

CHAIRMAN'S STATEMENT



In 2024, the Group, positioning itself as a “New Generation Integrated Smart Service Provider”, persisted in upholding technological innovation as its guiding principle, continued to cultivate strategic emerging businesses, accelerated the formation of new quality productive forces, thereby achieving “Effective Improvement in Quality” as well as “Reasonable Growth in Quantity”, and firmly driving high-quality development.

Luan Xiaowei
Executive Director and Chairman

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Dear Shareholders,

In 2024, the global and domestic landscapes became increasingly complex and multifaceted, and the new wave of technological revolution and industrial transformation continued to deepen, with frontier technologies such as new-generation information technology and artificial intelligence constantly giving rise to new industries, new models and new momentum. Faced with operational challenges brought by the slowing revenue growth in the domestic telecommunications industry and increasingly fierce competition in the industrial digitalization market, the Group, positioning itself as a “New Generation Integrated Smart Service Provider” and fully leveraging its roles as the “Builder of Digital Infrastructure”, “Provider of Smart Products and Platforms”, “Provider of Industrial Digitalization Services”, and “Guard of Smart Operation” (collectively referred to as the “Four Roles”), persisted in upholding technological innovation as its guiding principle, accelerated the expansion of strategic emerging businesses, developed new quality productive forces tailored to local conditions, thereby achieving “Effective Improvement in Quality” as well as “Reasonable Growth in Quantity”, and firmly driving sustainable and high-quality development.

I. Steady Yet Improving Operating Results with Resilience in Quality Enhancement and Efficiency Improvement

Adhering to its overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development” and practicing the principle of “revenue with reasonable profits and profits with matching cash flow”, the Group achieved steady yet improving operating results, with efficiency indicators trending positively. During the year, the Group achieved total revenues of RMB150,000 million, representing a year-on-year increase of 0.9%. Among this, service revenue¹ amounted to RMB146,212 million, representing a year-on-year increase of 1.9%. Gross profit reached RMB17,596 million, representing a year-on-year increase of 2.0%. The gross profit margin was 11.7%, up by 0.1 percentage point year-on-year, marking a steady improvement for three consecutive years. Net profit² was RMB3,607 million, representing a year-on-year increase of 0.6%. The net profit margin remained largely stable at 2.4%. Free cash flow amounted to RMB5,214 million, showing favorable growth. Return on equity (ROE) was 8.2%. Basic earnings per share were RMB0.521, representing a year-on-year increase of 0.6%. In light of the Group's stable operating performance and sound cash flow for the year, the Board has proposed a final dividend of RMB0.2187 per share for the financial year ended 31 December 2024, representing a dividend payout ratio of 42%.

1. Focusing on Value Creation, the Three Major Business Segments Remained Stable with Enhanced Quality

During the year, revenue from the Group's telecommunications infrastructure (“TIS”) services amounted to RMB75,172 million, representing a year-on-year decrease of 1.3% and accounting for 50.1% of total revenues. The decline was mainly due to certain customers' cautious investment and the Group's proactive control of low-value projects. While supporting domestic customers in the construction for computing power infrastructure, the Group leveraged its industry-leading TIS capabilities to actively expand into overseas market, achieving a year-on-year increase of 17.5% in relevant revenue from overseas customers. Revenue from business process outsourcing (“BPO”) services amounted to RMB43,459 million, representing a year-on-year decrease of 0.2% and accounting for 29.0% of total revenues. Among this, revenue from low-margin products distribution business continued to be effectively controlled, decreasing by 18.9% year-on-year, further optimizing the revenue structure of this segment. Persisting in upholding technological innovation as its guiding principle, the Group continuously strengthened its software development capabilities and digital service standards. Revenue from applications, content, and other (“ACO”) services maintained a favorable growth momentum, reaching RMB31,369 million, representing a year-on-year increase of 8.4%. Its proportion of total revenues exceeded 20%, reaching 20.9%, and revenue from ACO services remained as the primary driver of revenue growth for three consecutive years.

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.

