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中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司
CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 552)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- The Group seized the opportunities arising from computing power network construction, digital transformation as well as green transformation, and effectively responded to the changes brought by the external environment, realizing steady growth in its operating results and continuous improvement of its efficiency indicators:
 - Total revenues were RMB74,412 million, up by 1.7%, among which service revenue grew by 3.0%.
 - Net profit was RMB2,125 million, up by 4.4%, this growth rate was higher than the revenue growth rate by 2.7 percentage points.
 - Gross profit margin was 10.9%, up by 0.2 percentage point, and continued its positive recovery trend in recent years.
- Domestic non-operator market drove the Group's revenue growth, with business values improved remarkably; while the domestic telecommunications operator market remained stable.
- The Group continuously increased investment in technological innovation and realized benefits, with revenue from applications, content and other services being the leading contributor to revenue growth.
- The Group continued to expand deeply into strategic emerging industries, including digital infrastructure, smart city, green and low-carbon, and emergency management and security, and built up new momentum and new edges, with the new contracts value growing by more than 40%.

CHAIRMAN’S STATEMENT

Dear Shareholders,

In the first half of 2024, with the in-depth implementation of the development strategies for digital economy in the country, digital economy has become an important support and key driving force to promote the development of new quality productive forces. Amid the complex external environment and fierce market competition, the Group leveraged its positioning as a “New Generation Integrated Smart Service Provider”, firmly grasped the development opportunities of digital economy, united hearts and efforts and forged ahead with determination. With technological innovation as the lead, the Group continued to improve its core competitiveness and expand deeply into the strategic emerging industries, thereby achieving “Effective Improvement in Quality” and “Reasonable Growth in Quantity” as well as further improvement in the level of high-quality corporate development.

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

The Group adhered to its overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development”, by which our total revenues steadily increased and our efficiency indicators continuously improved. In the first half of the year, the Group’s total revenues amounted to RMB74,412 million, representing a year-on-year increase of 1.7%, among which, service revenue¹ amounted to RMB72,855 million, representing a year-on-year increase of 3.0%. Gross profit amounted to RMB8,116 million, representing a year-on-year increase of 3.6%. Gross profit margin was 10.9%, representing a year-on-year increase of 0.2 percentage point. Profit attributable to equity shareholders of the Company amounted to RMB2,125 million, representing a year-on-year increase of 4.4%, and the net profit² growth rate was higher than the revenue growth rate. Net profit margin was 2.9%, representing a year-on-year increase of 0.1 percentage point. Return on equity³ (ROE) was 9.9%. Basic earnings per share were RMB0.307, representing a year-on-year increase of 4.4%.

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.

1. *Being Led by the Advantageous Businesses, the Three Major Business Segments Maintained Steady Development*

In the first half of the year, revenue from the Group’s telecommunications infrastructure (“TIS”) services amounted to RMB37,666 million, which remained largely stable as compared to the same period of last year, accounting for 50.6% of total revenues. Revenue from business process outsourcing (“BPO”) services amounted to RMB22,163 million, representing a year-on-year increase of 2.0%, accounting for 29.8% of total revenues. Revenue from applications, content and other (“ACO”) services amounted to RMB14,583 million, representing a year-on-year increase of 6.0%, accounting for 19.6% of total revenues, which was the largest contributor to revenue growth by business segment in the first half of the year.

2. *Seizing the Development Trend of Digital Economy, the Three Major Markets Expanding Steadily*

(A) Domestic non-operator market led the Group’s revenue growth by accelerating the expansion in the field of industrial digitalization. The Group focused on strategic emerging industries represented by digital infrastructure, green and low-carbon, smart city as well as emergency management and security. Persisting in leading through consultation and design as well as empowerment by digitalization advantages, the Group leveraged its advantages of “Consultant + Staff + Housekeeper”⁴ services and “Platform + Software + Service”⁵ capabilities to provide customized and multi-scenario solutions to customers in government, energy and power, construction, transportation and other industries, increasing the value of business from such market remarkably. In the first half of the year, revenue from the domestic non-telecom operator (“domestic non-operator”) market amounted to RMB32,409 million, representing a year-on-year increase of 2.5%, which was the largest contributor to revenue growth by customer in the first half of the year.

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 could be achieved. “Housekeeper” means that the Group provides 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 Internet of Things, and 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.

