

# FINANCIAL OVERVIEW

## OVERVIEW

In 2024, the Company adhered to the general principal of making progress while maintaining stability, its production and operation overall demonstrated a favorable and high-quality development trend coupled with optimised structure, improved quality and enhanced momentum. Total revenue was RMB389.59 billion in 2024, up by 4.6% year-on-year. Service revenue reached RMB345.98 billion, up by 3.2% year-on-year. The profit attributable to equity shareholders of the Company was RMB20.61 billion, up by 10.1% year-on-year.

In 2024, the Company's net cash flow from operating activities was RMB89.40 billion. Capital expenditure was RMB61.37 billion. Liabilities-to-assets ratio was 45.8% as at 31 December 2024.

**SERVICE REVENUE**  
(RMB BIL)

345.98

## REVENUE

In 2024, the Company's revenue was RMB389.59 billion, up by 4.6% year-on-year, of which, service revenue was RMB345.98 billion, up by 3.2% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the Company's service revenue of the two main types of business for the years of 2024 and 2023:

| (RMB in billions)   | 2024         |                | 2023         |                |
|---|--------------|----------------|--------------|----------------|
|   | Total amount | Mix proportion | Total amount | Mix proportion |
| Connectivity and Communications business revenue          | 261.33       | 76.0%          | 257.45       | 77.4%          |
| Computing and Digital Smart Applications business revenue | 82.49        | 24.0%          | 75.25        | 22.6%          |

### Connectivity and Communications business revenue<sup>1</sup>

In 2024, revenue from Connectivity and Communications business was RMB261.33 billion, up by 1.5% year-on-year.

### Computing and Digital Smart Applications business revenue<sup>1</sup>

In 2024, revenue from Computing and Digital Smart Applications business was RMB82.49 billion, up by 9.6% year-on-year.

**CONNECTIVITY  
AND COMMUNICATIONS  
BUSINESS REVENUE**  
(RMB BIL)

261.33

**COMPUTING AND DIGITAL  
SMART APPLICATIONS  
BUSINESS REVENUE**  
(RMB BIL)

82.49

## FINANCIAL OVERVIEW

### OPERATING COSTS

In 2024, total operating costs of the Company amounted to RMB373.56 billion, up by 4.5% 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 revenue for the years of 2024 and 2023:

| (RMB in billions)                         | 2024          |                            | 2023         |                            |
|---|---------------|----------------------------|--------------|----------------------------|
|   | Total amount  | As a percentage of revenue | Total amount | As a percentage of revenue |
| <b>Operating costs</b>                    | <b>373.56</b> | <b>95.9%</b>               | 357.63       | 96.0%                      |
| Include: Interconnection charges          | 11.22         | 2.9%                       | 11.29        | 3.0%                       |
| Depreciation and amortisation             | 83.39         | 21.4%                      | 84.85        | 22.8%                      |
| Network, operation and support expenses   | 64.32         | 16.5%                      | 60.03        | 16.1%                      |
| Employee benefit expenses                 | 64.93         | 16.7%                      | 62.94        | 16.9%                      |
| Costs of telecommunications products sold | 42.47         | 10.9%                      | 36.40        | 9.8%                       |
| Selling and marketing expenses            | 36.98         | 9.5%                       | 35.83        | 9.6%                       |
| General and administrative expenses       | 5.12          | 1.3%                       | 5.53         | 1.5%                       |
| Other operating expenses                  | 65.13         | 16.7%                      | 60.76        | 16.3%                      |

#### Interconnection charges

The interconnection charges were RMB11.22 billion in 2024, down by 0.6% year-on-year and, as a percentage of revenue, decreased from 3.0% in 2023 to 2.9% in 2024.

#### Depreciation and amortisation

Mainly benefiting from precise investment, network “co-build co-share” and optimisation work in recent years, depreciation and amortisation charges were RMB83.39 billion in 2024, down by 1.7% year-on-year and, as a percentage of revenue, decreased from 22.8% in 2023 to 21.4% in 2024.

#### Network, operation and support expenses

In 2024, the Company has firmly fulfilling its mission and responsibility in building a cyber-superpower and digital China. By strengthening network-industry collaboration, it drove the aggregation of network resources towards foundational key sectors and strategically positioned regions. Due to the expanding scale of network, the network, operation and support expenses were RMB64.32 billion in 2024, up by 7.2% year-on-year and, as a percentage of revenue, increased from 16.1% in 2023 to 16.5% in 2024.

#### Employee benefit expenses

In 2024, The Company deeply implemented of talent-based corporate development and continuously optimised the human resources efficiency. Employee benefit expenses were RMB64.93 billion in 2024, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 16.9% in 2023 to 16.7% in 2024.

