



China Comservice Announces 2020 Annual Results

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HIGHLIGHTS:

- In 2020, the Group overcame the significant impact brought by the pandemic, and seized the opportunities of 5G, New Infrastructure and social digitalization, thus resuming positive growth for its full year results.
 - Total revenues were RMB122,649 million, up by 4.5%.
 - Profit attributable to equity shareholders of the Company was RMB3,081 million, up by 1.1%.
 - Free cash flow was RMB2,630 million, and continued to maintain at a healthy level.
 - Gross profit margin and net profit margin were 11.2% and 2.5%, respectively.
- The Board has proposed to distribute a final dividend of RMB0.1335 per share and a special dividend of RMB0.0267 per share. The total dividend for 2020 is RMB0.1602 per share, and the total dividend payout ratio is 36%.

Financial Highlights (audited)

For the year ended 31 December	2019	2020	Change
Revenues (RMB million)	117,413	122,649	+4.5%
Profit Attributable to Equity Shareholders of the Company (RMB million)	3,049	3,081	+1.1%
Net cash generated from operating activities (RMB million)	4,811	5,453	+13.3%
Gross Profit Margin (%)	11.7%	11.2%	-0.5pp
Net Profit Margin (%)	2.6%	2.5%	-0.1pp
Basic Earnings per Share (RMB)	0.440	0.445	+1.1%
Total Dividend per Share (RMB)	0.1585	0.1602	+1.1%
Final Dividend per Share (RMB)	0.1321	0.1335	--
Special Dividend per Share (RMB)	0.0264	0.0267	--

(Hong Kong, 30 March 2021) — China Communications Services Corporation Limited (“**China Comservice**” or the “**Company**”), and its subsidiaries (the “**Group**”) (HKSE code: 552), today announced its audited annual results for the year ended 31 December 2020.

OPERATING PERFORMANCE

In 2020, the novel coronavirus (the “COVID-19”) pandemic expedited the development of social digitalization, cyberization, and intelligentization. Riding on the social development trend and the change of market demand, the Group provided customers with integrated comprehensive smart services and realized favourable operating results. Total revenues of the year reached RMB122,649 million, representing a year-on-year growth of 4.5%. Profit attributable to equity shareholders of the Company amounted to RMB3,081 million, representing a year-on-year growth of 1.1%, and free cash flow¹ reached RMB2,630 million.

During the “13th Five-Year Plan” period, the Group adhered to the overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development” and achieved good development results. In 2020, the Group’s total revenues and profit attributable to equity shareholders grew by 51.5% and 32.0%, respectively, as compared with those in 2015. The Group resolutely advanced on innovation and transformation, enhanced the smart service capabilities, strengthened the development of new customers and new businesses, and continuously optimized the revenue structure by customer and business. Among them, the revenue contribution from domestic non-telecom operator (the “domestic non-operator”) customers to the total revenues reached 40.4%, which increased by 12.1 percentage points from the level in 2015 and became the Group’s largest customer group²; the revenue contribution from applications, content and other (“ACO”) services to the total revenues was 14.8%, which increased by 4.0 percentage points from the level in 2015, demonstrating a notable achievement of innovation and transformation.

Dividend

The Board has proposed to distribute a final dividend of RMB0.1335 per share for the financial year ended 31 December 2020, representing a dividend payout ratio of 30%. Besides, in view of the Group’s solid operating results and favourable cash flow level for the full year, the Board has proposed to distribute a special dividend of RMB0.0267 per share for 2020. Taking into consideration of the above factors, the Company’s total dividend for 2020 is RMB0.1602 per share, representing a total dividend payout ratio of 36%.

Mr. Zhang Zhiyong, Chairman of China Comservice commented, “In 2020, the pandemic had a significant impact on the overall social economic development, and the Group encountered the greatest pressure and challenges since its listing. Facing the adverse impact of the pandemic, the Group

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

² Customers here are classified into four categories, including the domestic non-operator customers, China Telecom, other domestic telecommunications operator customers and overseas customers.

coordinated resources of every level and devoted itself to the battle against the pandemic. When the pandemic situation was effectively controlled in China, the Group actively promoted the resumption of work and production in an orderly manner, seized the opportunities of 5G, New Infrastructure and social digitalization, and accelerated market expansion, innovation and transformation, thus realizing a positive growth in total revenues and net profit for the full year and overcoming the severe impact of the pandemic to achieve favourable operating results.”

