



中国通信服务

CHINA COMSERVICE

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INTERIM RESULTS 2008

8 SEPTEMBER 2008

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
STOCK CODE: 552

Mr. Li Ping
Chairman

Mr. Zhang Zhiyong
President

Mr. Yuan Jianxing
Executive Vice President & CFO



Overview

Business Review

Financial Results



中国通信服务
CHINA COMSERVICE

OVERVIEW





Favourable Financial Results

- ▣ Sustained double-digit revenue & profit growth
- ▣ Solid financial position



Healthy Business Development

- ▣ Effectively implemented customer-focused service strategy
 - *Over 20% revenue growth from both operators & non-operators*
- ▣ More diversified revenue source
 - *Over 58% revenue contributed by customers other than China Telecom*



Well Prepared to Capture Business Opportunities from Industry Restructuring

- ▣ Completed the acquisition of CITCC¹, with smooth integration
- ▣ Launched CTG² program to support full service operation of operators

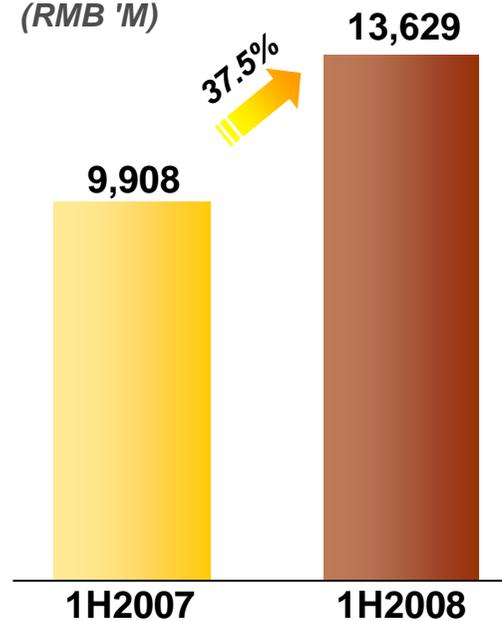
(1) CITCC: China International Telecommunications Construction Corporation
(2) CTG refers to CDMA, TD-SCDMA, GSM and their subsequent technologies

FAVOURABLE FINANCIAL RESULTS



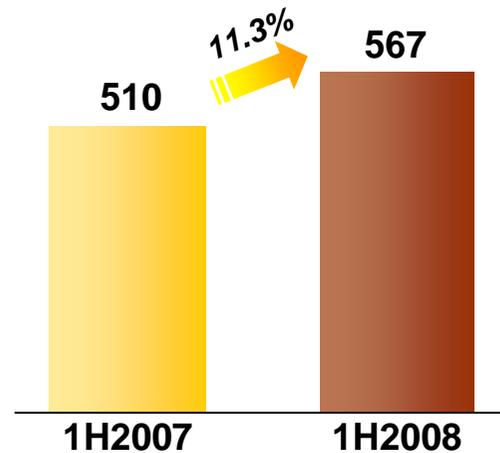
Revenue

(RMB 'M)

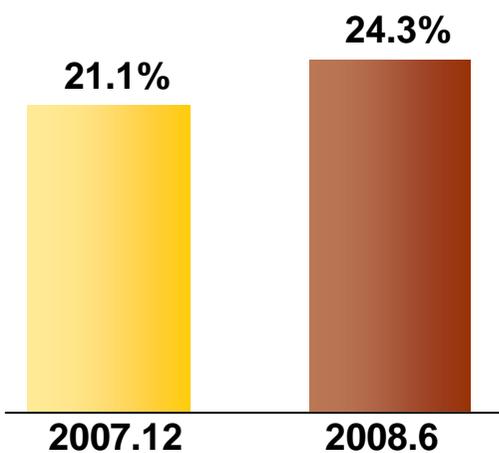


Net Profit

(RMB 'M)



Debt to Capitalization Ratio

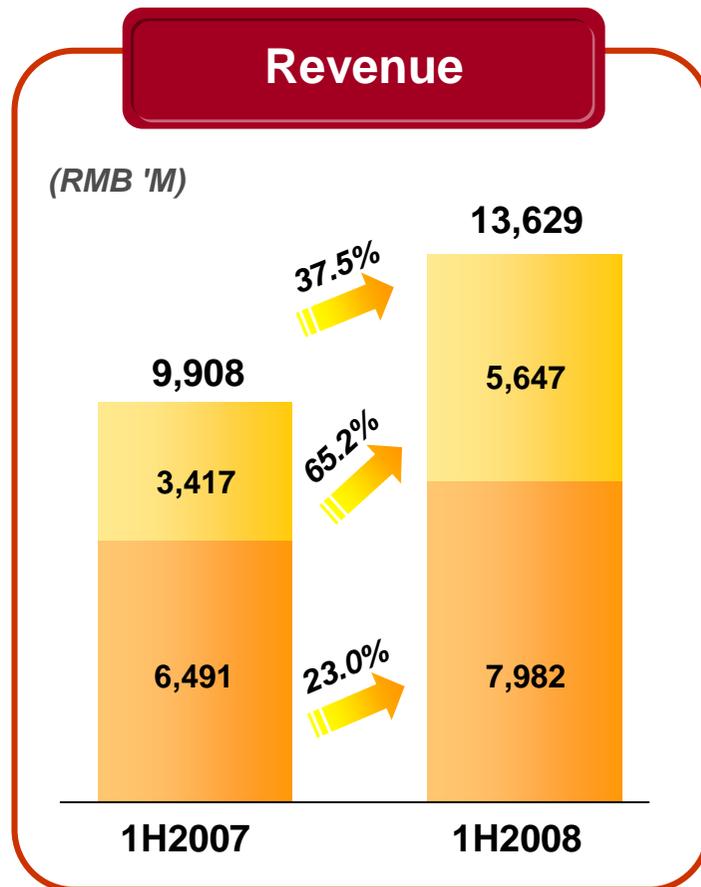


Notes: According to the relevant accounting standard, historical financial data of 2007 has been restated to include the results of the assets & businesses in 13 provinces which we completed the acquisition on 31 August 2007, and the results of CITCC have been included into our Group since the completion of the acquisition on 30 May 2008.

