



**中国通信服务**  
CHINA COMSERVICE

**CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED**

**STOCK CODE: 552**

# 2007 INTERIM RESULTS

[www.chinaccs.com.hk](http://www.chinaccs.com.hk)

**5 SEPTEMBER, 2007**

**Mr. Li Ping**

Vice Chairman & CEO

**Mr. Zhang Zhiyong**

Executive Vice President & COO

**Mr. Yuan Jianxing**

Executive Vice President & CFO

## Overview

## Business Review

## Financial Results



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# OVERVIEW



## Remarkable Results

- ❑ Sustained revenue and profit growth
- ❑ Improved revenue structure

## Successful Market Expansion

- ❑ Rapid growth in non-China Telecom businesses
- ❑ Solidified leading market position



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## Integration With Favorable Progress

- ❑ Established coordination mechanism to realize synergies
- ❑ Flattened corporate hierarchy and optimized HR structure

## Acquisition Successfully Completed

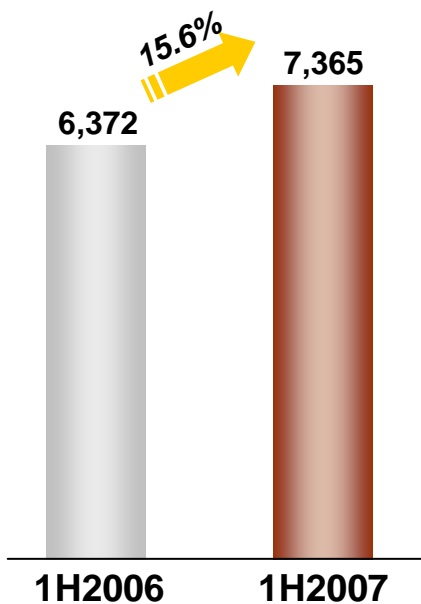
- ❑ Realized external growth opportunity
- ❑ Demonstrated strong execution capability

# Remarkable Results

## Sustained revenue and profit growth

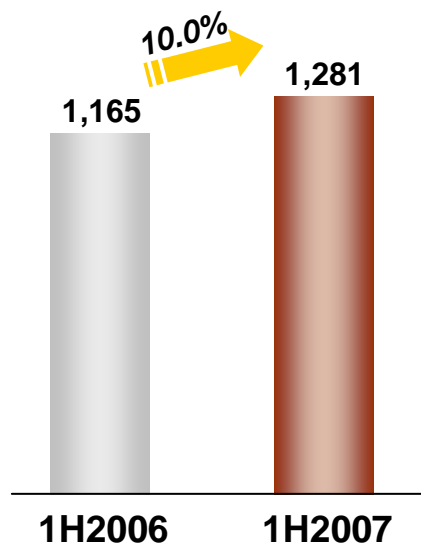
### Revenue

(RMB'M)



### Gross Profit

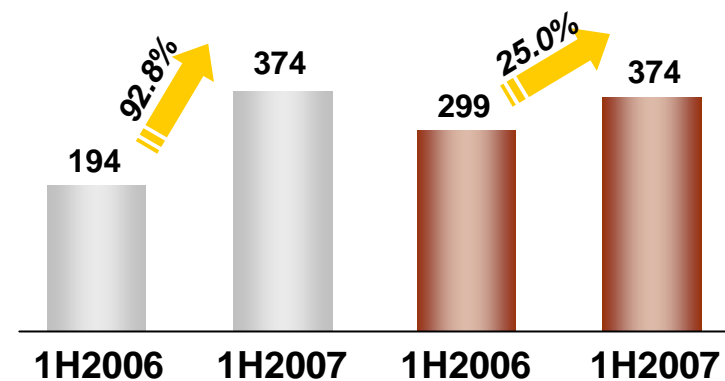
(RMB'M)



### Net Profit

(RMB'M)

Reported Before revaluation deficit<sup>1</sup>

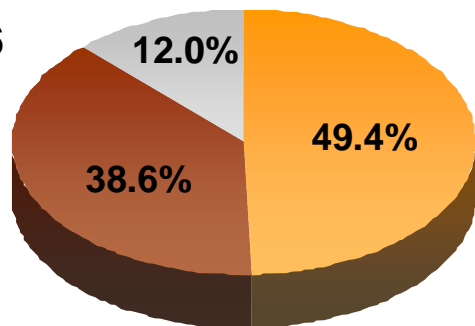


<sup>1</sup> Net profit before revaluation deficit excludes the effects of deficit on revaluation of property, plant and equipment of RMB105 million in 2006.

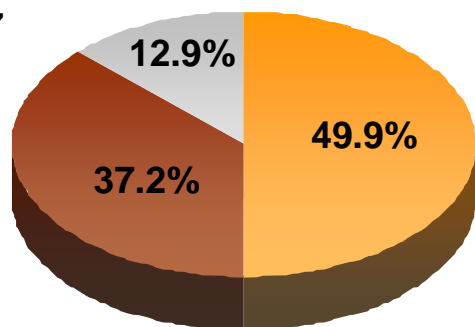
# Improved Revenue Structure

## Business mix

1H2006



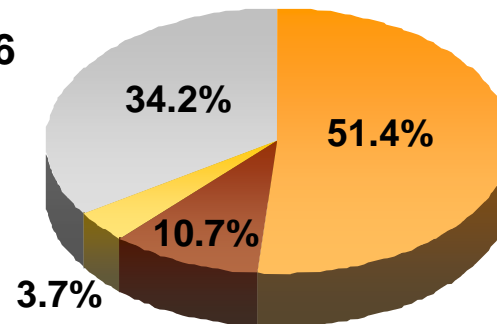
1H2007



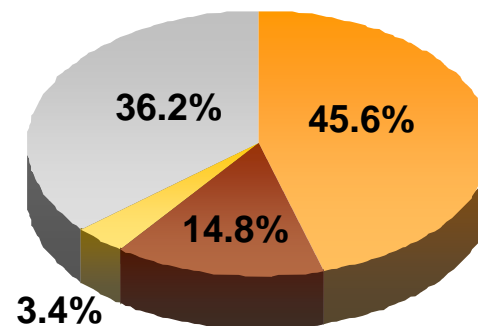
- Telecommunications Infrastructure (TIS) Services
- Business Process Outsourcing (BPO) Services
- Applications, Content and Other (ACO) Services

