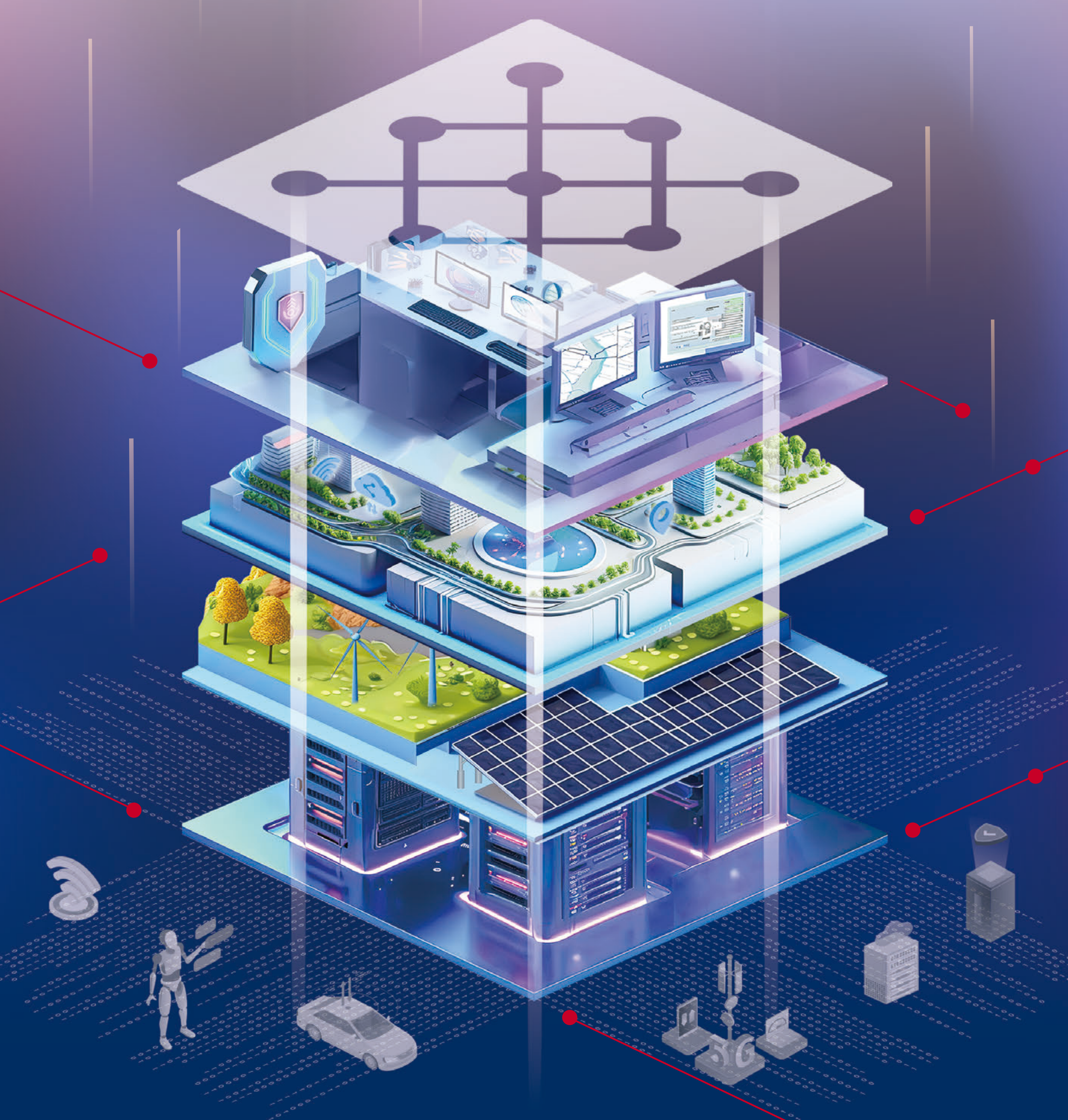
中国通信服务
CHINA COMSERVICE

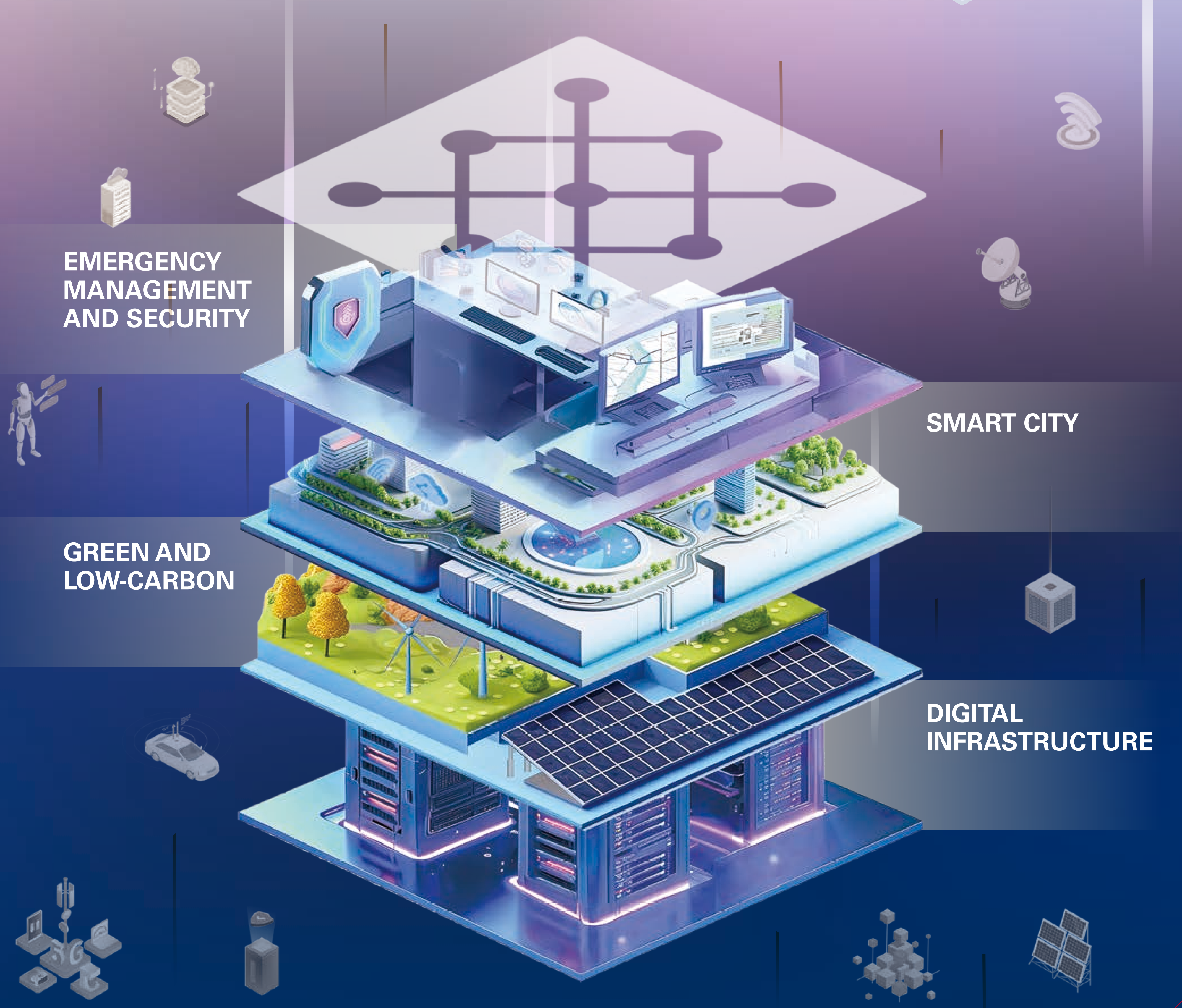
China Communications Services
Corporation Limited
Stock code: 552

ANNUAL REPORT 2023

PENETRATING STRATEGIC EMERGING INDUSTRIES
ACHIEVING HIGH-QUALITY SUSTAINABLE DEVELOPMENT



As the construction of Digital China advances at full speed and the market of industrial informatization and intelligentization grows at a robust pace, by positioning itself as a "New Generation Integrated Smart Service Provider" and led by technological innovation, the Group has deeply explored strategic emerging industries such as digital infrastructure, green and low-carbon, smart city, and emergency management and security, with a view to actively cultivating new growth drivers.