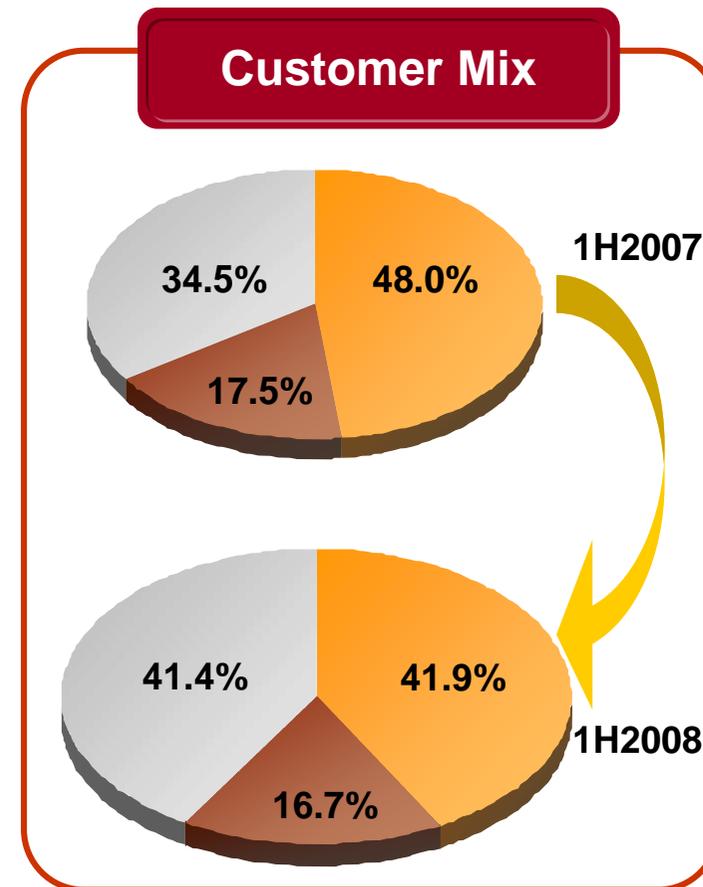
CUSTOMER-FOCUSED SERVICE STRATEGY



Rapid revenue growth from operator and non-operator customers



■ Three Major Operators
■ Government, Corporate & Other Customers



■ China Telecom
■ China Mobile & China Unicom
■ Government, Corporate & Other Customers

ACQUISITION OF CITCC



Acquisition successfully completed on 30 May 2008



Smooth integration

- ▣ Deployed dedicated integration team immediately after acquisition
- ▣ Completed initial integration of business operations and financial & risk management



Healthy business development

- ▣ CITCC achieved significant progress on overseas business development
- ▣ Revenue and net profit in June 2008 were RMB175M and RMB4.31M respectively



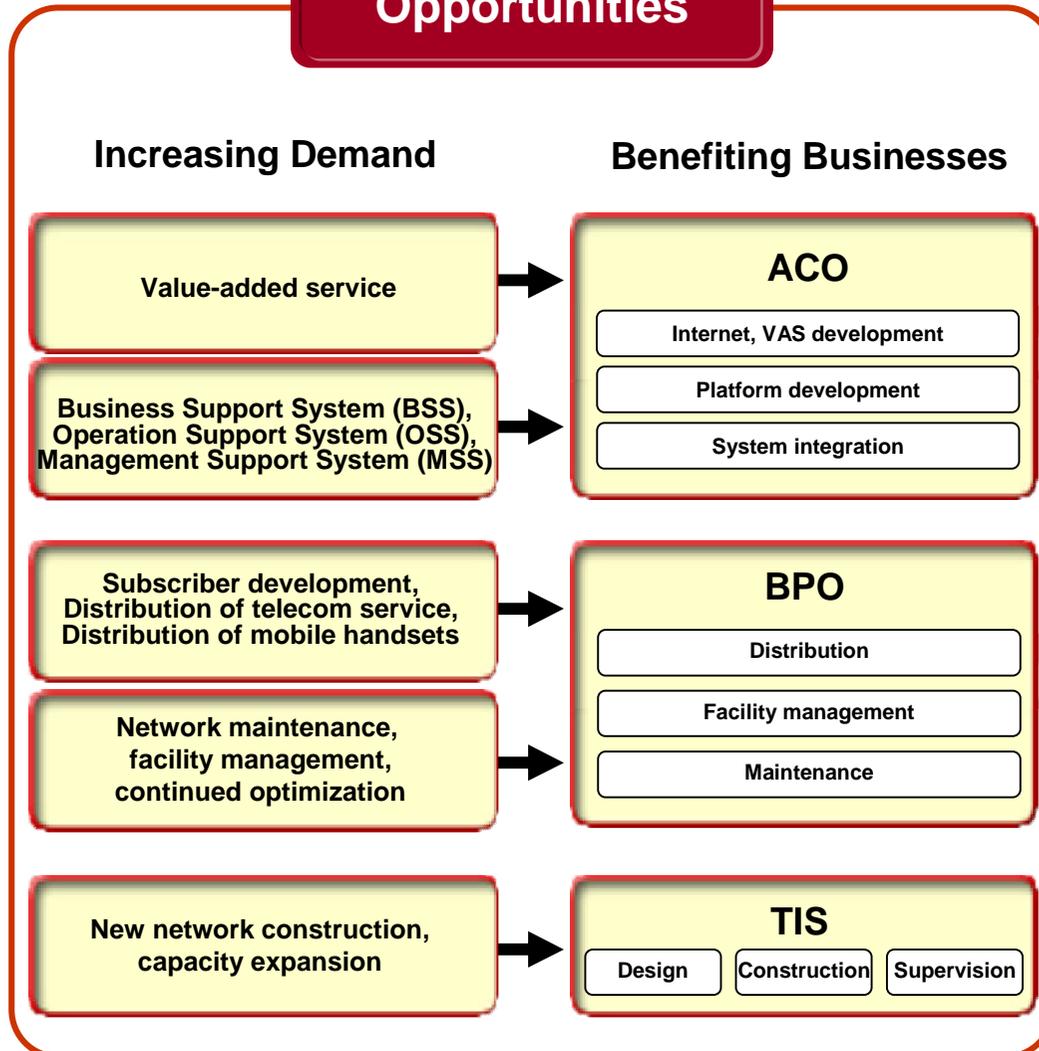
Achieved external growth

- ▣ Enhanced CCS's strengths in northern regions of China and overseas, solidified our position in operator market
- ▣ On course to realize synergies

