Financial Overview

I. OVERVIEW

In the first half of 2026, the Company adhered to the keynote of "Preserve and Innovate, Steady and Far-reaching". It focused on the four core arenas of "connectivity", "computing power", "service", and "security". By seizing strategic opportunities, it built up robust momentum to drive high-quality development. Total operating revenue was RMB201.36 billion, up by 0.6% year-on-year. Total service revenue reached RMB177.96 billion, down by 0.2% year-on-year. Profit attributable to equity shareholders of the Company was RMB9.47 billion, down by 34.6% year-on-year.

In the first half of 2026, the Company's net cash flow from operating activities was RMB32.94 billion. Capital expenditure was RMB24.08 billion. Free cash flow[1] was RMB8.86 billion, up by 0.9% year-on-year. Liabilities-to-assets ratio was 44.4% as at 30 June 2026.

II. OPERATING REVENUE

In the first half of 2026, the Company's operating revenue was RMB201.36 billion, up by 0.6% year-on-year, of which, service revenue was RMB177.96 billion, down by 0.2% year-on-year.

III. OPERATING COSTS

In the first half of 2026, operating costs of the Company amounted to RMB193.96 billion, up by 4.1% year-on-year.

The table below sets forth the items of the Company's operating costs and the changes in their respective percentage of the operating revenue for the first half of 2026 and 2025:

(RMB in billions)	First half of 2026 Total amount	First half of 2026 As a percentage of revenue	First half of 2025 Total amount	First half of 2025 As a percentage of revenue
Operating costs	193.96	96.3%	186.28	93.0%
Include: Interconnection charges	5.32	2.6%	5.47	2.7%
Depreciation and amortisation	40.01	19.9%	40.32	20.1%
Network, operation and support expenses	32.90	16.3%	31.36	15.7%
Employee benefit expenses	34.14	17.0%	28.61	14.3%
Costs of telecommunications products sold	22.62	11.2%	21.11	10.5%
Selling and marketing expenses	18.06	9.0%	18.17	9.1%
General and administrative expenses	1.97	1.0%	2.15	1.1%
Other operating expenses	38.94	19.3%	39.09	19.5%

1. Interconnection charges

Interconnection charges were RMB5.32 billion in the first half of 2026, down by 2.8% year-on-year and, as a percentage of operating revenue, decreased from 2.7% in the first half of 2025 to 2.6% in the first half of 2026.

2. Depreciation and amortisation

Depreciation and amortisation charges were RMB40.01 billion in the first half of 2026, down by 0.8% year-on-year and, as a percentage of operating revenue, decreased from 20.1% in the first half of 2025 to 19.9% in the first half of 2026.

3. Network, operation and support expenses

Network, operation and support expenses were RMB32.90 billion in the first half of 2026, up by 4.9% year-on-year and, as a percentage of operating revenue, increased from 15.7% in the first half of 2025 to 16.3% in the first half of 2026. The Company has focused on improving network operation efficiency, with further enhancement in resource utilization.

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4. **Employee benefit expenses**

The Company implemented coordinated measures to optimise the timing of employee benefit expenses spending, and continued to enhance staff costs effectiveness and operational efficiency. Employee benefit expenses were RMB34.14 billion in the first half of 2026, up by 19.3% year-on-year and, as a percentage of operating revenue, increased from 14.3% in the first half of 2025 to 17.0% in the first half of 2026. Employee benefits expenses for the full year are expected to remain stable.

5. **Cost of telecommunications products sold**

Costs of telecommunications products sold were RMB22.62 billion and revenue from sales of telecommunications products were RMB23.41 billion in the first half of 2026. Gross profits on sales of telecommunications products was RMB0.79 billion.

6. **Selling and marketing expenses**

The Company focused on refined cost control and management; selling and marketing expenses were RMB18.06 billion in the first half of 2026, down by 0.6% year-on-year and, as a percentage of operating revenue, decreased from 9.1% in the first half of 2025 to 9.0% in the first half of 2026.

7. **General and administrative expenses[2]**

The Company has systematically optimised resource allocation and strengthened lean management; general and administrative expenses were RMB1.97 billion in the first half of 2026, down by 8.7% year-on-year and, as a percentage of operating revenue, decreased from 1.1% in the first half of 2025 to 1.0% in the first half of 2026.

8. **Other operating expenses**

Other operating expenses were RMB38.94 billion in the first half of 2026, down by 0.4% year-on-year and, as a percentage of operating revenue, decreased from 19.5% in the first half of 2025 to 19.3% in the first half of 2026.

IV. EARNINGS

(RMB in billions)	First half of 2026 Total amount	First half of 2025 Total amount	Change
Operating profits	7.40	13.92	-46.8%
Net finance gains	0.35	0.24	46.4%
Share of net profit of associates	1.66	1.35	22.7%
Share of net profit of joint ventures	0.68	0.73	-6.5%
Other income-net	1.22	1.55	-21.6%
Profit before income tax	11.31	17.79	-36.4%
Income tax expenses	1.81	3.28	-44.8%
Profit attributable to equity shareholders of the Company	9.47	14.48	-34.6%

1. Profit before income tax

In the first half of 2026, the Company focused on the core target of high-quality development and continuously optimised its business portfolio, profit before income tax was RMB11.31 billion, down by 36.4% year-on-year.

2. Income tax expenses

In the first half of 2026, the Company's income tax expenses were RMB1.81 billion and the effective tax rate was 16.0%.

3. Profit attributable to equity shareholders of the Company

In the first half of 2026, profit attributable to equity shareholders of the Company was RMB9.47 billion. Basic earnings per share was RMB0.309, down by 34.6% year-on-year.

4. EBITDA[3]

In the first half of 2026, the Company's EBITDA was RMB47.42 billion, and the EBITDA as a percentage of service revenue was 26.6%.

V. CAPITAL EXPENDITURE AND CASH FLOW

In the first half of 2026, the Company made moderate, precise and efficient investments, capital expenditure of the Company totaled RMB24.08 billion. The Company's net cash inflow from operating activities was RMB32.94 billion. Free cash flow was RMB8.86 billion after the deduction of the capital expenditure, up by 0.9% year-on-year.

VI. BALANCE SHEET

The Company's total assets changed from RMB669.62 billion as at 31 December 2025 to RMB676.09 billion as at 30 June 2026. Total liabilities changed from RMB298.75 billion as at 31 December 2025 to RMB300.29 billion as at 30 June 2026. The liabilities-to-assets ratio was 44.4% as at 30 June 2026, down by 0.2 percentage point year-on-year. The Company's interest-bearing borrowings were RMB6.93 billion. The debt-to-capitalisation ratio decreased from 8.4% as at 31 December 2025 to 7.7% as at 30 June 2026. The net debt-to-capitalisation ratio was 0.7% as at 30 June 2026.

Note 1: Free cash flow represents operating cash flow less capital expenditure. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 2: General and administrative expenses excludes staff costs and depreciation.

Note 3: EBITDA represents profit for the period before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, other income-net, income tax expense, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.