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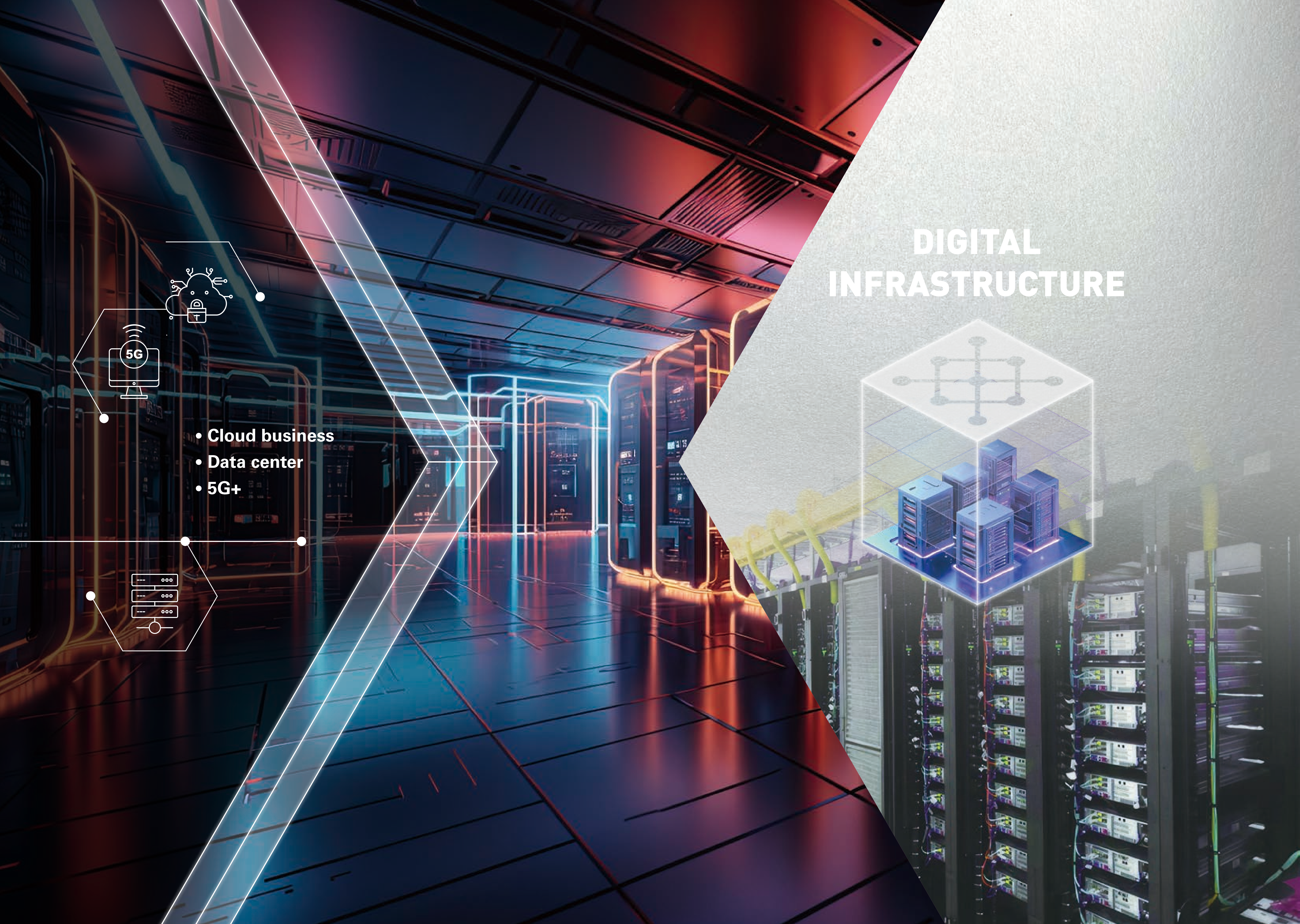
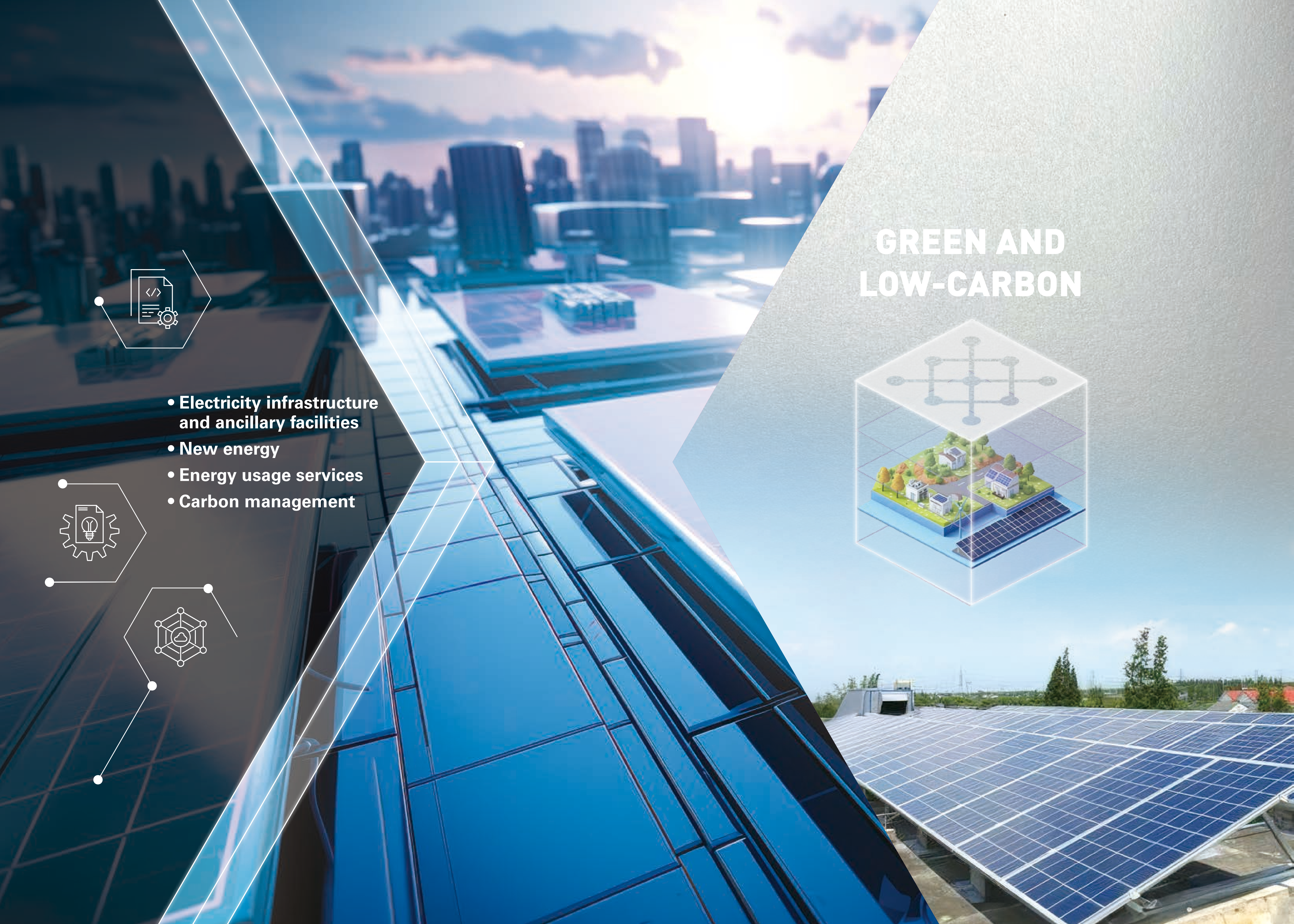
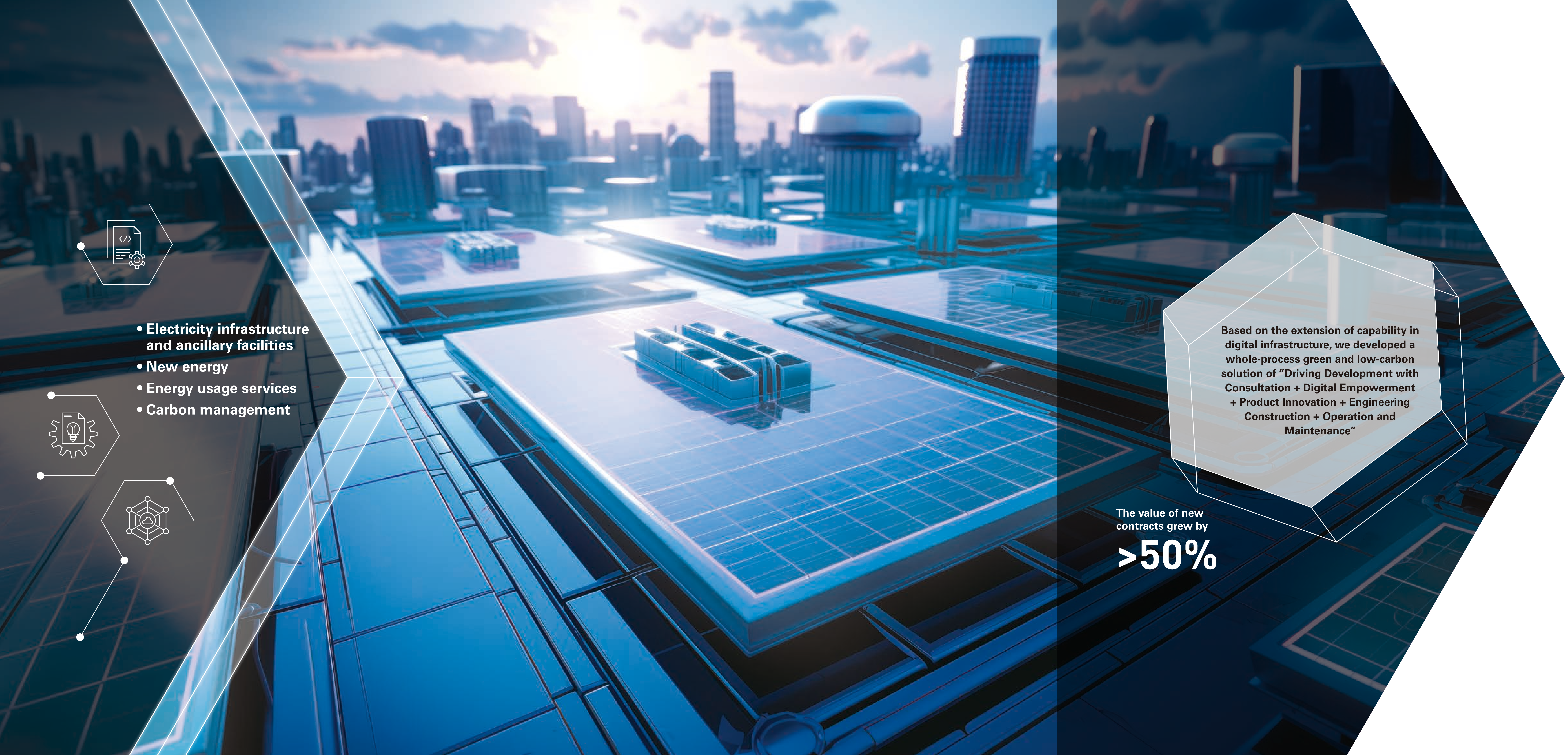
The cover is centered around the Company's logo and presented in a three-dimensional way. Each layer represents the sectors in the strategic emerging industry that the Company is striving to develop, reflecting that the Company will leverage its integrated comprehensive service capabilities to penetrate key sectors, with a view to achieving its high-quality and sustainable development.


DIGITAL
INFRASTRUCTURE
5G
• Cloud business
• Data center
• 5G+


5G
• Cloud business
• Data center
• 5G+
With our profound experience in the infrastructure construction for the communications and informatization industries for over 70 years, we integrated the new generation of digital intelligence and green technology to develop a unique digital new infrastructure solution
The value of new contracts grew by
~30%



GREEN AND LOW-CARBON
• Electricity infrastructure and ancillary facilities
• New energy
• Energy usage services
• Carbon management

