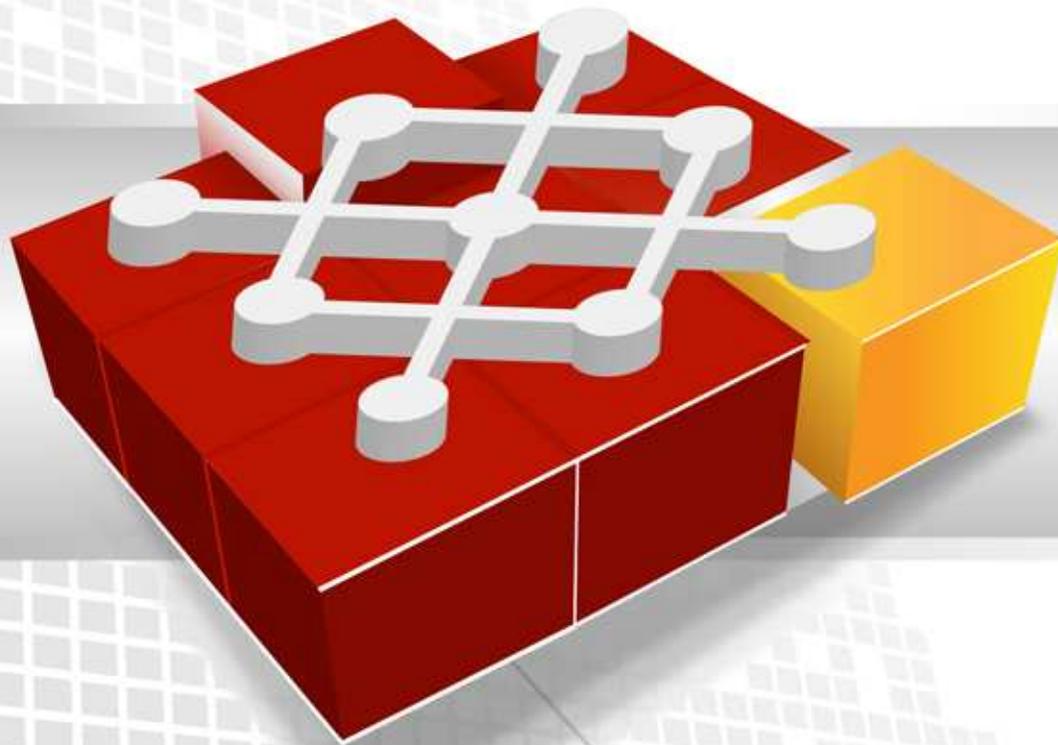




CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
STOCK CODE: 552



Interim Results 2009

1 SEP 2009

Service provider for telecommunications,
media and technology companies



MANAGEMENT

CHAIRMAN



Mr. Li Ping

PRESIDENT



Mr. Zhang Zhiyong

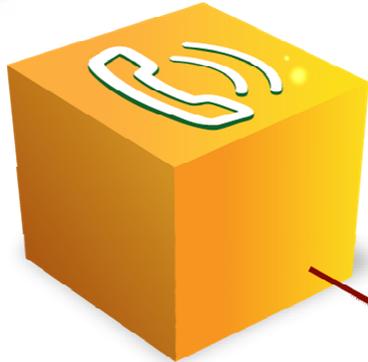
EXECUTIVE VICE PRESIDENT & CFO



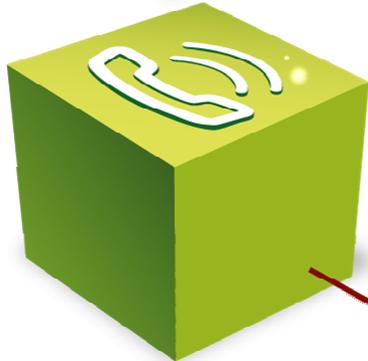
Mr. Yuan Jianxing



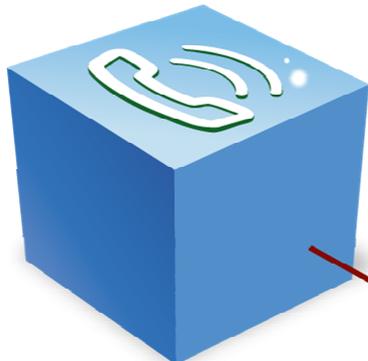
AGENDA



Overview



Business Review



Financial Results



Overview



HIGHLIGHTS

Favourable Overall Performance

Both revenue & net profit growth > 30%

Captured 3G Construction Opportunities

Revenue from 3 telecom operators up by 44.5%

Strengthened Management Enhanced Operation Efficiency

Strong organic growth, effective cost control, stable profitability

Steady Progress on External Development

Overseas revenue doubled, effectively integrated CITCC⁽¹⁾, successfully acquired interests in 3 companies⁽²⁾



(1) CITCC: China International Telecommunications Construction Corporation

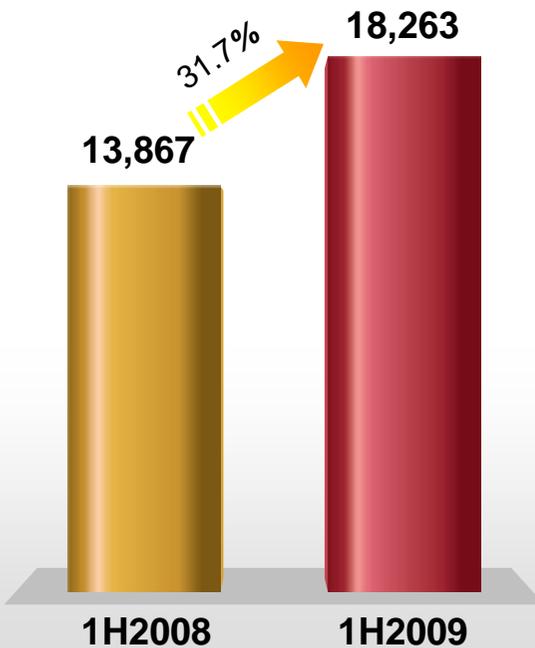
(2) Refers to the acquisition of equity interests in Guoxin Lucent Technologies Network Technologies Co., Ltd. (51%), Shanghai Tongmao Import & Export Co. Ltd. (95.945%) & Shenzhen Telecom Engineering Co. Limited (40%) in May 2009



FAVOURABLE OVERALL PERFORMANCE

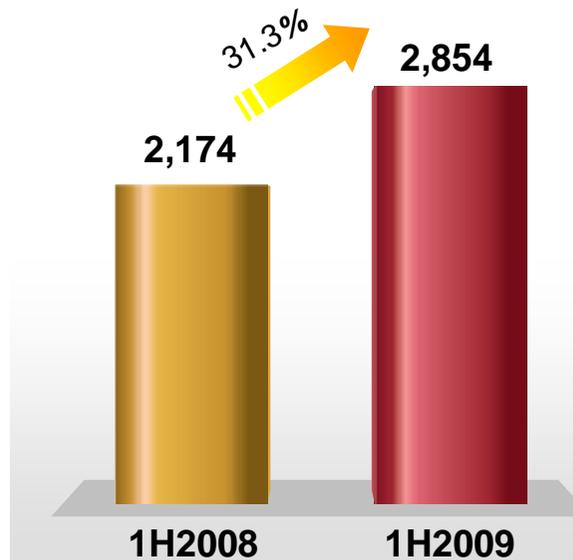
Revenue

(RMB'M)



