

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

In 2025, by 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 leveraged its strengths as a “Pioneer of Digital Intelligence Consulting”, a “Navigator of Digital Intelligence Infrastructure”, a “Leader of Digital Intelligence Maintenance and Operation” and a “Provider of Digital Intelligence Products”, and actively integrated frontier technology, enhanced comprehensive service capabilities, as well as developed new quality productive forces tailored to local conditions. As a result, the Group achieved “Effective Improvement in Quality and Reasonable Growth in Quantity”, with revenues growing steadily and efficiency indicators stabilizing and trending positively. Revenues for the year amounted to RMB150,093 million, representing an increase of 0.1% compared to 2024. Profit attributable to equity shareholders of the Company was RMB3,610 million, representing an increase of 0.1% compared to 2024. Basic earnings per share were RMB0.521. Free cash flow was RMB795 million.

Revenues

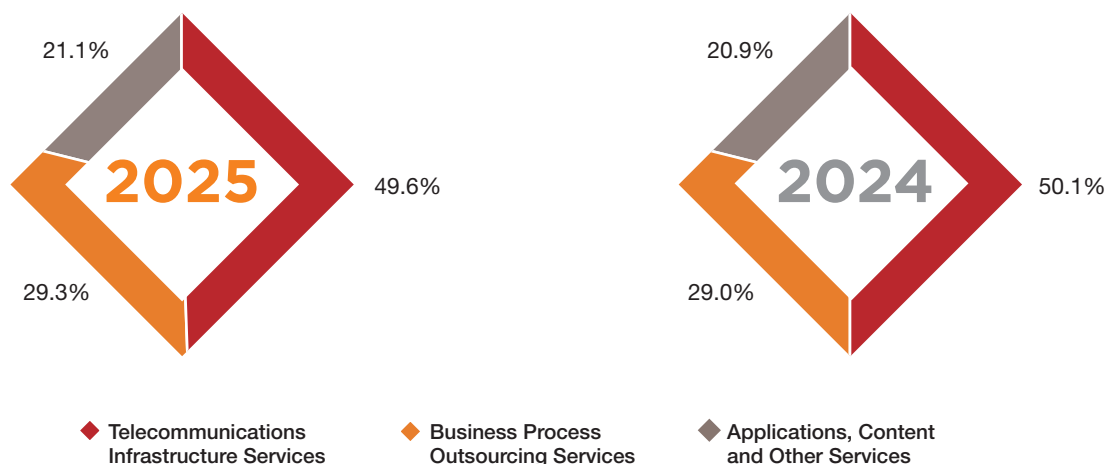
In 2025, the Group’s revenues amounted to RMB150,093 million, representing an increase of 0.1% compared to 2024. From a business perspective, revenue from telecommunications infrastructure (“TIS”) services was RMB74,391 million, representing a year-on-year decrease of 1.0%; revenue from business process outsourcing (“BPO”) services was RMB44,062 million, representing a year-on-year increase of 1.4%; and revenue from applications, content, and other (“ACO”) services was RMB31,640 million, representing a year-on-year increase of 0.9%. The decrease in TIS revenue was mainly due to the overall investment environment by our customers and the proactive control and reduction of low-value projects by the Group. With the deepened implementation of the Digital China strategy and the accelerated pace of digital information infrastructure construction, competition in the digital construction sector has evolved towards a higher level and greater refinement. The Group enhanced its comprehensive integrated smart service capabilities, and strived to overcome the impact of the decline in investment from customers and the adjustment to the investment mix, thereby maintaining relatively stable revenue from TIS services. The Group further consolidated its resources and promoted professionalized operations, ensuring stable revenue growth from BPO services, which possess attributes such as strong customer loyalty and short cash conversion cycles. At the same time, the Group gave full play to the productive force of digital technologies, its advantages in integrated services and its capabilities in system integration and software development to meet customer needs for digitalization effectively, thereby driving the development of its businesses such as system integration and software development and sustaining stable growth in revenue from ACO services.

