

Press Release
24 August 2023
For Immediate Release



中国通信服务
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2023 INTERIM RESULTS

HIGHLIGHTS:

- Continued to achieve high-quality operating results by implementing strategies progressively
- Operating efficiency improved comprehensively with gross profit margin continuing to rebound
- High-margin businesses fueled growth with technological innovation leading development
- Growth momentum emerging by focusing on strategic emerging industries
- Seize opportunities in digital economy by strengthening capabilities through reform and innovation

Financial Highlights (unaudited)

For the six months ended 30 June	2022	2023	Change
Revenues (RMB million)	69,254	73,170	+5.7%
In which: Service Revenue (RMB million)	66,496	70,713	+6.3%
Profit Attributable to Equity Shareholders of the Company (RMB million)	1,895	2,034	+7.3%
Basic Earnings per Share (RMB)	0.274	0.294	+7.3%
Free Cash Flow (RMB million)	-2,607	-1,122	--
Gross Profit Margin (%)	10.5%	10.7%	+0.2pp
Net Profit Margin (%)	2.7%	2.8%	+0.1pp
Annualized ROE (%)	9.8%	10.0%	+0.2pp

(Hong Kong, 24 August 2023) — China Communications Services Corporation Limited (“**China Comservice**” or the “**Company**”), and its subsidiaries (the “**Group**”) (HKSE code: 552), today announced its unaudited interim results for the six months ended 30 June 2023.

OPERATING PERFORMANCE

In the first half of 2023, the Chinese government accelerated the development of digital economy to promote the in-depth integration of the digital economy and the real economy. Leveraging its positioning as a “New Generation Integrated Smart Service Provider”, the Group aims to build itself as a “First-class Smart Service Innovative Enterprise”, focuses on strategic emerging businesses for future development, and strives to become the “Main Force in Digital Infrastructure Construction, Vanguard in Smart City Services, Leading Enterprise in Industrial Digitalization Services and Trusted Expert in Smart Operation”. With high-quality development as the principle and value creation as the focus, the Group was committed to pursuing the steady development of its fundamental businesses while expediting the business expansion in the strategic emerging industries, leveraging technological innovation as the lead, enhancing its product and service values, advancing reform in key areas, continuously enhancing its core competitiveness, thus achieving steady growth in its operating results.

I. Steady Yet Improving Operating Results Achieved with Continuous Improvement in Quality and Efficiency

With the philosophy of “Effective Improvement in Quality and Reasonable Growth in Quantity”, the Group seized the opportunities arising from the construction of Digital China and achieved steady growth in revenue, continuous improvement in both gross profit margin and net profit margin, as well as a sustained positive trend in indicators such as cash flow and shareholders’ return. In the first half of the year, the Group’s total revenues amounted to RMB73,170 million, representing a year-on-year increase of 5.7%, among which, service revenue¹ amounted to RMB70,713 million, representing a year-on-year increase of 6.3%. Gross profit was RMB7,834 million, representing a year-on-year increase of 7.4%. Gross profit margin was 10.7%, representing a year-on-year increase of 0.2 percentage point, continuing the stabilization and recovery trend. Net profit² was RMB2,034 million, representing a year-on-year increase of 7.3%, and such growth rate continued to be higher than the revenue growth rate. Net profit margin was 2.8%, which stabilized and improved on a year-on-year basis. Free cash flow recorded a year-on-year improvement. Return on equity (ROE) was 10.0%³, representing a further enhancement on a year-on-year basis. Basic earnings per share were RMB0.294, representing a year-on-year increase of 7.3%.

1. Forging ahead with transformation and upgrade, the three major business segments maintained steady growth

During the first half of the year, benefited from the rapid growth of the digital infrastructure business, revenue from the Group’s telecommunications infrastructure (“TIS”) services amounted to RMB37,688 million, representing a year-on-year increase of 7.5%, accounting for 51.5% of total revenues, being the largest contributor to revenue growth by business segment in the first half of the year. Among which, the growth was steered by high-value consultation and design businesses, with the business quality of the segment improving

¹ Service Revenue = total revenues – revenue from products distribution – revenue from IT equipment supplies in system integration

² Net profit refers to profit attributable to the equity shareholders of the Company.

³ Return on equity is on an annualized basis.

continuously. Revenue from business process outsourcing (“BPO”) services was largely stable and increased slightly, and amounted to RMB21,729 million, representing a year-on-year increase of 0.9%, accounting for 29.7% of total revenues. Revenue from applications, content, and other (“ACO”) services amounted to RMB13,753 million, representing a year-on-year increase of 8.6%, accounting for 18.8% of total revenues, and maintained a favorable growth momentum. Among which, revenue from software development and system support grew rapidly by 31.5% year-on-year, signifying market recognition of the Group’s capability in terms of its software and digital services.