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2. Adapting to Changing Demands, the Three Major Customer Markets Were Deeply and Meticulously Developed

- (A) **Leveraging differentiated advantages, the domestic telecommunications operator market remained stable while achieving growth.** Adhering to its “CAPEX + OPEX + Smart Applications”³ development strategy, the Group effectively addressed the challenges posed by the decline in CAPEX investment from domestic telecommunications operators. Guided by customers’ needs, the Group improved the delivery quality of traditional businesses through digital means and closely followed operators’ new transformation demands such as construction of computing power infrastructure and industrial digitalization. By fully leveraging its differentiated advantages in digital infrastructure, green and low-carbon, consultation and design, software applications, operation and maintenance, as well as deepening ecosystem cooperation, the Group achieved win-win collaboration. Despite the overall decline in CAPEX investment in this market, revenue from this market reached RMB83,603 million during the year, representing a year-on-year increase of 2.3%.
- (B) **Adhering to value-oriented approach, the quality in the domestic non-operator market was enhanced.** The Group focused on high-value industries and businesses with significant strategic importance, high economic benefits, and close ties to people’s livelihoods. It accelerated the development of industrial digitalization businesses and actively explored areas such as low-altitude economy, artificial intelligence, and intelligent computing and supercomputing. Leveraging its advantages of unique “Consultant + Staff + Housekeeper”⁴ service model and “Platform + Software + Service”⁵ capabilities, the Group provided customers with integrated, full-process services that incorporate cloud, artificial intelligence, security, and platform. The Group strictly controlled project risks and expanded its business while ensuring project quality and mitigating operational risks, maintaining stable gross profit margin in this customer market. Revenue from the domestic non-telecom operator (“domestic non-operator”) market amounted to RMB62,169 million during the year, representing a year-on-year decrease of 2.0%.
- (C) **Deploying in key regions, overseas market achieved rapid growth.** Centering on key regions along the “Belt and Road”, the Group actively responded to the demand for digital infrastructure overseas by replicating its domestic capabilities in fundamental network and computing power infrastructure construction. Meanwhile, the Group steadily expanded into new businesses such as industrial digitalization and new energy, continuously optimized its overseas operating models, strengthened comprehensive risk management, and enhanced collaborative cooperation with “Go Abroad” Chinese enterprises. The Group successfully secured several high-quality and large-scale projects, achieving safe, compliant, and efficient development. Revenue from the overseas market grew rapidly during the year, reaching RMB4,228 million, representing a year-on-year increase of 22.3%.

³ “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.

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.

II. Focusing on Key Industry Customers, Continuously Deepening Expansion of Strategic Emerging Businesses

In 2024, the country vigorously developed new quality productive forces and promoted the deep integration of the real economy and the digital economy, with accelerated progress in digitalization, intelligentization, green development and security enhancement. The Group focused on key industry customers in government, emergency management, energy, transportation, education, and healthcare, and continued to deepen its development in strategic emerging businesses in digital infrastructure, green and low-carbon, smart city as well as emergency management and security. The total value of new contracts signed from strategic emerging businesses during the year increased by over 30% year-on-year, accounting for 37% of the total value of new contracts signed, representing an increase of approximately 7 percentage points from the previous year, creating a new growth engine for high-quality development.

1. The Field of Digital Infrastructure

The Group actively implemented the national strategies of building China into a cyberpower and Digital China. Keeping pace with the computing power demand driven by the iteration of artificial intelligence large models, the Group accelerated the intelligent and green upgrading of digital information infrastructure. Leveraging innovative AI energy efficiency optimization technologies and the leading capabilities in green and low-carbon, consultation and design as well as solution, the Group accumulated rich project experience in data centers, cloud services, and 5G+ businesses. It undertook intelligent computing and supercomputing center projects in industries such as telecommunications, finance, Internet and manufacturing, contributing to the construction of a national integrated computing power network and empowering the high-quality development of the digital economy, thereby solidifying the digital foundation for Chinese modernization. The Group undertook approximately 20 large-scale projects with contract values of more than RMB100 million each, and the value of new contracts signed in this field grew by over 30% during the year.