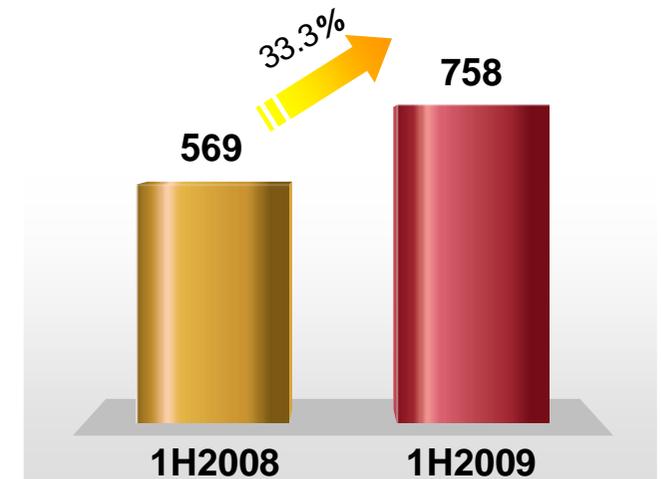
Gross Profit

(RMB'M)



Net Profit

(RMB'M)



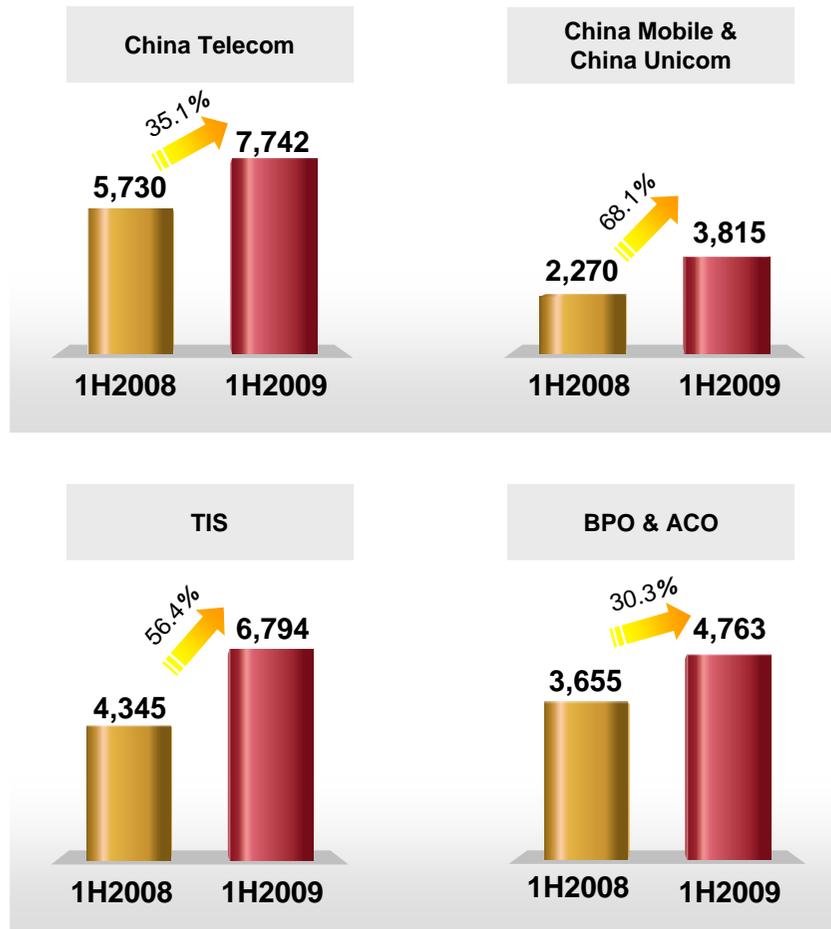
Note : According to IFRS, historical financial data of 2008 has been restated to include the results of the companies we acquired from our Parent Company in May 2009, whereas the results of CITCC were included into our Group since the completion of the acquisition on 30 May 2008.



CAPTURED 3G CONSTRUCTION OPPORTUNITIES

Revenue from 3 Telecom Operators

(RMB'M)

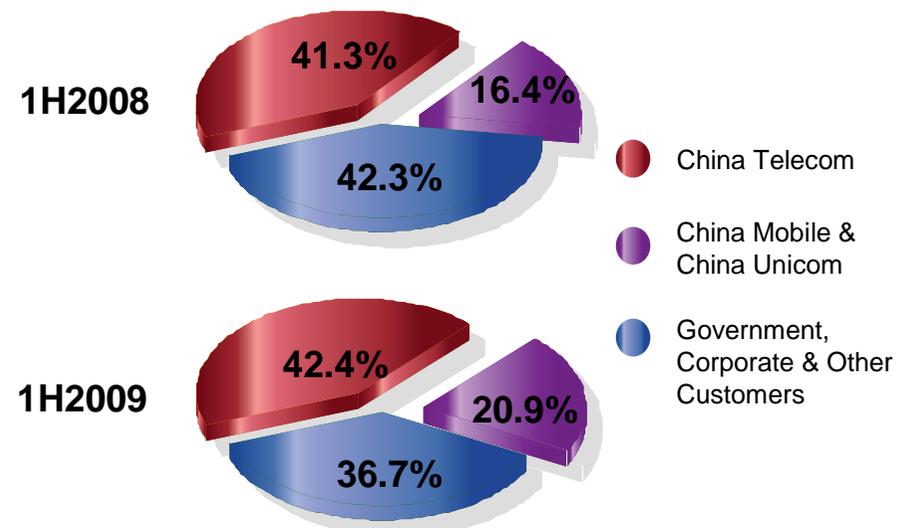


Revenue from China Mobile & China Unicom accounted for > 20% of total revenue, up by 4.5ppt



In addition to strong revenue growth in TIS, growth of BPO & ACO revenues from operators > 30%

