

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2022, with the robust development of the digital economy in China, and digital industrialization as well as industrial digitalization transformation entering a new stage, the Group firmly seized the strategic opportunities of digitalization revolution in society by actively leveraging its advantages as a “New Generation Integrated Smart Service Provider”. Amid the concurrent spread of the pandemic in multiple regions and the protracted impact of the pandemic in some key areas, the Group achieved favourable results by focusing on its value creation and accelerating the enhancement of its capabilities in market competitiveness, technological innovation, reform impetus, ecosystem collaboration and risk control, and continued to promote its high-quality development. The Group actively engaged in project construction and communications support services in “Beijing 2022 Winter Olympic and Paralympic Winter Games”. By committing itself to the national strategy of “Carbon Peak, Carbon Neutrality” (“Dual Carbon”), and actively fulfilling its social responsibility, the Group continued to create more value for its shareholders, customers and society.

I FAVOURABLE OPERATING PERFORMANCE IN THE FIRST HALF OF THE YEAR DEMONSTRATED RESILIENCE AMID THE PANDEMIC

By grasping the opportunities arising from the acceleration in digital infrastructure construction and promotion of the integrated development of digital economy and real economy in China, the Group expanded its businesses actively and overcame the negative impacts brought by the concurrent spread of pandemic in multiple regions and the protracted impact of the pandemic in some key regions. As such, the Group achieved overall steady growth in the first half of the year. In the first half of the year, the Group's total revenues were RMB69,253 million, representing a year-on-year increase of 8.0%. Cost of revenues was RMB61,960 million, representing a year-on-year increase of 8.2%. Gross profit was RMB7,293 million, representing a year-on-year increase of 6.7%. Gross profit margin was 10.5%, representing a moderated decline.

Selling, general and administrative expenses were RMB5,920 million, accounting for 8.5% of the total revenues, representing a year-on-year decrease of 0.1 percentage point. Profit attributable to the equity shareholders of the Company was RMB1,896 million, representing a year-on-year increase of 4.6%. Net profit margin was 2.7%. Profit for the period including non-controlling interests¹ was RMB1,957 million, representing a year-on-year increase of 7.4%, and profit margin was 2.8%, which remained largely stable year-on-year. Basic earnings per share were RMB0.274, representing a year-on-year increase of 4.6%.

¹ Since China Comservice Supply Chain Management Company Ltd., a subsidiary of the Group, introduced strategic investors in June 2021, the Group's equity shareholding decreased from 100% to 73.985%. The change in noncontrolling interests impacted net profit.

CHAIRMAN'S STATEMENT (CONTINUED)

II “1 POSITIONING, 4 ROLES” STRATEGIC POSITION DROVE HIGH-QUALITY DEVELOPMENT

In the first half of the year, the Group adhered to its strategic positioning as a “New Generation Integrated Smart Service Provider”, actively leveraged advantages of “Builder of Digital Infrastructure”, “Provider of Smart Products and Platforms”, “Service Provider of Data Production” and “Guard of Smart Operation”, focusing on developing key areas, including 5G, digital information infrastructure construction, digital government, smart city and smart transportation. Apart from making progress and enhancing quality amid steady growth, the Group’s corporate strength and brand image received wider recognition from customers.