INDUSTRY RESTRUCTURING – OPPORTUNITIES & CHALLENGES

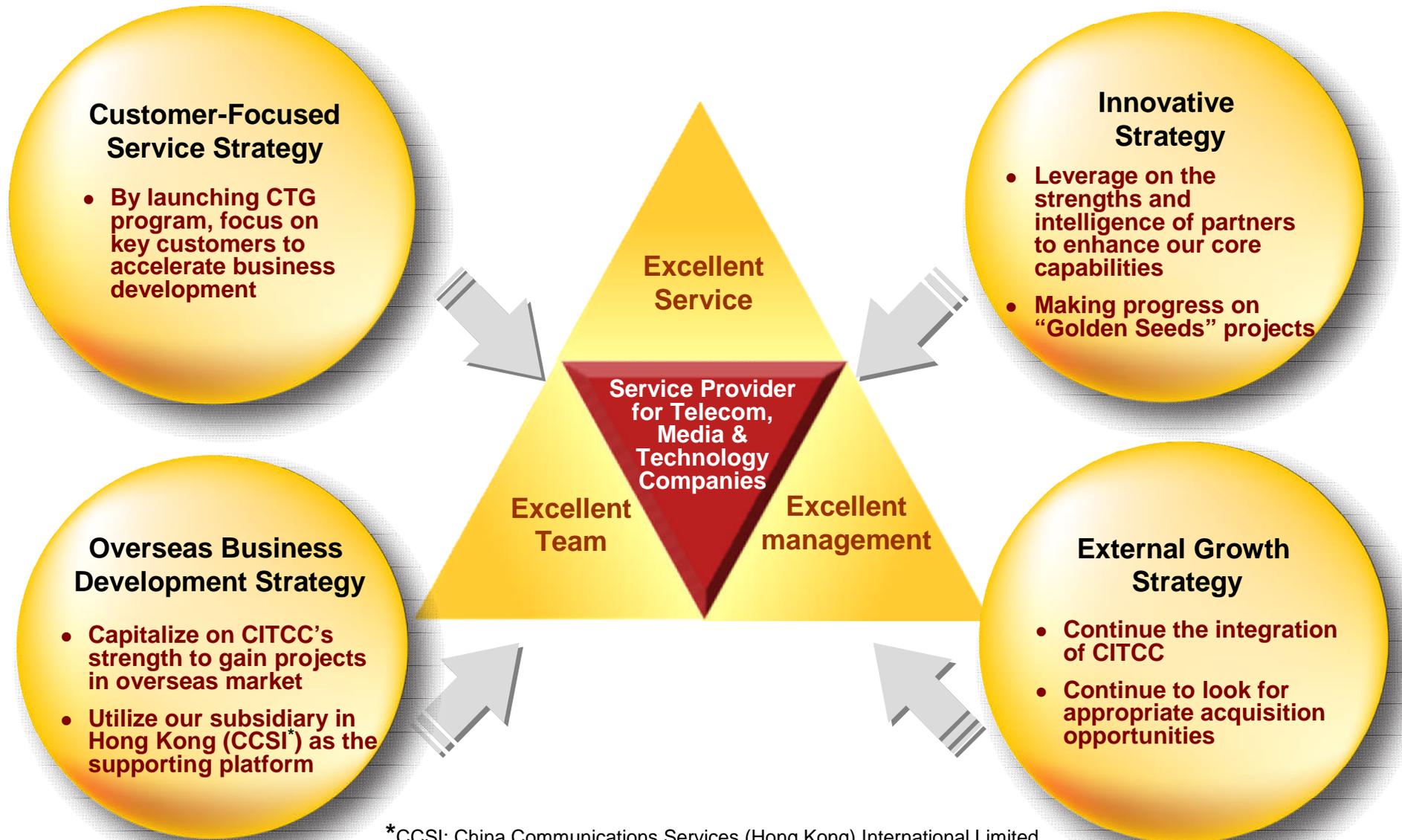


Opportunities



Challenges

- ❑ Higher demand on our support capabilities for telecom operators' full service operation
- ❑ Higher demand on our responsiveness for telecom operators' nationwide operation
- ❑ Uncertainties on our market expansion after the change in industry landscape