- (B) Domestic telecommunications operator market remained stable by seizing the opportunities from new information infrastructure construction.** By persisting in the “CAPEX + OPEX + Smart Applications”⁶ development strategy, the Group overcame the difficulties brought by the domestic telecommunications operators’ declining network investment, and actively served the new business needs of domestic telecommunications operators such as computing power network construction, 5G network construction and optimization, green transformation and industrial digitalization, assisting its customers to fortify their network quality and providing solid support for its customers to achieve high-quality development. In the first half of the year, revenue from such market amounted to RMB40,024 million, representing a year-on-year increase of 0.1% and accounting for 53.8% of total revenues.
- (C) The development of overseas market maintained good momentum by focusing on key regions.** The Group actively responded to the digital economy needs of countries along the “Belt and Road” by strengthening synergistic expansion and ecological cooperation with “Go Abroad” Chinese enterprises and focusing on the four key regions of Asia Pacific, the Middle East, Africa and Latin America to provide our customers with digital infrastructure construction, new energy construction, smart products and services as well as industry informatization solutions, securing multiple important projects. In the first half of the year, the overseas market maintained rapid growth, with revenue reaching RMB1,979 million, representing a year-on-year increase of 26.0%.

II. Anchoring to Strategic Emerging Industries and Building up New Prospects for High-quality Development

The Group targeted the demands from governmental, industrial and corporate customers and, through consolidating its advantageous resources, focused on exploring strategic emerging industries including digital infrastructure, smart city, green and low-carbon, as well as emergency management and security. In the first half of the year, the value of new contracts from strategic emerging industries recorded a year-on-year growth of over 40%, accounting for over 35% of the total new contracts value. The strategic emerging businesses have become the primary driving force for corporate development.

⁶ “CAPEX + OPEX + Smart Applications”: CAPEX refers to the capital expenditure of domestic telecommunications operators, while OPEX refers to the operating expenditure of domestic telecommunications operators.

1. *The Field of Digital Infrastructure*

By capitalizing on its integrated general contracting service capabilities of full-process consultation, design, and construction and maintenance, the Group focused on demand for intelligent computing, supercomputing and cloud business and endeavored to advance in three major sectors, including data center, cloud business, and 5G+. In the first half of the year, the value of new contracts in such field recorded a year-on-year growth of over 35%. The Group successfully undertook the construction of multiple computing hubs for “East Data, West Computing”, while successively undertaking various intelligent computing, supercomputing center and AI computing power projects for industries such as finance, energy, manufacturing and Internet, etc., facilitating the scale development of segments such as cross-border e-commerce, data elements and artificial intelligence, etc., thereby contributing to the Chinese modernization of digital infrastructure.

2. *The Field of Smart City*

With the accumulation of rich industry experience, and steered by the top-level planning of smart cities, the Group fully capitalized on the advantages of its “Consultation + General Contracting + Software + Platform + Service” capabilities to empower business expansion in fields such as smart government affairs, city governance, industrial economy and livelihood services, promoting the intelligentization of city management and services and elevating the level of city operation and management and public services. In the first half of the year, the value of new contracts in such field recorded a year-on-year growth of over 40%. The Group won bids for a number of large EPC general contracting projects in the fields of digital government, smart transportation, smart education and enterprise digital transformation, and replicated its advanced management experience in social governance overseas.

3. *The Field of Green and Low-carbon*

Under the guidance of the national “Dual Carbon” strategy, the Group transferred and extended its advantages in traditional services to green and low-carbon businesses, and fully capitalized on its “Consultation, Construction, Operation and Maintenance, and Digitalization Capabilities” to provide upgraded services such as intelligent electricity infrastructure and ancillary facilities, new energy construction, energy usage services and carbon management to the five key industries of energy and electricity, information and communications, construction, industrial manufacturing, and transportation, thereby promoting the deep integration of the digital economy and the green economy. In the first half of the year, the value of new contracts in such field recorded a year-on-year growth of over 60%. Among the projects with contract value of over RMB100 million in strategic emerging businesses, green and low-carbon projects accounted for more than half and continued to achieve new breakthroughs.

4. *The Field of Emergency Management and Security*

The Group deeply explored various sub-sectors within the field of emergency management and network information security, and strove to improve the standard of informatized management. In respect of emergency management, the Group developed various products for production safety as well as disaster prevention and mitigation catering to the needs of customers covering emergency management, chemical industry parks, forestry, water conservancy and enterprises in highly hazardous industries, etc., and such products were successfully replicated and promoted. In respect of network information security, the Group undertook multiple industrial cybersecurity projects for the national key information infrastructure in the field of information and communications, finance, healthcare and energy, etc., and provided customers with products for cybersecurity operation and products for information security. In the first half of the year, the value of new contracts in such field recorded a year-on-year growth of over 40%.