#### Costs of telecommunications products sold

Costs of telecommunications products sold were RMB42.47 billion and revenue from sales of telecommunications products were RMB43.61 billion in 2024. Gross profits on sales of telecommunications products was RMB1.14 billion.

#### Selling and marketing expenses

The Company deepened its efforts to enhance quality and efficiency improvements, with selling and marketing expenses growth remaining commensurate with revenue growth. Selling and marketing expenses were RMB36.98 billion in 2024, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 9.6% in 2023 to 9.5% in 2024.

#### General and administrative expenses<sup>2</sup>

In 2024, the Company deepened its efforts to enhance quality and efficiency and continue to improve the resource allocation efficiency. General and administrative expenses were RMB5.12 billion in 2024, down by 7.4% year-on-year and, as a percentage of revenue, decreased from 1.5% in 2023 to 1.3% in 2024.

#### Other operating expenses

Other operating expenses were RMB65.13 billion in 2024, up by 7.2% year-on-year and, as a percentage of revenue, increased from 16.3% in 2023 to 16.7% in 2024, primarily due to the Company's continued efforts in promoting the development of its Computing and Digital Smart Applications business, which attributable to an increase in project costs associated with the Computing and Digital Smart Applications business.

## FINANCIAL OVERVIEW

## EARNINGS

|   | 2024   | 2023   |        |
|---|--------|--------|--------|
|   | Total  | Total  |        |
| (RMB in billions)   | amount | amount | Change |
| Operating profits   | 16.03  | 14.97  | 7.1%   |
| Net interest income                                       | 0.20   | 0.12   | 58.6%  |
| Share of net profit of associates                         | 2.59   | 2.52   | 2.9%   |
| Share of net profit of joint ventures                     | 1.48   | 1.80   | -17.9% |
| Other income-net  | 4.95   | 3.53   | 40.1%  |
| Profit before income tax                                  | 25.25  | 22.95  | 10.1%  |
| Income tax expenses                                       | 4.52   | 4.02   | 12.4%  |
| Profit attributable to equity shareholders of the Company | 20.61  | 18.73  | 10.1%  |

## Profit before income tax

In 2024, the Company solidly promoted high-quality development and achieved a stable growth in its business performance, resulting in a profit before income tax of RMB25.25 billion, up by 10.1% year-on-year.

## Income tax expenses

In 2024, the Company's income tax expenses was RMB4.52 billion and the effective tax rate was 17.9%.

## The profit attributable to equity shareholders of the Company

In 2024, the profit attributable to equity shareholders of the Company was RMB20.61 billion, up by 10.1% year-on-year. Basic earnings per share was RMB0.674, up by 10.1% year-on-year.



### EBITDA<sup>3</sup>

In 2024, the Company's EBITDA was RMB99.42 billion, and the EBITDA as a percentage of service revenue was 28.7%.

### CAPITAL EXPENDITURE AND CASH FLOW

In 2024, as the Company focused on strengthening network-industry collaboration and precision investment, capital expenditure of the Company totaled RMB61.37 billion. The Company's net cash flow from operating activities in 2024 was RMB89.40 billion. Free cash flow<sup>4</sup> was RMB28.03 billion after deducting the capital expenditure for the year.

### BALANCE SHEET

The Company's total assets increased from RMB661.05 billion as at 31 December 2023 to RMB671.24 billion as at 31 December 2024. Total liabilities changed from RMB307.15 billion as at 31 December 2023 to RMB307.67 billion as at 31 December 2024. The liabilities-to-assets ratio was 45.8% as at 31 December 2024, down by 0.7 percentage point compared to last year. The Company's interest-bearing borrowings were RMB3.57 billion. The debt-to-capitalisation ratio decreased from 11.6% as at 31 December 2023 to 10.2% as at 31 December 2024. The net debt-to-capitalisation ratio was 3.1% as at 31 December 2024.

Note 1: Connectivity and Communications business revenue is the sum of relevant amounts in various types of service revenue, including revenue from voice usage and monthly fees RMB20.40 billion, revenue from broadband and mobile data services RMB154.19 billion, revenue from data and internet application services RMB16.87 billion, revenue from other value-added services RMB30.19 billion, revenue from interconnection fees RMB12.60 billion, revenue from transmission lines usage and associated services RMB24.26 billion and revenue from other services RMB2.82 billion. Computing and Digital Smart Applications business revenue consists of service revenue related to data and internet application services RMB82.49 billion. In addition to the above two business revenue, other business service revenue was RMB2.16 billion.

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

Note 3: EBITDA represents profit for the year 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.

Note 4: 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.