2. The Field of Green and Low-Carbon

With the advancement of the national "Dual Carbon" goals, the Group engaged in the coordinated development of computing power and green energy, supporting the comprehensive green transformation of economic and social development. Focusing on energy and electricity, industrial manufacturing, transportation, real estate and construction, as well as information and communications, the Group provided customers with upgraded services such as electricity infrastructure and ancillary facilities, new energy construction, energy usage services and carbon management. The Group tracked and developed cutting-edge, energy-saving and carbon-reduction technologies, leveraging its integrated capabilities in "Consultation-Driven + Digital Empowerment + Product Innovation + Engineering Construction + Operation and Maintenance" to create comprehensive and customized green and low-carbon solutions. The Group secured several EPC general contracting projects with contract values exceeding RMB100 million each. The value of new contracts signed in this field grew by over 25% during the year.

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3. The Field of Smart City

The Group focused on urban renewal and the digital transformation needs of all industries and continuously deepened its efforts in developing key industries and regions. Leveraging its advantages in consultation and design as the lead, software development support, and general contracting delivery, the Group explored innovative applications of new technologies such as artificial intelligence, the Internet of Things, and big data in related industries. Relying on its professional local teams at the provincial, municipal, and county levels, the Group continuously strengthened its products and solutions capabilities, securing several projects with contract values exceeding RMB100 million each in areas such as social governance, digital government, smart transportation, smart education, smart healthcare, and enterprise digital transformation, comprehensively empowering the digital transformation of the economy and society. The value of new contracts signed in this field grew by over 40% during the year.

4. The Field of Emergency Management and Security

The Group strictly adhered to the bottom line of safe development and continuously enhanced public safety governance and network information security capabilities. In emergency management, the Group used digital means to assist in disaster prevention, mitigation, and relief, as well as the handling of urgent, difficult, dangerous and major public emergencies. It promoted the implementation of proprietary products such as emergency command information systems, production safety risk monitoring and early warning systems, as well as natural disaster monitoring and early warning platforms, participating in the building of emergency management capabilities in multiple provinces and cities across the country. The Group participated in the national key research and development program "Prevention and Control of Major Natural Disasters and Public Safety" under the Ministry of Emergency Management, specifically the key project of "Key Technologies for Intelligent Generated Decision-Making Knowledge Base in Disaster and Accident Emergency Management Situations", achieving dynamic and efficient integration of spatiotemporal information at disaster sites, intelligent analysis, and emergency management and rescue decision-making support. In terms of network and information security, the Group actively responded to the cybersecurity operations and data security needs of customers in industries such as information and communications, finance, energy, and transportation, developing over 40 proprietary and controllable network and information security products and one-stop integrated solutions. The "Intelligent Video Surveillance Application System", which the Group participated in research and development, was successfully selected into the "2024 Cybersecurity Technology Application Exemplary Cases"⁶. The value of new contracts signed in the field of emergency management and security grew by over 30% during the year.

⁶ The "2024 Cybersecurity Technology Application Exemplary Cases" was jointly released by 13 units, including the General Office of the Ministry of Industry and Information Technology, the Secretariat of the Cyberspace Administration of China, the General Office of the Ministry of Human Resources and Social Security. It aims to strengthen the guidance for advanced cybersecurity technology applications and promote the high-quality development of the cybersecurity industry.

III. Accelerating the Formation of New Quality Productive Forces, Driving High-Quality Development

1. Adhering to Technology Innovation-driven Development, Building a High-Quality Technology Enterprise

The Group continued to leverage technological innovation as a driving force, strengthening the deep integration of technological innovation and industrial innovation, building a key engine for developing new quality productive forces, and creating new momentum and advantages for high-quality development. Focusing on strategic emerging industries, the Group developed nearly 100 key industry products, such as smart photovoltaic, smart building, and smart sport, to meet customers' intelligent, secure, and scenario-based needs. It focused on key technologies in future industries, advancing in frontier areas such as 5G-A, blockchain, AI+, satellite communications, and low-altitude economy, and developed products such as the blockchain data service platform, the direct satellite connection product "Xingjitong", the network connected drone intelligent application platform, and AI product suites. The Group accelerated the commercialization and large-scale replication of technological innovation results, cultivating over 40 products with contract values exceeding RMB10 million each and implementing 12 comprehensive solutions, each deployed in more than 50% of the country's provinces, effectively enhancing enterprises' operational efficiency. The Group accumulated more than 3,900 authorized patents and 10,500 software copyrights. For the fourth consecutive year, the Group ranked fourth in the "100 Most Competitive Software & IT Service Enterprises", and several technological innovation projects received provincial and ministerial-level as well as national-level association science and technology awards. The Group was also included in the "China Cybersecurity Industry Panorama" by AQNIU⁷ and the "2023–2024 Recommended Directory of Outstanding Innovative Software Products"⁸, demonstrating its recognized innovation capabilities in the industry.