Customer Mix





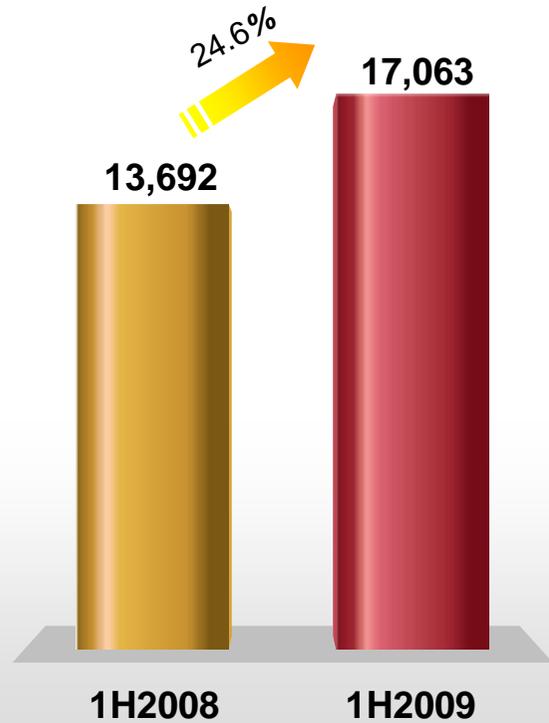
STRENGTHENED MANAGEMENT ENHANCED OPERATION EFFICIENCY



Strong organic growth

Revenue Excluding CITCC

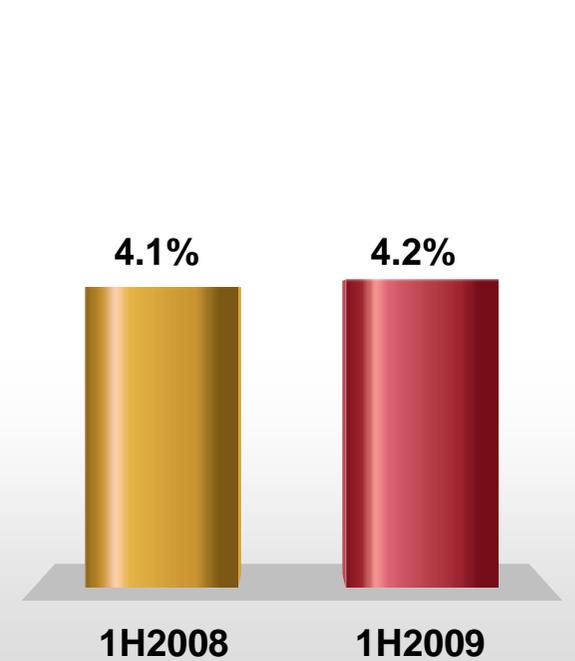
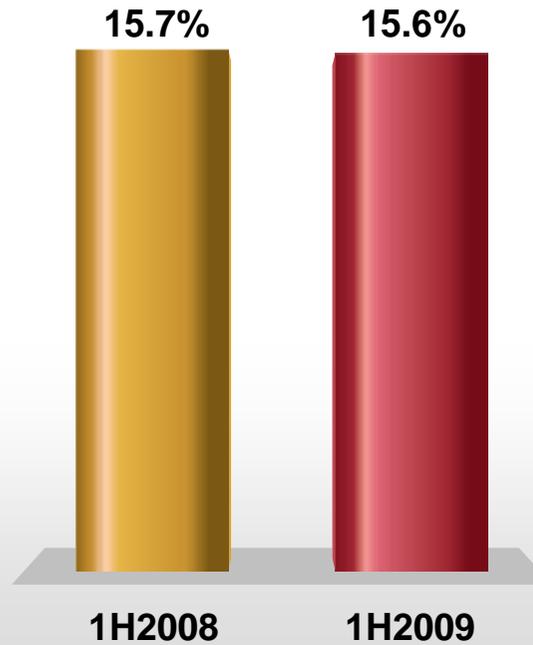
(RMB'M)



Effective cost control, stable profitability

Gross Profit Margin

Net Profit Margin





SMOOTH INTEGRATION & ACQUISITIONS



Remarkable Results in CITCC Integration

- Revenue and net profit of CITCC in 1H2009 reached RMB1.2 billion and RMB44 million respectively, driving revenue growth and net profit growth of the Group by 7.1ppt and 6.3ppt respectively
- Net profit margin of CITCC increased by 1.1ppt YoY
- Complementary benefits to customer base diversification and market development, especially in overseas market expansion



Successfully Acquired Interests of 3 Companies

- Completed the acquisition of equity interests in Guoxin Lucent Technologies Network Technologies Co., Ltd. (51%), Shanghai Tongmao Import & Export Co. Ltd. (95.945%) & Shenzhen Telecom Engineering Co. Limited (40%) in 1H2009
- Facilitate further enhancement on our economies of scale, strengthening our comprehensive service capability & competitiveness
- Utilize the acquired companies to progress our resource integration in area such as logistics, OSS businesses



REMARKABLE OVERSEAS MARKET EXPANSION

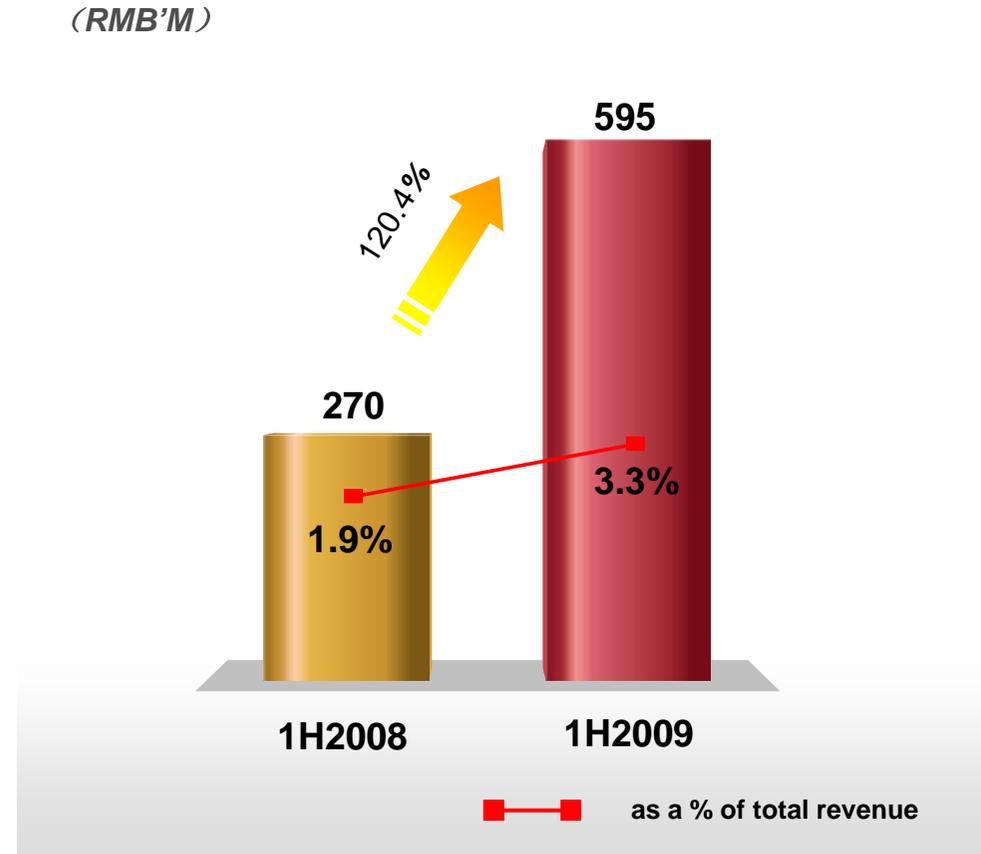


Progress Review

- Overseas revenue reached RMB595 million, accounted for 3.3% of total revenue
- Deepened cooperation with equipment vendors, subcontracting revenue grew steadily
- Achieved breakthrough in project development as principal contractor in Africa after the acquisition of CITCC & executed smoothly
- Strengthened the cooperation mechanism with equipment vendors, operators & financial institutions

Overseas Revenue

(RMB'M)





PROSPECTS



中国通信服务
CHINA COMSERVICE

Achieve long term sustainable growth

Focus on customer needs, enhance core competitiveness & allocate resources effectively

MACRO ENVIRONMENT

- Financial crisis
- Government's economy stimulation plan
- Encouraging "Go Abroad"

INDUSTRY

- Tower sharing
- Networks convergence
- Evolution of new technologies

CUSTOMERS

- Operators' full services integration operations & 3G
- Outsourcing of non-core businesses
- Corporate informatization construction