2. Integrating itself into the ecosystem of customers, the development in the three major markets remained robust

(A) Focusing on new businesses in domestic non-operator market and reinforcing its development quality. The Group focused on strategic emerging industries and strengthened its core products, services and capabilities that fit the industry development and the ecosystem of customers. By deeply exploring the business needs such as digital government, digital transformation of enterprises, intelligent computing centers, electricity infrastructure and ancillary facilities as well as photovoltaic construction, and leveraging the Group’s “Consultant + Staff + Housekeeper”⁴ service advantages and “Platform + Software + Service”⁵ capability advantages, the development quality of such market continued to be reinforced. In the first half of the year, revenue from the domestic non-telecom operator (“domestic non-operator”) market⁶ amounted to RMB31,623 million, representing a year-on-year increase of 3.6%.

(B) Keeping abreast of the changing needs in domestic telecommunications operator market to drive revenue growth. The Group actively responded to the changing needs of domestic telecommunications operator customers in data center, computing power network and industrial digitalization, and gave full play to the advantages of its differentiated capabilities in software research and development, system integration and support services, etc. The Group kept enhancing its proficiency in project management and in delivering projects in high quality to facilitate the transformation and upgrading of the operator customers, collaborating with operators to develop the incremental potential for digital economy and building a symbiotic and win-win ecosystem. In the first half of the year, revenue from domestic telecommunications operator market amounted to RMB39,977 million, representing a year-on-year increase of 7.5% and accounting for 54.7% of the total revenues, making it the largest contributor to revenue growth among all customer groups⁷.

⁴ “Consultant + Staff + Housekeeper” service model is a unique business model adopted by the Group in recent years. “Consultant” means that the Group acts as the “Consultant” to help its customers through leveraging its talents and product advantages, so as to turn customers’ needs into feasible solutions or projects. “Staff” means that the Group, as appointed by its customers, assists them in the capacity of “Staff” in coordinating other stakeholders of the project, so as to promote the smooth implementation of the project and ensure that its customers’ original expectation can be achieved. “Housekeeper” means that the Group provides a full life cycle management and accompanying service of the relevant businesses and creates values for customers.

⁵ “Platform + Software + Service” capabilities: utilize core foundation platforms, including cybersecurity and IoT, focus on various smart applications for customer scenarios and the integrated service capabilities covering consultation and planning, project construction, operation and maintenance, to provide customers with customized integrated solutions.

⁶ Since 2023, the Group has reclassified its revenue from China Broadcasting Network from the domestic non-operator market to the domestic telecommunications operator market. The relevant historical data have been retrospectively adjusted in order to increase the comparability, and the overall revenue in the first half of 2022 was not affected as a result of such reclassification.

⁷ Customers here are classified into three categories, including the domestic non-operator customers, domestic telecommunications operator customers and overseas customers.

(C) Steady growth achieved in overseas market through optimizing deployment and enhancing quality. Centering on key regions along the “Belt and Road”, the Group developed high-quality projects, proactively promoted the cooperation with Chinese companies in the ecosystem, and provided overseas customers with construction services of digital infrastructure, photovoltaic and new types of energy storage, resulting in a continuous increase in the proportion of high-value businesses and operating efficiency enhancement. Revenue from overseas market amounted to RMB1,570 million, representing a year-on-year increase of 1.2%.

II. Focusing on New Momentum, Strategic Emerging Businesses Achieved Robust Development

As the construction of Digital China advanced at full speed and the industrial informatization market grew at a robust pace, the Group catered to the needs of the government, industry and enterprise customers, focused on expanding the strategic emerging industries, including digital infrastructure, smart city, green and low-carbon, and emergency management and security, and actively fostered new growth momentum. In the first half of the year, the value of the new contracts from strategic emerging industries recorded a year-on-year growth of over 30% and accounted for more than 27% of the total new contracts value, becoming a major contributor to total contracts growth.

In the field of digital infrastructure, the Group grasped the opportunities in respect of the construction of data centers, intelligent computing centers and supercomputing centers presented by the national “East-To-West Computing Resources Transfer” project and AIGC⁸. And it also closely followed the main development direction of clustering, low-carbon transformation and computerization of data centers, as well as the opportunities in the construction of operators’ cloud and industrial cloud, with a focus on new digital infrastructure, including data center and computing power network, cloud business and enterprise-level 5G+. The Group established the Digital Infrastructure Industry Research Institute, conducted in-depth customer insights, and strengthened its products and solutions empowerment, enabling it to successfully undertake several general contracting projects with contract value of over RMB100 million each.