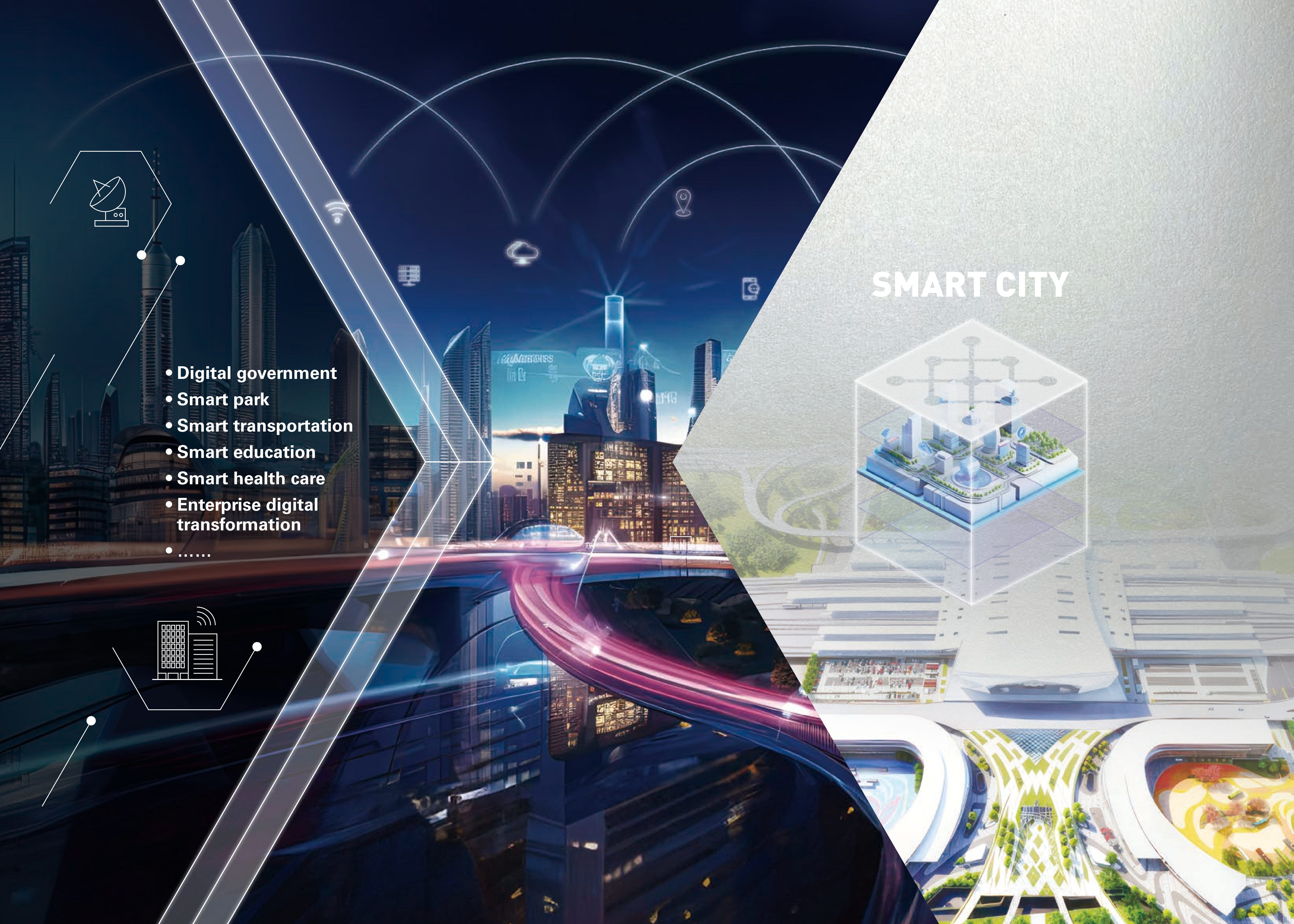


- Electricity infrastructure and ancillary facilities
- New energy
- Energy usage services
- Carbon management

Based on the extension of capability in digital infrastructure, we developed a whole-process green and low-carbon solution of "Driving Development with Consultation + Digital Empowerment + Product Innovation + Engineering Construction + Operation and Maintenance"

The value of new contracts grew by

>50%


SMART CITY
• Digital government
• Smart park
• Smart transportation
• Smart education
• Smart health care
• Enterprise digital transformation
• ……

- Digital government
- Smart park
- Smart transportation
- Smart education
- Smart health care
- Enterprise digital transformation
- ......

Leveraging the integrated advantages of consultation and design leadership, software development support and general contracting delivery and capitalising on our three-tier service capabilities covering provinces, cities and counties across the country, we realized integrated development of key industries and core regions

The value of new contracts grew by

>20%

EMERGENCY MANAGEMENT AND SECURITY

- Comprehensive application platform for emergency management
- Production safety risk monitoring and early warning system
- Emergency command information system
- Cyberspace surveying and mapping
- Data security monitoring
- ……

- Comprehensive application platform for emergency management
- Production safety risk monitoring and early warning system
- Emergency command information system
- Cyberspace surveying and mapping
- Data security monitoring
- ……

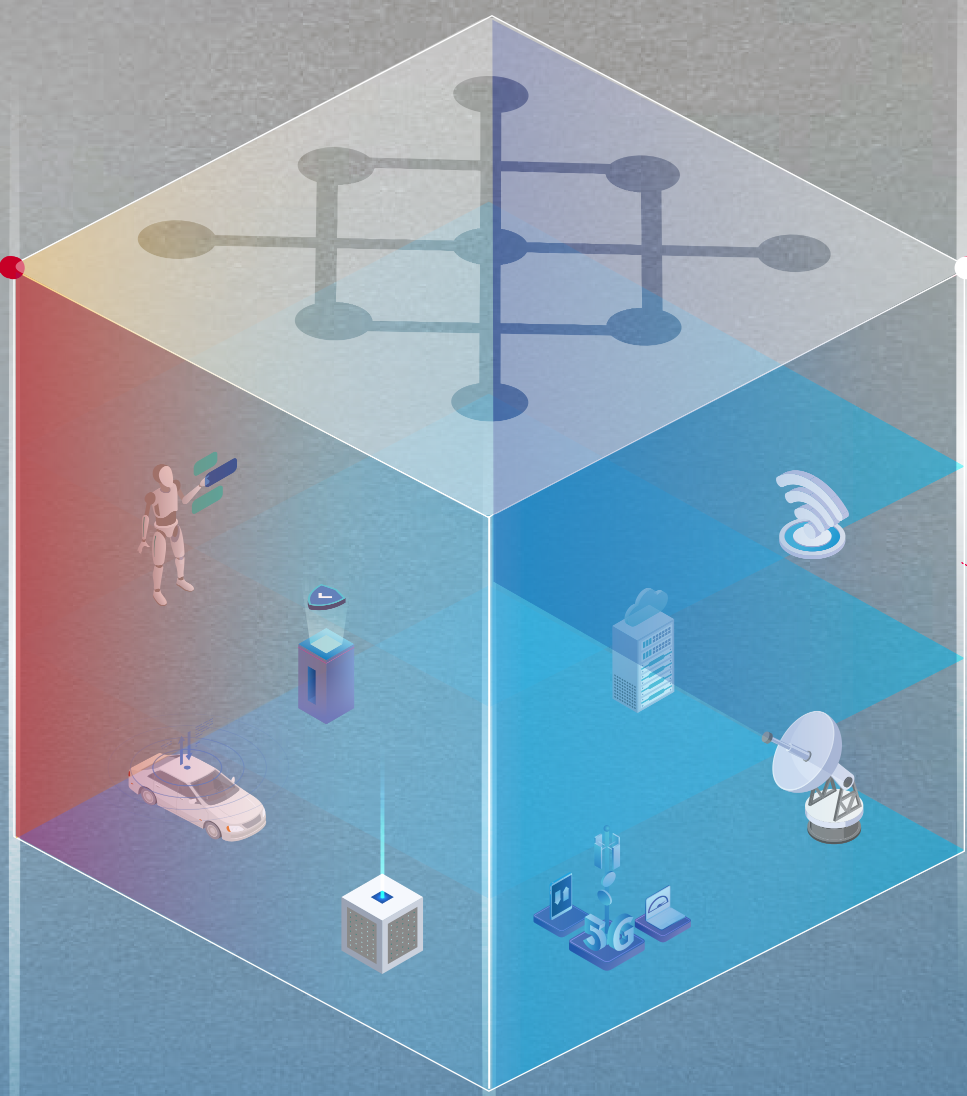
Utilizing technologies such as artificial intelligence, big data, 5G, Internet of Things, we developed multiple benchmark products and provided high-quality industry planning and top-level design services

The value of new contracts grew by

~8%

FAVORABLE OPERATING PERFORMANCE IN 2023

IMPROVEMENT IN BOTH EFFICIENCY AND QUALITY
ACHIEVING "FOUR CONTINUITIES"



The Group actively expanded into strategic emerging industries and improved the operating efficiency of fundamental businesses simultaneously to realize effective improvement in quality of development

Revenue continued to grow steadily

+5.6%

Net profit continued to grow faster than revenue

+6.7%

Gross profit margin rose continuously for two consecutive years

11.6%

Free cash flow continued to maintain at a healthy level

RMB 4.3 billion

MILESTONES

2006

AUGUST

The Company was established, with primary service areas including Shanghai, Zhejiang Province, Fujian Province, Hubei Province, Guangdong Province and Hainan Province.

DECEMBER

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. Gross proceeds from the IPO was approximately HK$3.3 billion.

2007

AUGUST

The Company completed the acquisition of the businesses of specialized telecommunications support services in 13 provinces (municipalities and autonomous regions) from China Telecommunications Corporation for a consideration of RMB4,630 million.

2008

APRIL

The Company completed the placement of 327 million new H Shares with net proceeds of approximately HK$1,668 million.

MAY

The Company completed the acquisition of the 100% equity interests in China International Telecommunications Construction Corporation for a consideration of RMB505 million.

2009

MARCH

China Telecommunications Corporation completed the transfer of 506,880,000 and 236,300,000 domestic shares of the Company to China Mobile Communications Corporation and China United Network Communications Group Company Limited, respectively.

2012

FEBRUARY

The Company completed the rights issue. Dealing in the H rights shares commenced on The Stock Exchange of Hong Kong Limited on 10 February 2012. The rights issue raised gross proceeds of approximately RMB2,991 million (approximately HK$3,677 million).

JUNE

The Company acquired the equity interests and assets in relation to several telecommunications infrastructure service companies in Ningxia and Xinjiang, etc. as well as 51% equity interests in Sino-British Submarine System Co., Ltd. for a total consideration of approximately RMB416 million.

2014

JULY

China Communications Facilities Services Corporation Limited (now renamed as China Tower Corporation Limited) indicated to the Company the relevant arrangements of preferential treatment and non-competition.

2015

JULY

The Company established a wholly-owned subsidiary, China Comservice Supply Chain Management Company Ltd.

2017

MAY

The Company established a wholly-owned subsidiary, Comservice Capital Holding Company Limited.

2018

MAY

The Company released the Smart Society Product Portfolio at China International Big Data Industry Expo and established "Smart Service Industrial Ecosystem Alliance" with business partners.

2019

MAY

The Company released the new position of "New Generation Integrated Smart Service Provider" during the China International Big Data Industry Expo.

DECEMBER

The Company's domestic non-telecom operator customers became the largest customer group[1] for the first time.

2020

JANUARY TO FEBRUARY

The Company hastened to the frontline of combating the COVID-19 by completing the communications construction and support for Huoshenshan Hospital and Leishenshan Hospital in Wuhan, etc.

DECEMBER

The Company was awarded the title of "Advanced Group in Fighting against COVID-19 in the Industry and Information Technology System" by the Ministry of Industry and Information Technology.

The Company established the China Comservice General Research Institute.

2021

JUNE

China Telecommunications Corporation, the controlling shareholder of the Company, proposed a share transfer of 166,000,000 domestic shares of the Company (representing 2.40% of the total issued share capital of the Company) to State Grid Information & Telecommunication Group Co., Ltd.

The wholly-owned subsidiary of the Group, China Comservice Supply Chain Management Company Ltd. introduced four strategic investors including COSCO SHIPPING (Tianjin) Company Limited, Zhilian Shenzhen International Smart Logistics (Shenzhen) Co.,Ltd., Guoxin Shuangbai No. 1 (Hangzhou) Equity Investment Partnership (Limited Partnership) and Gongqingcheng Orient Securities Sucheng Investment Partnership (Limited Partnership), injecting a total of RMB900 million into it.

AUGUST

The Company ranked 4th in the "100 Most Competitive Software & IT Service Enterprises 2021" coordinated by China Federation of Electronics and Information Industry.

NOVEMBER

The share transfer procedures among China Telecommunications Corporation, the controlling shareholder of the Company, and State Grid Information & Telecommunication Group Co., Ltd. was completed. State Grid Information & Telecommunication Group Co., Ltd. officially became the strategic shareholder of the Company.