*CCSI: China Communications Services (Hong Kong) International Limited



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BUSINESS REVIEW

REVENUE BREAKDOWN

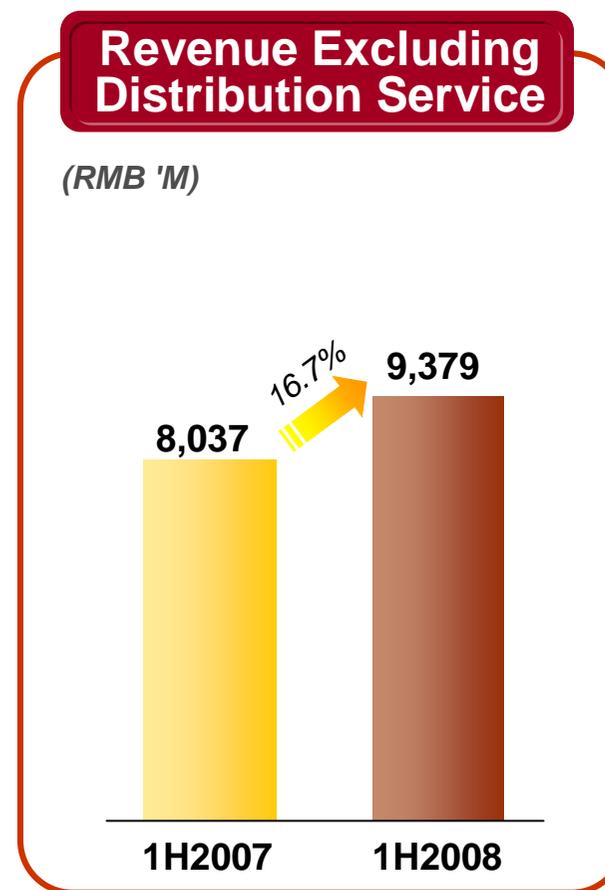
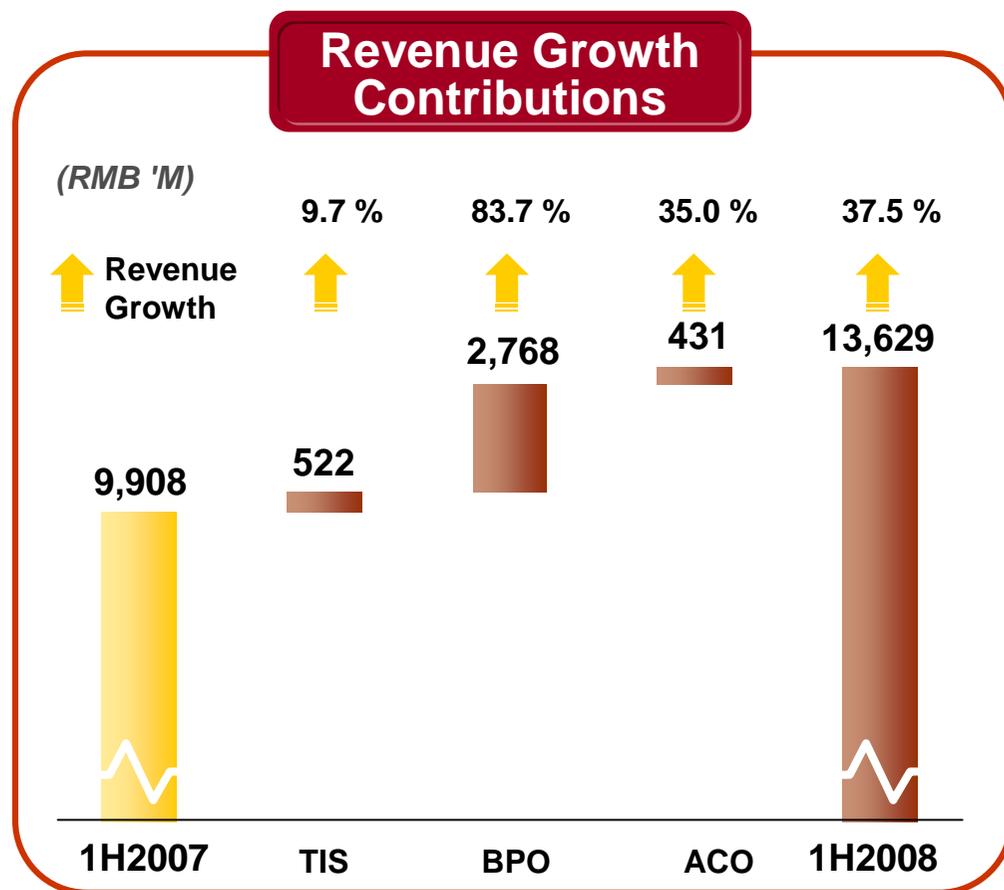