III. Persisting in Technological Innovation to Enhance its Core Competitiveness

- 1. *Striving to Maintain its Core Position of Technological Innovation and Promoting the Reform in the Technological Innovation System.*** By deeply implementing the innovation-driven strategy and unwaveringly promoting self-reliance and self-enhancement in technological innovation, the Group empowered the cultivation of new quality productive forces by technological innovation to facilitate high-quality corporate development. In the first half of the year, the Group accelerated the optimization and reform of the technological innovation system to strengthen synergistic research and development. Also, the Group established the Technological Innovation Committee, with which a team of more than 300 group-level technological experts was formed in order to continuously optimize the management and support system for technological innovation and further reinforce the foundation of technological innovation.
- 2. *Focusing on the Advancement of Research and Development of Core Products and Achieving Fruitful Research and Development Results Continuously.*** In the first half of the year, the Group made key deployment in strategic emerging industries and future industries, and continuously increased its investments in technological research and development, with research and development expenses totaling RMB2,314 million, representing an increase of 11.1% year-on-year. In the fields of digital infrastructure, smart city, green and low-carbon, as well as emergency management and security, the Group targeted the intelligent, security and scenario-based demands from customers and developed various key products for industries. In the field of artificial intelligence, the Group targeted key customers in the sectors of communications, government, emergency management, e-commerce, transportation and campus, etc., and developed various artificial intelligence applications. Currently, the Group has accumulated more than 3,600 authorized patents and more than 9,700 software copyrights. A number of core products and solutions were selected as major projects and pilot demonstration projects of national ministries.

3. ***Accelerating the Commercialization of Technological Innovation Results, with the Benefits from Technological Innovation Continuing to Emerge.*** By leveraging the technological innovation to speed up its business transformation and promoting deep integration of its technologically innovative products and services, the Group developed integrated service capabilities with green, intelligent and secure elements which feature technological significance to continuously improve the value of its businesses. The Group capitalized on the “Industry Center + Regional Platform” marketing matrices across the country to strengthen the promotion and commercialization of technologically innovative products continuously. In the first half of the year, revenue from software development and system support increased by 11.4% year-on-year and contributed 24% of revenue growth.

IV. Environmental, Social and Governance (ESG) Responsibilities

The Group adheres to its positioning as a “New Generation Integrated Smart Service Provider” and practices its corporate mission of “Building Smart Society, Boosting Digital Economy, Serving a Good Life”. The Group upholds the principles of integrity, transparency, openness and efficiency and strictly complies with the regulatory requirements for listed companies, in order to ensure a high standard of corporate governance and integrity. The Group has been a constituent of the “Hang Seng Corporate Sustainability Benchmark Index” in recent years.

The Group places a strong emphasis on the philosophy of sustainability and actively researches on the pathways to address climate change and control greenhouse gas emissions, while formulating green and low-carbon development plans. The Group organizes various works for capability building, scientific research and publicity to tackle climate change and endeavors to improve its capability in environmental management, with a view to contributing to the mitigation of global warming. Taking full advantage of its technology and capabilities in the field of green and low-carbon, the Group provides customers with clean, low-carbon and high-efficient services such as green data centers, integrated energy management platforms and comprehensive energy-saving retrofit of equipment, in order to support the industry and the society to save energy and reduce carbon emissions.

Serving the customers, rewarding the shareholders, caring about the employees and giving back to society form the cornerstone of the Group’s various works. The Group has continuously contributed to the promotion of rural revitalization, public welfare and major events. In the first half of the year, facing natural disasters such as the extreme weather of cold wave and low temperature in some areas in the beginning of this year and rounds of heavy rainfall and floods in the summer as well as earthquakes, the Group deployed a total of more than 46,600 person-times and more than 16,700 vehicle-times, repaired more than 36,300 communications facilities, and participated in disaster relief work for more than 108,400 hours. The Group provided emergency communications support for rescue and disaster relief for the heavy rainfall in Fujian, Hunan, Hubei, Guangdong, Guangxi, Anhui and other places, and for the 7.1-magnitude earthquake in Wushi County, Xinjiang and the 4.7-magnitude earthquake in Shangri-La City, Yunnan, and was highly praised by the people in the disaster-stricken areas and all sectors of society.

The Group attaches great importance to corporate governance, and promotes the enhancement of corporate intrinsic value by deeply integrating corporate operations with compliance management. In the first half of the year, the Group earned multiple accolades from the capital market, including the “Most Honored Company”, “Best CEO”, “Best CFO”, and “Best Investor Relations Program” by *Institutional Investor* in the “2024 Asia (ex-Japan) Executive Team” rankings. In the “14th Asian Excellence Award” held by *Corporate Governance Asia*, a corporate governance magazine in Asia, the Group was awarded “Asia’s Best CEO”, “Asia’s Best CFO”, “Best Investor Relations Company” and “Sustainable Asia Award”. The Group also ranked 1,429th in the “2024 Forbes Global 2000”.