DECEMBER

The Share Appreciation Rights Incentive Scheme was approved by government regulatory authorities and the general meeting. There are approximately 207.27 million shares of Share Appreciation Rights under the Initial Grant.

2022

JUNE

The Company held its Annual General Meeting to approve the election of the sixth session of the Board of Directors and the Supervisory Committee.

Mr. Liu Guiqing was appointed as an Executive Director and the Chairman of the Company.

AUGUST

The Company established a wholly-owned subsidiary, China Comservice Smart Property Development Co., Ltd.

1. Customers here are classified into four categories, including the domestic non-telecom operator customers, China Telecom, other domestic telecom operator customers and overseas customers.

2023

JANUARY

Mr. Huang Xiaoqing resigned from his position as the President and an Executive Director of the Company. Mr. Yan Dong was appointed as the President of the Company and approved by the general meeting to serve as an Executive Director of the Company on 10 February 2023.

JUNE

China Comservice Supply Chain Management Company Ltd., a subsidiary controlled by the Group, completed its shareholding reform and changed its name to China Comservice Supply Chain Co., Ltd..

AUGUST

The Company has ranked 4th in the "100 Most Competitive Software & IT Service Enterprises" coordinated by China Electronic Information Industry Federation for three consecutive years.

SEPTEMBER

With excellent comprehensive smart service capabilities, the Company built a leading event information operation system, and successfully completed the information and communications support for the "31st summer edition of the FISU World University Games" held in July and the "19th Asian Games Hangzhou" held in September, respectively.

DECEMBER

The Group acquired 49% equity interest held by the external shareholder (Global Marine Systems Limited) of Sino-British Submarine System Co., Ltd., which has now become a wholly-owned subsidiary of the Group.

2024

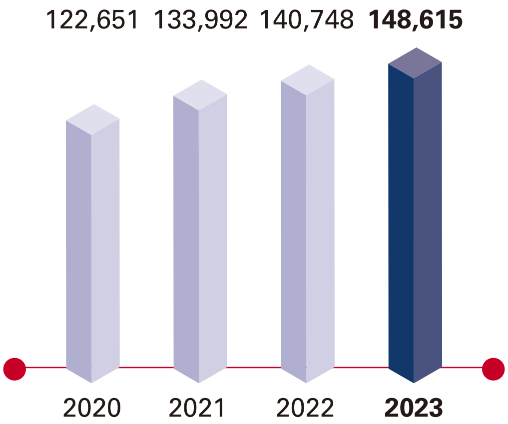
JANUARY

Mr. Liu Guiqing resigned from his position as the Chairman and an Executive Director of the Company. At the same time, Mr. Luan Xiaowei was appointed as the Executive Director and Chairman of the Company.

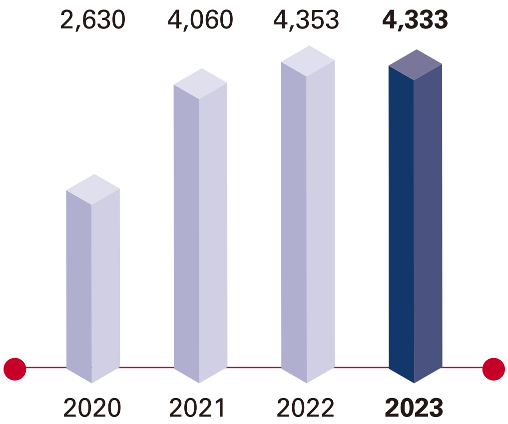
FINANCIAL HIGHLIGHTS

	2023	2022	Change
Revenues (RMB million)	**148,615**	140,748	5.6%
Profit attributable to equity shareholders of the Company (RMB million)	**3,584**	3,360	6.7%
Free cash flow[1] (RMB million)	**4,333**	4,353	(0.5%)
Basic earnings per share (RMB)	**0.518**	0.485	6.7%
Dividend per share (RMB)	**0.2174**	0.1939	12.1%

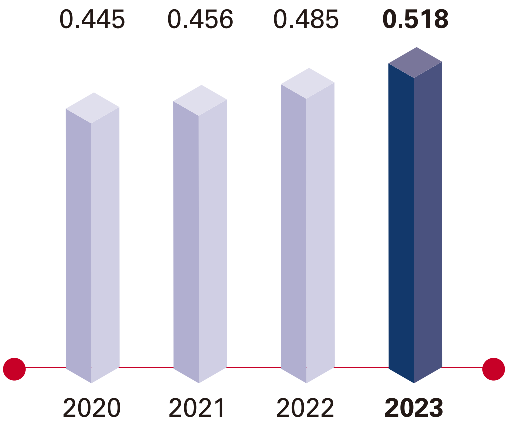
Revenues
(RMB million)



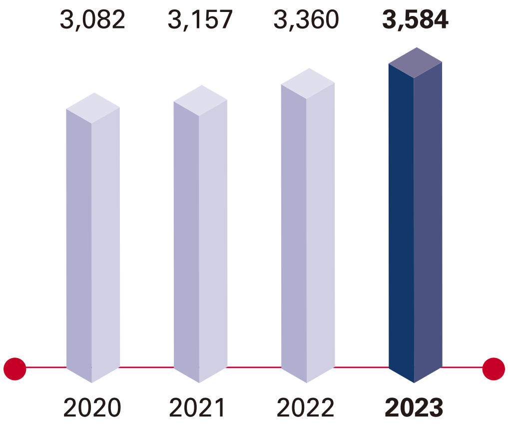
Free Cash Flow
(RMB million)



Basic Earnings per Share
(RMB)



Profit Attributable to Equity Shareholders of The Company
(RMB million)



[1] Free cash flow = Profit for the year + Depreciation and amortisation – Changes in working capital – Capital expenditure

COMPANY PROFILE AND CORPORATE INFORMATION

China Communications Services Corporation Limited (the "Company") is a leading service provider in the informatization sector in the PRC that positions itself as a "New Generation Integrated Smart Service Provider", leverages its strength as "Builder of Digital Infrastructure", "Provider of Smart Products and Platforms", "Provider of Industrial Digitalization Services", "Guard of Smart Operation" ("1 Positioning, 4 Roles") and commits to "Building Smart Society, Boosting Digital Economy, Serving a Good Life". The Group provides integrated comprehensive smart solutions for the informatization and digitalization sectors, which covers the value chain of the customers, including telecommunications infrastructure services (such as design, construction and supervision), business process outsourcing services (such as management of infrastructure for information technology, general facilities management, supply chain and products distribution services), as well as applications, content and other services (such as system integration services, software development and system support services, value-added services). Our domestic share shareholders include China Telecommunications Corporation, China Mobile Communications Group Co., Ltd., China United Network Communications Group Company Limited, State Grid Information & Telecommunication Group Co., Ltd. and China National Postal and Telecommunications Appliances Co., Ltd. Meanwhile, the aforesaid three telecommunications operators, China Radio and Television Network Group Co., Ltd. and China Tower Corporation Limited are our customers. Domestic non-telecom operator including the customers in government, transportation, electricity, Internet & IT, education and other sectors, is currently the largest customer group of the Company. At the same time, the Company provides services to overseas customers. Our service coverage is spread across the nation and we have also extended our business to dozens of countries and regions globally.

On 8 December 2006, the H shares issued by the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. As at 31 December 2023, the total issued share capital of the Company was 6,926,018,400, of which 2,391,420,240 were H shares.

For the seventeen years since its listing, the Company has received many awards in the capital market. In 2023, the Company won various awards, including: in *Institutional Investor*'s "2023 Asia Executive Team Rankings", the Company was named as "Most Honored Company" and also won the accolades of "Best CEO", "Best CFO" and "Best ESG". In "13th Asian Excellence Award" held by *Corporate Governance Asia*, a well-known journal on corporate governance, the Company was awarded "Asia's Best CEO", "Asia's Best CFO", "Best Investor Relations Company" and "Best Environmental Responsibility". The Company won the "Gold Award" in "The Asset ESG Corporate Awards 2023" hosted by a financial magazine, *The Asset*. In the "8th Zhitong Finance Listed Company Awards" organized by the PRC leading financial platforms, the Company was awarded "The Best TMT Company". In "2023 Forbes China ESG Innovative Enterprise" held by *Forbes China*, the Company was honored as one of the 50 award-winning companies. The Company has been included in "Hang Seng Corporate Sustainability Benchmark Index" for two consecutive years. In addition, the Company ranked 98th in the "2023 FORTUNE China Listed Companies 500" published by *FORTUNE China*, and ranked 1,499th in the "2023 Forbes Global 2000" by *Forbes*.

The Company's industry influence has remarkably improved in recent years. The Company has ranked 4th in "100 Most Competitive Software & IT Service Enterprises" by China Electronic Information Industry Federation for three consecutive years. And it has won about 50 important awards in various fields of science and technology.

BOARD OF DIRECTORS

Executive Directors

Mr. Luan Xiaowei
Mr. Yan Dong
Ms. Zhang Xu

Non-executive Directors

Mr. Gao Tongqing
Mr. Tang Yongbo
Mr. Liu Aihua

Independent Non-executive Directors

Mr. Siu Wai Keung, Francis
Mr. Lv Tingjie
Mr. Wang Qi
Mr. Wang Chunge

BOARD COMMITTEES

Strategy Committee

Mr. Luan Xiaowei
(Committee Chairman)
Mr. Yan Dong
Mr. Gao Tongqing
Mr. Tang Yongbo
Mr. Liu Aihua
Mr. Lv Tingjie
Mr. Wang Qi

Audit Committee

Mr. Siu Wai Keung, Francis
(Committee Chairman)
Mr. Lv Tingjie
Mr. Wang Chunge

Remuneration Committee

Mr. Wang Qi (Committee Chairman)
Mr. Siu Wai Keung, Francis
Mr. Lv Tingjie

Nomination Committee

Mr. Luan Xiaowei
(Committee Chairman)
Mr. Lv Tingjie
Mr. Wang Qi

Non-Competition Undertaking Review Committee

Mr. Lv Tingjie
(Committee Chairman)
Mr. Siu Wai Keung, Francis
Mr. Wang Chunge

Right of First Refusal and Priority Right Committee

Mr. Wang Chunge
(Committee Chairman)
Mr. Siu Wai Keung, Francis
Mr. Wang Qi

SUPERVISORY COMMITTEE

Ms. Huang Xudan
(Committee Chairperson)
Ms. Cai Manli
(Independent Supervisor)
Ms. Liu Lian
(Employee Representative Supervisor)

REGISTERED NAME (IN CHINESE)

中國通信服務股份有限公司

REGISTERED NAME (IN ENGLISH)

China Communications Services Corporation Limited

LEGAL REPRESENTATIVE

Mr. Yan Dong

COMPANY SECRETARY

Mr. Chung Wai Cheung, Terence

INTERNATIONAL AUDITOR

PricewaterhouseCoopers
(Registered Public Interest Entity Auditors)

LEGAL ADVISORS

Freshfields Bruckhaus Deringer
King & Wood Mallesons

H SHARE REGISTRAR

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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING PLACE

The Stock Exchange of Hong Kong Limited

STOCK CODE

00552

BUSINESS ADDRESS

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CHAIRMAN'S STATEMENT

In 2023, positioning itself as "New Generation Integrated Service Provider", the Group persisted in steering its high-quality development with technological innovation, penetrated strategic emerging industries, built core capabilities, and thus achieving enhancement in both operating results and efficiency in development.

