



中國通信服務  
CHINA COMSERVICE

## China Comservice Announces 2015 Annual Results

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Diversification supported synchronous growth of revenue and profit  
Free cash flow reached historical high  
Special dividend proposed for 2015

### HIGHLIGHTS:

- Overall operating results achieved remarkable enhancement, with accelerated growth in total revenues and profit, and significant increase in free cash flow.
- Gross profit margin and net profit margin were 14.1% and 2.9%, respectively.
- The Board has proposed to pay a final dividend of RMB0.1011 per share and a special dividend of RMB0.0101 per share for the financial year ended 31 December 2015. Total dividend for 2015 is RMB0.1112 per share, up by 19.4%.

### Financial Highlights (audited)

For the year ended 31 December	2014	2015	Change
Revenues (RMB million)	73,176	80,960	10.6%
Gross Profit (RMB million)	10,682	11,388	6.6%
Gross Profit Margin (%)	14.6%	14.1%	-0.5pp
Profit Attributable to Shareholders (RMB million)	2,150	2,334	8.6%
Free Cash Flow (RMB million)	833	3,573	328.8%
Basic Earnings per Share (RMB)	0.310	0.337	8.6%
Final Dividend per Share (RMB)	0.0931	0.1011	8.6%
Special Dividend per Share (RMB)	--	0.0101	--
Total Dividend per Share (RMB)	0.0931	0.1112	19.4%

(Hong Kong, 31 March 2016) — 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 2015.

### **Enhancement in Operating Performance**

In 2015, the Group pursued development with full confidence and achieved scale development through value enhancement. Total revenues exceeded RMB80 billion and reached RMB80,960 million, representing a year-on-year growth of 10.6%. Profit attributable to equity shareholders of the Company amounted to RMB2,334 million, representing a year-on-year increase of 8.6%. Net profit margin was 2.9% which remained stable compared to the corresponding period of last year. In 2015, the basic earnings per share of the Group was RMB0.337.

The Group leveraged on its edge of integrated service capability, kept enhancing service quality and customer satisfaction, and effectively preserved value in its business. The overall gross profit margin in 2015 was 14.1%, indicating a moderate slowdown of the decrease in gross profit margin<sup>1</sup>. Benefited from the economies of scale in business development and effective cost control, the selling, general and administrative expenses for the year accounted for 11.5% of total revenues, representing a year-on-year decrease of 0.5 percentage point.

The Company emphasized the “value-driven” appraisal principle and continued to enhance its effective management of accounts receivable, and the accounts receivable turnover days was 124 days, representing a year-on-year decrease of 8 days. The Group’s free cash flow increased substantially to RMB3,573 million, representing a year-on-year increase of 328.8% and reached a historical high.

### **Increase in Dividend Distribution**

The Board has proposed to distribute a final dividend of RMB0.1011 per share for the financial year ended 31 December 2015, representing a dividend payout ratio of 30%. Moreover, in view of the Group’s outstanding operating results and free cash flow for the year and its confidence in future development, the Board has proposed to distribute a special dividend of RMB0.0101 per share for 2015. Taking into consideration the above factors, the Company’s total dividend for 2015 is RMB0.1112 per share, representing a year-on-year growth of 19.4%.

Mr. Sun Kangmin, Chairman of the China Comservice commented: “In 2015, facing the complicated and ever-changing economic landscape, the Group upheld the management philosophy of “value-driven, seeking steady yet progressive growth and efficient development”. We firmly captured the opportunities such as 4G network construction and optimization of the quality and speed of broadband in the domestic telecommunications operator market, continued to focus on the development of the two new markets —

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<sup>1</sup> For 2013, 2014 and 2015, the decrease in gross profit margin compared to the corresponding period of previous year was 0.7 percentage point, 0.6 percentage point and 0.5 percentage point, respectively.

domestic non-operator market and overseas market, and achieved synchronous growth in revenue and profit with free cash flow increased substantially to a historical high, which shows a gradual enhancement in corporate value. In consideration of the outstanding performance of the Group, the Board has proposed to distribute a special dividend for 2015 to enhance shareholders' return.”