In the field of smart city, steered by the top-level design of smart cities, the Group capitalized on the advantages of its “Consultation + General Contracting + Software + Platform + Service” integrated service capability, and put extra efforts in the development of key areas such as digital government, enterprise digital transformation and smart transportation. The Group built professional teams that catered to customers’ core needs, continuously improved quality of localized delivery and operation to form standardized cases and replicated and promoted such cases rapidly. The Group contributed to the intelligentization of urban management, and was shortlisted in the “2023 Digital Government Industry Mapping” published by the China Academy of Information and Communications Technology, demonstrating its growing brand influence.

In the new field of green and low-carbon, the Group remained committed to serving the national

⁸ AIGC refers to Artificial Intelligence Generated Content.

“Dual Carbon” strategic goal, and further developed the markets of different sub-sectors, including electricity infrastructure and ancillary facilities, photovoltaic construction, energy usage services and carbon management. By integrating 5G, Internet of Things (IoT), cloud computing, big data, artificial intelligence and other technologies as well as forging the Group’s advantage in full life cycle integrated comprehensive services, it provided intelligentization and decarbonization services to customers in key industries, such as energy and electricity, transportation, real estate and construction, industrial manufacturing as well as information and communications. The Group commenced an all-round strategic collaboration with China Beijing Green Exchange in connection with the construction of green and safe data centers as well as informatized infrastructure network. Besides, it engaged 25 scientific research institutes and higher education institutions to carry out forward-looking joint cooperation between industries, universities and research institutes on “Dual Carbon”, in a bid to support China’s goal of green development.

In the field of emergency management and security, the Group focused on the scenario-based needs of regulatory authorities and key industry customers, increased synergistic research and development efforts, strengthened resource coordination and sharing, and focused on developing core products such as asset surveying and mapping, situational awareness, safe production supervision, risk monitoring and early warning as well as emergency rescue command, etc. The Group stepped up the nationwide promotion of the products and achieved mutual facilitation between research and development and market. It was selected in the “China Cybersecurity Industry Panorama” by AQNIU⁹ and successfully shortlisted as a representative vendor in the “China Cybersecurity Industry Momentum List”¹⁰ by ROARTALK.

III. Continuing to Build up Core Capabilities and Develop a First-class Smart Service Innovative Enterprise

1. Strengthening the drive from technological innovation and enhancing product competitiveness

The Group strengthened the leading role of technological innovation and continuously enhanced its core capabilities to firmly support its expansion into the strategic emerging industries and its effort to build a technology-based enterprise. The Group continued to increase its investment in research and development, optimized its technological innovation system, focused on industrial digitalization application research and development, and core professional technical fields such as IoT, blockchain, dual carbon energy-saving technology and cybersecurity, to create benchmark solutions and core products as well as improving research and development efficiency. The Group enhanced the efficiency in the collaboration between the research and development team, the marketing team, and the delivery team, and thus rapidly improved the efficiency in product promotion. The Group vigorously introduced high-end expert teams and technology talents, continuously strengthened its core competitiveness, with a view to driving high-quality development with technological innovation.

⁹ “AQNIU” is an influential third-party professional media and flagship think-tank in the domestic cybersecurity sector.

¹⁰ “China Cybersecurity Industry Momentum List” (《中國網絡安全產業勢能榜》) is an authoritative industry report jointly published by ROARTALK Cybersecurity Research Institute (嘶吼安全產業研究院), an industry think-tank, and the National Cybersecurity Industrial Park (Tongzhou Park).

2. Enhancing comprehensive integrated capabilities to provide customers with high-standard services

Amid the opportunities arising from the disruptive industrial transformation spawned by digitalization, the Group leveraged its positioning as a “New Generation Integrated Smart Service Provider” and integrated its 4T¹¹ capabilities to promote itself as a provider of premium service persistently. Adopting a customer-centric approach, the Group focused on customers’ demand for digital transformation and gave full play to its advantages of comprehensive integrated services such as digitalization general integration, digital infrastructure general contracting, and also its edge in consultation and design. Besides, it continuously optimized marketing and operation and service system that adapts to new businesses and new models so as to enhance its comprehensive delivery capabilities for the whole value chain, with an aim to ensuring high-quality development through the provision of premium services.