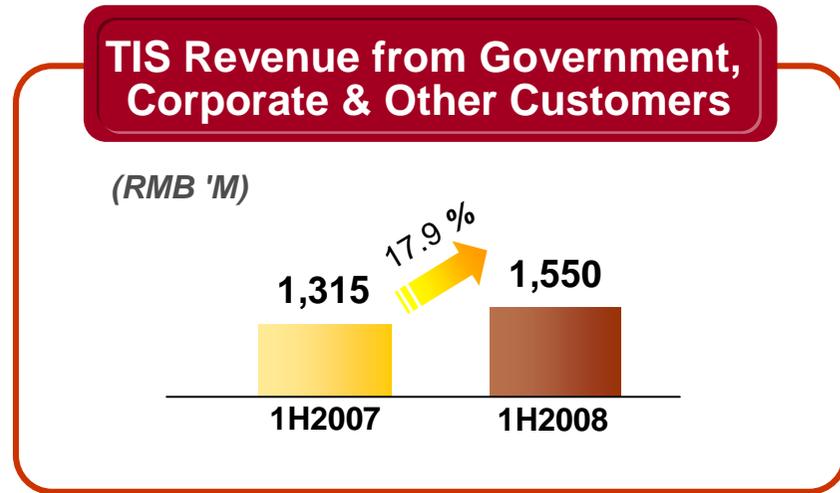
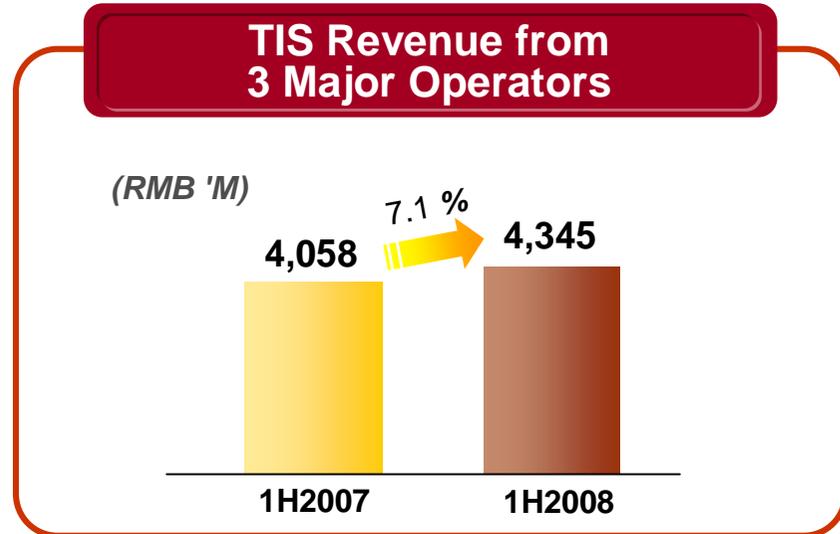
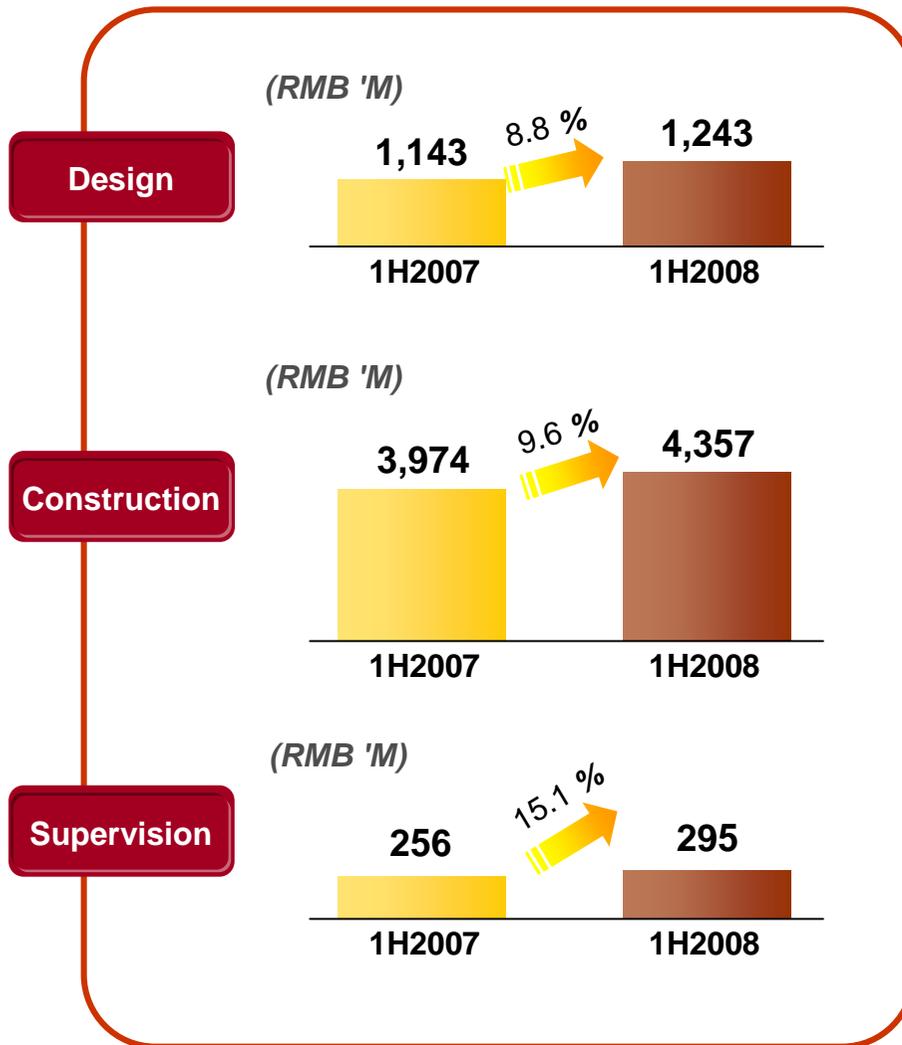
| (RMB 'M) | 1H2007 | 1H2008 | Change | % of revenue |
|----------------------------|--------------|---------------|---------------|---------------|
| TIS | 5,373 | 5,895 | 9.7 % | 43.3 % |
| <i>Design</i> | 1,143 | 1,243 | 8.8 % | 9.1 % |
| <i>Construction</i> | 3,974 | 4,357 | 9.6 % | 32.0 % |
| <i>Supervision</i> | 256 | 295 | 15.1 % | 2.2 % |
| BPO | 3,306 | 6,074 | 83.7 % | 44.6 % |
| <i>Maintenance</i> | 664 | 928 | 39.8 % | 6.8 % |
| <i>Distribution</i> | 1,871 | 4,250 | 127.1 % | 31.2 % |
| <i>Facility Management</i> | 771 | 896 | 16.2 % | 6.6 % |
| ACO | 1,229 | 1,660 | 35.0 % | 12.1 % |
| <i>IT Applications</i> | 538 | 822 | 52.9 % | 6.0 % |
| <i>Internet Services</i> | 238 | 179 | -25.0 % | 1.3 % |
| <i>Voice VAS</i> | 138 | 246 | 78.1 % | 1.8 % |
| <i>Others</i> | 315 | 413 | 31.1 % | 3.0 % |
| Total | 9,908 | 13,629 | 37.5 % | 100.0% |

REVENUE GROWTH DRIVERS



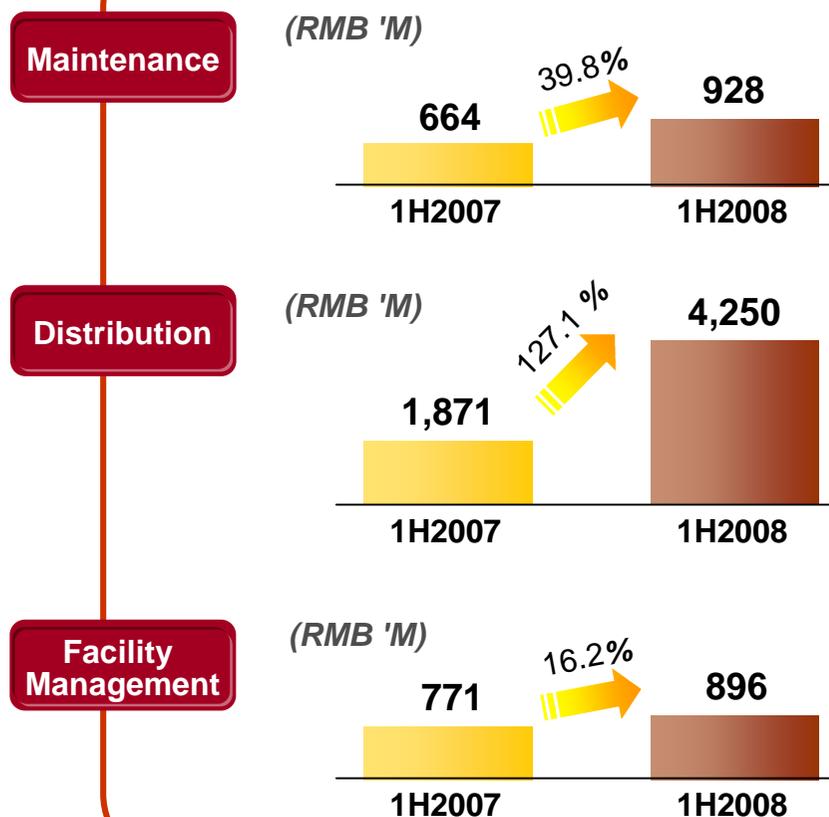
Continued growth in all businesses
Significant growth in distribution service