2. Building Core Capabilities Advantages, Providing High-Quality Smart Services

Rooted in new-generation information service technologies, the Group continuously deepened the essence of its "Four Roles", strengthening the supply of high-quality products and services, and effectively enhancing its core competitiveness. Adhering to a customer-centric approach, the Group utilized new technologies such as big data, cloud computing, artificial intelligence and quantum communications, combined with its advantages in consultation and design, software, delivery, and operation and maintenance, striving to become a comprehensive service provider for new infrastructure including new-generation information and communications, general data centers, intelligent computing and supercomputing centers, offering general contracting and integrated solutions. The Group strengthened its cloud-based digital platform and software development capabilities, empowering the digital transformation of various industries, and providing operators with smart support services, including operation and maintenance, supply chain management, property management and training. By continuously focusing on strategic emerging industries, the Group capitalized on its nationwide "Industry Center + Regional Platform" matrix to enhance its core product capabilities, business value and service standards, developing new quality productive forces tailored to local conditions.

⁷ "AQNIU" is a highly influential third-party professional media and flagship think tank in China's cybersecurity industry.

⁸ The "2023–2024 Recommended Directory of Outstanding Innovative Software Products", released by the China Federation of Electronics and Information Industry (CFEI), aims to drive high-quality development in the software industry, boost proprietary innovation, accelerate new technology adoption, and promote outstanding software products in key sectors.

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3. Deepening Reforms in Key Areas, Enhancing Momentum for High-Quality Development

The Group further comprehensively deepened reforms, continuously improving production relations that are more compatible with new quality productive forces, and driving high-quality development in all aspects. The Group continued to advance the professional, synergistic, and intelligent operation of its supply chain management, property management, and education and training businesses, cultivating core professional teams, strengthening business capability building, and building a technology-driven, nationwide industry-leading enterprise. The Group accelerated its digital transformation, focusing on internal production and operation needs, promoting the implementation of "AI+" internal applications, and improving corporate management efficiency. The Group fully implemented a talent-centric enterprise strategy, firmly establishing the concept that "talent is the primary resource", reforming and innovating talent management mechanisms, continuously optimizing talent recruitment, training, utilization, evaluation, incentives, services, and digital management, and building four types of expert teams in technology, marketing, skills, and comprehensive functions, injecting strong momentum for the Group's high-quality development.

IV. Fulfilling Environmental and Social Responsibilities, Maintaining High Standards of Corporate Governance

The Group thoroughly implemented the new development philosophy, practicing its corporate mission of "Building Smart Society, Boosting Digital Economy, Serving a Good Life". The Group adhered to green and low-carbon development, actively fulfilled its social responsibilities, and achieved compliant and efficient operations, with its strong governance capabilities widely recognized. For the third consecutive year, the Group has been included as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index", reflecting its outstanding performance in corporate sustainability.

In 2024, the Group actively responded to the national "Dual Carbon" strategy, formulating green and low-carbon plans and related action plans, conducting research on carbon emission peaks and pathways, and promoting the development of incentive and constraint mechanisms for energy-saving and emission-reduction to achieve green operations. The Group continued to invest in green technology research and development, leveraging its mature energy-saving and emission-reduction planning, design, and construction experience to assist governments, energy, transportation, construction, and other sectors in achieving green and sustainable development. The Group received multiple awards in the "New Green Cup" Information and Communications Industry Empowerment Carbon Peak and Carbon Neutrality Innovation Competition⁹.

⁹ The "New Green Cup" Information and Communications Industry Empowerment Carbon Peak and Carbon Neutrality Innovation Competition, jointly organized by the Internet Society of China and China Association of Communication Enterprises and co-hosted by institutions including the China Academy of Information and Communications Technology, aims to select innovative green and low-carbon technology achievements and application cases in the industry, and enhance the technical capabilities and product supply for enabling energy conservation and carbon reduction across society.