MARKET DEVELOPMENT

Domestic Non-Operator Market

In 2020, the Group captured the accelerated demand for digital transformation from the society and industries as driven by the pandemic, built up its core capabilities, and continuously focused on the market development of industrial customers. The Group’s domestic non-operator market maintained a rapid growth momentum and recorded a revenue of RMB49,578 million, representing a year-on-year increase of 18.8%; the contribution to the total revenues was 40.4%, increased significantly by nearly 5 percentage points from the same period of the last year. With the “Consultant + Staff + Housekeeper”³ unique service model and the “Platform + Software + Service”⁴ advantageous capabilities, the Group further expanded the domestic non-operator market, and provided services to customers in the vertical industries with over 30 smart products in different fields, thus realizing mutual capabilities enabling among the traditionally advantageous telecommunications infrastructure (“TIS”) services and the technology-related ACO services in such market. The healthy development of the domestic non-operator market supported the Group’s favourable development momentum.

Domestic Telecommunications Operator Market

In 2020, owing to the pandemic outbreak at the beginning of the year, the Group’s bidding and tendering process, construction and delivery and project settlement of relevant projects in the domestic telecommunications operator market were all behind schedule, which resulted in the volatile performance in such market. When the pandemic was largely under control and the situation became relatively stable in China, the Group actively seized the opportunities from network construction such as 5G, and utilized its advantageous capabilities in “CAPEX and OPEX + Smart Applications”⁵, with a view to minimizing the negative impact of the pandemic and maintaining the stable fundamentals of its operation. Revenue from the domestic telecommunications operator market reached RMB69,976

³ “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 on its talents and products 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’ expectation could be achieved. “Housekeeper” means the Group provides full life cycle management and accompanying service of the relevant business and creates values for customers.

⁴ “Platform + Software + Service” capabilities: utilize core foundation platforms, including Cloud and IoT, focus on the application of 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.

⁵ “CAPEX and OPEX + Smart Applications”: CAPEX refers to the capital expenditure of domestic telecommunications operators while OPEX refers to the operating expenditure of domestic telecommunications operators.

million, representing a year-on-year decrease of 3.4% and accounting for 57.1% of the total revenues. Among which, revenue from China Telecom amounted to RMB41,777 million, resuming a year-on-year growth of 2.8% for the full year, and the contribution to the total revenues was 34.1%. The aggregate revenue from domestic telecommunications operators other than China Telecom recorded a year-on-year decrease of 11.3%, and the contribution to the total revenues was 23.0%.

Overseas Market

In 2020, the outbreak and persistence of the pandemic overseas had an impact on the development of the Group's overseas market. The Group's revenue from the overseas market amounted to RMB3,095 million, representing a year-on-year decrease of 5.2%, and the contribution to the total revenues was 2.5%. While implementing the effective overseas pandemic risk control, the Group proactively developed the business in a prudent manner, and made breakthroughs in the electricity industry in certain countries of the Middle East and Southeast Asia, and secured new contracts from operators of certain countries in Southeast Asia and Africa regarding communications tower maintenance business, thus expanding the source of revenue in the overseas market.

BUSINESS DEVELOPMENT

Telecommunications Infrastructure (“TIS”) Services

In 2020, the Group's TIS services recorded a revenue of RMB67,165 million, representing a year-on-year increase of 3.8% and accounting for 54.8% of the total revenues. The Group seized the construction opportunities of New Infrastructure such as 5G, data centers and Industrial Internet, and dedicated itself to developing the domestic non-operator market. Revenue from TIS services of such market reached RMB25,759 million, representing a rapid year-on-year growth of 23.2% and being the largest driving force of revenue growth from TIS services. The pandemic affected the commencement and delivery of projects and revenue from TIS services of the domestic telecommunications operator market was RMB38,879 million, representing a year-on-year decrease of 5.5%.