中国通信服务
CHINA COMSERVICE

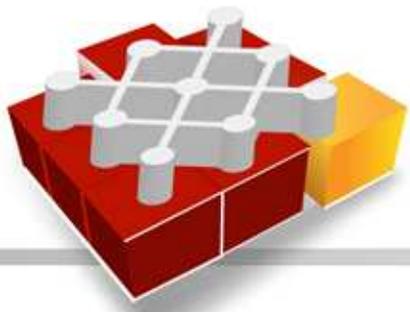


Business Review



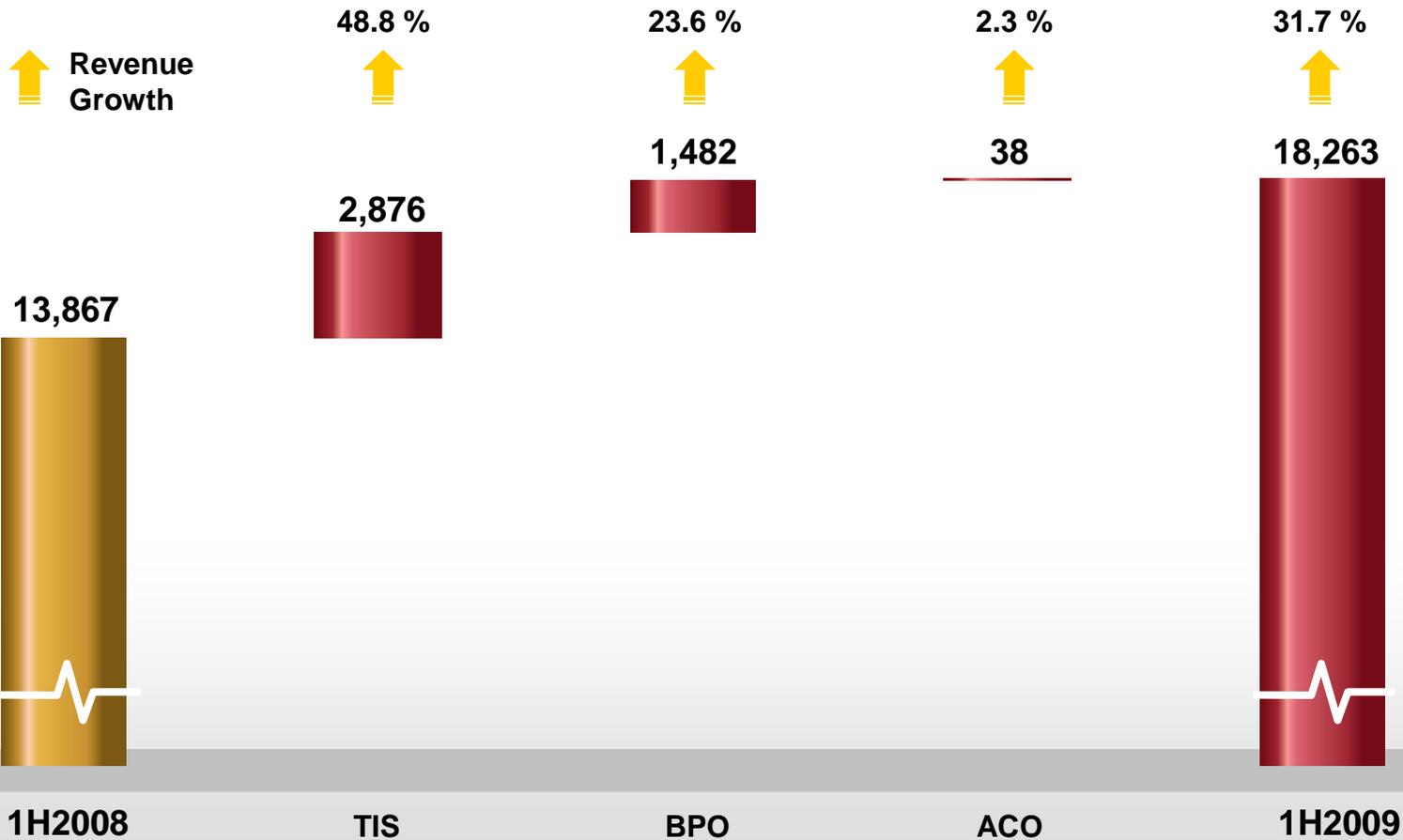
IMPROVED REVENUE STRUCTURE

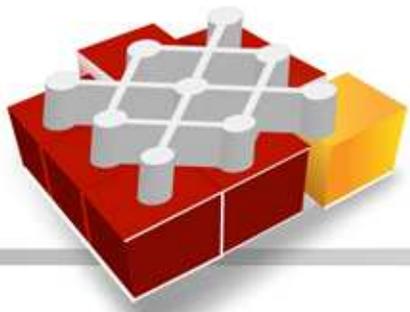
(RMB'M)	1H2008	1H2009	Change	% of revenue
TIS	5,895	8,771	48.8%	48.0%
Design	1,243	1,866	50.1%	10.2%
Construction	4,357	6,413	47.2%	35.1%
Supervision	295	492	66.9%	2.7%
BPO	6,282	7,764	23.6%	42.5%
Maintenance	931	1,572	68.9%	8.6%
Distribution	4,455	5,215	17.1%	28.6%
Facility Management	896	977	9.0%	5.3%
ACO	1,690	1,728	2.3%	9.5%
IT Applications	852	799	-6.3%	4.4%
Internet Services	179	115	-35.5%	0.6%
Voice VAS	246	325	32.1%	1.8%
Others	413	489	18.5%	2.7%
Total	13,867	18,263	31.7%	100.0%



REVENUE GROWTH DRIVEN BY TIS & BPO

(RMB'M)

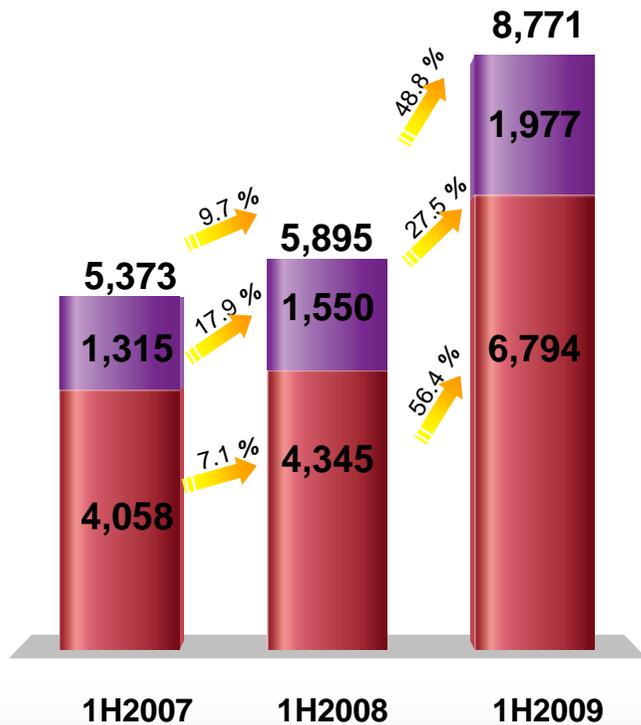




RAPID TIS BUSINESSES GROWTH

TIS Revenue by Customers

(RMB'M)



■ Government, corporate & other customers
■ 3 Telecom Operators



Domestic operators market

- Focus on opportunities from operators' wireless network investment after industry restructuring & issuance of 3G licences
- Attend to operators' upgrade for backbone networks & broadband networks