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From a market perspective, revenue from the domestic telecommunications operator market was RMB80,212 million, representing a year-on-year decrease of 4.1%; revenue from the domestic non-operator market reached RMB65,613 million, representing a year-on-year increase of 5.5%; and revenue from the overseas market was RMB4,268 million, representing a year-on-year increase of 1.0%. Despite headwinds including the continuous decline in capital expenditure by domestic telecommunications operators, the Group strived to promote business expansion in areas such as the iterative upgrade of new infrastructure, computing power network construction, green infrastructure retrofit, industrial digital intelligence empowerment, as well as operation and maintenance. Leveraging its advantages in differentiated capabilities, the Group provided integrated comprehensive solutions that were “green, intelligent, integrated, and efficient” to support customers in achieving strategic upgrades as well as innovation and reforms, thereby steadily increasing its market share. In the domestic non-operator market, the Group capitalized on opportunities from AI-powered intelligent computing and data center construction, as well as urban renewal and green transformation. Leveraging its advantages in “Consultant + Staff + Housekeeper” service and “Platform + Software + Service” capabilities, it provided integrated, end-to-end services that combined cloud integration, artificial intelligence integration, security integration, and platform integration. The Group undertook a number of industry benchmark projects across various fields including digital infrastructure, intelligent construction, green and low-carbon, smart operation and maintenance, smart sports, and the low-altitude economy, thereby realizing relatively rapid revenue growth in the domestic non-operator market. In response to the complex and ever-changing global landscapes, the Group continued to optimize its operating model and expanded high-value projects along key regions of the “Belt and Road”. In regions such as Asia-Pacific, Africa, and the Middle East, the Group successfully undertook landmark projects such as national-level smart hubs and world-class photovoltaics projects, effectively enhancing the international influence of the “Made in China” and “China Services” brands, thus achieving steady revenue growth in the overseas market.

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Business Revenue Mix



The following table sets forth a breakdown of the Group's revenues for 2024 and 2025, together with their respective changes:

	2025 RMB'000	2024 RMB'000	Change
Telecommunications Infrastructure Services			
Design services	8,939,972	9,917,391	(9.9%)
Construction services	61,014,658	60,673,388	0.6%
Project supervision and management services	4,436,630	4,581,458	(3.2%)
	74,391,260	75,172,237	(1.0%)
Business Process Outsourcing Services			
Management of infrastructure for information technology (Network Maintenance)	19,118,078	18,754,785	1.9%
General facilities management (Property Management)	8,306,956	8,122,502	2.3%
Supply chain	13,731,835	13,559,545	1.3%
Sub-total of Core BPO Services	41,156,869	40,436,832	1.8%
Products distribution	2,904,552	3,022,186	(3.9%)
	44,061,421	43,459,018	1.4%
Applications, Content and Other Services			
System integration	19,398,374	19,594,996	(1.0%)
Software development and system support	7,114,106	6,241,050	14.0%
Value-added services	2,607,850	2,749,632	(5.2%)
Others	2,519,598	2,783,170	(9.5%)
	31,639,928	31,368,848	0.9%
Total	150,092,609	150,000,103	0.1%

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Telecommunications Infrastructure Services

In 2025, the Group's revenue from TIS services amounted to RMB74,391 million, representing a decrease of 1.0% as compared to RMB75,172 million in 2024. TIS services was the primary source of revenues of the Group and accounted for 49.6% of revenues, representing a decrease of 0.5 percentage points from 50.1% in 2024. As to the customer structure, the Group's TIS revenue from domestic telecommunications operator customers amounted to RMB37,755 million and accounted for 50.8% of the total TIS revenues, representing a decrease of 3.9 percentage points from 2024. The aggregate TIS revenues from domestic non-operator customers and overseas customers amounted to RMB36,636 million and accounted for 49.2% of the total TIS revenues, representing an increase of 3.9 percentage points from 2024.

In 2025, the Group's TIS revenue from domestic telecommunications operator customers decreased by 8.1% compared to 2024. The Group fully supported the business demand of domestic telecommunications operator customers and continued to maintain its market leading position. As domestic telecommunications operators continue to accelerate their digital transformation, increase investments in new infrastructure (such as computing power centers) and accelerate their pace of transformation and upgrading, the Group will further integrate itself into the operators' ecosystem. By enhancing its product and service capabilities to cater to the demand for comprehensive, integrated and diversified digital service of domestic telecommunications operators, the Group will endeavor to maintain stable business development of the domestic telecommunications operators. The aggregate TIS revenues from domestic non-operator customers and overseas customers increased by 7.5% compared to 2024, in which, the TIS revenue from domestic non-operator customers recorded a year-on-year increase of 8.1%, and the TIS revenue from overseas customers recorded a year-on-year increase of 0.8%. Pursuant to the further implementation of the Digital China strategy, the acceleration in the pace of digital information infrastructure construction, the flourishing development of industrial digitalization, the increasing demand for energy saving and carbon reduction as well as backbone optical cable network construction, the Group will embrace new growth opportunities in the domestic non-operator market and overseas market.