## Customer mix

1H2006



1H2007



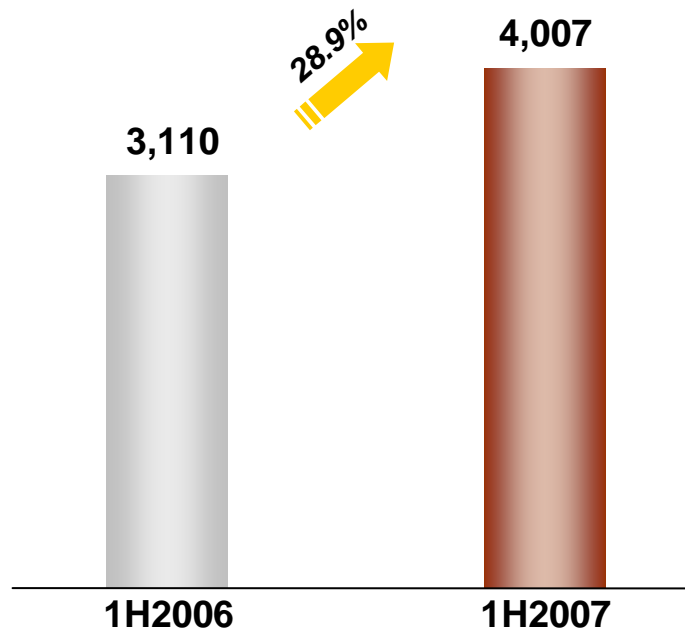
- China Telecom
- China Unicom
- China Mobile
- Government, Corporate & Other Customer

# Successful Market Expansion

Higher revenue share from non-China Telecom customers solidified our leading market position

## Revenue from non-China Telecom customers

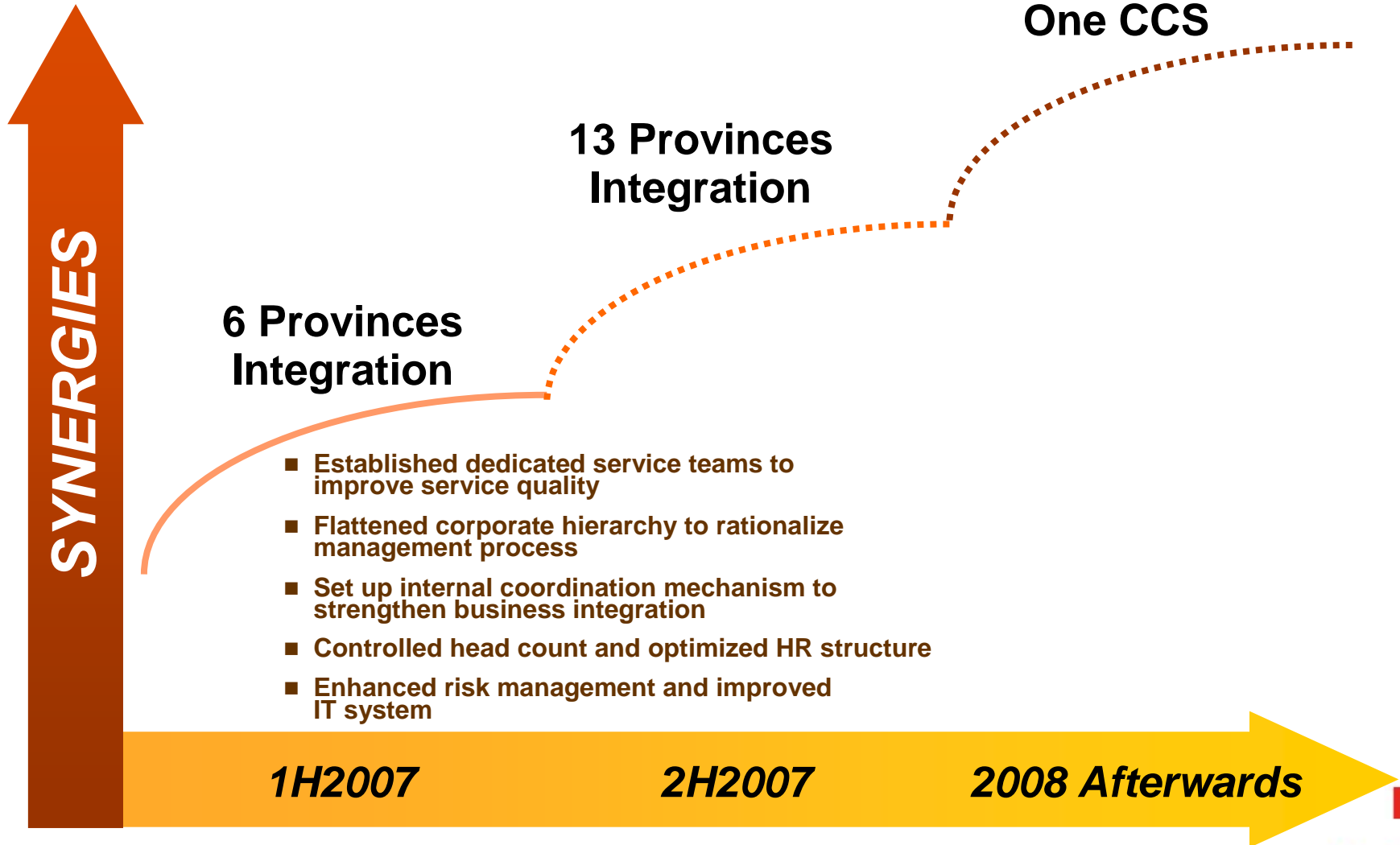
(RMB'M)