Leveraged advantages of integrated services capabilities to capture opportunities from customers' outsourcing trend

- ❑ Rapid revenue growth from operators on maintenance services
- ❑ Successful market expansion of government, corporate and other customers on facility management services
- ❑ Expanded logistics service of telecom equipments since 2H07 to offer better integrated services to operators, resulting in rapid revenue growth



DISTRIBUTION SERVICE



❖ Distribution service mainly includes:

- Distribution of telecom services
- Sale of mobile handsets and PHS terminals
- Logistic services on telecom equipments
- Sale of other telecom products (e.g optical cables, telecom equipments, etc.)

❖ Key characteristics of distribution service:

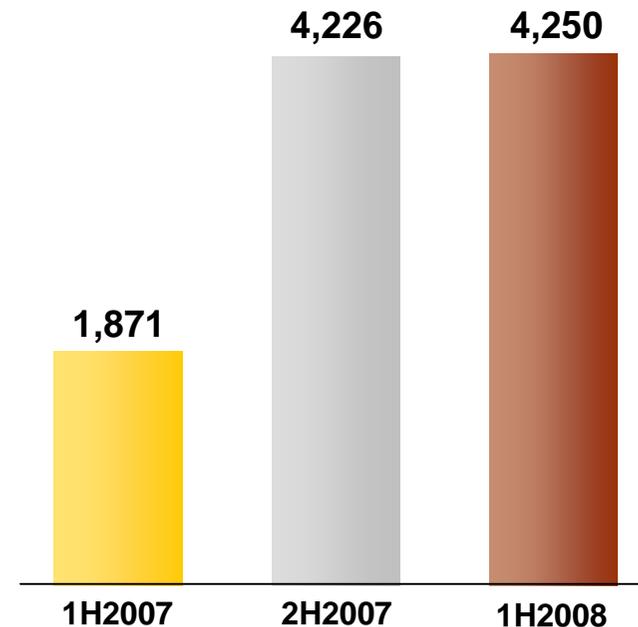
- Low opex, with fast working capital turnover
- Lower GP margin, caused pressure on stability of overall GP margin

❖ Provide distribution service could satisfy customers' needs and increase their loyalty, leading to positive contribution to profit growth

❖ We will continue to optimize business model for distribution service

Revenue

(RMB 'M)



❏ Provide IT applications services that satisfy operators' demand

- System integration
- Platform development (OSS/BSS/MSS etc)

❏ Accelerate Voice VAS service to support operators' transformation

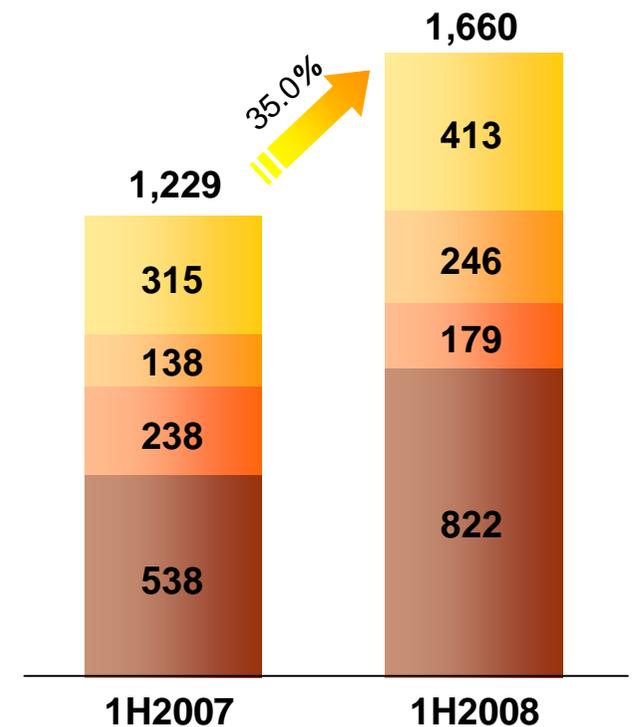
- Call centre
- Telephone information services
- Ring tone

❏ Progress "Golden Seeds" projects as scheduled

- "552" Freeland
- "552" Net TV
- "552" EMOSS

Revenue

(RMB 'M)



■ IT Applications ■ Internet Services
■ Voice VAS ■ Others

Fully support telecom operators' full service operations

Extensive Geographical Coverage Nationwide service support

- Extensive coverage and strengths in southern regions of China
- Enhanced capabilities in northern regions after acquiring CITICC

Comprehensive Technological Know-how Integrated service support

- Wireline network
- Mobile network, including 3G technologies (CDMA2000/TD-SCDMA/WCDMA)
- Internet
- Fixed Mobile Convergence (FMC)

Full Value Chain One-stop service support

- Engineering service
- Maintenance service
- Distribution of telecom service & products
- Development of value-added services
- ...