Business Process Outsourcing (“BPO”) Services

In 2020, the Group's revenue from the BPO services amounted to RMB37,277 million, representing a year-on-year increase of 1.7% and accounting for 30.4% of the total revenues. With the Group's emphasis on value enhancement and further control of businesses with low gross profit, revenue from Core BPO services⁶ (excluding the products distribution business) recorded a year-on-year increase of 2.2%. As the Group has been strengthening the cultivation, consolidation and the synergistic operation of the supply chain businesses in recent years, the coverage of such business has not only covered telecommunications operator customers, but also expanded to the markets of government and equipment manufacturers. With the continuously enriching customer portfolio and enhancing business

⁶ Core BPO services include management of infrastructure for information technology (network maintenance), general facilities management (property management) and supply chain services.

value, revenue from the supply chain business recorded a year-on-year growth of 5.3%. The Group continued to develop synergistic and efficient property management services, overcame the impact of the pandemic to promote the business and devoted resources to the frontline for pandemic control. Revenue from general facilities management (property management) of the year recorded a year-on-year increase of 3.1%.

Applications, Content and Other (“ACO”) Services

In 2020, the Group’s revenue from the ACO services amounted to RMB18,207 million, representing a rapid year-on-year increase of 13.2%, and the contribution to the total revenues was 14.8%, increased by 1.1 percentage points year-on-year. As the pandemic sparked the booming demand of upgrading social digitalization, the Group endeavoured to develop smart businesses represented by emergency management, smart city and industrial smart solutions by seizing the opportunities of New Infrastructure and digital transformation in the society, strengthening its self-developed capabilities in research and development, and expanding ecological cooperation. Among which, revenue from the system integration business recorded a year-on-year increase of 22.7%, and revenue from the software development and system support business recorded a year-on-year increase of 8.8%. The Group was further recognized by the industry for its software development service capabilities, and continued to rank 5th in the “100 Most Competitive Software & IT Service Enterprises 2020” coordinated by China Information Technology Industry Federation.

REFORM AND INNOVATION

The development and popularization of new generation information technology greatly promotes the deep integration of digital economy and real economy, and customer demands and industry development are also going through profound changes. In 2020, in view of the mega trend and the new requirements of digital transformation and upgrade of the society, the Group conformed to the trend, identified and adapted to changes, made early deployments and continuously promoted its reform and innovation with a view to enhancing its high-quality development capability.

Focusing on the opportunities of New Infrastructure represented by 5G, the Group undertook the 5G construction projects with the general contracting model from domestic telecommunications operator customers, and elevated the capabilities and optimized the ecosystem of general contracting, thus satisfying the general contracting demand for digital infrastructure from industrial customers and creating greater customer value.

The Group optimized its organizational structure in the headquarter by flattening the layers to improve the efficiency in strategy execution and communications. The Group strengthened the research and development and resource allocation by establishing China Comservice General Research Institute in order to build an integrated technology research and development mechanism which is vertically coordinated and horizontally connected, enabling it to respond rapidly to market changes and improve the capabilities on market research and judgment and project delivery. The Group also acquired a

property as its integrated bases for the production and operation of smart services to support technological research and development and smart product showcase, improve the operation synergy and efficiency, as well as building up the brand image of “New Generation Integrated Smart Service Provider”.

The Group actively promoted the deepened reform and sought to introduce strategic investors with strategic synergy and complementarity in order to acquire new capabilities, develop new markets, and cultivate more diversified sources of income. During the year, the Board approved the mixed-ownership reform of China Comservice Supply Chain Management Company Ltd., a subsidiary of the Company, to boost the business development through capital measures. Meanwhile, the Group pursued the integration of finance solutions with industry development, and acquired stakes in new and high-technology enterprises in the fields of Internet of Things (“IoT”) and network information security, with a view to further expanding the boundary of ecological cooperation.