- Established dedicated teams to serve key customers
- Worked closely with telecom operators and equipment vendors to further develop market



# Integration with Favorable Progress



# Acquisition Successfully Completed

## Realized external growth opportunity

- Acquisition completed on 31 August 2007
- Expanded business coverage and solidified our leading market position
- Completion earlier than planned schedule, demonstrated strong execution capability of the management



- Primary service areas before acquisition
- Newly acquired 13 Provincial assets and businesses
- Other provinces within China Telecom Group
- Northern 10 provinces

# Opportunities & Challenges

## Opportunities

- ❑ Huge market potential from rapid growth in macro economy and demand for informationalization
- ❑ Organic growth opportunities from continuous CAPEX & OPEX growth in the industry
- ❑ Realized external growth opportunity through acquisition and lead to greater market potential



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## Challenges

- ❑ Successful integration of newly acquired subsidiaries to realize synergies
- ❑ Continuous diversification of customer base
- ❑ Exploration of external growth opportunities



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BUSINESS

REVIEW



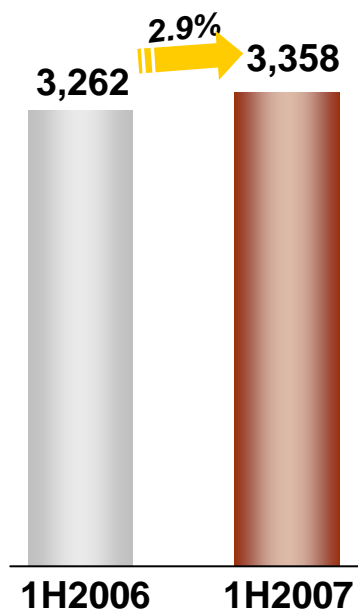
# Revenue Breakdown

(RMB'M)	1H2006	1H2007	Change	Contribution to total revenue
<b>TIS</b>	<b>3,145</b>	<b>3,677</b>	<b>16.9%</b>	<b>49.9%</b>
<i>Design</i>	661	799	20.8%	10.8%
<i>Construction</i>	2,358	2,722	15.4%	37.0%
<i>Supervision</i>	126	156	23.8%	2.1%
<b>BPO</b>	<b>2,458</b>	<b>2,740</b>	<b>11.5%</b>	<b>37.2%</b>
<i>Maintenance</i>	278	550	98.0%	7.5%
<i>Distribution</i>	1,682	1,619	-3.7%	22.0%
<i>Facility Management</i>	498	571	14.6%	7.7%
<b>ACO</b>	<b>769</b>	<b>948</b>	<b>23.3%</b>	<b>12.9%</b>
<i>IT Applications</i>	287	335	16.7%	4.5%
<i>Internet Services</i>	173	226	30.2%	3.1%
<i>Voice VAS</i>	108	129	20.1%	1.8%
<i>Others</i>	201	258	28.2%	3.5%
<b>Total</b>	<b>6,372</b>	<b>7,365</b>	<b>15.6%</b>	<b>100%</b>

# Actively Developing Markets

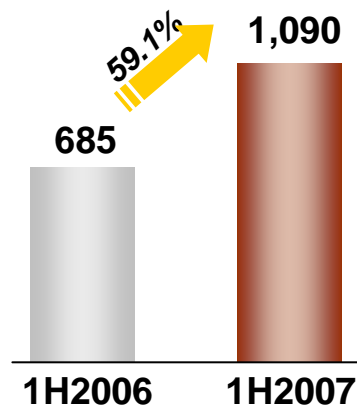
## Revenue from our customers

(RMB'M)



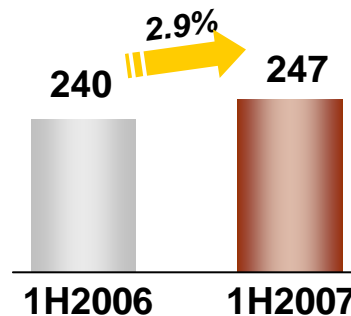
China Telecom

(RMB'M)



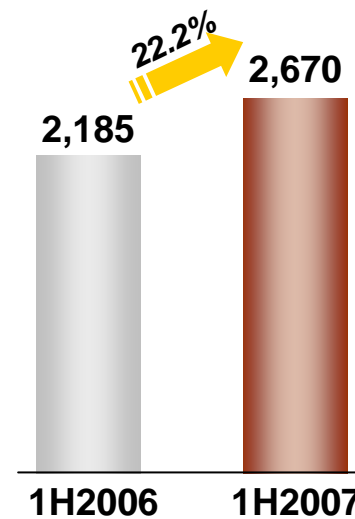
China Mobile

(RMB'M)



