



中国通信服务  
CHINA COMSERVICE

## CHINA COMSERVICE ANNOUNCES 2012 ANNUAL RESULTS

### HIGHLIGHTS:

- Revenues and profit have kept increasing steadily for the past six years since its listing, and its leading position in the industry has been further strengthened
- Revenue and net profit growth reached 14.4% and 13.0%, respectively
- Sustained solid leading position, revenue from domestic telecommunications operators up 16.2%
- Maintained relatively stable gross profit margin and net profit margin, positive free cash flow sustained
- Sustained stable dividend policy for 6 consecutive years and cumulative dividends since listing totalled RMB4.1 billion
- The investment to be brought by the coming issuance of 4G license will also create new development opportunities for the Company

### Financial Highlights (audited)

For the year ended 31 December	2011(Restated*)	2012	Change
Revenues (RMB million)	53,780	61,517	14.4%
Gross Profit (RMB million)	8,581	9,785	14.0%
Gross Profit Margin (%)	16.0%	15.9%	-0.1pp
Profit Attributable to Shareholders (RMB million)	2,129	2,407	13.0%
Basic Earnings per Share ** (RMB)	0.358	0.353	-1.4%

\* The financial results for 2011 have been restated to include the results of the companies newly acquired in June 2012 in accordance with relevant accounting standards.

\*\* Other than the factor above, EPS of 2011 was restated also because of the enlarged share capital after rights issue in February 2012.

(Hong Kong, 27 March 2013) — China Communications Services Corporation Limited (“China Comservice” or “the Company”) (HKSE code: 552), today announced its audited annual results for the year ended 31 December 2012.

In 2012, the Company recorded total revenues of RMB61,517 million, representing a year-on-year growth of 14.4%. Profit attributable to equity shareholders amounted to RMB2,407 million, representing a year-on-year growth of 13.0%. The sustained and stable growth of our operating results was mainly attributable to the adaptive resources allocation by the Company and seizure of business opportunities arising from the continued spending in network construction and operational maintenance by the domestic telecommunications operators, as well as the Company’s proactive efforts to expand into the domestic non-operator market.

The cost of revenues of the Company amounted to RMB51,732 million, representing a year-on-year increase of 14.5%. Through measures such as costs control and synergistic operations, the Company alleviated the cost and market pressure effectively, and maintained a relatively stable gross profit margin and net profit margin of 15.9% and 3.9%, respectively. In addition, the Company repaid interest-bearing debt and enhanced centralized fund management, and saved finance cost by 59.7% as compared with last year. During the year, there was an increasing demand for working capital due to the increased efforts in market development of the Company, and free cash flow<sup>1</sup> decreased as compared with last year to RMB166 million.

Having considered the interests of and returns to our shareholders, the Board proposed to maintain 40% dividend payout ratio and pay a final dividend of RMB0.1390 per share for the financial year ended 31 December 2012. Total dividend amount is approximately RMB963 million.

Mr. Li Ping, Chairman of the China Comservice commented, “2012 is the commencing year of the second five-year since the Company’s listing. During the year, the Company achieved robust results again in the challenging environment through our effective operating and management strategies. The total revenues exceeded RMB60 billion for the first time, representing a stable and favorable opening. We are delighted to note that both the Company’s revenues and profit have kept increasing steadily for the past six years since its listing, and its leading position in the industry has been further strengthened. In the meantime, the investment to be brought by the coming issuance of 4G license will also create new development opportunities for the Company.”

### **Telecommunications Infrastructure Services**

The revenue from telecommunications infrastructure (“TIS”) services continued to grow stably, representing a year-on-year increase of 12.0% and accounting for 46.2% of total revenues. During the year, the Company focused on key areas such as fiber optic broadband and upgrade and expansion of networks, actively participated in LTE trial construction, and provided comprehensive and thorough services to domestic telecommunications operators. The TIS revenue from domestic

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<sup>1</sup> Free cash flow = Profit for the year + Depreciation and amortization – Changes in working capital – Capital expenditure

telecommunications operators achieved a year-on-year growth of 18.1%. Among them, the TIS revenue from China Mobile and China Unicom increased rapidly, representing a year-on-year growth of 25.2%, which reflects customers' recognition over the Company's continuous improvement of its service quality.

### **Business Process Outsourcing Services**

In 2012, the revenue from business process outsourcing ("BPO") services grew by 17.8% over the last year and accounted for 42.7% of total revenues. The Company firmly seized the continued demand of operation and maintenance outsourcing as a result of the full-service operations of domestic telecommunications operators, and the revenue from network maintenance services continued a rapid growth of 21.6%. In addition, the Company fully leveraged its advantages in delivering integrated services, and the revenue from the distribution of telecommunications services and products achieved a steady growth of 17.3% over the last year.

