

# FINANCIAL REVIEW

## TOTAL REVENUES

In the first half of 2023, 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 strove to become “the Main Force in Digital Infrastructure Construction, the Vanguard in Smart City Services, the Leading Enterprise in Industrial Digitalization Services, and a Trusted Expert in Smart Operation”, and captured the key opportunities from digital economy, new infrastructure construction and industrial digitalization, thus realizing steady growth of operating results, with the total revenues amounting to RMB73,170 million, representing an increase of 5.7% compared to RMB69,254 million in the first half of 2022.

## Revenue by Business

In the first half of 2023, the revenue from telecommunications infrastructure (“TIS”) services was RMB37,688 million, representing a year-on-year increase of 7.5%. Revenue from business process outsourcing (“BPO”) services was RMB21,729 million, representing a year-on-year increase of 0.9%. Revenue from applications, content and other (“ACO”) services was RMB13,753 million, representing a year-on-year increase of 8.6%.

With the in-depth promotion of the Digital China strategy and the acceleration of digital information infrastructure construction, 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 TIS services the largest contributor in driving business growth. Among which, the revenue of design service amounted to RMB5,200 million, representing a year-on-year increase of 15.3%. The Group further consolidated its resources and promoted specialized operations, resulting in steady growth in BPO services that possess attributes such as strong customer loyalty and short cash conversion cycle. By strengthening innovation and research and development consistently and seizing the development opportunities from the acceleration of the digitalization and intelligentization retrofit in traditional industries, the Group carried out iterative upgrade on its smart products and solutions and effectively fulfilled the customers’ demand for digitalization, thus the revenue of ACO services maintained solid growth momentum. Among which, revenue from software development and system support businesses amounted to RMB2,613 million, representing a year-on-year increase of 31.5% and maintaining a growth of more than 20% for many consecutive years.

## Revenue by Market

During the first half of 2023, the Group’s revenue from the domestic telecommunications operator market amounted to RMB39,977 million, representing a year-on-year increase of 7.5%. Revenue from the domestic non-operator market amounted to RMB31,623 million, representing a year-on-year increase of 3.6%. Revenue from the overseas market amounted to RMB1,570 million, representing a year-on-year increase of 1.2%.

In the first half of 2023, by persisting in the “CAPEX + OPEX + Smart Applications” development strategy in the domestic telecommunications operator market, the Group leveraged its advantages of differentiated capabilities and strengthened its market competitiveness, and actively responded to the domestic telecommunications operators’ changing demand for the construction of data centers and computing power networks as well as the industrial digitalization, thus making domestic telecommunications operator market contributed meaningfully to the results growth of the Group. Meanwhile, the Group continued to advance on the expansion of domestic non-operator market, seized the strategic opportunities of the digital economy and industrial digitalization, and focused on the business demands of data center, digital government and enterprise digital transformation. The Group also continued to optimize its business mix and further expanded high-value business to reinforce the development quality, hence revenue from such market maintained a steady growth.

## FINANCIAL REVIEW (CONTINUED)

### COST OF REVENUES

In the first half of 2023, the cost of revenues of the Group amounted to RMB65,336 million, representing a year-on-year increase of 5.4%. Among which, direct personnel costs amounted to RMB3,871 million, representing a decrease of 3.9% from RMB4,030 million in the first half of 2022. 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 continuous decline in direct personnel costs. Subcontracting charges amounted to RMB40,303 million, representing an increase of 5.9% from RMB38,063 million in the first half of 2022. The Group further strengthened management over subcontracting and improved its self-sufficient delivery capabilities, thus making the growth of subcontracting charges under effective control. Materials costs amounted to RMB11,886 million, representing an increase of 9.1% from RMB10,896 million in the first half of 2022. 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 significant slowdown in the increase in material costs.

### GROSS PROFIT

In the first half of 2023, the Group recorded gross profit of RMB7,834 million, representing an increase of 7.4% over RMB7,294 million in the first half of 2022. The Group's gross profit margin in the first half of 2023 was 10.7%, representing an increase of 0.2 percentage point from 10.5% in the first half of 2022, indicating that the stabilization and recovery of the gross profit margin was sustained. While balancing its development scale, the Group put stronger emphasis on improving quality and efficiency and guided the Group's subsidiaries to select and develop high-margin projects through appraisal. At the same time, the Group continuously strengthened project management and cost control and strived to enhance the value creation capability of its business. 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, the proportion of high-value businesses will gradually increase and thereby driving the Group's overall gross profit margin to maintain an upward trend.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the first half of 2023, the selling, general and administrative expenses of the Group were RMB6,353 million, representing an increase of 7.3% from RMB5,920 million in the first half of 2022. The selling, general and administrative expenses of the group accounted for 8.7% of the total revenues, representing an increase of 0.2 percentage point over the same period of the last year. Pursuant to the resumption of economic activities to normal, the selling, general and administrative expenses as a percentage of revenue increased slightly.

### PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

In the first half of 2023, profit attributable to equity shareholders of the Company was RMB2,034 million, representing an increase of 7.3% from RMB1,895 million in the first half of 2022.

## FINANCIAL REVIEW (CONTINUED)

### CASH FLOW

The Group recorded a net cash outflow of RMB2,323 million in the first half of 2023, as compared to a net cash outflow of RMB3,170 million in the first half of 2022. The change was mainly attributable to the Group's persistence in the value-driven approach and strengthening the working capital management, resulting in an improvement in net cash flow from operations.

### ASSETS AND LIABILITIES

The Group continued to maintain its solid financial position. As of 30 June 2023, the Group's total assets was RMB119,040 million, representing an increase of RMB8,771 million from RMB110,269 million as of 31 December 2022. Total liabilities was RMB76,330 million, representing an increase of RMB7,685 million from RMB68,645 million as of 31 December 2022. The liabilities-to-assets ratio was 64.1%, which slightly increased compared with that as of 31 December 2022.