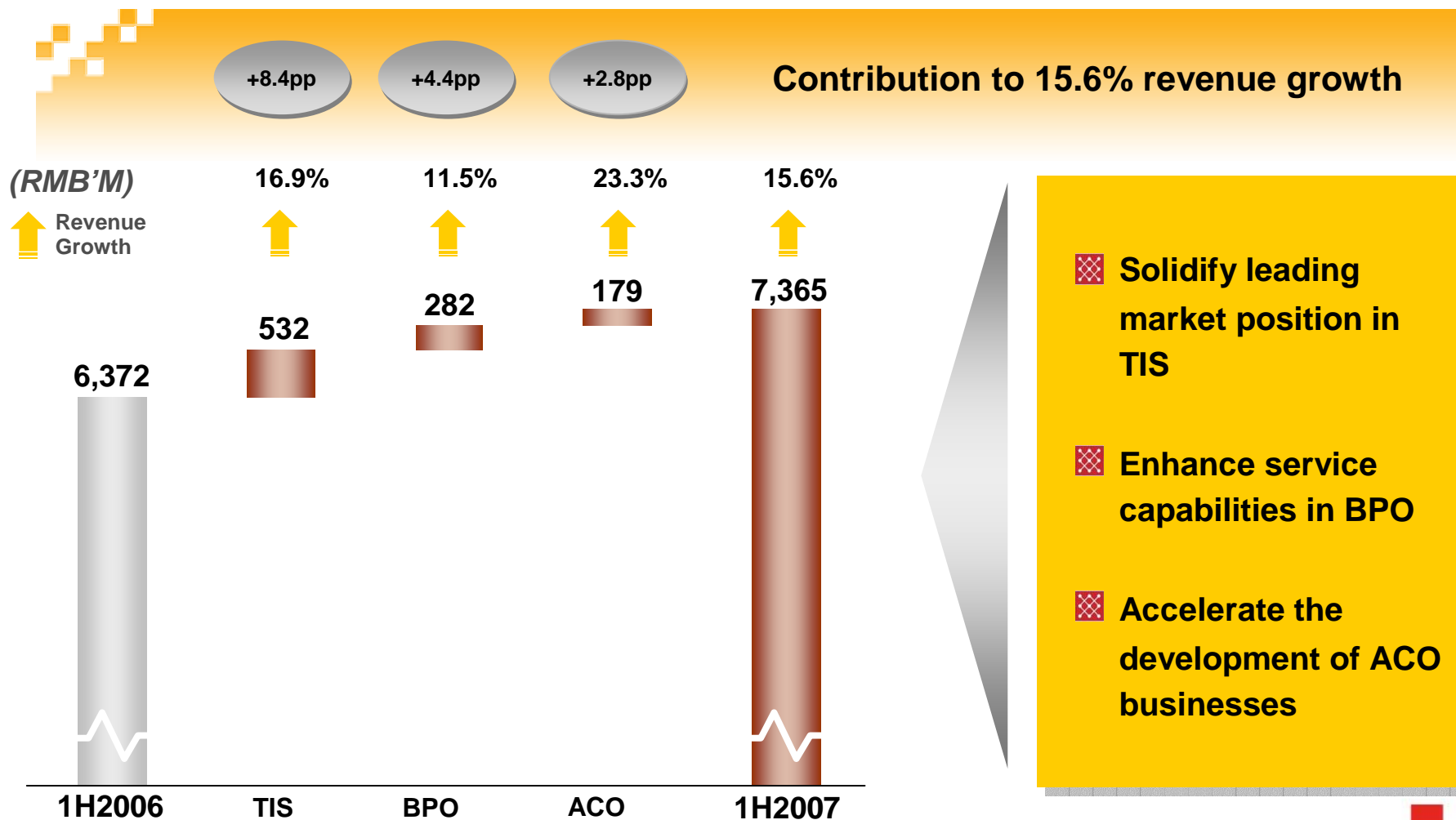
China Unicom

(RMB'M)