PROSPECTS

Mr. Zhang Zhiyong, Chairman of China Comservice said, “In the past year, confronted with the unexpected COVID-19 pandemic, the Chinese Government united all the people across the country to fight through all difficulties and made significant achievements in pandemic prevention and control that China was the world’s only major economy to achieve growth. During the ‘14th Five-Year Plan’ period, China will enter a new stage of development characterized by long-term positive trend of macro-economy, acceleration of digital economy in the social development, expedition in the construction pace of New Infrastructure represented by 5G, data centers and the Industrial Internet, and quickening in the process of social governance upgrade.

Adhering to the strategic position as a ‘New Generation Integrated Smart Service Provider’ and upholding the mission and vision of ‘Building Smart Society, Boosting Digital Economy, Serving a Good Life’, the Group will start the new development stage, practise the new development philosophy, and formulate the new development landscape. The Group will seize the important opportunities of digital transformation arising from Cyberpower, Digital China and Smart Society, focus on key industries, regions and customers, and fully leverage its advantages of ‘Builder of Digital Infrastructure’, ‘Provider of Smart Products and Platforms’, ‘Service Provider of Data Production’ and ‘Guard of Smart Operation’, so as to continuously promote the high-quality development of the Group.

In the domestic non-operator market, the Group will target on the new infrastructure facilities, new urbanization constructions and national major construction, as well as seizing the important market opportunities such as Industrial Internet and network security, and focus on key industries and economically active areas, and continuously optimize and promote its key products including Smart City, Smart Government Services and Smart Game. The domestic non-operator market will become the primary driving force of the sustainable and healthy development of the Group.

In the domestic telecommunications operator market, while adhering to the ‘CAPEX and OPEX + Smart Applications’ strategy and penetrating into the traditionally advantageous fields, the Group will actively develop new businesses such as 5G, data centers, cloud-network integration and network information security, accelerate its integration into the ecosystem of operator customers’ transformation and upgrade, continuously improve its service capabilities and quality, thereby maintaining the leading position in the domestic telecommunications operator market and securing the fundamentals of its operation.

In the overseas market, on the premise of strict prevention of pandemic risk, the Group will seize the opportunities from the ‘Belt and Road’ and the facilitation in trade and investment, leverage its ‘EPC+F+I+O+S’⁷ model, focus on key regions such as Southeast Asia, the Middle East and Africa, further advance on the development of major projects and the breakthrough of industrial customer development, and continuously explore areas for new business development in the overseas market.

The Group will attach equal importance to its organic growth and external development. The Group will seek partners for strategic collaboration, industrial collaboration and business collaboration, and strengthen the cooperation with telecommunications operators and key industrial customers to explore and establish the collaborative and symbiotic ecosystem. Through investing in strategic businesses, the Group will build the link of business ecosystem. The Group will work with partners to jointly develop the social digitalization market on a market-oriented and win-win basis.”

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⁷ “EPC+F+I+O+S”: EPC (Engineering, Procurement, Construction) + Finance + Investment + Operation + Solution

About China Comservice

China Comservice is a New Generation Integrated Smart Service Provider that provides integrated comprehensive 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 the three domestic telecommunications operators 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 and China National Postal and Telecommunications Appliances Co., Ltd. are also shareholders of the Company.

The Group ranked 86th in *FORTUNE China's* "2020 FORTUNE China 500" and 1,488th in *Forbes'* "2020 Forbes Global 2000 – The World's Largest Public Companies". The Group was named as "Honored Companies in Asia" in *Institutional Investor's* 2020 "All-Asia Executive Team" Rankings for the first time. It was honored with "Titanium Award" in "The Asset ESG Corporate Awards 2020" held by *The Asset*, a financial magazine in Asia; "Best CEO" and "Best CFO" in the "10th Asian Excellence Recognition Awards" held by *Corporate Governance Asia*, and "The Best TMT Company" in the 5th "Golden Hong Kong Equities Awards Ceremony" organized by PRC leading financial media. In the 10th "China Securities Golden Bauhinia Awards" organized by *Ta Kung Wen Wei*, the Group won the award of "The Best Investment Value Listed Company".

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.