

## CHAIRMAN'S STATEMENT

In 2023, positioning itself as “New Generation Integrated Service Provider”, the Group persisted in steering its high-quality development with technological innovation, penetrated strategic emerging industries, built core capabilities, and thus achieving enhancement in both operating results and efficiency in development.



**Mr. LUAN Xiaowei**  
*Executive Director and Chairman*

Dear Shareholders,

In 2023, the Chinese government accelerated the construction of Digital China and new industrialization, leading to the deepening of a new round of scientific and technological revolution and industrial revolution as well as the continuous acceleration in the pace of digitalization and intelligentization. By positioning itself as a “New Generation Integrated Smart Service Provider” and led by technological innovation, the Group deeply explored strategic emerging industries and built core capabilities to improve the quality of corporate development, thus achieving favorable operating performance and efficiency in development.

## **I. ACHIEVING STEADY YET IMPROVING OPERATING RESULTS**

By adhering to its overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development” and giving full play to its advantages as “Builder of Digital Infrastructure”, “Provider of Smart Products and Platforms”, “Provider of Industrial Digitalization Services”, and “Guard of Smart Operation” (“Four Roles”), the Group accelerated the expansion into the strategic emerging industries, and continued to improve its operating results, with steady and healthy growth in total revenues and net profit<sup>2</sup>. During the year, the Group’s total revenues reached RMB148,615 million, representing a year-on-year increase of 5.6%, among which, service revenue<sup>3</sup> amounted to RMB143,437 million, representing a year-on-year increase of 6.1%. Gross profit amounted to RMB17,257 million, representing a year-on-year increase of 8.0%, and gross profit margin improved for two consecutive years to 11.6%, representing a year-on-year increase of 0.2 percentage point. Net profit was RMB3,584 million, representing a year-on-year increase of 6.7%, and such growth rate continued to be higher than the revenue growth rate. Net profit margin was 2.4%, which stabilized and improved. Free cash flow was RMB4,333 million, which remained healthy. Return on equity (ROE) was 8.6%, representing a year-on-year increase of 0.1 percentage point. Basic earnings per share were RMB0.518, representing a year-on-year increase of 6.7%. Considering the sound operating results and cash flow for the full year, and to further increase shareholders’ return, the Board has proposed to increase the dividend payout ratio from 40% in 2022 to 42% for the financial year ended 31 December 2023, and pay a final dividend of RMB0.2174 per share, representing a year-on-year increase of 12.1%.

### **1. The Three Major Business Segments Maintaining Favorable Growth Momentum Driven by Advantageous Businesses**

During the year, revenue from the Group’s telecommunications infrastructure (“TIS”) services amounted to RMB76,137 million, representing a year-on-year increase of 4.4%, accounting for 51.2% of total revenues. Among them, the high-value consultation and design businesses achieved favorable development, which effectively improved the profitability of the TIS segment. Revenue from business process outsourcing (“BPO”) services amounted to RMB43,551 million, representing a year-on-year increase of 1.1%, accounting for 29.3% of total revenues. Benefiting from the Group’s advantages in software and digital services capabilities, revenue from applications, content, and other (“ACO”) services maintained a relatively rapid growth, and amounted to RMB28,927 million, representing a year-on-year increase of 16.8%, accounting for 19.5% of total revenues, which was the leading contributor to the Group’s revenue growth. Among them, revenue from software development and system support maintained a rapid growth of 25.1% year-on-year.

<sup>2</sup> Net profit refers to profit attributable to the equity shareholders of the Company.

<sup>3</sup> Service revenue = total revenues – revenue from products distribution – revenue from IT equipment supplies in system integration