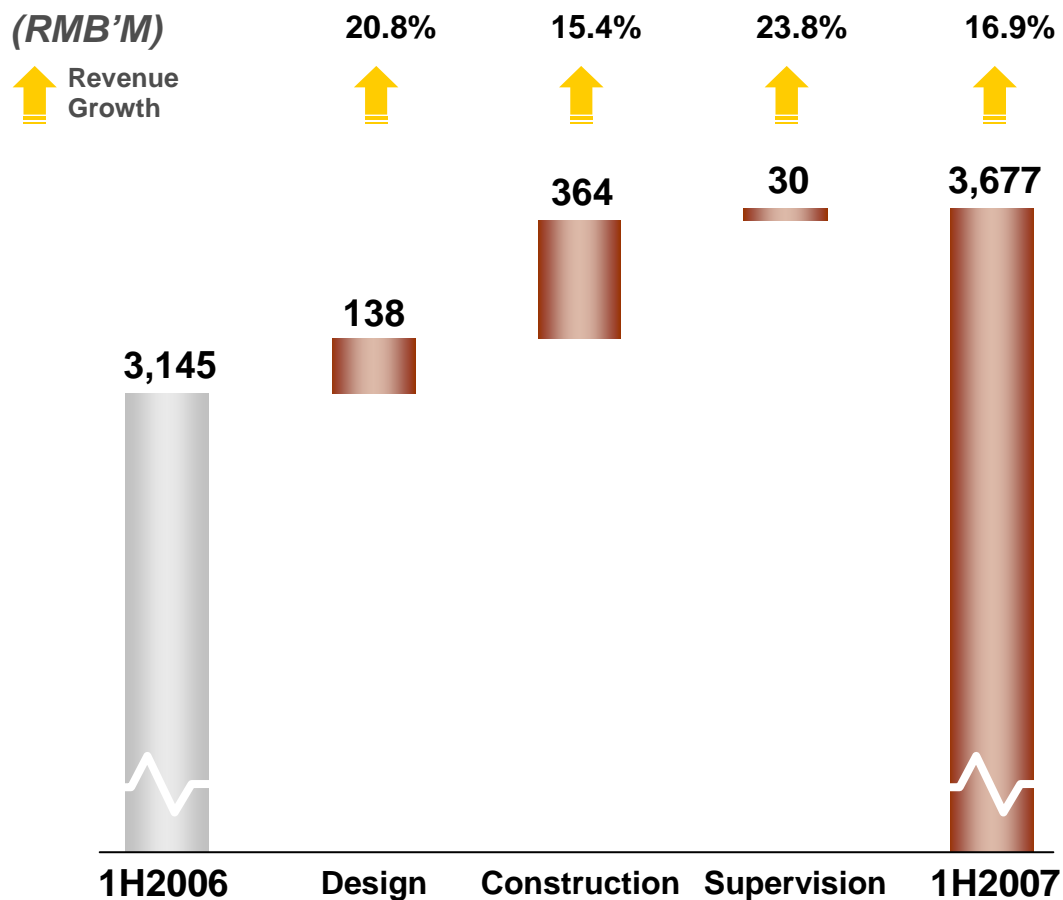


Government,  
Corporate &  
Other Customers

# Revenue Growth Drivers



# Solidify Leading Market Position in TIS

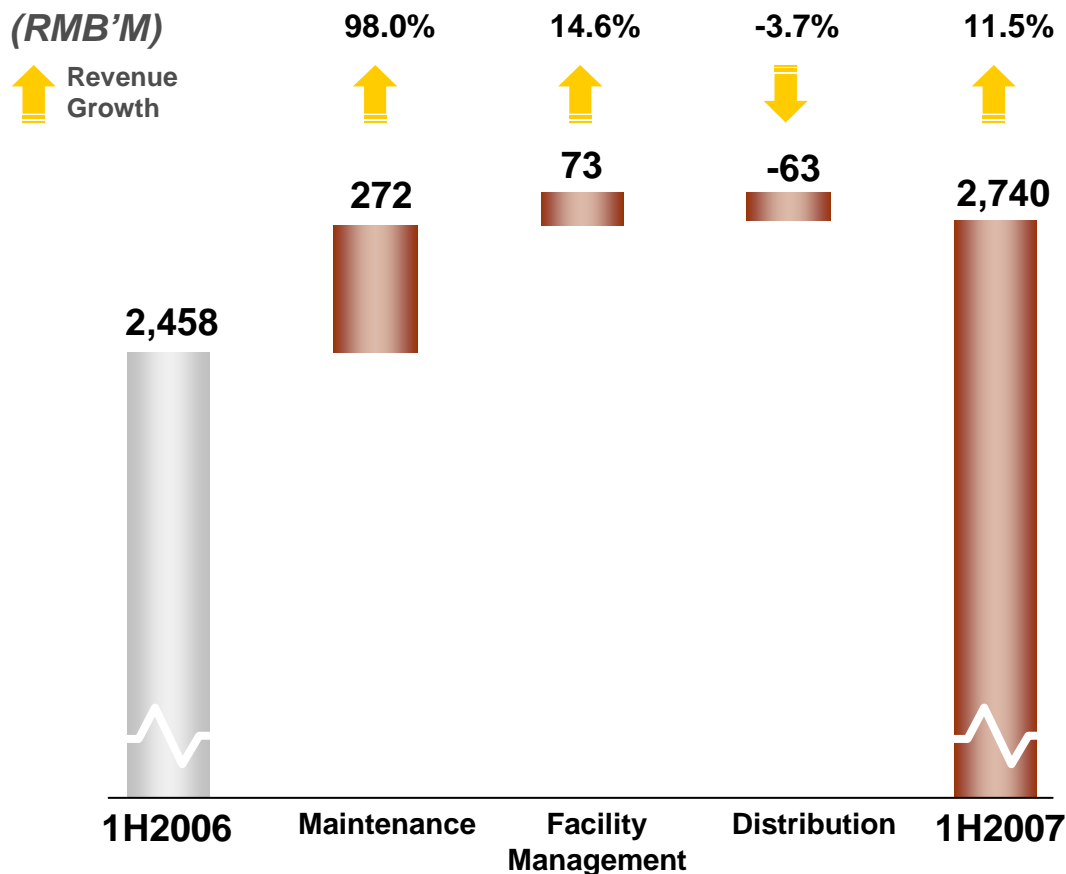


Endeavor to expand market share

- ✦ Established dedicated teams to serve key customers
- ✦ Seize opportunities from CAPEX increase of mobile operators
- ✦ Increase efforts in developing mobile operators, government and corporate markets

