FINANCIAL REVIEW

TOTAL REVENUES

In the first half of 2025, by adhering to its overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development", 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", the Group persisted in upholding technological innovation as its guiding principle, enhancing its core competitiveness, vigorously expanding strategic emerging businesses and accelerating the cultivation of new quality productive forces, thereby firmly driving its high-quality development and maintaining stable growth in its operating performance. The total revenues amounted to RMB76,939 million, representing an increase of 3.4% compared to RMB74,412 million in the first half of 2024, and among which, service revenue amounted to RMB74,981 million, representing an increase of 2.9% compared to RMB72,855 million in the first half of 2024.

Revenue by Business

In the first half of 2025, revenue from telecommunications infrastructure ("TIS") services was RMB38,272 million, representing a year-on-year increase of 1.6%. Revenue from business process outsourcing ("BPO") services was RMB22,383 million, representing a year-on-year increase of 1.0%. Revenue from applications, content and other ("ACO") services was RMB16,284 million, representing a year-on-year increase of 11.7%.

With the deepened implementation of the Digital China strategy, the pace of digital information infrastructure construction has accelerated, driving the competition in digital construction area to evolve towards a higher level and greater refinement. The Group seized the opportunities arising from construction of domestic computing power networks, data centers, and intelligent computing centers, enhanced its integrated comprehensive smart service capabilities, and strived to overcome the impact of the reduced investments from customers, thereby maintaining revenue growth in TIS services. By further integrating its resources and promoting specialized operations, revenue from BPO services, which possess attributes such as strong customer loyalty and short cash conversion cycles, remained stable. By keeping pace with the wave of societal digital intelligence, grasping opportunities from the continuous proliferation of AI application scenarios and the accelerating digital transformation across thousands of industries, the Group continuously strengthened its software development and digital service capabilities, sustaining relatively rapid revenue growth in ACO services.

Revenue by Market

In the first half of 2025, the Group's revenue from the domestic telecommunications operator market amounted to RMB38,203 million, representing a year-on-year decrease of 4.6%. Revenue from the domestic non-operator market amounted to RMB36,585 million, representing a year-on-year increase of 12.9%. Revenue from the overseas market amounted to RMB2,151 million, representing a year-on-year increase of 8.7%.

In the first half of 2025, by effectively implementing the "CAPEX + OPEX + Smart Applications" development strategy in domestic telecommunications operator market, the Group actively addressed the challenges posed by the continuous decline in capital expenditure by customers. By focusing on opportunities in computing power infrastructure construction, industrial digitalization, 5G+ and low-altitude economy, as well as expanding market potential in maintenance, property management and supply chain services, the Group consolidated the foundation of traditional businesses through high-quality project delivery, building a symbiotic and win-win ecosystem. Meanwhile, the Group continued to advance on the expansion of the domestic non-operator market by leveraging its advantages of integrated service capabilities and focusing on strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, and emergency management and security. Capitalizing on its advantages of "Consultant + Staff + Housekeeper" service model and "Platform + Software + Service" capabilities, the Group provided customized and multi-scenario solutions to customers in key industries such as energy, transportation, education, finance, culture and tourism, thereby achieving relatively fast revenue growth in domestic non-operator market. The Group aligned itself with the "Belt and Road" construction efforts, actively developed high-quality markets, and continuously explored high-value projects. While enhancing the quality of traditional communications businesses, the Group expanded into new areas such as industrial digitalization and new energy services, gradually establishing a multi-tier, full-industry-chain overseas ecosystem, resulting in steady revenue growth from the overseas market.

COST OF REVENUES

In the first half of 2025, the cost of revenues of the Group amounted to RMB69,051 million, representing a year-on-year increase of 4.2%. Among which, direct personnel costs amounted to RMB3,707 million, representing a decrease of 2.6% from RMB3,808 million in the first half of 2024. The Group has always kept a reasonable control over its total headcount and continued to optimize the employee structure, resulting in a decline in direct personnel costs. Subcontracting charges amounted to RMB42,932 million, representing an increase of 4.1% from RMB41,233 million in the first half of 2024. The Group will further strengthen management over subcontracting and improve its self-sufficient delivery capability to maintain the growth rate of subcontracting charges at a relatively reasonable level. Materials costs amounted to RMB13,341 million, representing an increase of 8.1% from RMB12,337 million in the first half of 2024. The Group optimized its business model and undertook major projects under general contracting model proactively, thus driving up materials costs. The Group will continue to strengthen the management of general contracting projects and enhance materials cost control by improving its internal procurement system and further implementing centralized procurement.

GROSS PROFIT

In the first half of 2025, the Group recorded gross profit of RMB7,888 million, representing a decrease of 2.8% over RMB8,116 million in the first half of 2024. The Group's gross profit margin in the first half of 2025 was 10.3%, representing a decrease of 0.6 percentage point from 10.9% in the first half of 2024. The change in gross profit margin was mainly due to factors such as the decline in capital expenditure of customers. While catering for the scale of its development, the Group focused more on improving quality and efficiency, guided its subsidiaries through appraisal to select and develop high-gross-profit projects to increase the proportion of high-value businesses. The Group continuously optimized its promotion mechanism for synergistic R&D operation as well as mechanism for results commercialization and consistently developed industry-leading flagship products to enhance its business values. At the same time, the Group consistently strengthened project management and cost control. With the Group's deepening deployment in areas of digital economy, new infrastructure construction and industrial digitalization, it is expected that the proportion of high-value businesses will gradually increase and thereby driving the trend of the Group's overall gross profit margin to improve.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the first half of 2025, the selling, general and administrative expenses of the Group were RMB6,182 million, representing a decrease of 5.5% from RMB6,542 million in the first half of 2024. The selling, general and administrative expenses of the Group accounted for 8.0% of the total revenues, representing a decrease of 0.8 percentage point over the same period of last year. The Group actively managed and controlled the selling, general and administrative expenses, and strictly implemented various measures to enhance quality and efficiency. At the same time, the Group allocated R&D resources precisely, focusing on cultivating relevant capabilities in AI and digital infrastructure, to ensure the effective R&D outcomes.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

In the first half of 2025, profit attributable to equity shareholders of the Company was RMB2,129 million, representing an increase of 0.2% from RMB2,125 million in the first half of 2024.

CASH FLOW

In the first half of 2025, the Group recorded a net cash outflow of RMB8,073 million, as compared to a net cash outflow of RMB9,123 million in the first half of 2024. The Group has always attached great importance to working capital management and will continue to strengthen related efforts to maintain a healthy cash flow level.

ASSETS AND LIABILITIES

The Group maintained its solid financial position. As of 30 June 2025, the Group's total assets was RMB138,248 million, representing an increase of RMB1,630 million from RMB136,618 million as of 31 December 2024. Total liabilities was RMB90,598 million, representing an increase of RMB594 million from RMB90,004 million as of 31 December 2024. The liabilities-to-assets ratio was 65.5%, which slightly decreased compared with that as of 31 December 2024.