V. Outlook

Currently, new-generation information technologies such as 5G-A, artificial intelligence, computing power network, low-altitude economy and satellite communications are developing rapidly. Amidst the global wave of digitalization and informatization, digital economy is emerging at an unprecedented speed. Facing new circumstances, new opportunities and new challenges, the Group will fully, precisely and comprehensively implement the new development philosophy. By adhering to its overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development” and with a focus on technological innovation, the Group will continuously enhance its core capabilities, improve its core competitiveness, cultivate and strengthen new quality productive forces, deepen corporate reform, expand deeply into strategic emerging industries and strive to build a technology-based enterprise, with a view to achieving favorable growth in operating results and continuous improvement in operating efficiency through high-quality development, and continuing to create greater value for shareholders, customers and society.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and all sectors of society for their persistent care and support to the Group, and deeply thank all of our employees for their continued dedication and hard work. I would also like to express my sincere gratitude to Ms. Zhang Xu, who has resigned as our Executive Director, Executive Vice President and Chief Financial Officer, for her contributions to the development of the Group during her tenure; and extend my welcome to Mr. Shen Aqiang, who has joined the Board.

Luan Xiaowei

Executive Director and Chairman

Beijing, PRC

27 August 2024

GROUP RESULTS

China Communications Services Corporation Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 extracted from the unaudited financial information of the Group as set out in its 2024 Interim Report.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenues	4	74,411,953	73,169,553
Cost of revenues	5	<u>(66,296,374)</u>	<u>(65,335,907)</u>
Gross Profit		8,115,579	7,833,646
Other income	6	879,847	935,824
Selling, general and administrative expenses		(6,541,835)	(6,353,365)
Other expenses		(56,832)	(76,420)
Finance costs	7	(59,026)	(55,394)
Share of profits of associates and joint ventures		<u>67,372</u>	<u>54,320</u>
Profit before tax	8	2,405,105	2,338,611
Income tax	9	(207,155)	<u>(226,337)</u>
Profit for the period		<u>2,197,950</u>	<u>2,112,274</u>
Attributable to:			
Equity shareholders of the Company		2,124,984	2,034,456
Non-controlling interests		<u>72,966</u>	<u>77,818</u>
		<u>2,197,950</u>	<u>2,112,274</u>
Basic/diluted earnings per share (RMB)	10	<u>0.307</u>	<u>0.294</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Profit for the period		<u>2,197,950</u>	<u>2,112,274</u>
Other comprehensive income (after tax)	11		
Item that will not be reclassified to profit or loss (after tax):			
Equity instruments at fair value through other comprehensive income:			
Net movements in the fair value reserve		501,997	372,161
Item that may be subsequently reclassified to profit or loss (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside Mainland China		(14,030)	10,770
		<u>487,967</u>	<u>382,931</u>
Total comprehensive income for the period		<u>2,685,917</u>	<u>2,495,205</u>
Attributable to:			
Equity shareholders of the Company		2,612,916	2,417,251
Non-controlling interests		73,001	77,954
		<u>2,685,917</u>	<u>2,495,205</u>

Condensed Consolidated Statement of Financial Position
At 30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current assets			
Property, plant and equipment, net		5,812,364	6,082,260
Right-of-use assets		2,173,568	2,245,135
Investment properties		1,678,673	1,700,230
Construction in progress		939,938	883,465
Goodwill		103,005	103,005
Intangible assets		689,203	745,830
Interests in associates and joint ventures		1,335,197	1,343,796
Financial assets at fair value through profit or loss		370,500	342,301
Equity instruments at fair value through other comprehensive income		4,144,400	3,473,580
Deferred tax assets		1,113,393	1,019,736
Deposits at financial institutions with original maturity more than one year		6,897,944	5,888,447
Other non-current assets		976,373	1,008,969
Total non-current assets		26,234,558	24,836,754
Current assets			
Inventories		1,643,027	1,196,945
Accounts and bills receivable, net	13	27,487,284	23,921,258
Contract assets, net	14	33,473,790	28,584,146
Current portion of deposits at financial institutions with original maturity more than one year		6,251,677	3,498,709
Prepayments and other current assets		14,680,424	13,668,864
Financial assets at fair value through profit or loss		706,996	10,429
Short-term bank deposits and restricted cash		3,916,726	3,157,780
Cash and cash equivalents		13,807,171	22,914,865
Total current assets		101,967,095	96,952,996
Total assets		128,201,653	121,789,750
Current liabilities			
Interest-bearing borrowings		878,818	807,499
Accounts and bills payable	15	59,060,102	53,426,398
Current portion of lease liabilities		451,801	487,758
Contract liabilities	16	7,585,346	9,527,291
Accrued expenses and other payables		12,966,302	11,642,004
Income tax payable		392,634	354,095
Total current liabilities		81,335,003	76,245,045
Net current assets		20,632,092	20,707,951
Total assets less current liabilities		46,866,650	45,544,705

Condensed Consolidated Statement of Financial Position (Continued)
At 30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current liabilities			
Interest-bearing borrowings		–	53,557
Lease liabilities		1,037,513	1,028,872
Other non-current liabilities		132,237	118,207
Deferred tax liabilities		849,009	676,368
Total non-current liabilities		2,018,759	1,877,004
Total liabilities		83,353,762	78,122,049
Equity			
Share capital		6,926,018	6,926,018
Reserves		36,757,941	35,650,741
Equity attributable to equity shareholders of the Company		43,683,959	42,576,759
Non-controlling interests		1,163,932	1,090,942
Total equity		44,847,891	43,667,701
Total liabilities and equity		128,201,653	121,789,750

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated financial statements and notes thereof do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards (“IFRSs”). IFRSs include all applicable IFRSs, International Accounting Standards (“IASs”) and related interpretations.