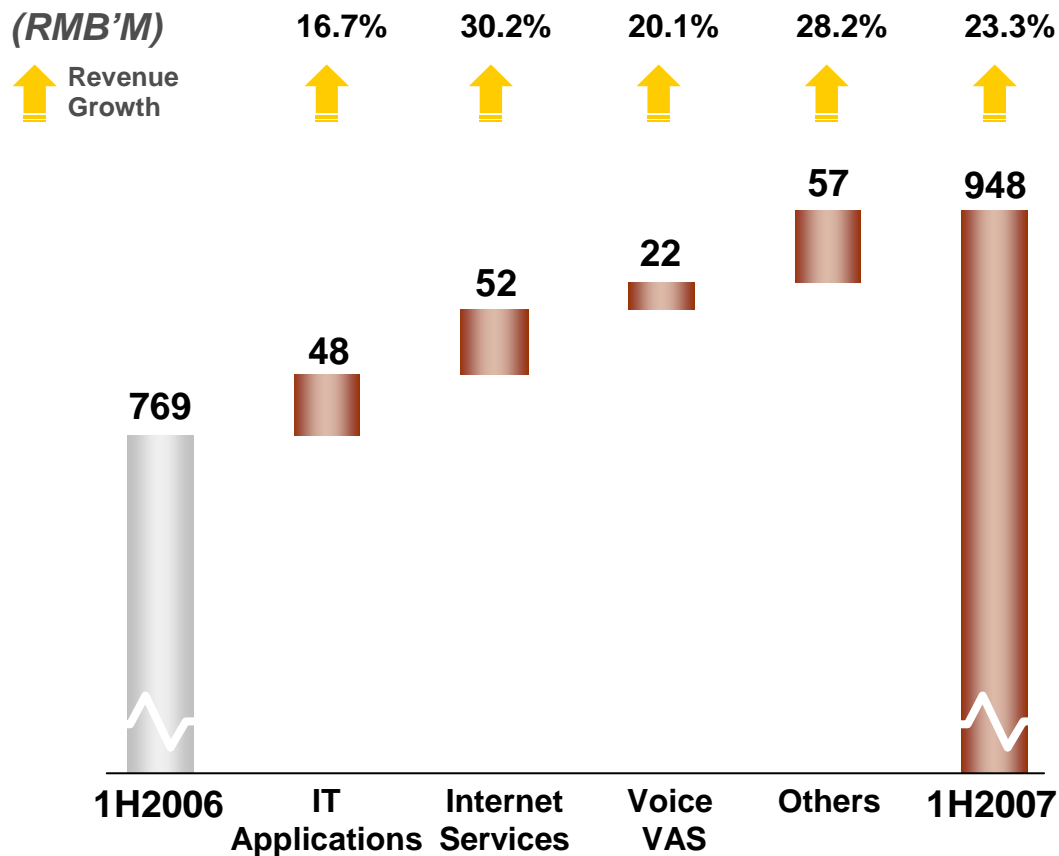


# Enhance Service Capabilities in BPO



- ☒ Deepen the bundling services of construction and maintenance to improve customer loyalty
- ☒ Capture opportunities from telecom operators' transformation and outsourcing trend
- ☒ Increase efforts in developing high-end maintenance and facility management businesses
- ☒ Integrate distribution businesses

# Accelerate the Development of ACO Businesses



Cooperate with telecom operators by sharing resources and experience

Cross-regional replication of successful products and increase efforts in developing government and corporate markets

Enhance internal integration to realize synergies

Strengthen “service neutral” position to expand market share

Enhance one-stop service capabilities and service quality

Explore external growth opportunities

**SUSTAINABILITY**



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# FINANCIAL RESULTS



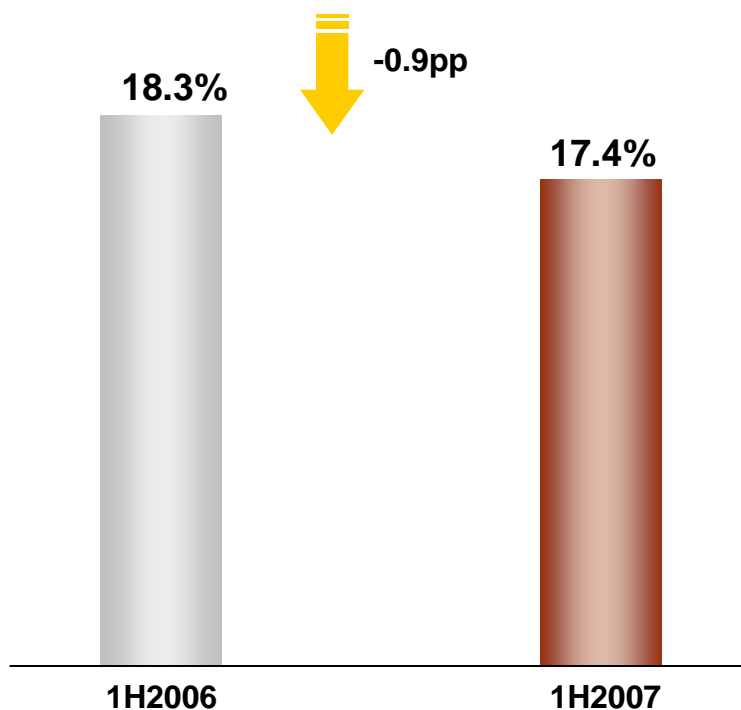
# Financial Performance

<i>(RMB'M)</i>	1H2006	1H2007	Change	% of revenue
<b>Revenue</b>	<b>6,372</b>	<b>7,365</b>	<b>15.6%</b>	<b>100%</b>
<b>Cost of revenue</b>	<b>5,207</b>	<b>6,084</b>	<b>16.8%</b>	<b>82.6%</b>
<i>Direct personnel</i>	1,121	1,312	17.0%	17.8%
<i>Subcontracting</i>	1,163	1,485	27.6%	20.2%
<i>Materials</i>	2,170	2,384	9.9%	32.4%
<i>D&amp;A</i>	119	124	3.5%	1.7%
<i>Others</i>	634	780	23.1%	10.6%
<b>Gross profit</b>	<b>1,165</b>	<b>1,281</b>	<b>10.0%</b>	<b>17.4%</b>
<b>SG&amp;A</b>	<b>791</b>	<b>821</b>	<b>3.7%</b>	<b>11.1%</b>
<b>Net profit (reported)</b>	<b>194</b>	<b>374</b>	<b>92.8%</b>	<b>5.1%</b>
<b>Net profit (before reval<sup>1</sup>)</b>	<b>299</b>	<b>374</b>	<b>25.0%</b>	<b>5.1%</b>
<b>EPS (RMB)</b>	<b>0.049</b>	<b>0.069</b>	<b>40.8%</b>	<b>N.A.</b>
<b>CAPEX</b>	<b>474</b>	<b>139</b>	<b>-70.6%</b>	<b>1.9%</b>

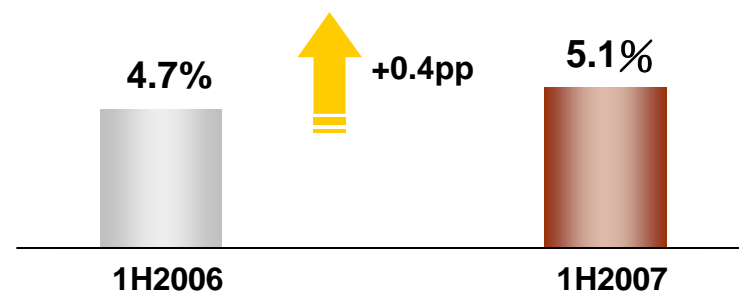
<sup>1</sup> Net profit before revaluation deficit excludes the effects of deficit on revaluation of property, plant and equipment of RMB105 million in 2006.