(a) Favourable Growth Achieved in Three Major Markets

- 1. New progress made in penetrating the key areas in domestic non-telecom operator (“domestic non-operator”) market.** Riding on the social and technological development trend, the Group stepped up investment in research and development (R&D) and the commercialization of R&D results. To this end, the Group utilized the advantages of “Consultant + Staff + Housekeeper”² service model and the strengths of its integrated capabilities in “Platform + Software + Service”³ to upgrade and conduct the iteration of its integrated smart services continuously. In the first half of the year, the Group’s revenue from the domestic non-operator market was RMB31,173 million, representing an increase of 6.5%, accounting for 45.0% of the total revenues. Benefitting from the important opportunities arising from industrial digitalization, new infrastructure and green and low-carbon, the Group achieved high growths in its applications, content and other (“ACO”) services and the important business focus in high-value fields such as data centers, smart products, and “Dual Carbon” in such market, fully demonstrating the advantages of the Group as the “Builder of Digital Infrastructure”, “Provider of Smart Products and Platforms” and “Service Provider of Data Production”.
- 2. Domestic telecommunications operator market drove growth in the overall results.** The Group adhered to the development strategy of “CAPEX + OPEX + Smart Applications”⁴, seized opportunities from “East-To-West Computing Resources Transfer”, the change of focus of domestic telecommunications operator customers from traditional network infrastructure construction to new digital infrastructure construction, and their move to accelerate the development of new businesses such as industrial digitalization. Besides, the Group vigorously enhanced its capabilities in general contracting services, “Dual Carbon” (energy-saving and retrofit) and cybersecurity, thus making domestic telecommunications operator market the major driver of growth in the Group’s overall results. In the first half of the year, the Group’s revenue from the domestic telecommunications operator market was RMB36,529 million, representing a year-on-year increase of 9.2%, accounting for 52.8% of the total revenues, which increased by 0.6 percentage point year-on-year. The Group put great effort in the development of ACO services such as system integration and software development in domestic telecommunications operator market, resulting in further optimization of its revenue structure in such market, which fully demonstrated the Group’s value as the “Builder of Digital Infrastructure” and “Guard of Smart Operation”.

² “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’ expectation could be achieved. “Housekeeper” means the Group provides full life cycle management and accompanying service of the relevant business and creates values for customers.

³ “Platform + Software + Service” capabilities: utilize core foundation platforms, including cybersecurity and IoT, 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.

⁴ “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.

CHAIRMAN'S STATEMENT (CONTINUED)

- 3. Achieving growth in overseas market despite risks and challenges.** In the first half of the year, the Group endeavoured to overcome the impacts of the protracted pandemic as well as the political and economic risks overseas, and conducted businesses safely and prudently in the overseas market. Major projects of the Group in regions such as the Middle East, Southeast Asia achieved good results steadily. The Group's revenue from the overseas market was RMB1,551 million, representing a year-on-year increase of 12.7%, accounting for 2.2% of the total revenues.

(b) Rapid Development of Industrial Digitalization-related Businesses

By paying close attention to the demand of industrial digitalization upgrade, the Group developed markets such as those for digital transformation and the upgrading of infrastructure through intelligentization, strengthened the iterative development of smart products and solutions, expedited the commercialization of R&D results, thus leading to the growth of related businesses.

Revenue from telecommunications infrastructure ("TIS") services recorded steady growth and amounted to RMB35,049 million in the first half of the year, representing an increase of 1.5% year-on-year, accounting for 50.6% of total revenues. Revenue from business process outsourcing ("BPO") services grew steadily and amounted to RMB21,537 million, representing an increase of 8.8% year-on-year, accounting for 31.1% of total revenues.

Revenue from ACO services, which has the closest relation with industrial digitalization, grew rapidly and amounted to RMB12,667 million, representing a fast, year-on-year increase of 29.7%, accounting for 18.3% of total revenues, up by 3.1 percentage points year-on-year, making such business the most crucial growth driver of the Group's revenue. Among which, the revenue from system integration increased rapidly by 34.5% year-on-year, and the revenue from software development and system support increased rapidly by 26.6% year-on-year. The Group successfully won the tender for various large-scale software development projects such as Chongqing Big Data and Applications Platform and the Technological Development Project of China Southern Airlines Product Centre, indicating the remarkable enhancement of the Group's enterprise software capability.

(c) "1 Positioning, 4 Roles" Drove Development

- 1. Penetrating "Digital Infrastructure" to realize rapid growth.** The Group actively aligned its business development with the national strategies of "East-to-West Computing Resources Transfer" and "Dual Carbon". As a result, the value of the Group's new contracts signed for data centers and electricity industry increased by more than 30% and approximately 30% year-on-year, respectively. General contracting projects for large-scale data centers undertaken by the Group, including the Data Room of Big Data Industrial Park in Lanzhou New District of Gansu Province and JD Cloud & AI Hybrid Cloud Computing Center, were well-received by important customers. China Telecom (National) Digital Qinghai Green Big Data Center, the Group's general contracting project, was the first 100% traceable clean energy green big data center in China, which was also the first big data center as an exemplary model built with source-grid-load-storage integration, green energy and smart supply system.