Neutral & professional service team under "One CCS"

Continuously expand our markets

- ❑ Solidify position in operator market
- ❑ Strengthen cooperation with partners to expand the market of government, corporate and other customers
- ❑ Actively develop overseas markets

Continuously optimize our business model

- ❑ Leverage on our integrated service advantage
- ❑ Increase revenue contribution from high-end & recurring businesses
- ❑ Integrate our resources



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FINANCIAL RESULTS

FINANCIAL PERFORMANCE



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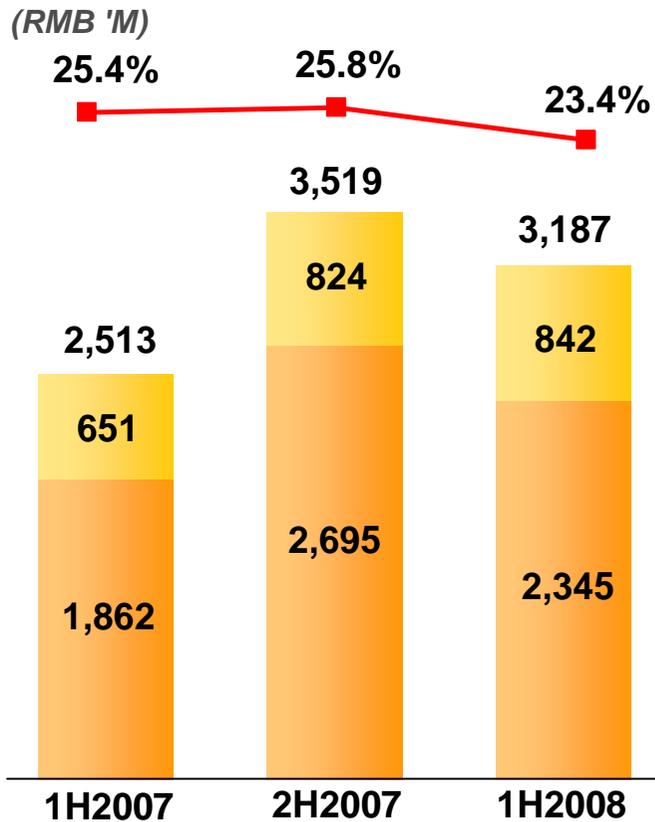
(RMB 'M, except EPS)

| | 1H2007 | 1H2008 | Change | % of revenue |
|------------------------|--------------|---------------|---------------|----------------|
| Revenue | 9,908 | 13,629 | 37.5 % | 100.0 % |
| Cost of Revenue | 8,115 | 11,484 | 41.5 % | 84.3 % |
| Direct personnel | 1,862 | 2,345 | 26.0 % | 17.2 % |
| Subcontracting | 2,041 | 2,907 | 42.4 % | 21.3 % |
| Materials | 2,936 | 4,860 | 65.5 % | 35.7 % |
| D&A | 160 | 169 | 5.5 % | 1.2 % |
| Others | 1,116 | 1,203 | 7.7 % | 8.9 % |
| Gross profit | 1,793 | 2,145 | 19.6 % | 15.7 % |
| SG&A | 1,156 | 1,493 | 29.2 % | 11.0 % |
| Net Profit | 510 | 567 | 11.3 % | 4.2 % |
| EPS (RMB) | 0.094 | 0.101 | 7.4 % | n.a. |