Business Process Outsourcing Services

In 2025, the Group's revenue from BPO services amounted to RMB44,062 million, representing an increase of 1.4% as compared to RMB43,459 million in 2024, and accounted for 29.3% of revenues, representing an increase of 0.3 percentage points as compared to 29.0% in 2024. In terms of customer structure, the BPO revenue from domestic telecommunications operator customers amounted to RMB29,077 million, representing an increase of 1.0% over 2024, and accounting for 66.0% of the total BPO revenues, representing a decrease of 0.2 percentage points from 2024. The aggregate BPO revenues from the domestic non-operator customers and overseas customers amounted to RMB14,985 million, representing an increase of 2.1% over 2024, and accounted for 34.0% of the total BPO revenues, representing an increase of 0.2 percentage points over 2024.

In 2025, among each of the businesses under the Group's BPO services, revenue from network maintenance amounted to RMB19,118 million, representing an increase of 1.9% as compared to 2024. The Group further optimized and integrated its business of property management, enhancing its synergistic operational capabilities and building smart service capabilities, resulting in revenue from property management business of RMB8,307 million, representing an increase of 2.3% as compared to 2024. Revenue from the supply chain business reached RMB13,732 million, representing an increase of 1.3% as compared to 2024. The Group focused on the upstream and downstream customers, fully leveraged its advantages in full-process and network-wide synergistic operation in the supply chain, providing integrated and full life cycle supply chain services to domestic telecommunications operators, government, and enterprise customers. Besides, revenue from products distribution business amounted to RMB2,905 million, representing a decrease of 3.9% as compared to 2024, which was mainly due to the Group's commitment to high-quality development and proactive control of the products distribution businesses with low operating efficiency.

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Applications, Content and Other Services

In 2025, the Group's revenue from ACO services amounted to RMB31,640 million, representing an increase of 0.9% as compared to RMB31,369 million in 2024. The revenue from ACO services accounted for 21.1% of revenues, representing an increase of 0.2 percentage points from 20.9% in 2024, and this proportion has been increasing for several years. In terms of the customer mix, the Group's ACO revenue from domestic telecommunications operator customers amounted to RMB13,380 million and accounted for 42.3% of the total ACO revenues, representing a decrease of 1.5 percentage points as compared to 2024. The aggregate ACO revenues from domestic non-operator customers and overseas customers amounted to RMB18,260 million, and accounted for 57.7% of the total ACO revenues, representing an increase of 1.5 percentage points over 2024.

In 2025, the Group insisted on proprietary research and development as well as innovation, and accelerated the commercialization of research findings. As a result, revenue from software development and system support business achieved RMB7,114 million, representing a year-on-year increase of 14.0%, making it the largest contributor to the growth in overall revenues. Leveraging its integrated service advantages and capabilities in system integration and software development, the Group seized domestic opportunities in new infrastructure construction and digital transformation, etc. Leveraging its proprietary core platforms and industry-leading smart product series, the Group vigorously expanded its businesses in AI+, 5G+, data center, smart city, green and low-carbon, emergency management and security, and low-altitude economy, effectively satisfying the digital transformation needs of its customers.