CHAIRMAN'S STATEMENT (CONTINUED)

- Achieving breakthroughs in the capability of developing “Smart Products and Platforms”.** The Group intensively developed the markets of several key fields by announcing and launching its proprietary and controllable R&D and technology middle platforms such as R&D Innovation Middle Platform and Open IoT Platform. In respect of cybersecurity, the Group released platforms such as Enterprise Asset Security Management Platform and Internet Exposure Surveying and Mapping Operation Platform, and has gradually built up a system of cybersecurity products and services which was proprietary, controllable and specialized, thus becoming a participant in the field of cybersecurity. In terms of emergency management, the Group forged the Emergency Management and Rescue Command Platform as well as the Safe Production Monitoring and Risk Warning Platform, and the sales of such proprietary products drove up the value of the contracts from emergency informatization and other businesses to more than RMB1 billion.
- Promoting “Data Production Service” to develop benchmark projects.** The Group put in extensive efforts to promote smart products and solutions such as smart city, smart education and smart park. The value of the new contracts signed regarding the relevant businesses increased by more than 20% year-on-year in the first half of the year. Successful benchmark cases of integrated smart services continued to rise. For example, the Group supported the New Smart City Construction in Wuchuan County, Guangdong Province, built Smart Campus for the Tianfu Campus of the Civil Aviation Flight University of China and Smart Industrial Park for the Guanggu Nanda Health Industrial Park in Wuhan, Hubei Province.
- Excelling in “Guarding Smart Operation” to gain market recognition.** The Group continued to provide services such as smart supply chain, smart maintenance and smart property management. In the first half of the year, the value of new contracts signed regarding the supply chain business increased by more than 20% year-on-year. The Group provided supply chain services to domestic telecommunications operators, including warehousing, logistics and distribution, participated in IT distribution of relevant well-known e-commerce companies and provided integrated supply chain services, including platform operation, customer service, logistics and distribution, sales and marketing of products in subdivided industries, which were well recognized by customers.

CHAIRMAN'S STATEMENT (CONTINUED)

III FOCUSING ON “FIVE CAPABILITIES” TO BUILD CORE COMPETENCE IN “1 POSITIONING, 4 ROLES”

The Group, as a leading “New Generation Integrated Smart Service Provider” in the industry, further demonstrated its core competence as the “Builder of Digital Infrastructure”, “Provider of Smart Products and Platforms”, “Service Provider of Data Production” and “Guard of Smart Operation” by enhancing its capabilities in market competitiveness, technological innovation, reform impetus, ecosystem collaboration, and risk control. This drove value creation, revenue growth, and promoted high-quality development.

- 1. Enhancing market competitiveness to bring new growth momentum.** The Group focused on business expansion in areas such as data center and “Dual Carbon”, and continued to develop integrated general contracting capabilities; it continued to strengthen the synergy in key regions, namely the Beijing-Tianjin-Hebei Area, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Area, and Chengdu-Chongqing Area; it also enhanced its integrated service capability according to customers’ needs and demand; it set up service centers for key customers and strengthened sales and marketing strategies targeted at leading customers in key industries; it further optimized the three-tier marketing system of “province-city-county” to build a professional marketing and sales team; it established a professional team for value enhancement to strengthen subcontracting management and enhance high-quality project delivery capability. The Group also focused on strategically important opportunities arising from “East-to-West Computing Resource Transfer”, and leveraged its advantages of integrating multiple professions and the interconnection of multiple areas by utilizing its consultation capability based on its BIM, and green and low-carbon capabilities, to successfully develop general contracting projects, including Hubei (National) Broadband Research and Development Centre, Data Center Project for Shaanxi Balasu Mine and Coal Preparation Plant, and Anhui Hua’an Securities Building Data Room Project in Binhu.
- 2. Boosting technological innovation capability to add new impetus to development.** The Group directed its technological innovation according to strategic planning, continued to step up investment in technology research and development, and optimized research and development management system and production system. In the first half of the year, the Group’s investment in research and development increased by over 18% year-on-year. The research and development effort became an important contributor to revenue growth. The Group founded industrial research institutions in various fields, including smart sport, blockchain, digital infrastructure and emergency management, and built a think tank, a prime team, digitalized platforms, products and solutions to serve the industry. The Group forged and launched capabilities middle platforms to promote the digital transformation of technological innovation, which enhanced the management efficiency and quality of production. The Group sought to strengthen the research and development of a series of industrial applications and products, including cybersecurity, digital government, smart education, smart transportation and smart park, to serve customers’ needs. The Group undertook projects such as BMW Brilliance Automotive Distributed Photovoltaic Power Generation Project in its new plant in Shenyang, Liaoning Province, and China Telecom (Hunan) Photovoltaic Energy Storage System Construction General Contracting Project, to help customers reduce energy consumption substantially, save energy and reduce emissions. The Group participated in the compilation and drafting of the “Construction Plan of National Hub Node Integrated Computing Power Network in Yangtze River Delta Region” which was approved by relevant government authority.