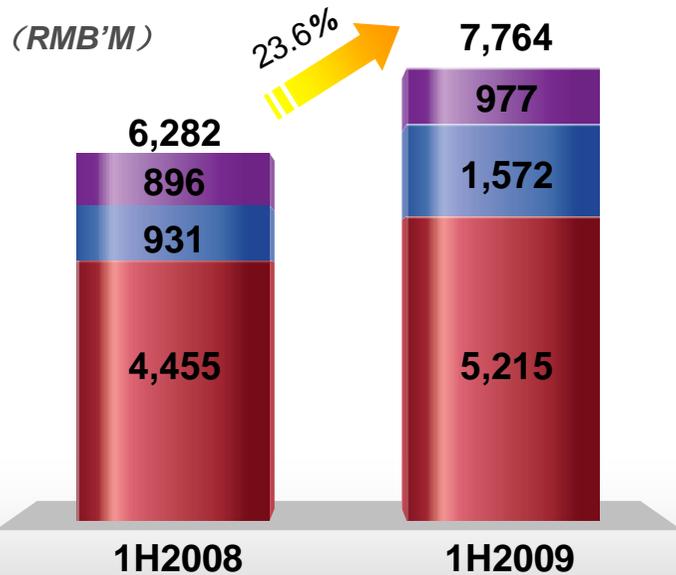
Government, corporate & overseas market

- Huge national investments in infrastructure facilities & municipal projects, driving ancillary communications facility construction
- Strong demand from developing countries for telecom infrastructure services

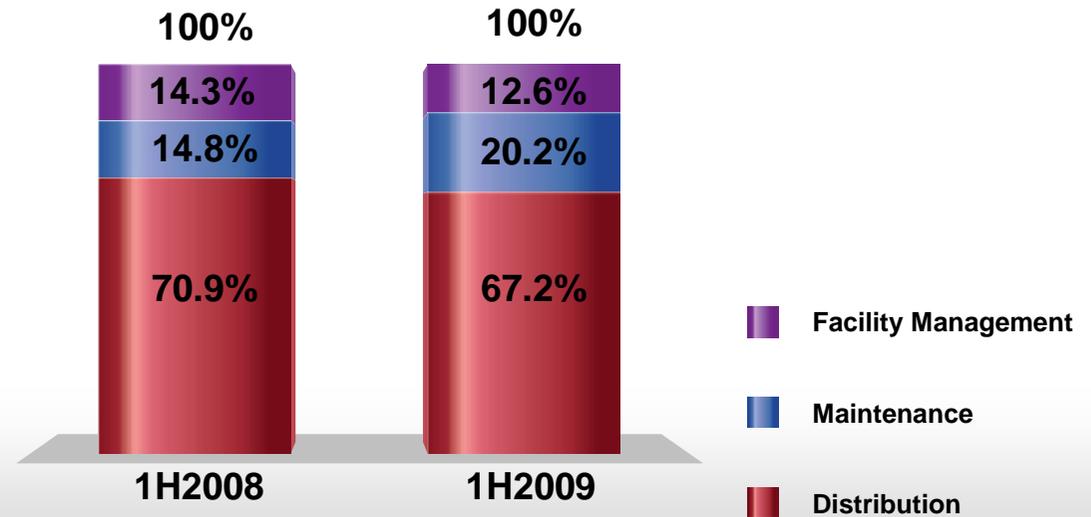


IMPROVED BPO BUSINESSES STRUCTURE

Revenue



% Composition



Robust maintenance service revenue growth driven by increasing outsourcing trend after the commencement of operators' full services integrated operations & 3G network construction

Healthy development of distribution service through effective management and structure optimization

Improved business mix in BPO businesses, contributed positively to the stabilization of profitability

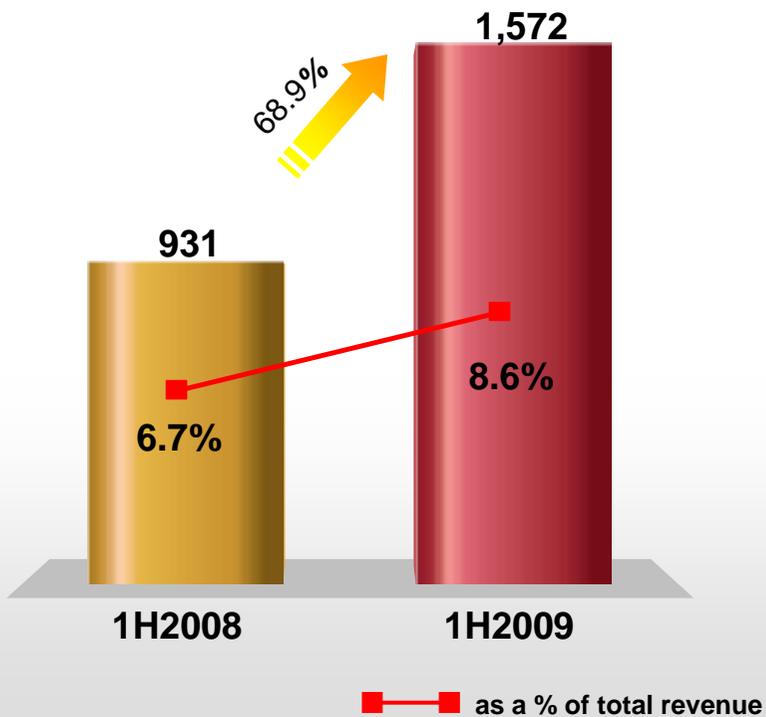


CONTINUED GROWTH IN MAINTENANCE SERVICE

 Increasing network scale & outsourcing provide growth momentum for our maintenance businesses

Revenue

(RMB'M)



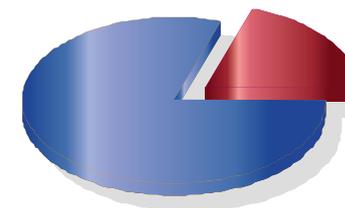
Our major maintenance services:

Fiber optic & electric cable

Broadband network

Base station

Others



■ Base station under CCS maintenance: about 1/5

3 Telecom Operators' Base Station No. : > 0.68 million



ACO BUSINESSES



Progress Review

- Integrated ACO businesses, optimized internal resources and further progressed new product development
- Acquired Guoxin Lucent, focused on opportunities from operating support system development business
- Discussed the possibility of forming strategic partnership with international IT corporation to enhance our competitiveness