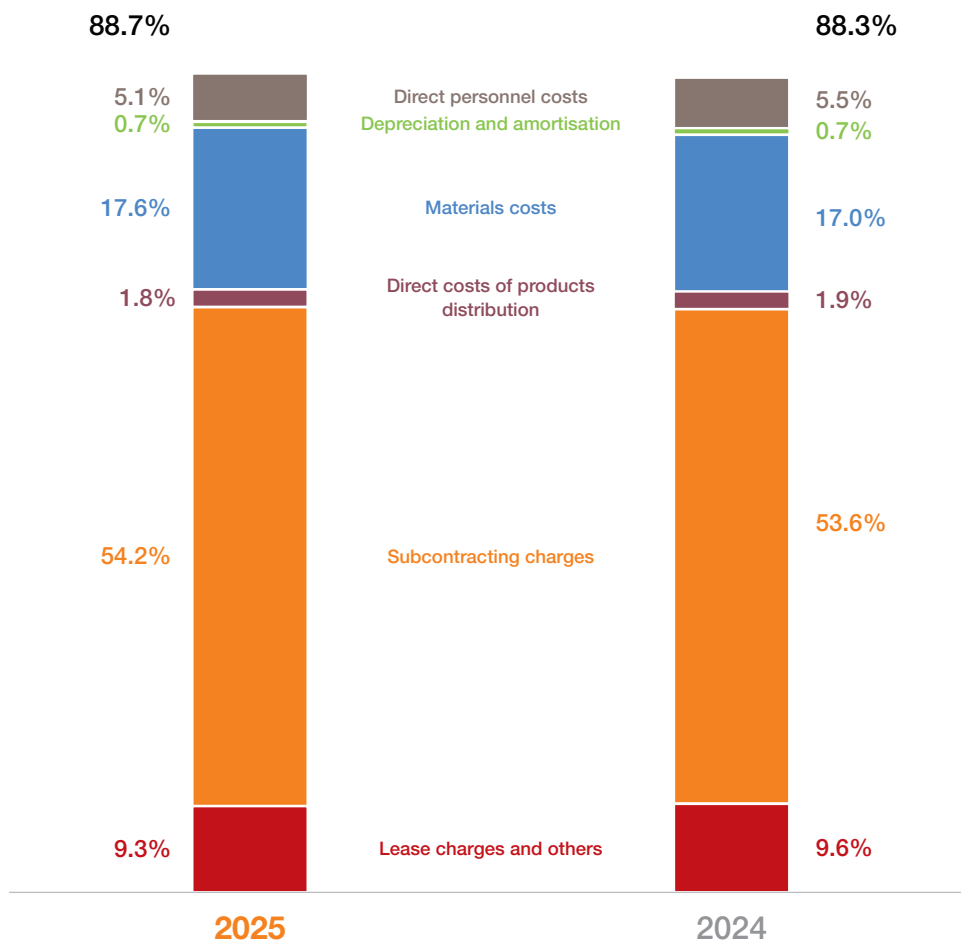
Cost of Revenues

The Group's cost of revenues in 2025 amounted to RMB133,136 million, representing an increase of 0.6% from 2024 and accounting for 88.7% of revenues. The following table sets out a breakdown of the Group's cost of revenues in 2024 and 2025 and their respective changes:

	2025 RMB'000	2024 RMB'000	Change
Direct personnel costs	7,710,598	8,208,384	(6.1%)
Depreciation and amortisation	1,007,405	1,025,761	(1.8%)
Materials costs	26,415,523	25,579,237	3.3%
Direct costs of products distribution	2,748,968	2,815,082	(2.3%)
Subcontracting charges	81,316,294	80,405,717	1.1%
Lease charges and others	13,937,187	14,369,701	(3.0%)
Total cost of revenues	133,135,975	132,403,882	0.6%

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Cost of Revenues as a % of Revenues



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Direct Personnel Costs

In 2025, direct personnel costs amounted to RMB7,711 million, representing a decrease of 6.1% from RMB8,208 million in 2024. Direct personnel costs accounted for 5.1% of revenues, representing a decrease of 0.4 percentage points from 2024. The Group kept a reasonable control over its total headcount, continued to optimize its employee structure, and steadily enhanced its labor productivity. The remuneration per capita increased by 2.1%, outpacing the growth of revenues and demonstrating that employees could share in the results of corporate development.

Depreciation and Amortisation

In 2025, depreciation and amortisation amounted to RMB1,007 million, representing a decrease of 1.8% from RMB1,026 million in 2024. Depreciation and amortisation cost accounted for 0.7% of revenues.

Materials Costs

In 2025, materials costs amounted to RMB26,416 million, representing an increase of 3.3% from RMB25,579 million in 2024. Materials costs accounted for 17.6% of revenues, representing an increase of 0.6 percentage points from 2024. As the Group optimized its business model and proactively undertook major projects under the general contracting model, materials costs increased accordingly. The Group will enhance procurement efficiency and step up the control of material costs by continuously strengthening the management of general contracting projects, optimizing its internal procurement system and utilizing AI digital tools to accelerate the upgrading of centralized procurement management.

Direct Costs of Products Distribution

In 2025, direct costs of products distribution amounted to RMB2,749 million, representing a decrease of 2.3% from RMB2,815 million in 2024. Direct costs of products distribution accounted for 1.8% of revenues, representing a decrease of 0.1 percentage points from 2024. The decrease of direct costs of products distribution was mainly attributable to the Group's initiative to control certain products distribution business with low operating efficiency.

