FINANCIAL REVIEW

REVENUES

In the first half of 2026, adhering to its overall roadmap of "Value-Driven, Seeking Steady Yet Progressive Growth and High-Quality Development", the Group deepened the connotation of its strategic positioning as a "New Generation Integrated Smart Service Provider", and fully 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". The Group mapped out new tracks for the "Six Major Growth Areas+", vigorously advanced the "AI+" initiative, comprehensively facilitated the internal application and external empowerment of artificial intelligence, and accelerated the cultivation and strengthening of new growth drivers, thereby keeping revenue scale broadly stable. The revenues amounted to RMB74,480 million, representing a decrease of 3.2% compared to RMB76,939 million in the first half of 2025, and among which, service revenue[11] amounted to RMB73,127 million, representing a decrease of 2.5% compared to RMB74,981 million in the first half of 2025.

Revenue by Business

In the first half of 2026, revenue from telecommunications infrastructure ("TIS") services was RMB36,602 million, representing a year-on-year decrease of 4.4%. Revenue from business process outsourcing ("BPO") services was RMB22,104 million, representing a year-on-year decrease of 1.2%. Revenue from applications, content and other ("ACO") services was RMB15,774 million, representing a year-on-year decrease of 3.1%.

With the deepened implementation of the "AI+" initiative, the pace of digital information infrastructure construction has accelerated, driving competition in the digital construction area to evolve towards a higher level and greater refinement. The Group enhanced its integrated comprehensive smart service capabilities, seized the opportunities arising from construction of computing power and intelligent computing centers, thereby mitigating the impact on its telecommunications infrastructure businesses as a result of reduced customer investments. By further integrating its resources, advancing specialized operations, and capitalizing on the incremental demand in the operation and maintenance market driven by AI development, the Group vigorously expanded the CCS Smart Maintenance business. As a result, the Group achieved favourable growth in its BPO businesses, which possess attributes such as strong customer loyalty and short cash conversion cycles. Excluding the product distribution business, which was proactively controlled by the Group, revenue from the BPO service recorded steady growth. The Group fully leveraged digital technology as a productive force, capitalizing on its integrated service strengths as well as its system integration and software development capabilities to effectively meet customers' digital needs, and drove the development in its system integration and software development businesses. Although certain businesses were affected by phased adjustments of customers' investment and delivery schedules, the overall development of the applications, content and other businesses remained steady.

Revenue by Market

In the first half of 2026, the Group's revenue from the domestic telecommunications operator market amounted to RMB38,922 million, representing a year-on-year increase of 1.9%. Revenue from the domestic non-operator market amounted to RMB33,248 million, representing a year-on-year decrease of 9.1%. Revenue from the overseas market amounted to RMB2,310 million, representing a year-on-year increase of 7.4%.

[11] Service revenue = revenues – revenue from products distribution – revenue from IT equipment supplies in system integration

In the domestic telecommunications operator market, the Group seized customers' demand for the accelerated construction of new digital information infrastructure. Leveraging its end-to-end expertise in "Planning, Construction, Maintenance and Operation", the Group strengthened cooperation in the fields of AIDC construction and AI applications, effectively mitigating the impact of reduced customer investment in traditional areas. Revenue from this market stabilized and rebounded. In the domestic non-telecom operator market, the Group focused on key industries of significant strategic importance, high economic value and close relevance to people's livelihoods. The Group accelerated the business development of new growth drivers such as CCS Smart Maintenance, low-altitude economy and power distribution network, concentrated resources on expanding high-value projects, and proactively controlled projects of low efficiency. In the overseas market, the Group navigated a complex and ever-changing international landscape by actively and prudently advancing its overseas development. The Group deepened its presence in emerging "Belt and Road" markets such as Southeast Asia and the Middle East, consolidated its fundamental communications business, accelerated business transformation and upgrading, and successfully delivered overseas AIDC benchmark projects, thereby achieving relatively rapid revenue growth in overseas market.

COST OF REVENUES

In the first half of 2026, the cost of revenues of the Group amounted to RMB67,048 million, representing a year-on-year decrease of 2.9%. Among which, direct personnel costs amounted to RMB3,287 million, representing a decrease of 11.3% from RMB3,707 million in the first half of 2025. The Group has always kept a reasonable control over its total headcount and continued to optimize the employee structure, while maintaining remuneration per capita largely stable. Subcontracting charges amounted to RMB41,178 million, representing a decrease of 4.1% from RMB42,932 million in the first half of 2025. The Group continuously strengthened management of subcontracting, strived to improve its self-sufficient delivery rate, and promoted the application of AI and digital tools to strengthen penetrative management of projects, resulting in a decline in subcontracting charges as a percentage of revenues. Materials costs amounted to RMB14,497 million, representing an increase of 8.7% from RMB13,341 million in the first half of 2025. The Group will enhance materials cost control by improving its internal procurement system and further implementing centralized procurement.

GROSS PROFIT

In the first half of 2026, the Group recorded gross profit of RMB7,432 million, representing a decrease of 5.8% over RMB7,888 million in the first half of 2025. The Group's gross profit margin in the first half of 2026 was 10.0%, representing a decrease of 0.3 percentage points from 10.3% in the first half of 2025, indicating a moderated decline rate (gross profit margin in the first half of 2025 declined by 0.6 percentage points compared with the same period of 2024). While catering for the scale of its development, the Group will focus more on improving quality and efficiency, guide its subsidiaries through appraisal to select and develop high-gross-profit projects to increase the proportion of high-value businesses and continuously optimize business structure. Meanwhile, the Group will continue to leverage AI and digital tools to strengthen project management and cost control. With the Group's deepening deployment in areas of digital economy, new infrastructure construction and industrial digitalization, the gross profit margin is expected to remain stable and improve over the medium to long term.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the first half of 2026, the selling, general and administrative expenses of the Group were RMB5,706 million, representing a decrease of 7.7% from RMB6,182 million in the first half of 2025. The Group steadily advanced cost reduction and efficiency improvement, while allocating R&D resources precisely to cultivate related capabilities in AI and digital infrastructure to ensure that R&D delivers results.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

In the first half of 2026, profit attributable to equity shareholders of the Company was RMB1,970 million, representing a decrease of 7.5% from RMB2,129 million in the first half of 2025, and a year-on-year decrease of 3.2% on a comparable basis[12].

CASH FLOW

In the first half of 2026, the Group recorded a net cash outflow of RMB6,813 million, as compared to a net cash outflow of RMB8,073 million in the first half of 2025. The decrease in net cash outflow was mainly attributable to a reduction in net cash outflow from investment activities. The Group will continue to strengthen working capital management to maintain a healthy cash flow level.

ASSETS AND LIABILITIES

The Group maintained its solid financial position. As of 30 June 2026, the Group's total assets was RMB139,214 million, representing an increase of RMB2,532 million from RMB136,682 million as of 31 December 2025. Total liabilities was RMB90,083 million, representing an increase of RMB2,489 million from RMB87,594 million as of 31 December 2025. The liabilities-to-assets ratio was 64.7%, which slightly increased compared with that as of 31 December 2025.

[12] Figures on a comparable basis exclude the impact of dividend income as a non-comparable factor.