Mr. LUAN Xiaowei
Executive Director and Chairman

Dear Shareholders,

In 2023, the Chinese government accelerated the construction of Digital China and new industrialization, leading to the deepening of a new round of scientific and technological revolution and industrial revolution as well as the continuous acceleration in the pace of digitalization and intelligentization. By positioning itself as a "New Generation Integrated Smart Service Provider" and led by technological innovation, the Group deeply explored strategic emerging industries and built core capabilities to improve the quality of corporate development, thus achieving favorable operating performance and efficiency in development.

I. ACHIEVING STEADY YET IMPROVING OPERATING RESULTS

By adhering to its overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development" and giving full play to its advantages as "Builder of Digital Infrastructure", "Provider of Smart Products and Platforms", "Provider of Industrial Digitalization Services", and "Guard of Smart Operation" ("Four Roles"), the Group accelerated the expansion into the strategic emerging industries, and continued to improve its operating results, with steady and healthy growth in total revenues and net profit[2]. During the year, the Group's total revenues reached RMB148,615 million, representing a year-on-year increase of 5.6%, among which, service revenue[3] amounted to RMB143,437 million, representing a year-on-year increase of 6.1%. Gross profit amounted to RMB17,257 million, representing a year-on-year increase of 8.0%, and gross profit margin improved for two consecutive years to 11.6%, representing a year-on-year increase of 0.2 percentage point. Net profit was RMB3,584 million, representing a year-on-year increase of 6.7%, and such growth rate continued to be higher than the revenue growth rate. Net profit margin was 2.4%, which stabilized and improved. Free cash flow was RMB4,333 million, which remained healthy. Return on equity (ROE) was 8.6%, representing a year-on-year increase of 0.1 percentage point. Basic earnings per share were RMB0.518, representing a year-on-year increase of 6.7%. Considering the sound operating results and cash flow for the full year, and to further increase shareholders' return, the Board has proposed to increase the dividend payout ratio from 40% in 2022 to 42% for the financial year ended 31 December 2023, and pay a final dividend of RMB0.2174 per share, representing a year-on-year increase of 12.1%.

1. The Three Major Business Segments Maintaining Favorable Growth Momentum Driven by Advantageous Businesses

During the year, revenue from the Group's telecommunications infrastructure ("TIS") services amounted to RMB76,137 million, representing a year-on-year increase of 4.4%, accounting for 51.2% of total revenues. Among them, the high-value consultation and design businesses achieved favorable development, which effectively improved the profitability of the TIS segment. Revenue from business process outsourcing ("BPO") services amounted to RMB43,551 million, representing a year-on-year increase of 1.1%, accounting for 29.3% of total revenues. Benefiting from the Group's advantages in software and digital services capabilities, revenue from applications, content, and other ("ACO") services maintained a relatively rapid growth, and amounted to RMB28,927 million, representing a year-on-year increase of 16.8%, accounting for 19.5% of total revenues, which was the leading contributor to the Group's revenue growth. Among them, revenue from software development and system support maintained a rapid growth of 25.1% year-on-year.

[2] Net profit refers to profit attributable to the equity shareholders of the Company.
[3] Service revenue = total revenues – revenue from products distribution – revenue from IT equipment supplies in system integration

2. The Three Major Markets Growing Steadily by Keeping Abreast with the Upgrade of Digitalization Demand

(A) **Domestic non-operator market led the Group's revenue growth with reinforced development quality.** With a focus on the needs for digitalization, intelligentization and green development of the society and leveraging its advantages of "Consultant + Staff + Housekeeper"[4] services and "Platform + Software + Service"[5] capabilities, the Group provided customized and scenario-based solutions to customers in the government, energy and power, construction, transportation and other industries. The standard of its service and the quality of its delivered work have been continuously improved, and the business value of such customer market has steadily increased. Revenue from the domestic non-telecom operator ("domestic non-operator") during the year amounted to RMB63,433 million, representing a year-on-year increase of 6.3%, becoming the main engine leading the overall revenue growth.

(B) **Domestic telecommunications operator market grew steadily by seizing transformation opportunities.** By persisting in the "CAPEX + OPEX + Smart Applications"[6] development strategy, while improving the operational efficiency of its traditional businesses, the Group focused on the new needs of domestic telecommunications operators in respect of the computing power construction, industrial digitalization business and technological innovation transformation. The Group gave full play to its general contracting capabilities as well as integrated advantages, and continued to build up its service capabilities in delivery, operational support and software development, fully supporting the operators' business transformation and upgrading, and undertaking multiple benchmark projects in cloud, intelligent computing centers, "Dual Carbon", thereby realizing win-win cooperation. Revenue from such market amounted to RMB81,726 million during the year, representing a year-on-year increase of 4.7%.

(C) **Overseas market achieved improvements in both quality and scale by focusing on key regions.** The Group actively responded to the needs of digital economy along the "Belt and Road" by strengthening collaborative expansion and ecological cooperation with "Go Abroad" Chinese enterprises as well as replicating its advantageous capabilities in the domestic market to provide digital infrastructure construction, new energy construction and intelligentization services for key overseas regions and customers, securing several high-value and high-quality projects. The Group achieved rapid business growth in overseas market during the year, with revenue amounting to RMB3,456 million, representing a year-on-year increase of 15.3%.

4 "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' original expectation could be achieved. "Housekeeper" means the Group provides full life cycle management and accompanying service of the relevant businesses and creates values for customers.

5 "Platform + Software + Service" capabilities: utilize core foundation platforms, including cybersecurity and Internet of Things, 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.

6 "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.

II. STRENGTHENING AND OPTIMIZING STRATEGIC EMERGING BUSINESSES, ACHIEVING NEW RESULTS IN TRANSFORMATION AND UPGRADING

In 2023, the construction of Digital China entered a new stage of overall deployment and comprehensive advancement. The Group continued to further its efforts in strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, and emergency management and security, and built up new momentum and new edges. During the year, the aggregate value of the new contracts from strategic emerging businesses increased by more than 30% year-on-year, accounting for nearly 30% of the total new contracts value, representing an increase of approximately 5 percentage points from last year, which effectively drove the transformation and upgrading of the overall business and promoted high-quality development of the Company.

In the field of digital infrastructure, the Group actively engaged in the construction of intelligent computing centers, supercomputing centers and the transformation and upgrading of data centers, and strengthened a series of cloud businesses such as cloud consultation, cloud migration, cloud integration, and cloud operation and maintenance. With its profound accumulation of industry experience, the Group integrated the new generation of digital intelligence and green technology to develop a unique "1+2" digital new infrastructure solution (i.e. providing whole-process and full-profession integrated services which are marked by the two major technological features of green and low-carbon as well as digital intelligence). The Group led the industry with its energy-saving technology for data center and full-process digital delivery capability. The Group successfully undertook multiple projects of data centers in the "eight national computing hubs" among the "East Data, West Computing" projects in China and overseas. The value of the new contracts from such field grew by approximately 30% during the year. The Group also released the "White Paper on China's Data Center Industry Development (2023)" and contributed its expertise and strength to the building of a solid foundation for digital infrastructure.

In the field of smart city, as the sub-sectors among social governance developed and the entire industry accelerated digital transformation, the Group continued to focus on areas such as digital government, smart park, smart transportation, smart education, smart healthcare and enterprise digital transformation. The Group continued to strengthen its marketing team, improved service quality, gave full play to the integrated advantages of consultation and design leadership, software development support and general contracting delivery. Leveraging its three-tier service capabilities covering provinces, cities and counties across the country, the Group integrated the development of key industries and core regions, enabling it to successfully secure several EPC general contracting projects with contract value of over RMB100 million each. The value of the new contracts from such field grew by more than 20% during the year.

In the field of green and low-carbon, the Group supported the comprehensive green transformation of economic and social development. Capturing the demand for investment in new digital power systems and exploring new area for deployment in carbon assets, the Group focused on major businesses such as electricity infrastructure and ancillary facilities, photovoltaic construction, energy usage services and carbon management, promoting the research and development and application of key technologies in low-carbon, zero-carbon and negative-carbon. The Group developed a whole-process green and low-carbon solution of "Driving Development with Consultation + Digital Empowerment + Product Innovation + Engineering Construction + Operation and Maintenance", which has solidified its core competitiveness and differentiated advantages in the field. The value of the new contracts from such field grew by more than 50% during the year.

In the field of emergency management and security, the Group is committed to promoting the construction of social public safety systems. By closely following customers' needs for safe operations and data security, the Group utilized technologies such as artificial intelligence, big data, 5G, Internet of Things, and developed products such as comprehensive application platform for emergency management, production safety risk monitoring and early warning system, emergency command information system, cyberspace surveying and mapping and data security monitoring. These products enabled sensitive awareness, accurate prediction, timely response and scientific decision-making for major risks, provided high-quality industry planning and top-level design services, and guarded urban public safety, industrial production safety and natural ecological safety. The value of the new contracts from such field achieved steady growth during the year. The Group had leading capabilities in smart application services and platform construction in this field and was successfully selected into the "Smart Safety and Emergency Industry Map"[7].

III. COMPREHENSIVELY PROMOTING HIGH-QUALITY DEVELOPMENT BY ENHANCING CORE ADVANTAGES OF THE ENTERPRISE

1. Developing Strategic Core Products by Enhancing Innovation Capabilities

The Group insisted on driving "intrinsic" growth through technological innovation. It increased investment in research and development on strategic emerging businesses, and closely followed customers' needs to carry out application technology innovation, and accelerated the research and development and operation of core products. The Group strengthened overall planning for technological innovation and arranged in advance the deployment in cutting-edge technology fields such as 6G, data centers, computing power, blockchain, and artificial intelligence. The Group compiled a total of 16 national standards during the year and accumulated more than 3,000 authorized patents. The Group has ranked fourth in the "100 Most Competitive Software & IT Service Enterprises" for three consecutive years and won a total of 49 major awards for scientific and technological achievements during the year, indicating that its innovation capabilities and scientific and technological strength have been widely recognized by the society.

2. Enhancing the Value of Smart Services by Adhering to Steering Through Consultation

With customers at its center as always, the Group continuously strengthened its team of industry experts and technology talents and leveraged the leading effect of "Consultation + Technology". With the advantages of multi-professional and full-process comprehensive services spanning "Consultation and Design + General Contracting + Integration + Operation and Maintenance", the Group met its customers' demand for new digital services, characterized by scenario-based, intelligent, secure, and sustainable features. The Group has established multiple industrial research institutes and created an "Industry Center + Regional Platform" matrix to continuously enhance its systematic capabilities in "industry insights, marketing and delivery, solution development, product research and development, and ecosystem integration", providing top-tier smart services with higher value to clients across various fields and industries.