### **Telecommunications Infrastructure Services**

Revenue from Telecommunications Infrastructure Services (TIS) amounted to RMB39,209 million, representing a year-on-year growth of 15.3% and accounted for 48.4% of the total revenues. Among that, the revenue of TIS services from China Telecom recorded a rapid year-on-year growth of 33.7%. Besides, revenue of TIS services from domestic telecommunications operator customers other than China Telecom remained relatively stable as the Group innovated its traditional sales and marketing model, fully captured the new business opportunities from China Tower Corporation Limited (the “Tower Company”) and the new cooperation relationship and tender model of domestic telecommunications operator customers and increased its market share. The Group also continued to expand the domestic non-operator market, and TIS revenue from such customers recorded a year-on-year increase of 12.9%

### **Business Process Outsourcing Services**

Revenue from Business Process Outsourcing Services (BPO) amounted to RMB33,014 million, representing a year-on-year growth of 5.8% and accounted for 40.8% of the total revenues. The Group continued to optimize business structure and identified new drivers for future development while controlling the growth of businesses with low efficiency. The Group intensified its efforts in expanding network maintenance business and the revenue of such business grew by over 18% for two consecutive years. The Group leveraged on the opportunity of the establishment of China Comservice Supply Chain Management Ltd. to capitalize on the potential sub-business within the distribution business, and revenue from supply chain services<sup>2</sup> recorded a year-on-year growth of 10.9%.

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

Revenue from Applications, Content and Other Services (ACO) amounted to RMB8,737 million, representing a year-on-year growth of 9.9% and accounted for 10.8% of the total revenues. The Group focused on customers' demand in informatization services and dedicated in the promotion of six major group-level products<sup>3</sup>, and revenue from the key businesses under ACO services<sup>4</sup> achieved a year-on-year growth of 9.5%. The Group took initiatives for innovation in the ACO segment and achieved breakthroughs in projects such

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<sup>2</sup> Revenue from supply chain service was included in the revenue from distribution business of the Group.

<sup>3</sup> Six major group-level products include smart city, smart security, smart industrial park, intelligent building, cloud computing services and e-certification.

<sup>4</sup> Key businesses under ACO services include system integration, software development and system support, and value added services.

as information security, e-commerce, big data and cloud computing, etc.

### **Continuous Growth Supported by Three Customer Groups**

In 2015, the Group adhered to its diversification strategy in customer base, business scope and regional presence, continued to expand into new areas, optimize its business structure and enhance its quality of development.

The Group has leveraged on both “CAPEX and OPEX-driven” businesses<sup>5</sup> as the dual growth drivers to accelerate the development of domestic telecommunications operator market. The Group captured the vital opportunities of LTE FDD license issuance, upgrade and capacity expansion of telecommunications backbone network, broadband end-to-end speed upgrade and realized a year-on-year revenue growth of 16.3% from domestic telecommunications operator customers<sup>6</sup>, accounted for 67.7% of total revenues and represented an increase of 3.3 percentage points compared to the corresponding period of last year. Meanwhile, the Group reinforced its efforts in expanding the OPEX driven business, and its network maintenance revenue from domestic telecommunications operator customers increased by 17.9% year-on-year, which maintained a favourable growth trend and optimized the overall revenue structure. The Group fully capitalized on the preferential treatment and non-competition arrangements with the Tower Company and proactively undertook businesses from the Tower Company. The Tower Company was the second largest contributor to the Group’s revenue increase among the overall incremental revenue from all customers (the largest contributor was China Telecom).

The Group has expanded into the two new markets in a steady yet optimized manner. Revenue from domestic non-operator market for the year recorded a year-on-year growth of 3.0%, and accounted for 28.3% of total revenues. Among that, revenue from key businesses<sup>7</sup> exceeded RMB10 billion, representing a double-digit growth and accounted for more than 50% of the revenue from domestic non-operator market. With a focus on key sectors such as government, transportation, internet and information technology, construction and property as well as electricity, the Group intensified its efforts in promoting the six major group-level products, such as the construction of data centres for a renowned PRC insurance company and other organizations, as well as turnkey projects on the informatization solution for Tangshan World Horticultural Exposition and other events. The Group cooperated with a top-tier domestic smart surveillance equipment provider and undertook 56 “smart security” projects with a total amount of RMB0.56 billion. The Group

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<sup>5</sup> CAPEX and OPEX refer to the capital expenditure and operating expenditure of domestic telecommunications operators, respectively.

<sup>6</sup> From 2015 onwards, the revenue from China Tower Corporation Limited is classified under the aggregate revenues of domestic telecommunications operator customers.