Subcontracting Charges

In 2025, subcontracting charges amounted to RMB81,316 million, representing an increase of 1.1% from RMB80,406 million in 2024. Subcontracting charges accounted for 54.2% of revenues, representing an increase of 0.6 percentage points from 2024. The Group will promote the application of AI digital tools to strengthen subcontracting management, implement classified control over subcontracting costs with targeted measures, and enhance its independent delivery capabilities. The Group will also further strengthen the synergistic management of suppliers with a view to maintaining the growth of subcontracting charges at a relatively reasonable level.

Lease Charges and Others

In 2025, lease charges and others were RMB13,937 million, representing a decrease of 3.0% from RMB14,370 million in 2024. Lease charges and others accounted for 9.3% of revenues, representing a decrease of 0.3 percentage points from 2024.

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Gross Profit

In 2025, the Group recorded gross profit of RMB16,957 million, representing a decrease of 3.6% from RMB17,596 million in 2024. The Group's gross profit margin in 2025 was 11.3%, representing a decrease of 0.4 percentage points from 11.7% in 2024. While catering for the scale of its development, the Group focuses more on improving quality and efficiency, guides its subsidiaries through appraisal to select and develop high-margin projects and increase the proportion of high-value businesses. The Group also optimizes its mechanisms for collaborative R&D and operational marketing as well as commercialization of R&D findings, with a view to developing industry-leading flagship products and enhancing its business value. At the same time, the Group continuously leverages AI digital means to strengthen project management and cost control. With its deepening deployment in digital economy, new infrastructure construction and industrial digitalization areas, the Group will strive to achieve a stable-to-rising gross profit margin over the medium and long term.

Selling, General and Administrative Expenses

In 2025, the selling, general and administrative expenses of the Group were RMB14,412 million, representing a decrease of 4.3% from RMB15,054 million in 2024. The selling, general and administrative expenses accounted for 9.6% of revenues, representing a decrease of 0.4 percentage points from 10.0% in 2024. Among them, the research and development expenses were RMB5,467 million, representing a decrease of 1.8% from RMB5,568 million in 2024, and accounted for 3.6% of revenues, representing a slight decrease compared to 2024. The Group maintained rigorous control over its selling, general and administrative expenses and strictly implemented various initiatives to drive quality and efficiency improvement. Meanwhile, the Group targeted its research and development resources towards capability building in AI, digital infrastructure and related fields, securing the outcomes from research and development investments.

Finance Costs

In 2025, the finance costs of the Group were RMB87 million, representing a decrease of 17.7% from RMB106 million in 2024. The majority of the Group's borrowings were in Hong Kong dollar and Renminbi, and the decrease in finance cost was mainly due to the lower interest rates of Hong Kong dollars and Renminbi borrowings in 2025, which were lower than the interest rates of US dollar borrowings. During the year, the Group replaced US dollar borrowings with Hong Kong dollars and Renminbi borrowings, which had lower financing costs.

Income Tax

In 2025, the income tax of the Group was RMB371 million and its effective tax rate was 9.0%, representing an increase of 0.3 percentage points from 8.7% in 2024. The difference between the Group's effective tax rate and the statutory tax rate was mainly attributable to the Group's investment in research and development being maintained at a relatively large scale. In accordance with the relevant national policies, the Group enjoyed preferential income tax rate treatments as a high-technology enterprise and the preferential policy of tax deduction before income tax for research and development expenses. In 2025, certain subsidiaries of the Group that fell under the scope of high-technology enterprises were entitled to a preferential income tax rate of 15%. Certain enterprises in Western China benefited from the preferential policies for Western Development Program. Other than that, the Company and other domestic subsidiaries of the Group were mainly subject to an income tax rate of 25%. The overseas subsidiaries of the Group were subject to different tax rates in various countries.

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Profit Attributable to Equity Shareholders of the Company and Basic Earnings Per Share

In 2025, profit attributable to equity shareholders of the Company was RMB3,610 million, representing an increase of 0.1% over RMB3,607 million in 2024. Profit attributable to equity shareholders of the Company accounted for 2.4% of revenues, remaining largely unchanged from 2024. Basic earnings per share of the Company were RMB0.521 (2024: RMB0.521).

