

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.