## 2. The Three Major Markets Growing Steadily by Keeping Abreast with the Upgrade of Digitalization Demand

- (A) Domestic non-operator market led the Group's revenue growth with reinforced development quality.** With a focus on the needs for digitalization, intelligentization and green development of the society and leveraging its advantages of "Consultant + Staff + Housekeeper"<sup>4</sup> services and "Platform + Software + Service"<sup>5</sup> capabilities, the Group provided customized and scenario-based solutions to customers in the government, energy and power, construction, transportation and other industries. The standard of its service and the quality of its delivered work have been continuously improved, and the business value of such customer market has steadily increased. Revenue from the domestic non-telecom operator ("domestic non-operator") during the year amounted to RMB63,433 million, representing a year-on-year increase of 6.3%, becoming the main engine leading the overall revenue growth.
- (B) Domestic telecommunications operator market grew steadily by seizing transformation opportunities.** By persisting in the "CAPEX + OPEX + Smart Applications"<sup>6</sup> development strategy, while improving the operational efficiency of its traditional businesses, the Group focused on the new needs of domestic telecommunications operators in respect of the computing power construction, industrial digitalization business and technological innovation transformation. The Group gave full play to its general contracting capabilities as well as integrated advantages, and continued to build up its service capabilities in delivery, operational support and software development, fully supporting the operators' business transformation and upgrading, and undertaking multiple benchmark projects in cloud, intelligent computing centers, "Dual Carbon", thereby realizing win-win cooperation. Revenue from such market amounted to RMB81,726 million during the year, representing a year-on-year increase of 4.7%.
- (C) Overseas market achieved improvements in both quality and scale by focusing on key regions.** The Group actively responded to the needs of digital economy along the "Belt and Road" by strengthening collaborative expansion and ecological cooperation with "Go Abroad" Chinese enterprises as well as replicating its advantageous capabilities in the domestic market to provide digital infrastructure construction, new energy construction and intelligentization services for key overseas regions and customers, securing several high-value and high-quality projects. The Group achieved rapid business growth in overseas market during the year, with revenue amounting to RMB3,456 million, representing a year-on-year increase of 15.3%.

<sup>4</sup> "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 the Group provides full life cycle management and accompanying service of the relevant businesses and creates values for customers.

<sup>5</sup> "Platform + Software + Service" capabilities: utilize core foundation platforms, including cybersecurity and Internet of Things, 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.

<sup>6</sup> "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. STRENGTHENING AND OPTIMIZING STRATEGIC EMERGING BUSINESSES, ACHIEVING NEW RESULTS IN TRANSFORMATION AND UPGRADING**

In 2023, the construction of Digital China entered a new stage of overall deployment and comprehensive advancement. The Group continued to further its efforts in strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, and emergency management and security, and built up new momentum and new edges. During the year, the aggregate value of the new contracts from strategic emerging businesses increased by more than 30% year-on-year, accounting for nearly 30% of the total new contracts value, representing an increase of approximately 5 percentage points from last year, which effectively drove the transformation and upgrading of the overall business and promoted high-quality development of the Company.

In the field of digital infrastructure, the Group actively engaged in the construction of intelligent computing centers, supercomputing centers and the transformation and upgrading of data centers, and strengthened a series of cloud businesses such as cloud consultation, cloud migration, cloud integration, and cloud operation and maintenance. With its profound accumulation of industry experience, the Group integrated the new generation of digital intelligence and green technology to develop a unique "1+2" digital new infrastructure solution (i.e. providing whole-process and full-profession integrated services which are marked by the two major technological features of green and low-carbon as well as digital intelligence). The Group led the industry with its energy-saving technology for data center and full-process digital delivery capability. The Group successfully undertook multiple projects of data centers in the "eight national computing hubs" among the "East Data, West Computing" projects in China and overseas. The value of the new contracts from such field grew by approximately 30% during the year. The Group also released the "White Paper on China's Data Center Industry Development (2023)" and contributed its expertise and strength to the building of a solid foundation for digital infrastructure.

In the field of smart city, as the sub-sectors among social governance developed and the entire industry accelerated digital transformation, the Group continued to focus on areas such as digital government, smart park, smart transportation, smart education, smart healthcare and enterprise digital transformation. The Group continued to strengthen its marketing team, improved service quality, gave full play to the integrated advantages of consultation and design leadership, software development support and general contracting delivery. Leveraging its three-tier service capabilities covering provinces, cities and counties across the country, the Group integrated the development of key industries and core regions, enabling it to successfully secure several EPC general contracting projects with contract value of over RMB100 million each. The value of the new contracts from such field grew by more than 20% during the year.

In the field of green and low-carbon, the Group supported the comprehensive green transformation of economic and social development. Capturing the demand for investment in new digital power systems and exploring new area for deployment in carbon assets, the Group focused on major businesses such as electricity infrastructure and ancillary facilities, photovoltaic construction, energy usage services and carbon management, promoting the research and development and application of key technologies in low-carbon, zero-carbon and negative-carbon. The Group developed a whole-process green and low-carbon solution of "Driving Development with Consultation + Digital Empowerment + Product Innovation + Engineering Construction + Operation and Maintenance", which has solidified its core competitiveness and differentiated advantages in the field. The value of the new contracts from such field grew by more than 50% during the year.