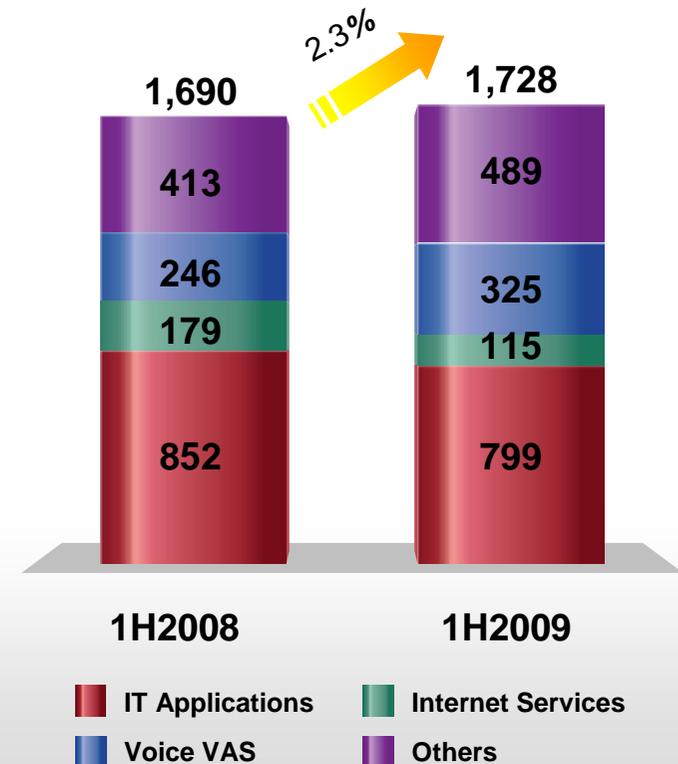


Future Outlook

- Introduce strategic cooperation partners to create branded enterprises in OSS, MSS, BSS, system integration, VAS and other businesses
- Strengthen the development & replication of new products
- Continue to look for external acquisition opportunities to enhance our overall competitiveness

Revenue

(RMB'M)





BUSINESS DEVELOPMENT STRATEGIES

Deepen Market Expansion: Operator Market

- ▶▶ Continue to focus on sustainable demand in areas such as network construction, maintenance & optimization, logistics & IT applications in 3G era

Diversify Customer Base: Government & Corporate Customer Market

- ▶▶ Endeavour to develop informatization market of government & corporate customers
- ▶▶ Actively undertake ancillary communications facility infrastructure projects for government & corporate customers

Extend Geographic Coverage: Northern China & Overseas Market

- ▶▶ Increase market share in northern China
- ▶▶ Continue to cooperate with equipment vendors to develop overseas projects as principal contractor and explore network maintenance & operation outsourcing services

Extend Along Value-chain: ACO Businesses

- ▶▶ Strengthen internal resource integration & introduce cooperative partners to create branded products & enterprises in ACO businesses



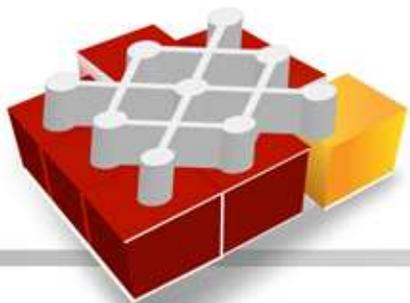
**Sustainable
Healthy
Development of
Our Businesses**



中国通信服务
CHINA COMSERVICE



Financial Results



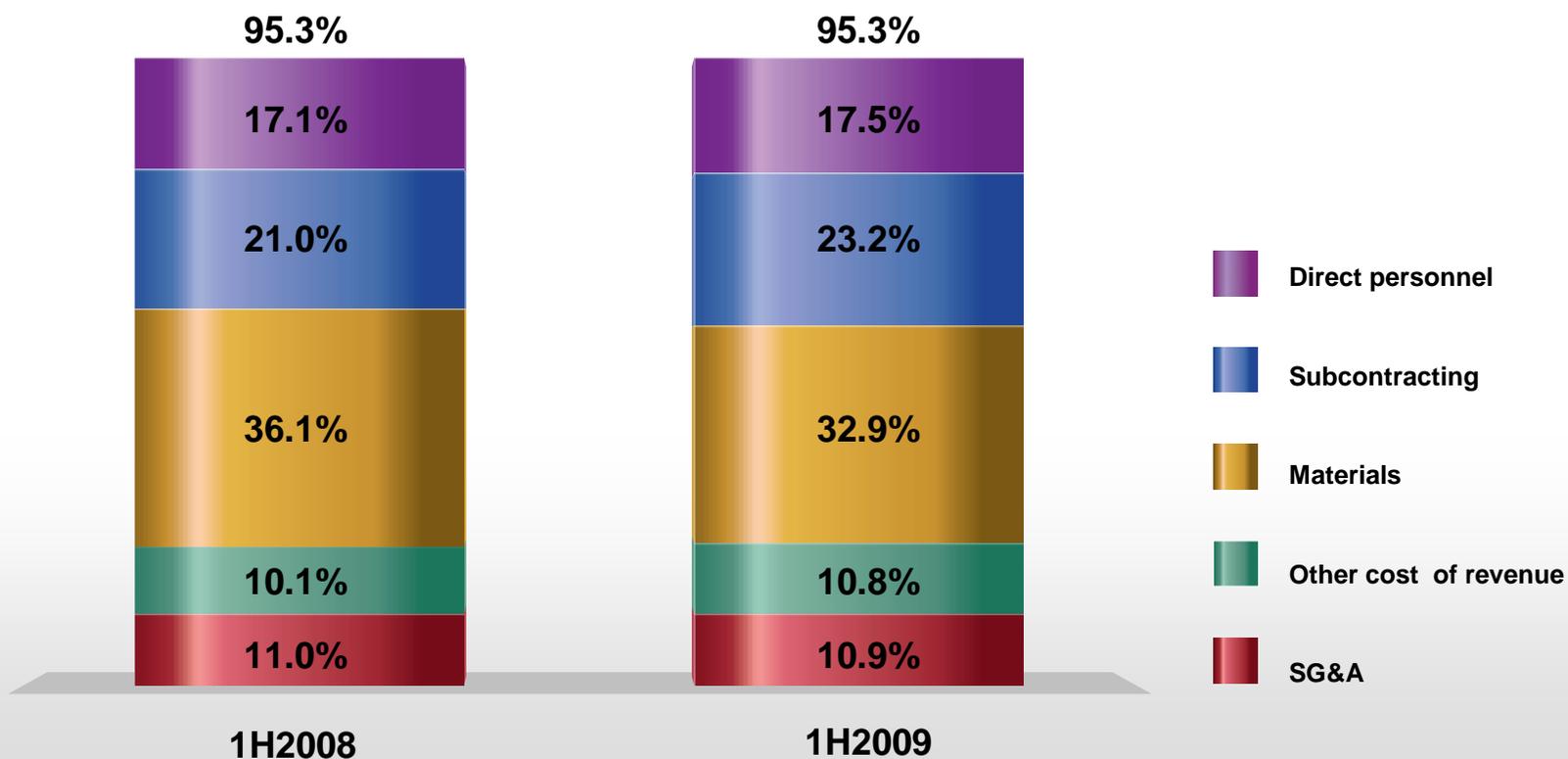
FINANCIAL PERFORMANCE

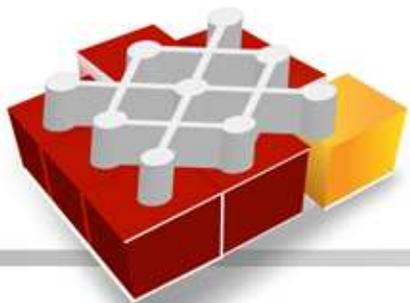
<i>(RMB'M, except EPS)</i>	1H2008	1H2009	Change
Revenue	13,867	18,263	31.7 %
Cost of Revenue	11,693	15,409	31.8 %
Direct personnel	2,367	3,203	35.3 %
Subcontracting	2,908	4,235	45.6 %
Materials	5,003	6,015	20.2 %
D&A	170	169	-0.8 %
Others	1,245	1,787	43.5 %
Gross Profit	2,174	2,854	31.3 %
SG&A	1,519	1,997	31.4 %
Net Financing Expense	38	23	-39.5 %
Net Profit	569	758	33.3 %
EPS (RMB)	0.102	0.131	28.4 %