# Relatively Stable Profitability

## Gross profit margin



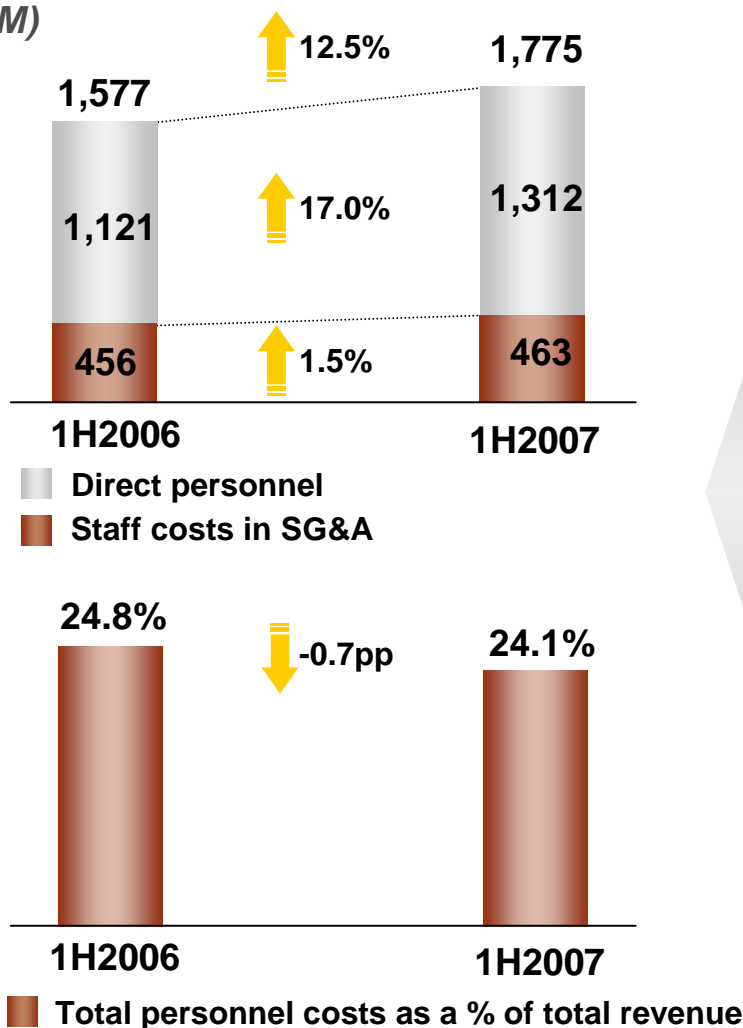
## Net profit margin<sup>1</sup>



<sup>1</sup> Net profit margin excludes the effects of deficit on revaluation of property, plant and equipment of RMB105 million in 2006.

# Effective Personnel Cost Control

(RMB'M)



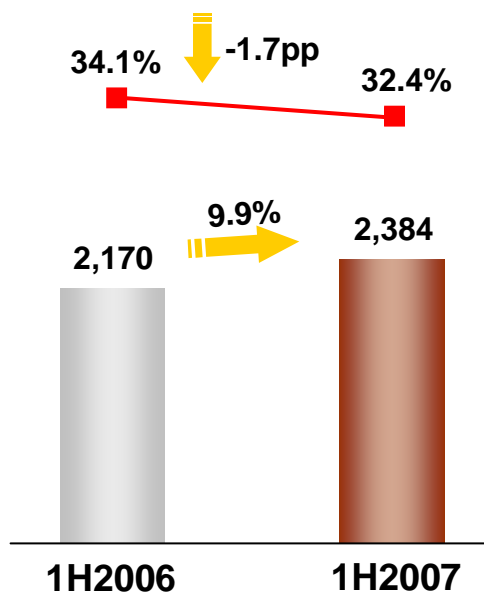
## Total personnel costs:

- Increased by 12.5%, lower than revenue growth by 3.1 percentage points
- YoY decrease of 0.7 percentage points as % of revenue

# Costs in Line with Business Development

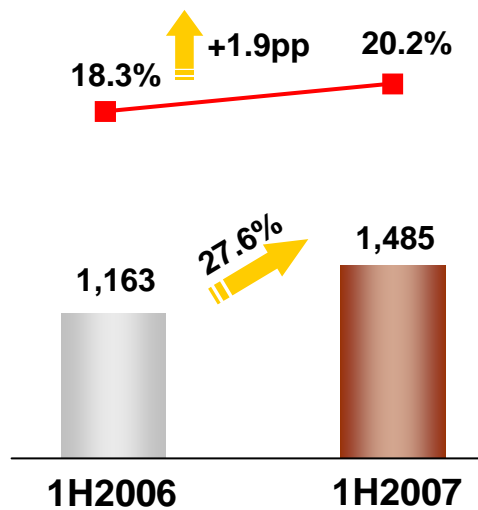
## Material Costs

(RMB'M)