This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and IAS 34, Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the consolidated financial statements of the Group for the year ended 31 December 2023, except as described below.

In the current interim period, the Group has applied the following amendments to IFRSs, for the first time:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of above amendments in the current period has had no material effect on the Group’s condensed consolidated interim financial information.

3. SEGMENT REPORTING

The Group principally has one operating segment, which is the provision of integrated comprehensive smart solutions in the field of informatization and digitalization. Therefore, no additional segment information has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 4.

4. REVENUES

Revenues are derived from the provision of integrated comprehensive smart solutions.

The Group's revenues by business nature can be summarised as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from telecommunications infrastructure services	37,666,188	37,687,865
Revenue from business process outsourcing services	22,162,474	21,728,657
Revenue from applications, content and other services	14,583,291	13,753,031
	<u>74,411,953</u>	<u>73,169,553</u>

The Group's major customers are telecommunications operators which include China Telecommunications Corporation and its subsidiaries (excluding the Group) ("CTC Group") and China Mobile Communications Group Co., Ltd. and its subsidiaries ("CM Group"). Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the six months ended 30 June 2024 amounted to RMB27,082 million and RMB7,025 million, respectively (six months ended 30 June 2023: RMB25,823 million and RMB8,301 million, respectively), being 36.4% and 9.4% of the Group's total revenues, respectively (six months ended 30 June 2023: 35.3% and 11.3%, respectively). The revenues derived from areas outside Mainland China for the six months ended 30 June 2024 amounted to RMB1,979 million (six months ended 30 June 2023: RMB1,570 million).

For the six months ended 30 June 2024, the Group's top three business lines that contributed to the overall revenues were construction included in telecommunications infrastructure services, management of infrastructure for information technology included in business process outsourcing services and system integration included in applications, content and other services, the revenues derived from which amounted to RMB30,576 million, RMB9,359 million and RMB9,151 million, respectively (six months ended 30 June 2023: the Group's top three businesses that contributed to the overall revenues were construction included in telecommunications infrastructure services, management of infrastructure for information technology included in business process outsourcing services and system integration included in applications, content and other services, the revenues derived from which amounted to RMB30,417 million, RMB9,086 million and RMB8,696 million, respectively). Revenues from non-telecom operators for construction amounted to RMB15,421 million (six months ended 30 June 2023: RMB15,582 million).

5. COST OF REVENUES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Subcontracting charges	41,233,277	40,303,014
Materials costs	12,336,999	11,885,948
Direct personnel costs	3,807,665	3,871,293
Direct costs of products distribution	1,098,458	1,682,870
Expense relating to short-term leases and leases of low-value assets	604,986	581,799
Depreciation and amortisation	505,257	482,139
Others	6,709,732	6,528,844
	<u>66,296,374</u>	<u>65,335,907</u>

6. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	325,641	317,534
Dividend income from equity instruments	191,435	176,610
Management fee income	165,747	149,716
Government grants	87,807	111,838
Input tax credits	29,241	94,655
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	7,688	3,391
Penalty income	5,550	1,698
Others	66,738	80,382
	<u>879,847</u>	<u>935,824</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	31,503	28,402
Interest on lease liabilities	27,523	26,992
	<u>59,026</u>	<u>55,394</u>

For the six months ended 30 June 2024, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2023: nil).

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following items:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Staff costs:		
Salaries, wages and other benefits	7,308,835	7,179,537
Contributions to defined contribution retirement schemes	1,108,808	1,059,917
	<u>8,417,643</u>	<u>8,239,454</u>
(b) Other items:		
Amortisation	98,587	98,229
Depreciation	729,391	714,914
Auditors' remuneration	–	7,009
Materials costs	12,336,999	11,885,948
Direct costs of products distribution	1,098,458	1,682,870
Inventory write-down and losses, net of reversals	18,604	19,296
Impairment losses recognised and reversed on accounts receivable, other receivables, contract assets and others, net	118,914	165,852
Expense relating to short-term leases and leases of low-value assets	696,621	665,716

The selling expenses, general and administrative expenses, research and development costs and others of the Group are RMB1,168 million, RMB2,711 million, RMB2,314 million and RMB349 million (six months ended 30 June 2023: RMB1,180 million, RMB2,748 million, RMB2,082 million and RMB343 million) respectively for the six months ended 30 June 2024.