3. Strengthening Corporate Brand Power by Leveraging Industry Expertise

The Group served the country's overall deployment for Digital China, continuously deepened the essence of its "Four Roles" and strove to create a brand with distinct and high-quality advantages. By deploying in strategic emerging industries prospectively, with value creation as the focus, the Group strengthened its core products and key capabilities, enhancing its brand's leadership and influence in the industry and society. The "China Telecom & China Unicom 5G Co-building and Sharing SA Construction Project" undertaken by the Group, won the National Quality Engineering Gold Award. Leveraging its rich industry experience and digital technology strengths, the Group developed benchmark projects in digital twin and industrial Internet, which were repeatedly featured in the news coverage by mainstream media outlets such as China Central Television.

[7] The "Smart Safety and Emergency Industry Map" was officially released by the Safety and Emergency Industry Alliance led by the China Academy of Information and Communications Technology at the "2023 China Safety and Emergency Industry Conference".

4. Fully Unleashing Development Vitality by Propelling Reform and Digital Transformation

The Group relied on deepening reforms to enhance the intrinsic driving force for development and continuously modernized the corporate governance system and capabilities. It persistently improved the integration and value enhancement of supply chain and property management businesses through professional operations to strengthen and optimize them. By establishing a comprehensive plan and implementation program for digital transformation, the Group enhanced the level of digital management in key areas. With the implementation of a strategy to empower the enterprise through talents, the Group optimized selection, deployment and incentive mechanisms as well as nurturing and expanding its team of top-notch leaders, technology talents, marketing and delivery specialists, and skilled craftsmen, thus providing robust support for the stable and healthy development of the enterprise.

IV. ACTIVELY FULFILLING ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES AND BEING COMMENDED FOR CORPORATE GOVERNANCE

The Group comprehensively upholds the new development philosophy and actively practices the corporate mission of "Building Smart Society, Boosting Digital Economy, Serving a Good Life". It proactively addresses climate change, adheres to green and low-carbon development, optimizes corporate governance and risk management and control, promotes safe and compliant operations, and cares for its employees. The Group has been widely recognized for its robust governance capabilities and strong sense of responsibility. For two consecutive years, the Group has been included as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index", reflecting the Group's outstanding performance in corporate sustainability.

In 2023, the Group was dedicated to implementing the national "Dual Carbon" strategic goals by formulating a rolling development plan for "Dual Carbon". It continuously refined its organizational system and regulations for energy saving and emission reduction, thus enhancing its environmental management capabilities. The Group also fortified its team of "Dual Carbon" experts and professionals, offering carbon management, carbon emission reduction, and carbon removal services to clients across the energy, transportation, construction, communications and other sectors, using digital measures to bolster societal efforts in energy saving and carbon reduction. The Group was honored with the WSIS Champion Project[8] for "The Blue Sky Guard System" by The World Summit on the Information Society, fully demonstrating its green technology innovation capabilities and social influence.

The Group undertook and successfully completed communications support for major national events such as the "31st summer edition of the FISU World University Games", the "19th Asian Games Hangzhou", the "2023 World Internet Conference Wuzhen Summit" and the "Boao Forum for Asia Annual Conference 2023". Engaging in emergency rescue and communications supporting work, the Group rushed to disaster sites without delay during major disasters such as heavy rain and flooding in the Beijing-Tianjin-Hebei Area, typhoons "Saola", "Khanun" and "Doksuri", the Jishishan earthquake in Gansu, and cold wave and low temperature extreme weather in southern regions, ensuring uninterrupted communications networks and aiding in the reconstruction of affected areas. Participating in regional livelihood construction, the Group provided smart water services to residents of Macau. Proactively contributing to rural revitalization, the Group undertook several digital rural projects, contributing to the modernization of agriculture and rural areas.

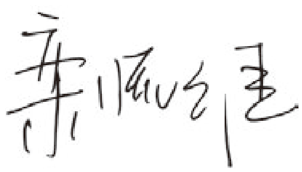
8 The World Summit on the Information Society (WSIS), co-hosted by United Nations Educational, Scientific and Cultural Organization, the United Nations Development Programme, and the International Telecommunication Union recognizes enterprises around the world working to accelerate the world's socio-economic progress and the innovative projects using information and communications technologies to create a better world. "The Blue Sky Guard System", as a project representative in the field of environmental protection, stood out from 762 projects worldwide and won the WSIS Champion Project.

The Group places strong emphasis on its sustainable development, continuously improving corporate governance structure, enhancing comprehensive risk management system, and raising the standard of operation, thereby earning multiple accolades from the capital market. The Group ranked 98th in the "2023 FORTUNE China Listed Companies 500" and ranked 1,499th in the "2023 Forbes Global 2000", and it was also selected as "2023 Forbes China ESG Innovative Enterprise". The Group earned a number of accolades including "Most Honored Company", "Best CEO", "Best CFO", and "Best ESG" in the "2023 Asia Executive Team Rankings" by *Institutional Investor*. It also won awards such as "Asia's Best CEO", "Asia's Best CFO", "Best Investor Relations Company" and "Best Environmental Responsibility" in the "13th Asian Excellence Award" held by the corporate governance magazine in Asia, *Corporate Governance Asia*, and won the "Gold Award" in the "The Asset ESG Corporate Awards 2023" hosted by the financial magazine, *The Asset*.

V. OUTLOOK

Currently, there is an accelerating emergence of new quality productive forces that integrate digital technologies such as cloud computing, big data, and artificial intelligence. Meanwhile, the digital economy has become a crucial pillar for creating new development paradigms, offering vast market opportunities through societal digital transformation. In light of these new circumstances and opportunities, the Group is dedicated to becoming "the Main Force in Digital Infrastructure Construction, the Vanguard in Smart City Services, the Leading Enterprise in Industrial Digitalization Services, and a Trusted Expert in Smart Operation". The Group will persist in value-led as well as innovation and transformation-driven approach, enhancing the quality and efficiency of traditional businesses, and further developing the strategic emerging businesses by focusing on new sub-segments, service models and trend of focal points. The Group will fortify its capabilities in technological innovation, market expansion, delivery of general contracting projects, risk control, and capital operation, thus continuously improving its core competitive advantages. The Group will build itself as a "First-class Smart Service Innovative Enterprise", moving forward together with shareholders, customers, and society to create a new chapter of high-quality development.

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 attention 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 those directors and supervisors who have resigned, including Mr. Liu Guiqing, Mr. Huang Zhen and Ms. Ye Lichun for their outstanding contributions to the development of the Group during their tenure; and my sincere and warm welcome to Mr. Liu Aihua who has joined the Board, and Ms. Huang Xudan who has joined the Supervisory Committee.



Luan Xiaowei
Executive Director and Chairman

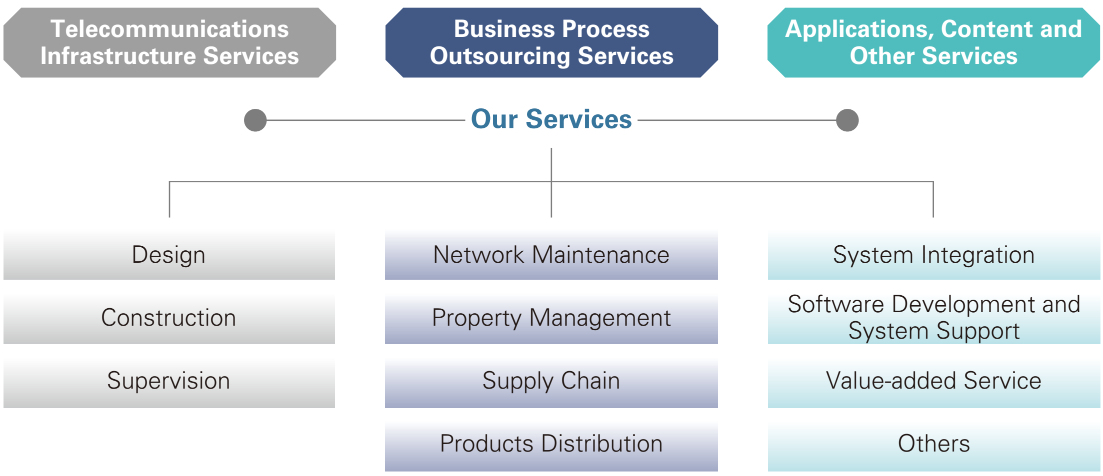
Beijing, PRC
27 March 2024

BUSINESS OVERVIEW

The Group is a leading service provider in the informatization sector in the PRC. Leveraging its positioning as a "New Generation Integrated Smart Service Provider" and its strength of being "Builder of Digital Infrastructure, Provider of Smart Products and Platforms, Provider of Industrial Digitalization Services, Guard of Smart Operation" ("1 Positioning, 4 Roles"), the Group commits to "Building Smart Society, Boosting Digital Economy, Serving a Good Life", continues to accelerate the building of first-class enterprise, and provides integrated comprehensive smart solutions for the informatization and digitalization sectors. The Group provides integrated smart solutions including telecommunications infrastructure services, business process outsourcing services as well as applications, content and other services for its customers such as telecommunications operators, governments, industrial customers and SMEs.

The Group's business spans across China and dozens of countries and regions globally, with overseas customers mainly located in key regions such as Asia Pacific, the Middle East and Africa.

WE PROVIDE INTEGRATED COMPREHENSIVE SMART SOLUTIONS FOR THE INFORMATIZATION AND DIGITALIZATION SECTORS



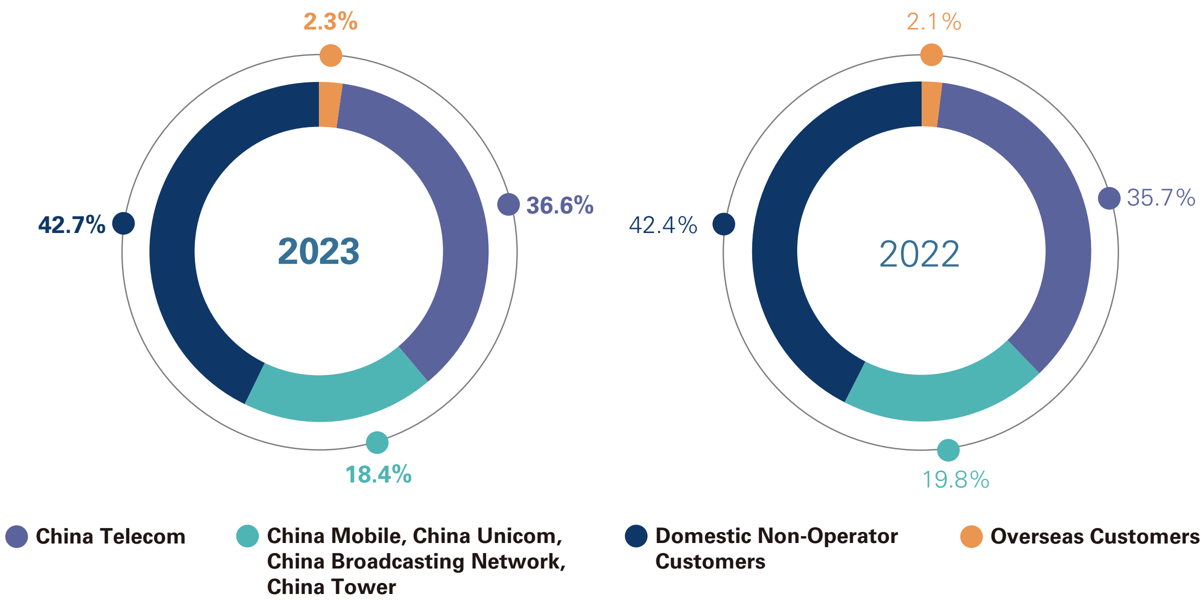
(in RMB million, except percentages)	**Revenue in 2023**	Revenue in 2022	Change
Domestic non-telecom operator customers ("Domestic non-operator customers")	**63,433**	59,697	6.3%
Domestic telecommunications operator customers	**81,726**	78,053	4.7%
Of which: China Telecom	**54,399**	50,268	8.2%
China Mobile, China Unicom, China Broadcasting Network, China Tower	**27,327**	27,785	(1.6%)
Overseas customers	**3,456**	2,998	15.3%
Total	**148,615**	140,748	5.6%

MARKET EXPANSION

In 2023, the Group continued to adhere to the overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development", actively rode the trend of the building of Digital China and seized the opportunities of in-depth integration of digital economy and the real economy. With the target of achieving high-quality development, the Group further enhanced market development, cultivated new growth areas, and shifted momentum of development, thereby optimizing its business structure and improving development quality. Total revenues amounted to RMB148,615 million for the year, representing a year-on-year growth of 5.6%.