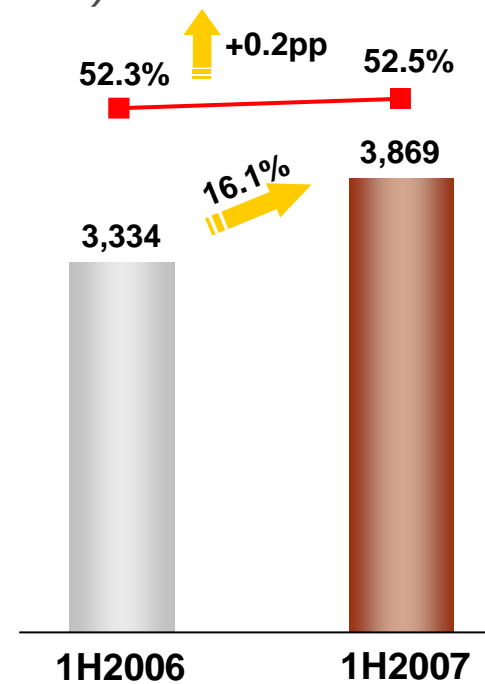
## Subcontracting Costs

(RMB'M)



## Total Material & Subcontracting Costs

(RMB'M)



■ — ■ as a % of total revenue

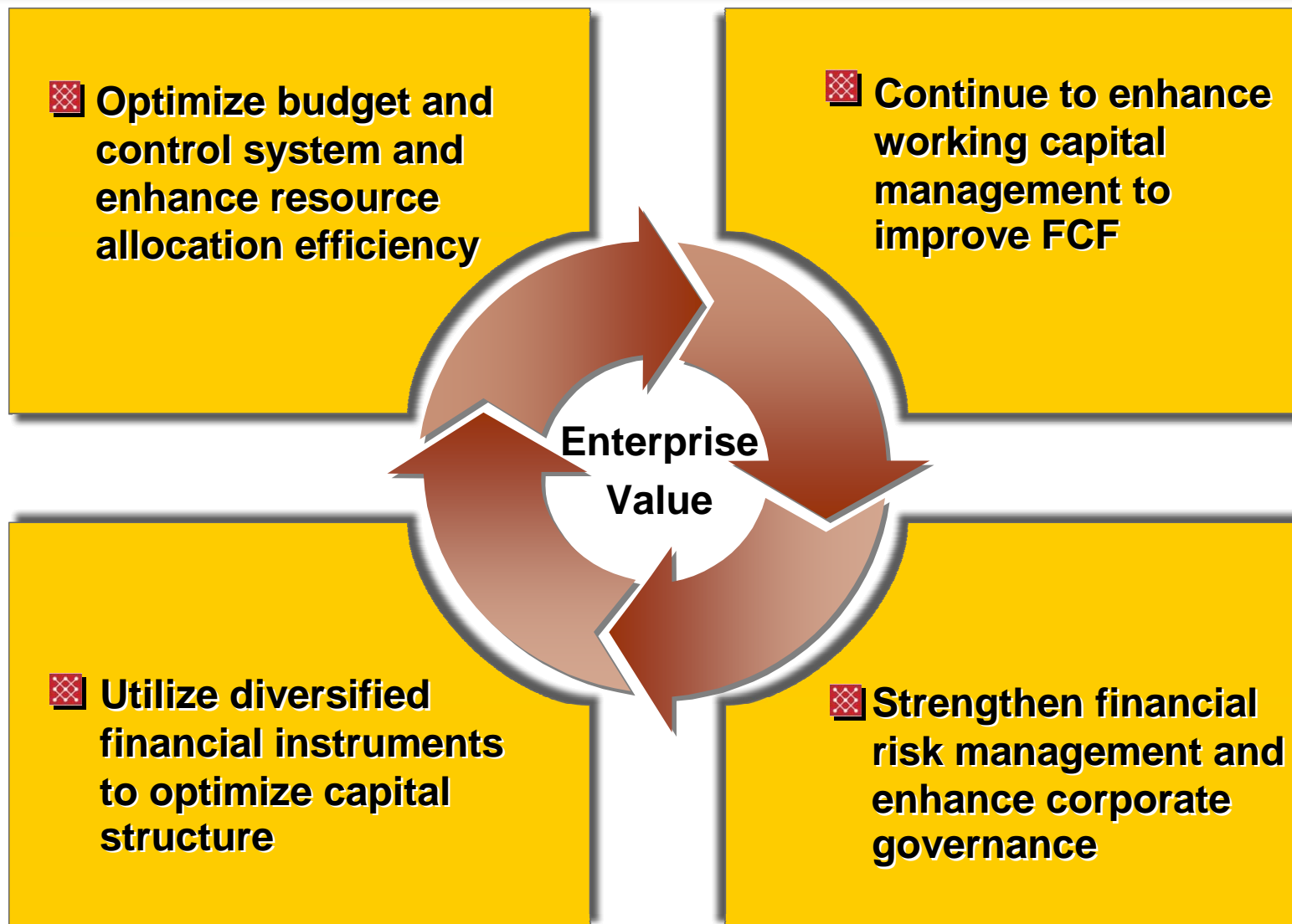


# Financial Position

(RMB'M)	1H2006	1H2007
Cash & cash equivalents	2,445	6,926
Net assets	5,042	9,449
Total debts	431	113
Total liabilities	5,663	6,241
Total liabilities/ Total assets	52.9%	39.8%
Debt to capitalization ratio	7.9%	1.2%
Account receivable turnover days	101	103
Free cash flows	-1,254	-540

-  Sufficient funding provides strong foundation for acquisition and business development
-  Rationalized capital structure after acquisition
-  Continue to enhance working capital management (e.g. account receivable) to improve FCF

# Strengthening Financial Management





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