9. INCOME TAX

(a) Income tax in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax	296,994	252,167
Deferred tax	(89,839)	(25,830)
Total income tax	<u>207,155</u>	<u>226,337</u>

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit before tax	<u>2,405,105</u>	<u>2,338,611</u>
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2023: 25%)	601,276	584,653
Differential/preferential tax rates on subsidiaries' income (<i>note (i)(ii)</i>)	(100,644)	(127,406)
Non-deductible expenses (<i>note (iii)</i>)	24,891	49,768
Non-taxable income	(66,411)	(57,904)
Tax losses and other temporary differences not recognised	56,538	43,667
Utilisation of previously unrecognised tax losses	(11,670)	(5,782)
Over provision in respect of prior years	(4,330)	(2,002)
Additional deduction of research and development expenses (<i>note (iv)</i>)	(292,495)	(258,657)
Income tax	<u>207,155</u>	<u>226,337</u>

Notes:

- (i) The provision for income tax of the Group is calculated based on a statutory tax rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for six months ended 30 June 2024 and 2023 except for certain domestic subsidiaries of the Group, which are taxed at preferential rates (refer to note ii below) where applicable; and for certain overseas subsidiaries of the Group, which are taxed at their respective statutory rates.
- (ii) According to the PRC enterprise income tax law and its relevant regulations, certain subsidiaries that are qualified as High and New Technology Enterprise, enterprises under the Western Region Development Program, and Small and Micro enterprises as defined under the tax law are entitled to a preferential income tax rate of 15%, 15% and 20% (six months ended 30 June 2023: 15%, 15%, 20%).
- (iii) The amounts represent staff costs in excess of the statutory deductible limits for tax reporting purposes and other non-deductible expenses.
- (iv) According to the PRC enterprise income tax law and its relevant regulations, certain research and development expenses of the Group's PRC subsidiaries are qualified for 100% (six months ended 30 June 2023: 100%) additional deduction for tax reporting purpose.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 of RMB2,125 million (six months ended 30 June 2023: RMB2,034 million) and the number of shares in issue during the six months ended 30 June 2024 of 6,926,018 thousand shares (six months ended 30 June 2023: 6,926,018 thousand shares).

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both periods.

11. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Changes in fair value of equity instruments at fair value through other comprehensive income recognised during the period	670,820	498,426
Net deferred tax charged to other comprehensive income	(168,823)	(126,265)
Exchange differences on translation of financial statements	(14,030)	10,770
	<u>487,967</u>	<u>382,931</u>

12. DIVIDENDS

(a) Dividends attributable to the period

The Board of Directors did not propose the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(b) Dividends attributable to the previous financial year, approved during the period

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period of RMB0.2174 per share (2023: RMB0.1939 per share)	<u>1,505,716</u>	<u>1,342,955</u>

No final dividend or special dividend was paid during the six months ended 30 June 2024 and 2023.

13. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bills receivable	696,133	465,039
Accounts receivable	29,221,437	25,769,168
	29,917,570	26,234,207
Less: allowance for credit losses	(2,430,286)	(2,312,949)
	27,487,284	23,921,258

- (a) The amounts due from CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties are unsecured, interest-free and are expected to be recovered within one year.
- (b) The ageing analysis of accounts and bills receivable (net of allowance for credit losses) based on credit terms is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current	1,418,127	1,892,584
Within 1 year	22,346,869	18,452,197
After 1 year but less than 2 years	2,795,019	2,707,336
After 2 years but less than 3 years	678,884	649,456
After 3 years but less than 4 years	164,298	136,651
After 4 years but less than 5 years	35,613	34,560
Over 5 years	48,474	48,474
	27,487,284	23,921,258

14. CONTRACT ASSETS, NET

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Telecommunications infrastructure services	28,201,565	23,874,832
Business process outsourcing services	1,526,546	1,223,662
Applications, content and other services	4,053,456	3,798,145
	<u>33,781,567</u>	<u>28,896,639</u>
Less: allowance for credit losses	<u>(307,777)</u>	<u>(312,493)</u>
	<u>33,473,790</u>	<u>28,584,146</u>

The contract assets relate to the rights of the Group to considerations receivable for work completed and not billed because the rights are conditional upon the Group's future performance in achieving specified milestones on construction, design and other service contracts. The contract assets are transferred to accounts receivable when the rights become unconditional. The Group typically transfers the contract assets to accounts receivable within one year when the specific milestones are met.

15. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Accounts payable	54,434,367	48,655,930
Bills payable	<u>4,625,735</u>	<u>4,770,468</u>
	<u>59,060,102</u>	<u>53,426,398</u>

The ageing analysis of accounts and bills payable based on the invoice date is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	55,821,566	50,406,385
After 1 year but less than 2 years	2,004,052	1,594,073
After 2 years but less than 3 years	524,949	688,155
Over 3 years	<u>709,535</u>	<u>737,785</u>
	<u>59,060,102</u>	<u>53,426,398</u>

The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties are unsecured, interest-free and are expected to be settled within one year.