CHAIRMAN'S STATEMENT (CONTINUED)

- 3. Adding impetus to reform and inducing vitality for development.** The Group continued to optimize the modern enterprise system and deepen the reform of both China Comservice Supply Chain Management Company Ltd., a subsidiary of the Group, and of its property business. The Group continued to improve the market-oriented business operation mechanism by thoroughly carrying out subdivision assessment and providing incentives for operating units at basic level and further facilitating centralized procurement; the Group pressed on with the reform of human resources system through optimizing its incentive mechanism and building up a team of core young talents. As directed by results contribution, the Group comprehensively implemented the tenure system and contract management measures for the management level, as well as the Share Appreciation Rights Incentive Scheme. Such initiatives were directed at key talents, technology talents and experts who had made distinguished contribution. This helped to create a people-oriented and talent-oriented working environment.
- 4. Bolstering collaboration with ecosystem to build new drivers of development.** The Group continued to strengthen the synergy within the enterprise, the industry, the value chain of the industry and the supply chain. The Group sought to foster effective collaboration with telecommunications operator customers, non-operator customers and business partners along the value chain of the industry in various areas, including data center construction, 5G applications, and green and low-carbon practices. The Group actively formed partnerships with companies which were competitive with unique technological advantages to build integrated service capabilities as new driver of development and to promote the building of a unified, open, and orderly competitive value chain and ecosystem. The Group also entered into strategic cooperation agreement with multiple partners within the ecosystem of cybersecurity to jointly provide smart solutions.
- 5. Enhancing risk control capability to take up new challenges in development.** The Group continued to implement risk prevention measures prudently and precisely. Among which, the Group sought to improve the risk prevention system and work mechanism throughout the whole process and the whole value chain of its business. The Group put effort to strengthen its fundamental management, refine policies and mechanisms, improve internal control processes, as well as to enhance its capability to prevent and control operational risks. The Group strove to mitigate the risks brought by dynamic changes in business conditions, the concurrent pandemic outbreak in multiple regions and instability in some overseas regions to ensure stable development.

IV ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

As a "New Generation Integrated Smart Service Provider", the Group persisted in integrating ESG responsibilities into its corporate production and operation management by strictly complying with laws and regulations, standardizing operation, and adopting green practices in operation to ensure its healthy and sustainable development.

While actively participating in the project construction and the provision of key communications support services to the "Beijing 2022 Winter Olympic and Paralympic Winter Games", the Group was committed to providing communications support for key events, including the meeting celebrating the 25th anniversary of Hong Kong's return to the motherland and the inaugural ceremony of the sixth-term government of the Hong Kong Special Administrative Region and the flight of China's new carrier rocket, Long March-8.

CHAIRMAN'S STATEMENT (CONTINUED)

The Group actively responded to the requirements of the national “Dual Carbon” strategy, formulating and implementing a plan for green, low-carbon practices and related action plans. The Group provided energy-saving retrofit services for China Telecom Beijing Yongfeng IDC Data Center, which was expected to reduce energy consumption by more than 20%.