Capital Expenditure

The Group implements stringent budget management over capital expenditure and makes adjustment according to changes in market condition. In 2025, capital expenditure of the Group amounted to RMB742 million, representing a decrease of 31.5% from RMB1,082 million in 2024. The capital expenditure in 2025 accounted for 0.5% of revenues, representing a decrease of 0.2 percentage points from 2024. The Group's capital expenditure mainly included the purchase of production equipment and tools, instrumentation, intangible assets and other operating assets. The decrease in capital expenditure was primarily due to the Group's strengthened management over investment scale and investment efficiency, strictly controlling investments not for operations and production.

Cash Flow

In 2025, the Group recorded a net cash outflow of RMB5,297 million, representing an increase of RMB2,011 million from a net cash outflow of RMB3,286 million in 2024. As at the end of 2025, the balance of cash and cash equivalents of the Group amounted to RMB14,341 million, of which 95.6% was denominated in Renminbi.

The following table sets out our cash flow positions in 2024 and 2025, respectively:

	2025 RMB'000	2024 RMB'000
Net cash generated from operating activities	937,716	6,220,990
Net cash used in investing activities	(4,121,366)	(7,165,349)
Net cash used in financing activities	(2,113,776)	(2,341,786)
Net decrease in cash and cash equivalents	(5,297,426)	(3,286,145)

In 2025, net cash generated from operating activities of the Group was RMB938 million, representing a decrease of RMB5,283 million from RMB6,221 million in 2024. While actively implementing measures in accounts receivable management to boost collections effectively, the Group proactively optimized its settlement methods along its supply chain and built a healthy industry ecosystem. As a result, the pace of external payments and settlements accelerated, leading to a decrease in cash generated from operating activities. Moving forward, the Group will continue to strengthen the clearing and settling of accounts receivable, while enhancing the management of accounts payable, in order to achieve a healthy cash cycle.

In 2025, net cash used in investing activities of the Group was RMB4,121 million, representing a decrease of RMB3,044 million from RMB7,165 million in 2024. The decrease was mainly due to the Group's overall fund coordination and management, and reduced allocation in investment for fund management during the year.

In 2025, net cash used in financing activities of the Group was RMB2,114 million, representing a decrease of RMB228 million from RMB2,342 million in 2024.

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Working Capital

As at the end of 2025, the Group's working capital (i.e. current assets net of current liabilities) was RMB16,203 million, representing a decrease of RMB515 million from RMB16,718 million as at the end of 2024. The decrease in working capital was mainly due to the Group's strengthening of cash management as well as the coordination and arrangement of its funds.

Assets and Liabilities

The Group continued to maintain its solid financial position. As at the end of 2025, the Group's total assets was RMB136,682 million, representing an increase of RMB64 million from RMB136,618 million as at the end of 2024. Total liabilities was RMB87,594 million, representing a decrease of RMB2,410 million from RMB90,004 million as at the end of 2024. The liabilities-to-assets ratio was 64.1%, representing a decrease of 1.8 percentage points from 65.9% as at the end of 2024.

Indebtedness

As at the end of 2025, total indebtedness of the Group was RMB699 million, representing a decrease of RMB7 million from RMB706 million as at the end of 2024. Indebtedness of the Group was mainly denominated in Hong Kong dollar, of which Renminbi loan accounted for 14.0%, and Hong Kong dollar loan accounted for 81.5%; and of which 4.6% was the loans with a fixed interest rate and 95.4% was those with a floating interest rate.

As at the end of 2025, our gearing ratio¹ was 1.4%, representing a decrease of 0.1 percentage points from the end of 2024.

Contractual Obligations

The following table sets out our contractual commitments as at 31 December 2025:

	Total	2026	2027	2028	2029	2030 and after
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debt	699,358	699,358	—	—	—	—
Lease commitments	130,476	63,738	45,699	13,398	3,857	3,784
Contracted for but not provided capital commitments	12,906	12,906	—	—	—	—
Total of contractual obligations	842,740	776,002	45,699	13,398	3,857	3,784

Exchange Rate

Most of the Group's revenues and expenses are denominated in Renminbi. As at the end of 2025, the balance of the Group's cash and cash equivalents in foreign currencies accounted for 4.4% of the balance of its total cash and cash equivalents, among which, 2.0% and 0.6% of the balance of its total cash and cash equivalents were denominated in US dollar and Hong Kong dollar, respectively.

¹ Gearing ratio represents total interest-bearing borrowings divided by the sum of equity attributable to equity shareholders of the Company and interest-bearing borrowings at the end of the financial year.