PERSONNEL COST AND HUMAN RESOURCES



Personnel Cost

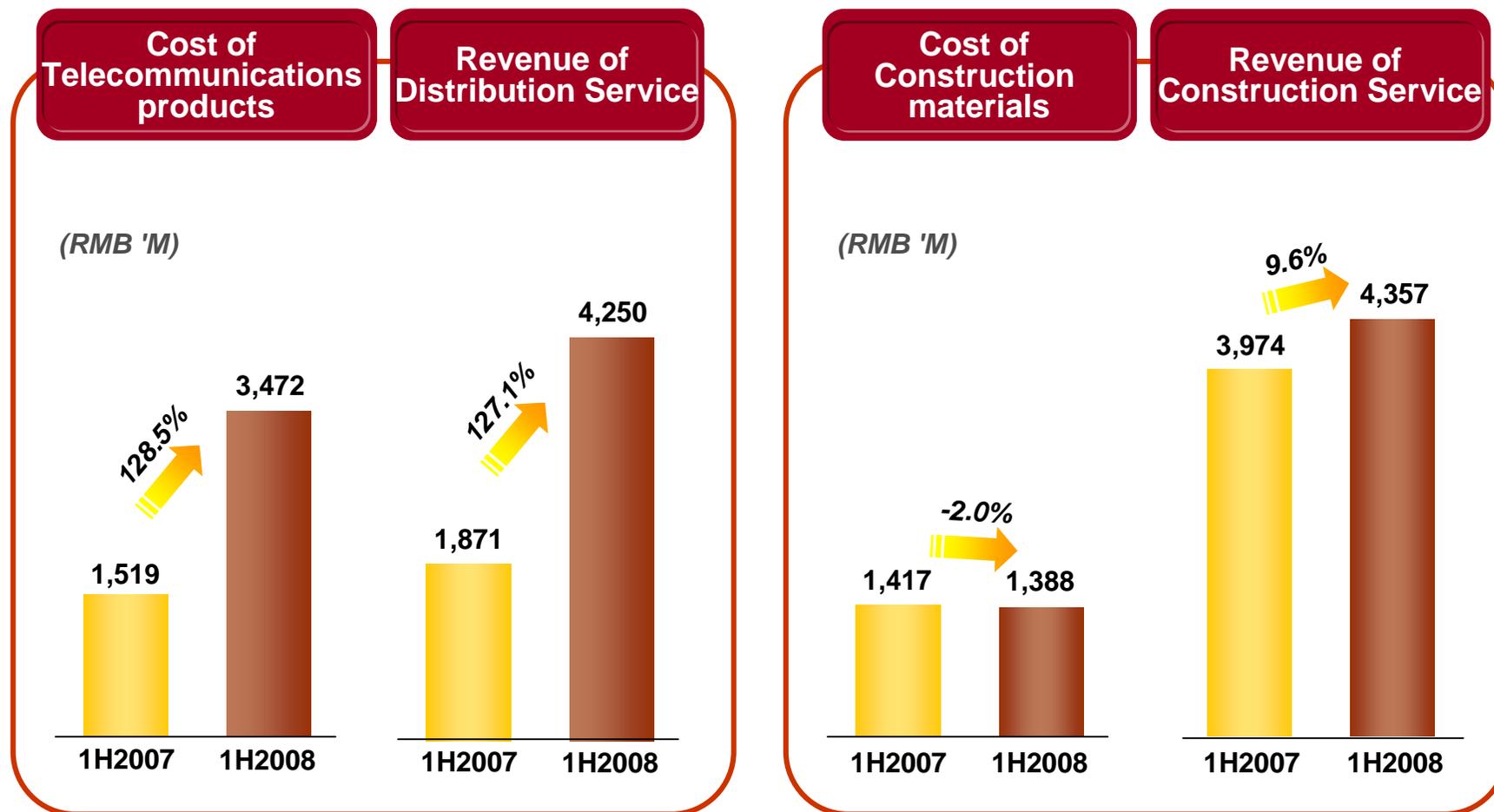


■ Staff Cost in SG&A ■ Direct Personnel
—■—■ as a % of total revenue

Human Resources Strategy

- Control total headcounts & optimize human resources structure
- Implement remuneration scheme linked with business performance
- Establish flat organizational structure, reduce management hierarchy
- Recruit, train and accumulate 3G technical and business professionals

MATERIAL COST



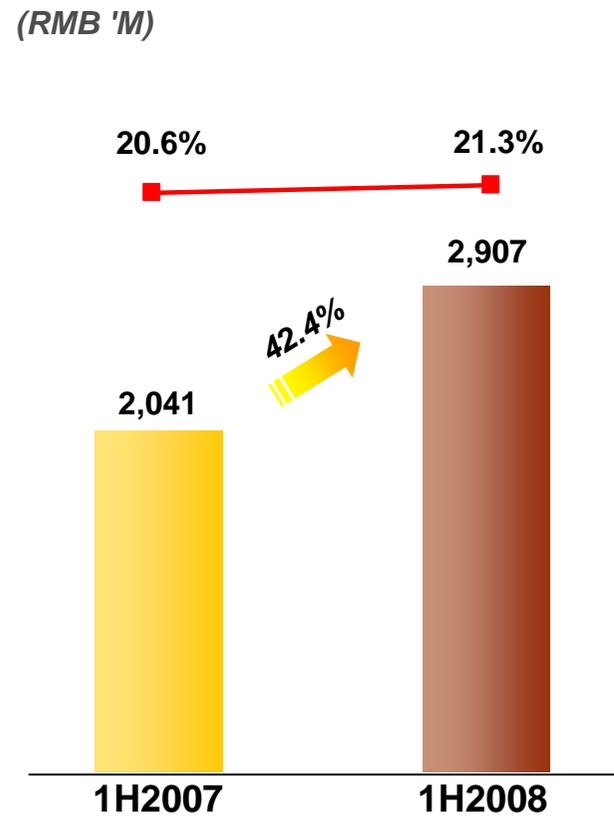
Notes: Material costs comprise the cost of telecommunications products and construction materials.

SUBCONTRACTING COST



- Arranged more low-end business subcontracting in the rapidly growing maintenance and distribution services to enhance efficiency
- Requested subcontractor to bear more materials cost in construction services to minimize the risk of price fluctuation of materials

Subcontracting Cost

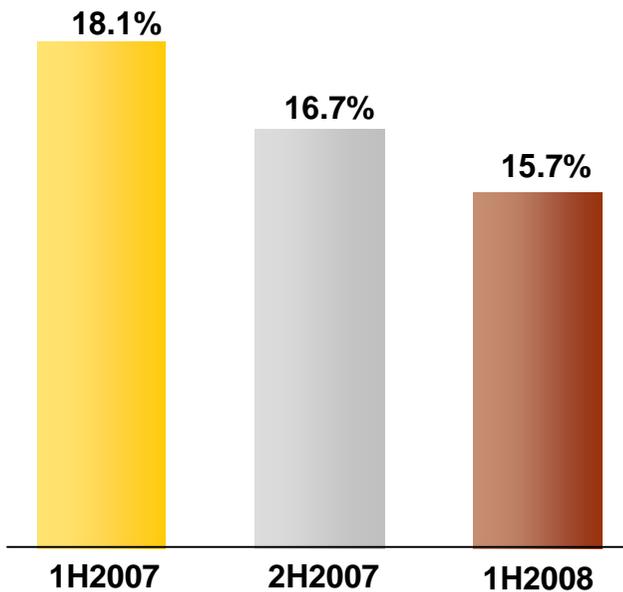


■ — ■ as a % of total revenue

GROSS PROFIT MARGIN



Gross Profit Margin



Initiatives

- Develop high-end market
- Improve business mix
- Stringent cost control

FINANCIAL POSITION



(RMB 'M, except % figures)

| | 2007.12 | 2008.6 |
|---------------------------------------|---------|--------|
| Total assets | 21,840 | 26,744 |
| Cash & cash equivalents | 6,632 | 7,413 |
| Total liabilities | 12,202 | 15,380 |
| Total debt | 2,561 | 3,622 |
| Total liabilities/Total assets | 55.9% | 57.5% |
| Debt to capitalization ratio | 21.1% | 24.3% |

| | 1H2007 | 1H2008 |
|---|--------|---------|
| CAPEX (RMB 'M) | 256 | 208 |
| Free Cash Flow (RMB 'M) | (881) | (1,050) |
| Account Receivable Turnover Days | 127 | 115 |

ENHANCE SHAREHOLDERS' VALUE



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Optimize resources allocation, Support business development

- Allocate resources to key business and area that match our development strategies

Enhance resources utilization efficiency, Ensure profitability

- Through measures like centralized procurement to control costs
- Improve centralized cash management to lower finance cost
- Enhance working capital management to improve free cash flow

Strengthen risk management, Enhance corporate governance

- With reference to international best practices to improve internal control and risk management systems
- Improve IT management system to enhance overall operational management

**Enhance
Shareholder's Value**

A bar chart with three vertical bars of increasing height from left to right. A large orange arrow points upwards and to the right, starting from the first bar and ending at the top of the third bar. The text 'Enhance Shareholder's Value' is written in red, bold, italicized font along the path of the arrow.

Thank You

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