EFFECTIVELY MANAGED OVERALL COSTS

Cost component as a % of total revenue





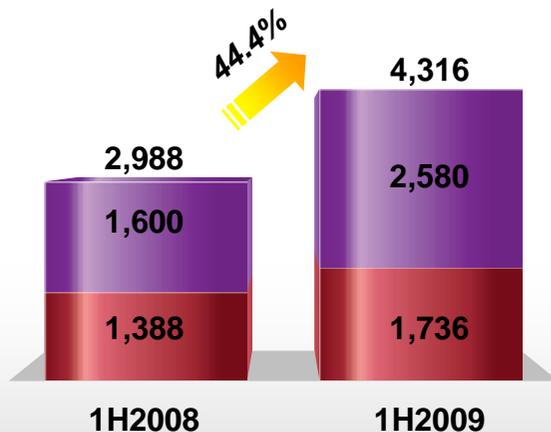
CONSTRUCTION-RELATED SUBCONTRACTING & MATERIAL COSTS



Growth of major construction-related costs slightly lower than growth of construction revenue

Construction-related Subcontracting & Material Costs

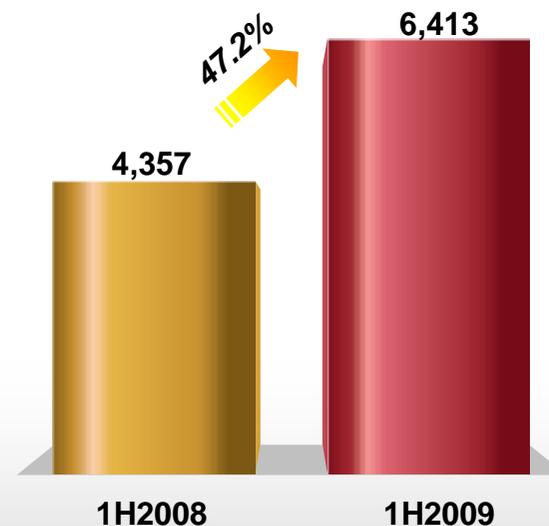
(RMB'M)



- Construction-related Subcontracting Cost
- Construction-related Material Cost

Revenue of Construction Service

(RMB'M)

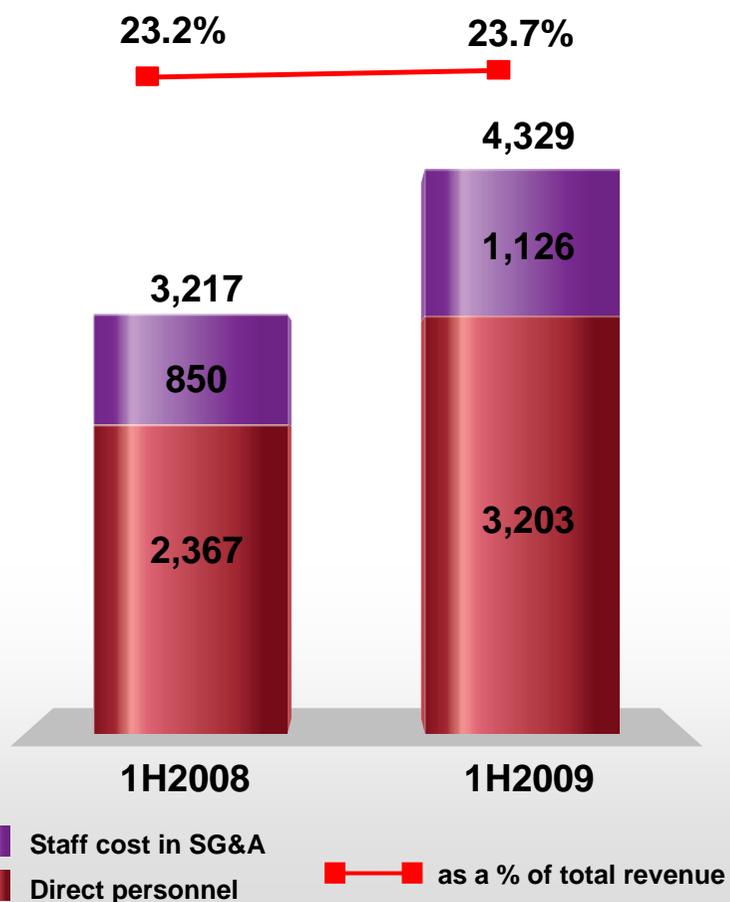


Note: Total subcontracting costs amounted to Rmb4,235M (1H2008:Rmb2,908M), including construction-related subcontracting costs of Rmb2,580M (1H2008: Rmb1,600M) and other subcontracting costs of Rmb1,655M (1H2008: Rmb1,308M)
 Total material costs amounted to Rmb6,015M (1H2008:Rmb5,003M), including construction-related material cost of Rmb1,736M (1H2008:Rmb1,388M) and cost of telecommunications products of Rmb4,279M (1H2008:Rmb3,615M)



TOTAL STAFF COST

(RMB'M)



HR Strategy

- ① Adjust & optimize HR structure according to business development need
- ② Increase the use of temporary workers flexibly for low end business to meet with the surge in business volume
- ③ Increase headcount appropriately after due consideration⁽¹⁾

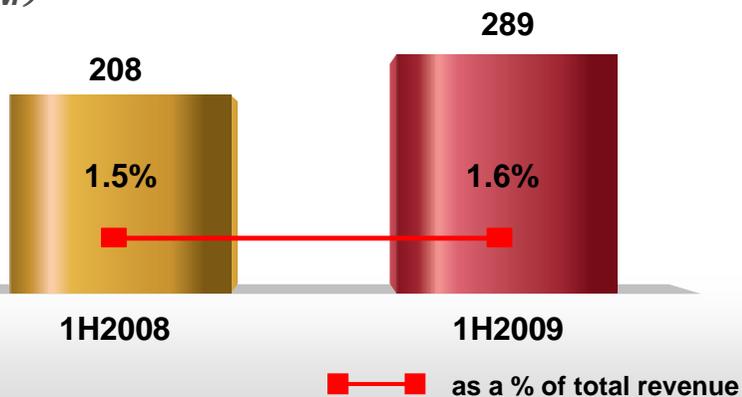
⁽¹⁾ Staff number as of 30 June 2009 was 0.115million (31 Dec 2008: 0.108million).