In 2023, the Group focused on the digitalization reform of society. The revenue from the domestic non-operator market amounted to RMB63,433 million for the year, representing a year-on-year increase of 6.3%. The Group kept abreast of the investment demand of emerging businesses of domestic telecommunications operators, adhering to the development strategy of "CAPEX + OPEX + Smart Applications" to enhance service quality and strengthen cooperation on an ongoing basis. The revenue from the domestic telecommunications operator market amounted to RMB81,726 million for the year, representing a year-on-year increase of 4.7%. The Group overcame the impact of the overseas macro-environment, optimized its market deployment and expanded upstream and downstream along the industrial chain to offer integrated services ranging from network construction to maintenance. The revenue from overseas customers amounted to RMB3,456 million, representing a year-on-year increase of 15.3%.

The following charts show the revenue contribution from each customer group:



In 2023, the Group seized the development opportunities of strategic emerging businesses, and accelerated its deployment in strategic emerging industries, such as digital infrastructure, smart city, green and low-carbon, emergency management and security. For digital infrastructure, the Group grasped the demand for large models and cloud computing, focusing on intelligent computing, supercomputing and cloud business. Leveraging its high-end consulting and design capabilities as the lead and the application of BIM digitalization technology, the Group provided customers with full-profession, integrated and full life cycle specialized services for green and low-carbon digital infrastructure, which included consultation and design, electromechanical installation, application and integration of network platforms, as well as operation and maintenance. The Group actively served the national "East Data, West Computing" projects, and participated extensively in the construction of national integrated big data centers for the "eight national computing hubs and ten national data center clusters". In the fields of smart city and digital government, the Group focused on the new urbanization construction and urban renewal, the revitalization of old town neighbourhood and community development, and important needs of smart transportation, safe cities, smart government affairs, smart towns, city brains, one platform unified services and digital villages, and provided customers with design, construction, platform development, system integration and full-process consultation and other services. Regarding green and low-carbon, the Group seized the market opportunities of new energy construction and energy usage services, and offered integrated AI energy-saving and carbon reduction service for new green and low-carbon data centers, as well as providing new energy solutions including photovoltaic energy, wind power and hydropower to different types of customers. Besides, it engaged in platform development and services such as "Dual Carbon" management cloud platform, energy consumption monitoring management platform and carbon asset digitalization management platform. It also offered energy management, production and manufacturing equipment disposal management. As for emergency management, with the main business line of eight major industries including emergency management, fire-fighting, ecological environment, water conservancy, meteorology, natural resources, forestry and grassland, and civil air defense, the Group developed more than 40 industry and equipment application products to provide governments, chemical industry parks, and highly hazardous customers with consultation and design, software development, system integration and operation and maintenance services. Regarding cybersecurity, to cater for customers' needs for operational compliance, digitalization development and operational practices, the Group provided them with security products in the fields of cybersecurity, data security, and information security, security consultation and design, security integration, project implementation, special security services, security supervision and other services. The value of the new contracts from strategic emerging industries amounted to over RMB59 billion, representing a year-on-year increase of over 30%.

Green Energy Saving Management – BIM Smart Operation and Maintenance Management Platform

Emergency Management – Mining Equipment Management System

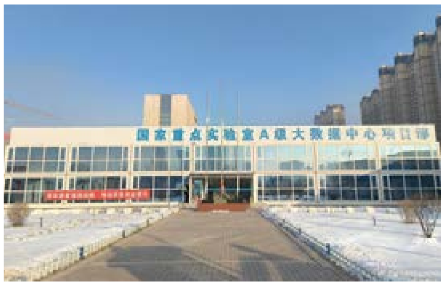
Digital Government – One Platform Unified Management System

Domestic Non-Operator Market

In 2023, the Group kept abreast of the trend brought by the reform of societal digitalization, seized the development opportunities of the digital transformation across industries and focused on strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, emergency management and security, etc. Through continuously forging core capabilities and platforms as well as leveraging the advantage of integrated service capabilities, the Group achieved improvement of business quality and continuous optimization in revenue mix. The revenue from the domestic non-operator market amounted to RMB63,433 million, representing a year-on-year increase of 6.3%.

The Group quickly responded to customer needs and provided a comprehensive smart product portfolio that could be disassembled or combined, as well as full-process service capabilities from top-level design to product R&D and operation. During the year, the Group signed more than 1,300 new contracts worth over RMB10 million each, undertook benchmark projects such as Urban Lifeline Safety Construction Project in Nanjing, A-grade Big Data Center Project of a Power Group, Smart Game Projects for Hangzhou Asian Games and Chengdu FISU World University Games, Rooftop Distributed Photovoltaic Project for a Steel Company in Qingdao and Hami Wind Storage Supervision Project.

Urban Lifeline Safety Construction Project in Nanjing



A-grade Big Data Center Project of a Power Group

Smart Game Project for Chengdu FISU World University Games

Rooftop Distributed Photovoltaic Project for a Steel Company in Qingdao

Hami Wind Storage Supervision Project

Capitalizing on its "Consultant + Staff + Housekeeper" service advantages and its superior "Platform + Software + Service" capabilities, the Group established the "Industry + Region" matrix marketing mechanism and built a sound and localized marketing team across the country with approximately 17,000 sales personnel deployed in the key areas, and constantly strengthened its efforts in group-level product synergistic marketing. The Group also accelerated the formation of the technical expert team for its core products, which comprised over 10,000 consultation and design experts and relevant software talents. Through consistent training and informatization means such as the cloud exhibition hall, the Group enhanced capabilities consolidation and empowering and continuously strengthened the teams of professional talents. Currently, the annual contract value secured by the Group in several industries, including government, construction and real estate, Internet and IT, electricity, transportation, finance and education, has exceeded RMB1 billion in each sector.

The Group Undertook Multiple Key Data Center Projects (Including Intelligent Computing, Supercomputing and Computing Power Centers)

Wujiang Computing Power Center, Eight National Computing Hubs

General Contracting Construction Project of a Central Big Data Center (Cybersecurity Base)

High-performance Computing Power Center Construction Project for a Provincial Meteorological Bureau

Big Data Center and Big Data Application Demonstration Base Project for a State-owned Bank

An Artificial Intelligence Data Center (EPC) Project in Qianhai

Domestic Telecommunications Operator Market

In 2023, the Group further integrated itself into the ecosystem of operators in the domestic telecommunications operator market and seized the opportunities from traditional businesses and transformation. It persisted in the "CAPEX + OPEX + Smart Applications" development strategy and grasped opportunities in AI computing power construction, industrial digitalization, 5G+ and new infrastructure construction, with a view to penetrating traditional CAPEX businesses. The Group explored the market potential of network maintenance, property management and supply chain services, and strived to increase the OPEX market share. It fully supported operators' demand for industrial digitalization in the course of transformation by proactively engaging in the market expansion of 5G industrial applications, industrial digitalization and network information security, and it assisted operators to achieve green development by supporting "zero carbon" data center construction, green retrofit of old machine rooms, and "Dual Carbon" energy-saving platform construction, which ultimately stabilized the fundamentals of business from the domestic telecommunications operators. The revenue from this market amounted to RMB81,726 million for the year, representing a year-on-year increase of 4.7%. Of which, the revenue from China Telecom amounted to RMB54,399 million, representing a year-on-year increase of 8.2%.

The Group Actively Supported the Business of Domestic Telecommunications Operators

Overseas Market

In 2023, the Group proactively integrated itself into the new development paradigm of "dual-circulation with domestic and international development reinforcing each other" and seized the important opportunities in the "Belt and Road" and digital economy construction. The Group continuously optimized overseas market deployment and focused on key regions such as Asia Pacific, the Middle East, Africa and Latin America. Targeting telecommunications operators, energy and electricity customers, overseas governments and enterprises, and "Go Abroad" Chinese companies, the Group focused on four businesses namely digital infrastructure construction, "Dual Carbon" services, smart government services and industrial informatization services. On the basis of safety development at a high standard, the Group accelerated transformation and upgrading, promoted capability improvement and diversification of business structure, thus brought along high-quality development of overseas business. The revenue from overseas customers amounted to RMB3,456 million, representing a year-on-year increase of 15.3%.

Transformed and Upgraded the Group's Overseas Business, Undertook Various Photovoltaic Projects

BUSINESS EXPANSION

As a leading service provider in the informatization sector in the PRC that provides integrated comprehensive smart solutions in the informatization and digitalization sectors, the Group offers telecommunications infrastructure services, including design, construction and supervision; business process outsourcing services, including management of infrastructure for information technology, general facilities management, supply chain and products distribution; and applications, content and other services, including system integration, software development and system support as well as value-added services, etc.

Telecommunications Infrastructure Services

As the largest telecommunications infrastructure service provider in China, the Group possesses all the highest-grade qualifications in the communications construction industry in China. In 2023, the Group's revenue from telecommunications infrastructure services amounted to RMB76,137 million, representing a year-on-year growth of 4.4%.

The Group has the capabilities to provide worldwide telecommunications operators with comprehensive telecommunications infrastructure services including planning, design, construction and project supervision for fixed-line, mobile, broadband networks, data centers and operation supporting systems. In 2023, the Group endeavoured to address the business needs of domestic telecommunications operator customers and supported the construction of domestic computing power and 5G network. The revenue of telecommunications infrastructure services from domestic telecommunications operator customers amounted to RMB40,886 million for the year, representing a year-on-year increase of 3.0%.