<sup>7</sup> Key businesses of domestic non-operator market are Telecommunications Infrastructure Services, key businesses within the Business Process Outsourcing Services (including network maintenance, general facilities management and supply chain services of distribution business), and Applications, Content and Other Services.

captured the business opportunities arising from the pioneer businesses and won the tender of a quantum communication demonstrative project with an amount of RMB50 million. The Group successfully provided overall network planning, restructuring, system commissioning and communications security for the communications network of the “Second World Internet Conference” held in Wuzhen, and received high recognition from the PRC government and operator customers.

Meanwhile, the Group took the initiative to reallocate its resources in overseas market and continued to optimize business structure, in pursuit of steady development in overseas market. Revenue from overseas market accounted for 4.0% of total revenues. The Group also utilized various financial instruments, such as accounts receivable factoring and forward foreign exchange rate lock-in to hedge against overseas funding and exchange rate risk. The Group closely monitored opportunities from national “One Belt, One Road” Initiative, proactively mapped out a plan for overseas development, initiated and promoted its “China-Africa Partnership Program in Trans Africa Information Superhighway” Project, which has become a key Sino-foreign cooperative project supported by the PRC government.

### **Prospects**

Mr. Sun Kangmin, Chairman of China Comservice said: “Although we are facing challenges arising from the slowdown in macro-economic growth, slow growth in the communications sector, decrease in service charges for certain services and changes in regulatory policies, future development is still promising. The PRC government is accelerating the supply-side structural reform which is going to unleash the benefits of reform gradually and bring new momentum for corporate development. The PRC government’s initiatives of Cyberpower, Broadband China, Internet+, “One Belt, One Road” and Infrastructure Construction in New Form are offering enormous space for business development.

The Group will adhere to its existing strategies and build on the continuous success it has achieved in the diversification of its customer base, business scope and regional presence, and continue to explore new market space and cultivate new growth momentum. The Group will focus on the development of high value businesses and pursue scale development of the two new markets — domestic non-operator market and overseas market with the support of product and services innovation, and professional integration.

The Group will firmly leverage on the opportunities such as the construction and optimization of 4G network as well as the upgrade of broadband network, so as to lay a solid foundation for its operation. Meanwhile, we will focus on the operating expenditure

of the domestic telecommunications operator customers and devote in the expansion in high value businesses such as integrated maintenance and logistics services, with a view to cultivate new growth momentum. We will leverage on the new cooperation relationship between the domestic telecommunications operator customers and capitalize on the preferential and non-competition arrangements with the Tower Company, strive to enhance our delivery capacity, service quality and service standard, so as to maintain existing competitive advantages and further enlarge our market share.

In respect of our domestic non-operator market, we will keep abreast of the pace of investment by the PRC government and focus on the informatization demand from customers in key sectors including government, transportation, electricity and construction. We will adhere to our “three-step”<sup>8</sup> strategy, focus on opportunities of mobile internet, cloud computing, big data, internet of things and industrial internet of things, promote our six major group-level products and continue to acquire high value large turnkey projects. We will intensify our efforts in strengthening our marketing and collaboration mechanism to enhance our capability in market expansion and project delivery, and also pursue innovation in group-level products and external cooperation to enhance our market competitiveness.

The Group will focus on the informatization demands in regions such as Africa, the Middle East and South East Asia, and strengthen its cooperation with domestic telecommunications operators, “Going Abroad” state-owned enterprises, local governments and equipment vendors to embark on large scale “EPC+” projects. We will closely monitor the implementation of the “One Belt, One Road” Initiative and capture the opportunity arising from our “China-Africa Partnership Program in Trans Africa Information Superhighway” Project and accelerate our market expansion, with a view to excel and strengthen our overseas operation.

With the continuous efforts in cultivating new growth momentum, the Group will achieve continuous and stable development, and create greater value for its shareholders and customers.”

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<sup>8</sup> The three-step strategy covers business replication, capability extension and informatization innovation.

### **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 management of infrastructure for information technologies, general facilities management and distribution of telecommunications service and products; 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, domestic non-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 Corporation, China United Network Communications Group Company Limited and China National Postal and Telecommunications Appliances Corporation are also shareholders of the Company.

In 2015, the company was honored the "Leadership 100 Awards" in 2015 by a British financial magazine, *International Finance Magazine*, and awarded "The Best of Asia – Icon on Corporate Governance" again in "11th Corporate Governance Asia Recognition Awards 2015" by *Corporate Governance Asia*.

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.