### **Applications, Content and Other Services**

In 2012, the Company endeavored to seek business transformation and continued to promote mechanism and product innovation. The revenue from applications, content and other ("ACO") services achieved a year-on-year increase of 11.9%, accounting for 11.1% of total revenues. Among that, revenue from IT applications grew rapidly and recorded a year-on-year increase of 24.8% due to the broadened market driven by the informatization. Meanwhile, in order to become a management and technology oriented enterprise, the Company devoted more efforts in research and development in the areas such as cloud computing, mobile Internet and Internet of Things.

### **Market Development**

In 2012, driven by factors such as the development of mobile Internet industry and the "Broadband China" strategy, the domestic telecommunications operators have steadily increased their spending in capital expenditure as well as their network operation and maintenance. Under such circumstances, the Company devoted more efforts in market development and service enhancement to efficiently support the full-service operations of domestic telecommunications operators, which led to a rapid business growth from the domestic telecommunications operator market, with revenue increased by 16.2% compared to that of 2011, representing 64.6% of total revenues. In addition, the Company proactively involved in the trial construction projects of LTE and well prepared for seizing market opportunities.

Immense opportunities have been brought to the domestic non-operator market by the continuous progress of informatization and urbanization and tremendous demands for informatization services from industrial customers and small and medium-sized enterprises. During the year, the Company focused on key clients from government and industries such as construction and transportation sectors and made favorable progress in developing large-scaled projects such as Smart City in Nanjing. In 2012, the revenue from domestic non-operator market increased by 15.5%, representing 29.9% of total revenues, showing a favorable growth momentum.

In 2012, the revenue from overseas market declined by 7.0%, and its proportion to total revenues was 5.5%. Although the revenue from overseas market decreased temporarily due to the Company's proactive risk management and the delay of certain overseas large-scaled turnkey project, the Company adhered to its "Overseas Market-Focused and Four Steps" strategy and further strengthened its foundation of overseas turnkey projects. In addition, the Company adopted a synergistic approach in developing outsourcing projects and fine-tuned the collaboration mechanism with equipment manufacturers. All the above measures will bolster the healthy development of the Company's overseas market in the future.

### **Completion of Rights Issue**

With strong shareholder support, the Company successfully completed the rights issue in the early 2012 and recorded over-subscription for the rights shares. During the year, the Company has gradually applied the proceeds from the rights issue as planned, including acquisitions of certain equity interest and assets in Ningxia, Xinjiang and Sino-British Submarine System Co., Ltd., establishment of project fund to support the development of large-scaled turnkey business as well as investment into research and development for emerging industries such as LTE, cloud computing, mobile Internet and Internet of Things. The proceeds from the rights issue effectively enhanced the Company's capital strength, and bolstered its long-term development.

### **Prospects**

Mr. Li Ping, Chairman of China Comservice said, "China is promoting the intensified integration of informatization and industrialization and pushing forward the synchronous development of new industrialization, informatization, urbanization and agricultural modernization, all of which will bring forward tremendous business opportunities. The industrialization and commercialization of LTE are speeding up, new technologies such as mobile Internet and cloud computing are emerging and "Broadband China" strategy is being promoted further, all of these will bring valuable development opportunities to the Company in domestic telecommunications operator market. Meanwhile, the Company will enjoy further development potentials for domestic non-operator market and overseas market arising from urbanization and informatization, particularly the extensive investment for the construction of Smart City, as well as vigorous demands for telecommunications construction from emerging markets such as Middle East, Africa and Latin America. However, the Company also faces challenges such as intensifying competition in the market. Nevertheless, we are confident in our future. We will continue to innovate and transform, with the aim to build up a "hundred-billion enterprise" with superior performance and a culture of harmony and happiness, and thus create greater value for our customers and shareholders."

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### **About China Comservice**

China Comservice is a leading service provider in the PRC for integrated support services in the informatization sector. The Company offers telecommunications infrastructure services spanning from design, construction to project supervision and management; business process outsourcing services spanning from maintenance, distribution to facility management; applications, content and other services spanning from IT applications, Internet services to value-added voice services. The Company's major customers include domestic telecommunications operators, domestic non-operator customers including government agencies, telecommunications equipment manufacturers and large corporations, and overseas customers. Its controlling shareholder is China Telecommunications Corporation, and besides, China Mobile Communications Corporation, China United Network Communications Group Company Limited and China National Postal and Telecommunications Appliances Corporation are also shareholders of the Company.

In 2012, China Comservice was recognized as one of "The Best of Asia" in the "Corporate Governance Asia Recognition Award 2012" and as one of the companies with the "Best Investor Relations by a China Company" in the "Asian Excellence Recognition Awards 2012" organized by *Corporate Governance Asia*, an authoritative journal on corporate governance in Asia. This year, the Company was for the first time voted the No. 1 "Best Managed Company in China" in the ranking of "Asia Best Managed Companies 2013" by *Euromoney*.

For further information, please browse the Company's website at: [www.chinaccs.com.hk](http://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.