16. CONTRACT LIABILITIES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Telecommunications infrastructure services	5,148,210	6,931,722
Other services	<u>2,437,136</u>	<u>2,595,569</u>
	<u>7,585,346</u>	<u>9,527,291</u>

When the Group receives advance payments from customers before the performance obligation is satisfied, the amounts will give rise to contract liabilities, until the performance obligation is satisfied.

FINANCIAL REVIEW

Total Revenues

In the first half of 2024, by consistently adhering to its overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development” and positioning itself as a “New Generation Integrated Smart Service Provider”, the Group cohered its mindsets with concerted efforts and overcame difficulties, and firmly grasped the opportunities in the development of the digital economy. Led by technological innovation, the Group continued to expand deeply into strategic emerging industries, continuously enhanced its core competitiveness and accelerated its development in the field of industrial digitalization, thus realizing steady growth in operating results. The total revenues amounted to RMB74,412 million, representing an increase of 1.7% compared to RMB73,170 million in the first half of 2023, and among which, service revenue amounted to RMB72,855 million, representing an increase of 3.0% compared to RMB70,713 million in the first half of 2023.

Revenue by Business

In the first half of 2024, the revenue from telecommunications infrastructure (“TIS”) services was RMB37,666 million, which remained largely stable year-on-year. Revenue from business process outsourcing (“BPO”) services was RMB22,163 million, representing a year-on-year increase of 2.0%. Revenue from applications, content and other (“ACO”) services was RMB14,583 million, representing a year-on-year increase of 6.0%.

With the in-depth promotion of the Digital China strategy, the pace of digital information infrastructure construction has accelerated, driving the competition in digital construction sector to evolve towards a higher level and greater refinement. Amid the complex external environment and fierce market competition, the Group seized the opportunities arising from 5G, new infrastructure construction as well as industrial digitalization, and enhanced its integrated comprehensive smart service capabilities, thus making the revenue from TIS services remain largely stable. The Group further consolidated its resources and promoted specialized operations, resulting in the steady growth in BPO services that possess attributes such as strong customer loyalty and short cash conversion cycle. By strengthening technological innovation consistently, the Group aggregated its capabilities in research and development as well as product development, and focused on the business opportunities in informatization construction such as smart city upgrade, enterprise digital transformation and emergency management. As a result, the Group effectively fulfilled the customers’ demand for digitalization and drove the business development of system integration and software development, making the revenue from ACO services continue to maintain solid growth momentum.

Revenue by Market

During the first half of 2024, the Group's revenue from the domestic telecommunications operator market amounted to RMB40,024 million, representing a year-on-year increase of 0.1%. Revenue from the domestic non-operator market amounted to RMB32,409 million, representing a year-on-year increase of 2.5%. Revenue from the overseas market amounted to RMB1,979 million, representing a year-on-year increase of 26.0%.

In the first half of 2024, by persisting in the “CAPEX + OPEX + Smart Applications” development strategy in the domestic telecommunications operator market, the Group overcame the difficulties brought by the declining network investment of operators, and actively served the new business needs of domestic telecommunications operators, such as computing power network construction, 5G network construction and optimization, green transformation and industrial digitalization, assisting its customers to fortify their network quality and providing solid support for its customers to achieve high-quality development, and as a result, the revenue from domestic telecommunications operator market remained stable. Meanwhile, the Group continued to advance on the expansion of domestic non-operator market by leveraging its integrated service advantages, focusing on strategic emerging industries represented by digital infrastructure, green and low-carbon, smart city, and emergency management and security, and adhering to leading through consultation and design as well as empowerment by digitalization advantages. The Group leveraged its advantages of “Consultant + Staff + Housekeeper” services and “Platform + Software + Service” capabilities, so as to provide customized and multi-scenario solutions to customers in the government, energy and power, construction, transportation and other industries, thus increasing the business value of the domestic non-operator market remarkably. The Group actively responded to the needs of digital economy for countries along the “Belt and Road” by strengthening synergistic expansion and ecological cooperation with “Go Abroad” Chinese enterprises. With a focus on key regions, the Group provided its customers with digital infrastructure construction, new energy services, smart products and services as well as industry informatization solutions and secured multiple important projects, thus achieving rapid growth in revenue of overseas market.

Cost of Revenues

In the first half of 2024, the cost of revenues of the Group amounted to RMB66,296 million, representing a year-on-year increase of 1.5%. Among which, direct personnel costs amounted to RMB3,808 million, representing a decrease of 1.6% from RMB3,871 million in the first half of 2023. The Group has always kept a reasonable control over its total headcount, continuously optimized the employee structure and reasonably controlled staff costs, resulting in a decline in direct personnel costs. Subcontracting charges amounted to RMB41,233 million, representing an increase of 2.3% from RMB40,303 million in the first half of 2023. The Group further strengthened management over subcontracting and improved its self-sufficient delivery capabilities, thus making the continuous decrease in the growth of subcontracting charges. Materials costs amounted to RMB12,337 million, representing an increase of 3.8% from RMB11,886 million in the first half of 2023. The Group further strengthened the management of general contracting projects and enhanced the control of material costs through optimizing its internal procurement system and carrying out centralized procurement, resulting in a continuous slowdown in the increase in material costs.