3. Accelerating digital transformation to achieve high-efficiency operation

The Group regarded digitalization as the utmost important factor to enhancing its value creation capability. Steered by its overall planning, the Group pressed on the in-depth integration of digital technology with the management of its production and operation as well as its products and services, and drove the production model innovation as well as business and product innovation. The above measures will promote the building of a technology-oriented enterprise and the strengthening of the Group’s capability in technological innovation for future development. The Group improved its mindset and sense of digital transformation, cultivated talents, strengthened the motivation for digital transformation and innovation, and concerned the enterprise’s internal core needs and its experience on digitalization. The Group continued to promote digital transformation of its internal production and operation, accelerated the promotion of mature digitalization tools such as production efficiency enhancement platforms and project onsite management system, thereby enhancing its operating efficiency and data sharing capability, lowering production and operating costs, raising the perception of customers and promoting high-quality development by digitalization means.

4. Promoting reforms in key areas steadily to build industry-leading enterprises

The Group persisted in deepening reforms and continued to optimize its operation management system and mechanism with a view to achieving the goal of stimulating vitality, strengthening impetus and enhancing capability. The Group steadily promoted the consolidation of its professional subsidiaries, completed the shareholding reform of the subsidiary, China Comservice Supply Chain Co., Ltd. (formerly known as China Comservice Supply Chain Management Co., Ltd.), and completed one of the phases of the consolidation of China Comservice Smart Property Development Co., Ltd. The Group accelerated the cultivation of leading professional enterprises in consultation and design as well as application software, and built new competitive advantages in the value chain of the industry, elevated corporate governance level and operating efficiency, with a view to driving high-quality development through deepening reforms.

¹¹ 4T includes CT (Communications Technology), IT (Information Technology), DT (Data Technology) and OT (Operational Technology).

PROSPECTS

Mr. Liu Guiqing, Chairman of China Comservice said, “Currently, the construction of Digital China has become a key driver for promoting Chinese modernization, and new technologies such as artificial intelligence, big data and cloud computing are driving industrial development and reform, bringing a promising market potential for the strategic emerging industries. The Group will continue to leverage its strengthening capabilities in the development of strategic emerging industries and focus on cultivating a new growth curve. The Group will enhance its integrated capabilities of consultation and design by speeding up the upgrade of its consultation and design businesses, increasing research and development investment, bringing in high-end experts, and thereby promoting digital transformation and upgrading as well as its business deployment in strategic emerging industries. The Group will strengthen its general contracting capabilities for infrastructure construction by actively pursuing large and high-value general contracting projects in the industry, focusing on cultivating an efficient general contracting project management team, creating cost advantages, and thereby comprehensively enhancing general contracting project management capabilities. By capitalizing on the strength of its brand, the Group will enhance its capabilities by solidifying its leading position in communications infrastructure construction and by accelerating the upgrading and transformation with a focus on areas such as smart city, industrial digitalization services and smart operations, thereby aiming to build a brand for the main force in digital infrastructure construction and become the industry’s first choice. The Group will enhance its ability in driving industry development through capital operations, utilize the role of capital as a link and build stronger industry ecosystem through investment, actively seeking opportunities for large projects, and thereby facilitating new business expansion and development quality enhancement. Looking ahead, the Group will accelerate the building of a ‘First-class Smart Service Innovative Enterprise’ and effectively improve its core competencies constantly, and continue its new journey on the path of high-quality development together with the business partners in the industry, customers and society.”

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About China Comservice

China Comservice is a New Generation Integrated Smart Service Provider that provides integrated comprehensive smart solutions in the informatization and digitalization sector including telecommunications infrastructure services spanning from design, construction to project supervision and management; business process outsourcing services spanning from management of infrastructure for information technologies (network management), general facilities management(property management), supply chain and products distribution; applications, content and other services spanning from system integration, software development and system support to value-added service, etc. The Company’s major customers include domestic telecommunications operators (including domestic telecommunications operators in China and China Tower Corporation Limited), domestic non-telecom operator customers including government agencies, industrial customers and small and medium-sized enterprises, as well as overseas customers. Its

controlling shareholder is China Telecommunications Corporation, and besides, China Mobile Communications Group Co., Ltd., China United Network Communications Group Company Limited, State Grid Information & Telecommunication Technology Group Co., Ltd. And China National Postal and Telecommunications Appliances Co., Ltd. Are also shareholders of the Company.

In the first half of 2023, the Group ranked 98th in the “2023 FORTUNE China Listed Companies 500” and ranked 1,499th in the “2023 Forbes Global 2000”. The Group was awarded with awards including “Most Honored Company”, “Best CEO”, “Best CFO”, and “Best ESG” in the “2023 Asia Executive Team Rankings” by Institutional Investor. It also won awards such as “Asia’s Best CEO”, “Asia’s Best CFO”, “Best Investor Relations Company” and “Best Environmental Responsibility” in the “13th Asian Excellence Award” held by Corporate Governance Asia, a corporate governance 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.