EFFECTIVE CASH MANAGEMENT

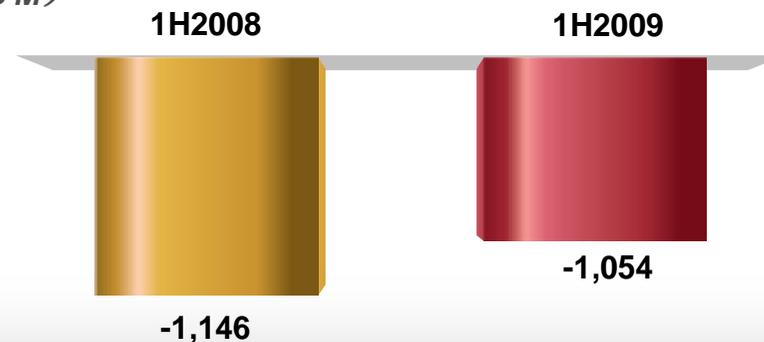
CAPEX

(RMB'M)



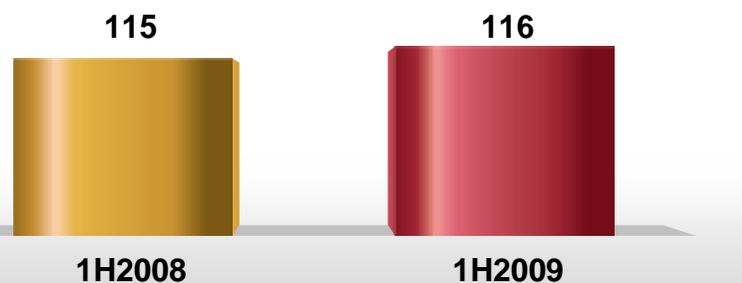
Free Cash Flow

(RMB'M)



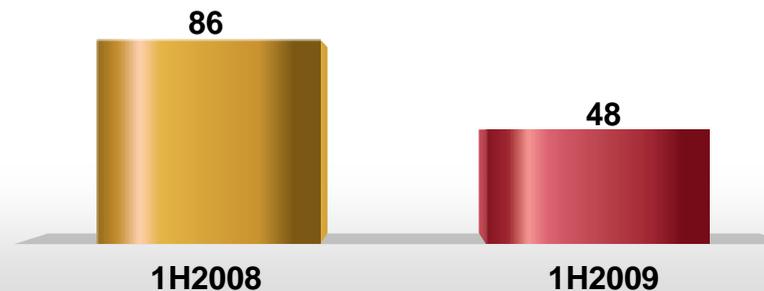
AR Turnover

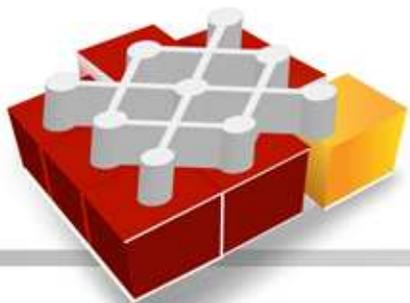
(Days)



Interest Expense

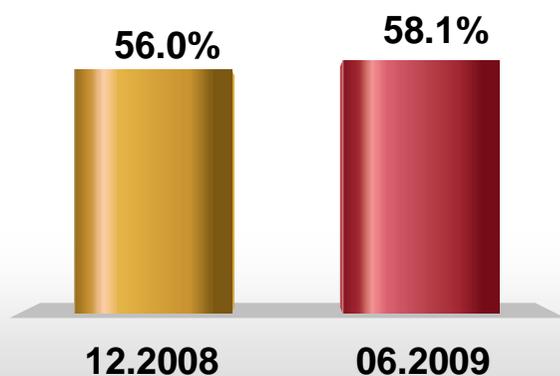
(RMB'M)



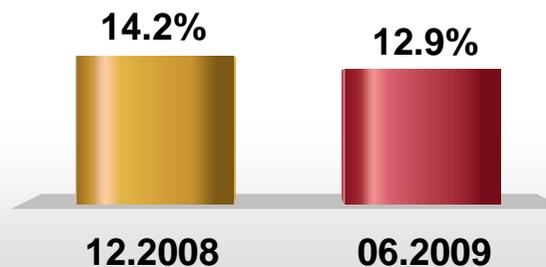


HEALTHY CAPITAL STRUCTURE

Total Liabilities/Total Assets

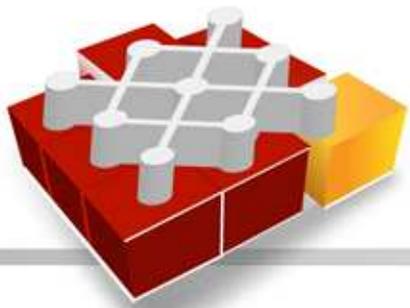


Debt-to-capitalization Ratio



(RMB'M)

	12.2008	06.2009
Total assets	27,837	29,514
Cash & cash equivalents	8,538	7,083
Total liabilities	15,593	17,151
Total debt	1,993	1,817



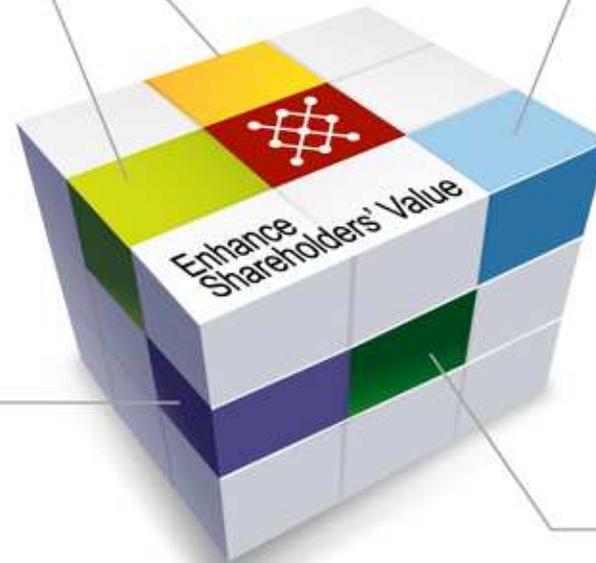
ENHANCE SHAREHOLDER'S VALUE

Progress internal integration to enhance economies of scale

Improve comprehensive budget management & optimize resources allocation

Strengthen performance-based appraisal mechanism to ensure effective implementation of strategies

Promote EMOSS⁽¹⁾ application & increase financial transparency

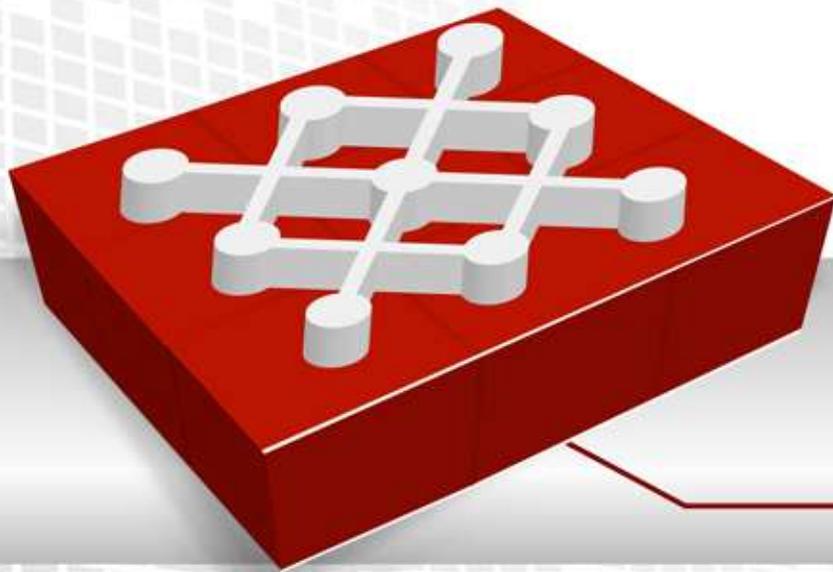


Strengthen cash management to enhance cash utilization efficiency

Note 1: EMOSS is our self-developed internal operation support system, which provides comprehensive IT support in financial management, business management & HR management, etc.



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FORWARD-LOOKING STATEMENTS

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