The Group actively participated in community voluntary services and provided emergency services such as communications network operation and maintenance services, maintenance services for online platforms for pandemic prevention and module hospitals communications network construction services in regions that were affected by the sudden spread of pandemic, including Shanghai, Guangdong and Hong Kong. The Group assisted in pandemic precise prevention as well as the resumption of work and production by developing “Digital Sentinel” and other anti-epidemic informatization products and services. The Group promptly provided emergency communications support services and emergency repair of communications network in major natural disaster incidents such as the earthquake that struck Ya’an in Sichuan, the flood that hit Qiandongnan Prefecture in Guizhou, and in emergency incidents such as the China Eastern Airlines Flight MU5735 aircraft accident.

The Group strengthened the effective coordination between poverty alleviation and rural revitalization, and assisted the development of special industries of the rural villages in poverty alleviation areas. By facilitating the key work of digital village construction, carrying out poverty alleviation work through stimulating consumption, the Group took initiatives in the matching of production and marketing activities.

By means of prompt and full settlement of outstanding payables, rent concession, fee reduction and quality improvement, the Group effectively helped small and medium-sized enterprises to alleviate financial difficulties, reduce operating costs and get through the difficult times amid the pandemic.

The Group attaches great importance to corporate governance, and keeps strengthening board practices as well as improving corporate governance. The Group has won recognition of the capital market for its good performance in corporate governance. The Group ranked 102th in the “2022 FORTUNE China 500” and ranked 1,649th in the “2022 Forbes Global 2000”. It was awarded the title of “Most Honored Company” in the “2022 Asia Executive Team Rankings” by *Institutional Investor*, in the telecommunications sector in the Overall (Small & Midcap) category, and ranked first in a few award categories, including “Best CEO” and “Best CFO”.

CHAIRMAN'S STATEMENT (CONTINUED)

V OUTLOOK

Currently, digital economy is driving a profound reform in the mode of production, lifestyle and governance, which has become a powerful driver of the sustainable and healthy development of the economy and society. Adhering to the strategic position of “1 Positioning, 4 Roles” and being committed to its corporate mission of “Building Smart Society, Boosting Digital Economy, Serving a Good Life”, the Group will participate in the digitalization revolution more actively, continue to seek new opportunities in the new development phase, fulfil new development mission, and form new landscape of development. By adhering to its overall roadmap of “value-driven, seeking steady yet progressive growth and high-quality development”, the Group continues to optimize its market deployment, focus on high-value customers and expand into high-value fields. As a customer-centric company, the Group will satisfy customers’ demand for professional, integrated and customized services, and continue to strengthen its efficient and high-quality integrated service capabilities. By forging ahead with technological innovation as the key to its development, increasing investment in research and development, optimizing technological innovation system, and focusing on developing proprietary technology of digital applications, the Group will accelerate its transformation towards technology-oriented enterprise. The Group will strive to achieve breakthroughs in the proprietary applications of technologies such as cloud, big data, IoT and artificial intelligence, as well as integrated solutions applicable to social, industrial and enterprise transformation. The Group will continue to refine its core enterprise platforms such as platforms for emergency and cybersecurity, keep exporting its expertise, keep innovating proprietary technologies of conventional fields such as engineering and design and speed up the construction of research institutes that specialized in blockchain, smart city, data center and green technology for dual carbon. The Group will also optimize its deployment in ecosystem, further enrich the connotation of a “New Generation Integrated Smart Service Provider” and improve its capabilities so as to create more value for shareholders, customers, employees and society at large.

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 care 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 Mr. Mai Yanzhou, who resigned as non- executive director, Mr. Wu Taishi and Mr. Liu Linfei, who resigned as the independent non-executive directors, Mr. Hai Liancheng, the resigned independent supervisor and Mr. Si Jianfei, the resigned employee representative supervisor, for their remarkable and outstanding contribution to the development of the Group during their tenure; I would also like to extend my sincere welcome to Mr. Wang Qi and Mr. Wang Chungue who have joined the Board, and Ms. Cai Manli and Ms. Liu Lian who have joined the Supervisory Committee, respectively.



Liu Guiqing
Chairman

Beijing, PRC
25 August 2022