” in the telecommunications category by *The Asset*, a respected financial magazine in Asia.

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.