

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. 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.

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.

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.
- (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%.

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.

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.

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.

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.

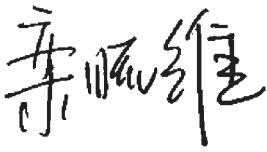
Serving the customers, rewarding the shareholders, caring about the employees and giving back to society form the cornerstone of the Group’s various works. The Group has continuously contributed to the promotion of rural revitalization, public welfare and major events. In the first half of the year, 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