In the field of emergency management and security, the Group is committed to promoting the construction of social public safety systems. By closely following customers' needs for safe operations and data security, the Group utilized technologies such as artificial intelligence, big data, 5G, Internet of Things, and developed products such as comprehensive application platform for emergency management, production safety risk monitoring and early warning system, emergency command information system, cyberspace surveying and mapping and data security monitoring. These products enabled sensitive awareness, accurate prediction, timely response and scientific decision-making for major risks, provided high-quality industry planning and top-level design services, and guarded urban public safety, industrial production safety and natural ecological safety. The value of the new contracts from such field achieved steady growth during the year. The Group had leading capabilities in smart application services and platform construction in this field and was successfully selected into the "Smart Safety and Emergency Industry Map"<sup>7</sup>.

### III. COMPREHENSIVELY PROMOTING HIGH-QUALITY DEVELOPMENT BY ENHANCING CORE ADVANTAGES OF THE ENTERPRISE

#### 1. Developing Strategic Core Products by Enhancing Innovation Capabilities

The Group insisted on driving "intrinsic" growth through technological innovation. It increased investment in research and development on strategic emerging businesses, and closely followed customers' needs to carry out application technology innovation, and accelerated the research and development and operation of core products. The Group strengthened overall planning for technological innovation and arranged in advance the deployment in cutting-edge technology fields such as 6G, data centers, computing power, blockchain, and artificial intelligence. The Group compiled a total of 16 national standards during the year and accumulated more than 3,000 authorized patents. The Group has ranked fourth in the "100 Most Competitive Software & IT Service Enterprises" for three consecutive years and won a total of 49 major awards for scientific and technological achievements during the year, indicating that its innovation capabilities and scientific and technological strength have been widely recognized by the society.

#### 2. Enhancing the Value of Smart Services by Adhering to Steering Through Consultation

With customers at its center as always, the Group continuously strengthened its team of industry experts and technology talents and leveraged the leading effect of "Consultation + Technology". With the advantages of multi-professional and full-process comprehensive services spanning "Consultation and Design + General Contracting + Integration + Operation and Maintenance", the Group met its customers' demand for new digital services, characterized by scenario-based, intelligent, secure, and sustainable features. The Group has established multiple industrial research institutes and created an "Industry Center + Regional Platform" matrix to continuously enhance its systematic capabilities in "industry insights, marketing and delivery, solution development, product research and development, and ecosystem integration", providing top-tier smart services with higher value to clients across various fields and industries.

#### 3. Strengthening Corporate Brand Power by Leveraging Industry Expertise

The Group served the country's overall deployment for Digital China, continuously deepened the essence of its "Four Roles" and strove to create a brand with distinct and high-quality advantages. By deploying in strategic emerging industries prospectively, with value creation as the focus, the Group strengthened its core products and key capabilities, enhancing its brand's leadership and influence in the industry and society. The "China Telecom & China Unicom 5G Co-building and Sharing SA Construction Project" undertaken by the Group, won the National Quality Engineering Gold Award. Leveraging its rich industry experience and digital technology strengths, the Group developed benchmark projects in digital twin and industrial Internet, which were repeatedly featured in the news coverage by mainstream media outlets such as China Central Television.

<sup>7</sup> The "Smart Safety and Emergency Industry Map" was officially released by the Safety and Emergency Industry Alliance led by the China Academy of Information and Communications Technology at the "2023 China Safety and Emergency Industry Conference".



#### **4. Fully Unleashing Development Vitality by Propelling Reform and Digital Transformation**

The Group relied on deepening reforms to enhance the intrinsic driving force for development and continuously modernized the corporate governance system and capabilities. It persistently improved the integration and value enhancement of supply chain and property management businesses through professional operations to strengthen and optimize them. By establishing a comprehensive plan and implementation program for digital transformation, the Group enhanced the level of digital management in key areas. With the implementation of a strategy to empower the enterprise through talents, the Group optimized selection, deployment and incentive mechanisms as well as nurturing and expanding its team of top-notch leaders, technology talents, marketing and delivery specialists, and skilled craftsmen, thus providing robust support for the stable and healthy development of the enterprise.

### **IV. ACTIVELY FULFILLING ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES AND BEING COMMENDED FOR CORPORATE GOVERNANCE**

The Group comprehensively upholds the new development philosophy and actively practices the corporate mission of "Building Smart Society, Boosting Digital Economy, Serving a Good Life". It proactively addresses climate change, adheres to green and low-carbon development, optimizes corporate governance and risk management and control, promotes safe and compliant operations, and cares for its employees. The Group has been widely recognized for its robust governance capabilities and strong sense of responsibility. For two consecutive years, the Group has been included as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index", reflecting the Group's outstanding performance in corporate sustainability.