Gross Profit

In the first half of 2024, the Group recorded gross profit of RMB8,116 million, representing an increase of 3.6% over RMB7,834 million in the first half of 2023. The Group's gross profit margin in the first half of 2024 was 10.9%, representing an increase of 0.2 percentage point from 10.7% in the first half of 2023 and demonstrating the continued increase in gross profit margin. While catering for the scale of its development, the Group put stronger emphasis on improving quality and efficiency and guided its subsidiaries through appraisal to select and develop high-margin projects. At the same time, the Group continuously strengthened project management as well as cost control, and strove to enhance the value creation capability of its businesses. As a result of the above measures, gross profit margin continued to improve. With the Group's deepening deployment in digital economy, new infrastructure construction and industrial digitalization sector, it is expected that the proportion of high-value businesses will gradually increase and thereby driving the trend of the Group's overall gross profit margin to improve.

Selling, General and Administrative Expenses

In the first half of 2024, the selling, general and administrative expenses of the Group were RMB6,542 million, representing an increase of 3.0% from RMB6,353 million in the first half of 2023. The selling, general and administrative expenses of the Group accounted for 8.8% of the total revenues, representing an increase of 0.1 percentage point over the same period of last year. The Group proactively increased its investment in technological research, and among the selling, general and administrative expenses, the research and development costs amounted to RMB2,314 million, representing an increase of 11.1% from RMB2,082 million in the first half of 2023, and accounted for 3.1% of the total revenues, representing an increase of 0.3 percentage point over the same period of last year.

Profit Attributable to Equity Shareholders of the Company

In the first half of 2024, profit attributable to equity shareholders of the Company was RMB2,125 million, representing an increase of 4.4% from RMB2,034 million in the first half of 2023.

Cash Flow

The Group recorded a net cash outflow of RMB9,123 million in the first half of 2024, as compared to a net cash outflow of RMB2,323 million in the first half of 2023. The most significant reason for such change was the increase in cash outflow from investing activities as the Group placed new time deposits during the period with the consideration of its overall funding arrangement.

Assets and Liabilities

The Group maintained its solid financial position. As of 30 June 2024, the Group's total assets was RMB128,202 million, representing an increase of RMB6,412 million from RMB121,790 million as of 31 December 2023. Total liabilities was RMB83,354 million, representing an increase of RMB5,232 million from RMB78,122 million as of 31 December 2023. The liabilities-to-assets ratio was 65.0%, which slightly increased compared with that as of 31 December 2023.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the risk management, internal control and financial reporting matters including the review of the interim results for the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a joint stock limited company incorporated in the PRC with limited liability and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has not only complied with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") but has also abided by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basic guidelines for the Company's corporate governance. The Board believes that the Company complied with all the code provisions as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules for the six months ended 30 June 2024.

Following the resignation of Ms. Zhang Xu as an Executive Director of the Company on 31 May 2024, the Company has a single gender Board. The Board has been proactively considering to identify a suitable candidate for a female director to fulfill the requirement for gender diversity of Board members but requires more time to identify a suitable candidate. The Company will make further announcements in due course.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules to govern securities transactions by the directors and supervisors of the Company. The Company has made specific enquiries to the directors and supervisors, and each of the directors and supervisors has confirmed his/her compliance with the Model Code in connection with the transactions of the Company's securities for the six months ended 30 June 2024.

COMPLIANCE WITH APPENDIX D2 TO THE LISTING RULES

According to paragraph 40 of Appendix D2 to the Listing Rules, save as disclosed in this announcement, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix D2 to the Listing Rules has not changed significantly from the information disclosed in the Company's 2023 Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM REPORT

The Interim Report for the six months ended 30 June 2024 will be made available on the "HKExnews" website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinaccs.com.hk), and will be dispatched to the requesting shareholders of the Company in due course.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks, uncertainties and assumptions, which are beyond our control. Potential risks and uncertainties include those concerning, among others, the change of macroeconomic environment, natural disaster, the growth of the relevant industries, the change in the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results of the Company may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

Beijing, PRC

27 August 2024

As at the date of this announcement, our executive directors are Mr. Luan Xiaowei, Mr. Yan Dong and Mr. Shen Aqiang, our non-executive directors are Mr. Gao Tongqing, Mr. Tang Yongbo and Mr. Liu Aihua, and our independent non-executive directors are Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wang Qi and Mr. Wang Chung.