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The Group actively gave back to society, providing disaster prevention and relief, and communications support. It successfully completed the communications support mission for the launch of the Shenzhou-19 manned spacecraft and provided communications services for major national events such as the “Boao Forum for Asia Annual Conference 2024”, the “7th China International Import Expo”, and the “2024 World Internet Conference Wuzhen Summit”. The Group participated in emergency rescue and communications support during major disasters such as the extreme weather of cold wave and low temperature in certain regions in early spring, severe rainstorms and floods in southern regions, typhoons “Yagi” and “Bebinca”, the 7.1-magnitude earthquake in Wushi County, Xinjiang, and the 6.8-magnitude earthquake in Dingri County, Tibet. The Group rushed to disaster areas immediately, fully engaging in emergency communications support, with a total of approximately 150,000 person-times contributed throughout the year, safeguarding the “lifeline” of communications.

The Group leveraged its comprehensive smart service capabilities to participate in rural revitalization and livelihood improvement projects. It undertook digital village, smart agriculture, and agricultural-tourism integration projects, driving the modernization of agriculture and rural areas through informatization, promoting high-quality and efficient agriculture, and livable and workable rural areas. The Group participated in urban renewal actions in multiple regions, breaking through the “last mile” of multi-network integration. The Group’s underground cable-laying project in the old residential neighborhood of Taping of Guanyinqiao, Chongqing, received unanimous recognition from local residents and was featured as a benchmark project in a CCTV special program, establishing the “Guanyinqiao Model” with sound efficiency.

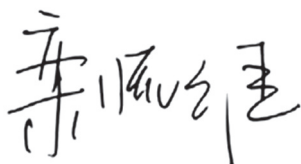
The Group persisted in stable and compliant operations, continuously improving corporate governance and internal control systems. Its high standards of corporate governance were recognized by the capital market. In the “2024 Forbes Global 2000”, the Group ranked 1,429th. In the “2024 Asia Pacific (Ex-Japan) Executive Team” rankings by *Institutional Investor*, the Group earned a number of accolades including “Most Honored Company”, “Best CEO”, “Best CFO”, and “Best ESG”. In the “14th Asian Excellence Award” held by the corporate governance magazine in Asia, *Corporate Governance Asia*, the Group received awards such as “Asia’s Best CEO”, “Asia’s Best CFO”, and “Best Investor Relations Company”, and for the first time, the “Sustainable Asia Award”. In the “The Asset ESG Corporate Awards 2024” held by the financial magazine, *The Asset*, the Group received the “Gold Award”. In the 14th China Securities “Golden Bauhinia Awards” organized by *Ta Kung Wen Wei*, the Group received the “Excellence in High-Quality Development of Listed Company” award.

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V. Outlook

At present, cutting-edge digital technologies such as artificial intelligence, big data, and cloud computing are driving various industries into a new stage of intelligent transformation. The digital economy has become a key area and an important engine for accelerating the development of new quality productive forces. Facing both transformation and opportunities, the Group remains committed to its positioning as a “New Generation Integrated Smart Service Provider”, with technological innovation at its core and deepening reforms as the driving force. The Group will continuously enhance its core functions and improve its core competitiveness. The Group will closely follow the upgrading needs of traditional businesses, continuously optimize the quality of its products and services, and promote the transformation of traditional businesses towards intelligence, green, and security. The Group will also enhance the value of strategic emerging businesses, accelerate the cultivation of digital infrastructure capabilities, green and low-carbon capabilities, smart city service capabilities, as well as emergency management and security capabilities that are aligned with the new generation of information technologies. At the same time, the Group will balance high-quality development with high-level security, prevent and mitigate operational risks, strengthen the bottom line of safe development, and ensure the steady and long-term growth of the Group, contributing to the advancement of Chinese modernization.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, customers, and all sectors of society for their long-term care and support, as well as to all our employees for their hard work and dedication. I would also like to extend my heartfelt thanks to Mr. Yan Dong, the Executive Director and President, and Mr. Gao Tongqing, the Non-executive Director, who have resigned, for their outstanding contributions to the development of the Group during their tenure. At the same time, I warmly welcome Mr. Cui Zhanwei to the Board of Directors.

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

Beijing, PRC
27 March 2025