In 2023, the Group was dedicated to implementing the national "Dual Carbon" strategic goals by formulating a rolling development plan for "Dual Carbon". It continuously refined its organizational system and regulations for energy saving and emission reduction, thus enhancing its environmental management capabilities. The Group also fortified its team of "Dual Carbon" experts and professionals, offering carbon management, carbon emission reduction, and carbon removal services to clients across the energy, transportation, construction, communications and other sectors, using digital measures to bolster societal efforts in energy saving and carbon reduction. The Group was honored with the WSIS Champion Project<sup>8</sup> for "The Blue Sky Guard System" by The World Summit on the Information Society, fully demonstrating its green technology innovation capabilities and social influence.

The Group undertook and successfully completed communications support for major national events such as the "31st summer edition of the FISU World University Games", the "19th Asian Games Hangzhou", the "2023 World Internet Conference Wuzhen Summit" and the "Boao Forum for Asia Annual Conference 2023". Engaging in emergency rescue and communications supporting work, the Group rushed to disaster sites without delay during major disasters such as heavy rain and flooding in the Beijing-Tianjin-Hebei Area, typhoons "Saola", "Khanun" and "Doksuri", the Jishishan earthquake in Gansu, and cold wave and low temperature extreme weather in southern regions, ensuring uninterrupted communications networks and aiding in the reconstruction of affected areas. Participating in regional livelihood construction, the Group provided smart water services to residents of Macau. Proactively contributing to rural revitalization, the Group undertook several digital rural projects, contributing to the modernization of agriculture and rural areas.

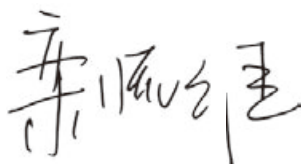
<sup>8</sup> The World Summit on the Information Society (WSIS), co-hosted by United Nations Educational, Scientific and Cultural Organization, the United Nations Development Programme, and the International Telecommunication Union recognizes enterprises around the world working to accelerate the world's socio-economic progress and the innovative projects using information and communications technologies to create a better world. "The Blue Sky Guard System", as a project representative in the field of environmental protection, stood out from 762 projects worldwide and won the WSIS Champion Project.

The Group places strong emphasis on its sustainable development, continuously improving corporate governance structure, enhancing comprehensive risk management system, and raising the standard of operation, thereby earning multiple accolades from the capital market. The Group ranked 98th in the “2023 FORTUNE China Listed Companies 500” and ranked 1,499th in the “2023 Forbes Global 2000”, and it was also selected as “2023 Forbes China ESG Innovative Enterprise”. The Group earned a number of accolades including “Most Honored Company”, “Best CEO”, “Best CFO”, and “Best ESG” in the “2023 Asia Executive Team Rankings” by *Institutional Investor*. It also won awards such as “Asia’s Best CEO”, “Asia’s Best CFO”, “Best Investor Relations Company” and “Best Environmental Responsibility” in the “13th Asian Excellence Award” held by the corporate governance magazine in Asia, *Corporate Governance Asia*, and won the “Gold Award” in the “The Asset ESG Corporate Awards 2023” hosted by the financial magazine, *The Asset*.

## V. OUTLOOK

Currently, there is an accelerating emergence of new quality productive forces that integrate digital technologies such as cloud computing, big data, and artificial intelligence. Meanwhile, the digital economy has become a crucial pillar for creating new development paradigms, offering vast market opportunities through societal digital transformation. In light of these new circumstances and opportunities, the Group is dedicated to becoming “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”. The Group will persist in value-led as well as innovation and transformation-driven approach, enhancing the quality and efficiency of traditional businesses, and further developing the strategic emerging businesses by focusing on new sub-segments, service models and trend of focal points. The Group will fortify its capabilities in technological innovation, market expansion, delivery of general contracting projects, risk control, and capital operation, thus continuously improving its core competitive advantages. The Group will build itself as a “First-class Smart Service Innovative Enterprise”, moving forward together with shareholders, customers, and society to create a new chapter of high-quality development.

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 long-term attention and support, and deeply thank all of our employees for their continued dedication and hard work. I would also like to express my sincere gratitude to those directors and supervisors who have resigned, including Mr. Liu Guiqing, Mr. Huang Zhen and Ms. Ye Lichun for their outstanding contributions to the development of the Group during their tenure; and my sincere and warm welcome to Mr. Liu Aihua who has joined the Board, and Ms. Huang Xudan who has joined the Supervisory Committee.



**Luan Xiaowei**  
*Executive Director and Chairman*

Beijing, PRC  
27 March 2024