The Group Endeavoured to Support New Infrastructure Construction

The Group also provides various services, including construction services for ancillary communications networks, integrated informatization solutions and industrial smart solutions, to domestic non-operator customers in the government, finance, construction, transportation, emergency management, electricity, and medical care sectors, as well as overseas customers. In 2023, the Group made constant new breakthroughs in the fields of data center, smart city, green and low-carbon, emergency management and security. The Group's revenue of telecommunications infrastructure services from domestic non-operator customers amounted to RMB32,658 million for the year, representing a year-on-year growth of 6.2%.

As domestic telecommunications operators continue to accelerate digital transformation, increase their investment in new infrastructure such as data centers, and speed up the pace of transformation and upgrading, the Group will further integrate itself into the ecosystem of operators and enhance its product and service capabilities, so as to cater for the demand of domestic telecommunications operators for integrated network construction services, so that it can continue to maintain the stable development of the business from domestic telecommunications operators. Meanwhile, with the in-depth implementation of the Digital China strategy, the acceleration of digital information infrastructure construction, along with flourishing development of industrial digitalization and increasing demand for energy conservation and carbon reduction, the Group will embrace new growth opportunities in both the domestic non-operator market and overseas market.

Business Process Outsourcing Services

The Group is the largest integrated provider of business process outsourcing services in the communications industry in China. Along the communications business value chain, it provides services including information technology infrastructure management ("Network Maintenance"), general facilities management ("Property Management"), supply chain and products distribution. The target customers of its services include domestic and overseas telecommunications operator customers, government agencies and enterprise customers. In 2023, the Group's revenue from the business process outsourcing services amounted to RMB43,551 million, representing a year-on-year increase of 1.1%.

The Group Provided Operation and Maintenance Services

The Group provides information technology infrastructure management and network optimization services for telecommunications operators covering fiber optic cables, electric cables, mobile base stations, data centers, network equipment and terminals. In 2023, the Group relied on its proprietary "Maintenance Cloud" digital transformation platform for professional maintenance to facilitate the development of information technology infrastructure management business with a revenue of RMB18,568 million, representing a year-on-year increase of 2.3%.

The Group provides general facilities management services to customers for their data centers, cloud bases, commercial buildings, high-end residential buildings, high-speed railway stations and airports, etc. The Group further advances the business consolidation of its general facilities management business, improves synergistic operation capabilities and develops smart service capabilities. In 2023, the Group's revenue from general facilities management services amounted to RMB7,885 million, representing a year-on-year growth of 1.9%.

The Group focuses on supply chain integration services in the field of digital infrastructure, and further expands its customer base from other sectors with operator customers as the foundation. The Group focuses on upstream and downstream customers in the industry chain, and fully leverages its advantage in the full-process and network-wide synergistic operation of the supply chain to provide integrated and full life cycle supply chain services including integrated logistics, procurement and tendering, quality inspection, repair and disposition to domestic telecommunications operators, government and enterprise customers. In 2023, the Group's revenue from supply chain amounted to RMB13,372 million, representing a year-on-year growth of 4.1%.

The Group Provided Full-process Integrated Supply Chain Services

The products distribution business mainly refers to the distribution of communications and information products. The Group provides terminal sales and device distribution services to domestic telecommunications operator customers and offers distribution and procurement services of IT devices, auxiliary machinery and equipment to domestic non-operator customers. In 2023, the Group proactively reduced the business of products distribution with lower efficiency, and the revenue of products distribution business amounted to RMB3,726 million, representing a year-on-year decline of 13.8%.

Given the increasing scale of 5G network and data centers, the Group believes that the OPEX market of domestic telecommunications operators has favourable room for development, and the domestic non-operator market also sees growing demands for business process outsourcing services. Business process outsourcing services have the features of high customer loyalty, low accounts receivable turnover days and good cash flow. The Group will further consolidate resources for professional operations to pursue more efficient development in this market.

Applications, Content and Other Services

The Group provides informatized system integration, industrial digitalization applications, proprietary software and platform product development, digitalization business and IT system support as well as value-added services to customers including domestic and overseas telecommunications operators, government agencies and enterprise customers. In 2023, the relevant revenue amounted to RMB28,927 million, representing a year-on-year increase of 16.8%.

The Group consistently advances on research and development. Focusing on "1 Positioning, 4 Roles" in key technology applications and innovation, it further increased research and development investment, with an investment amount of over RMB5.5 billion in 2023. The Group managed relevant resources in a centralised manner to refine technological innovation management through three core functions, which were the research strategy management, research project management and integrated research management. Special emphasis was put on the deployment of research in four major aspects, namely leading technology, industrial digitalization, network information security and emergency management and the digitalization middle platform. Currently, the Group has around 20 product research and development centers and has developed over 30 industrial application products, covering various industries and sectors such as smart city, digital government, cybersecurity, industrial Internet, smart sport, smart education and intelligent building. It also has a proprietary innovation middle platform, integrated cloud management platform, CCS IoT, maintenance cloud, blockchain platform and other core platforms. The Group insisted on carrying out research and development and innovation independently and accelerated the transformation of research and development results to promote rapid growth of related businesses. In 2023, the revenue from software development and system support recorded a year-on-year growth of over 25%.

The Group Continued to Provide a Wide Range of Smart Applications

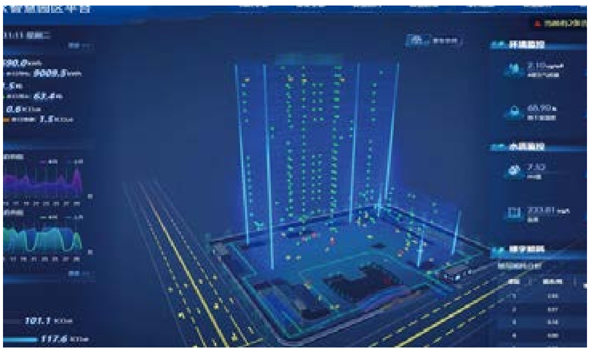
Industrial Internet Situation Perception Platform

Smart Transportation


Smart Campus


Smart Emergency Management


Smart Sport


Smart Park

In 2023, the Group seized opportunities in the new infrastructure construction and digital transformation in China by capitalizing on its strength in integrated service and capabilities of system integration and software development. Leveraging its proprietary core platforms and a range of industry-leading smart products, it continuously expanded the ecological cooperation scale and vigorously developed the markets including 5G+, data centers, smart city, green and low-carbon, emergency management and security, etc., which effectively satisfied the demand of government and enterprise customers for digital transformation. As the Group gained increasing industry recognition and brand influence, it has ranked 4th in "100 Most Competitive Software & IT Service Enterprises" for three consecutive years, being selected in the "Smart Safety and Emergency Industry Map" by the China Academy of Information and Communications Technology and "China Cybersecurity Industry Panorama" by AQNIU. In the past three years, it has participated in and won nearly 50 provincial and ministerial-level science and technology awards.

The Group will seize the opportunities arising from the rapid development of the digital economy, keep upgrading its key products, accelerate the construction of strategic core platforms, improve the software service capabilities and develop smart products, so as to meet the business demands for industrial digitalization from customers.

The Group Actively Participated in Various Exhibitions and Established Ecological Cooperation

The Group Gained Increasing Industry Recognition and Brand Influence in the Area of Technological Innovation

CONTENTS OF CERTAIN KEY PRODUCTS OF THE GROUP

1	Smart City	Relying on 5G, the Internet of Things ("IoT"), big data, cloud computing, BIM/CIM, AI and other emerging technologies, we provide integrated solutions of top-level planning, consultation and design, product research and development, delivery and implementation, and operation and maintenance for smart city, including but not limited to digital governance platform for smart cities, city operation and management platform, city operation command center, city portal, leadership cockpit, urban lifeline-related regulation and other thematic smart applications that can be assembled and disassembled. Based on the effective integration and collaborative sharing of city data resources, it gives full play to the function of data elements, helps to realize the refinement of city management, the intelligentization of city services and the modernization of city governance, activates the smart industry ecology, enhances the overall competitiveness of the city and promotes the digital transformation and upgrade of the city.
2	Digital Government	With extensive experience in the information and telecommunications industry and the accumulation in technologies of big data, cloud computing, AI and blockchain, the Group actively participates in the construction of one network, one cloud, multiple integrated platforms and one comprehensive portal for local governments at all levels, and supports the construction of an integrated digital government system with N applications. The Group provides informatized core platforms and solutions for the government's digital transformation, including the integrated government affairs and service platform, the one platform for unified management and the smart government service hall. The integrated government affairs and service platform promotes the in-depth integration of decentralized online and offline service channels, service capabilities and service resources; the one platform for unified management supports decision-making of governments at all levels; the smart government service hall provides "convenient service window, smart think tank for government policies, innovation square for business collaboration, name card for city image promotion", which becomes the important medium for the government to serve the people and strengthen the close ties between the government and the people.
3	CCS Cyber Security Product Portfolio	CCS Cyber Security Product Portfolio independently builds a network and information security capability matrix with the featured advantages of the Group. It builds security operation and data security hardcore product portfolio such as cyberspace surveying and mapping, smart security operation, data security monitoring and commercial cryptography application modification. It develops integrated comprehensive service capabilities covering the entire life cycle from consultation and design, implementation of integration, risk assessment, operation and maintenance reinforcement to emergency response, and provides overall network and information security solutions and comprehensive products and services for national critical information infrastructure such as government, communications, finance, and energy.

4	CCS Emergency Management Product Portfolio	With the main business line of pan-emergency management industry, and targeting production safety, emergency command, fire-fighting, natural resources, forestry and grassland and water conservancy and other sectors, CCS Emergency Management builds pan-emergency management application product map with production safety risk monitoring and early warning platforms in respect of hazardous chemicals, tailings ponds, non-coal mines, coal mines, industry and trade, emergency rescue command platform, urban emergency management multimedia dispatch platform, smart chemical park, smart management and control platform, industrial Internet + enterprise production safety cloud platform, enterprise security training and education platform, smart fire-fighting monitoring and early warning platform, smart water conservancy informatization management platform, heavy rain and flood risk monitoring and early warning platform, forest fire risk monitoring and early warning platform as the core. Guided by consultation and planning, it actively promotes digital platform software products with independent intellectual property rights and core computing technologies. The Group gains projects with system integration and general contracting capabilities which drives project operation and maintenance services. Through scientific and technological means, we promote the transformation of the production safety and urban public security towards prior active monitoring and prevention, and effectively enhance the capabilities for disaster prevention, mitigation and relief and the emergency management and rescue of major production safety accident.
5	Industrial Internet	Through the accumulation of professional capability and practice and exploration in the industry, the Group has established a complete cloud-network and basic IoT service system to provide full-process professional services from planning and design, consultation and development to implementation supervision, which covers the operation and optimization of CCS IoT, edge computing platform and other critical platforms. In the field of data service, we have built the Comservice data middle platform to provide customers with comprehensive and accurate data governance services through data mining, cleaning, classification and application. In terms of application service, the Group has launched a series of professional products, including security situation analysis, intelligent integration industrial management and industry applications, to meet the needs of different industries and scenarios. In line with hotspots and trends within the industry, the Group also provides special diagnostic evaluation services in the fields of intelligent manufacturing, data governance and energy conservation. Based on these evaluation results, the Group can provide strategic suggestions and implementation paths for enterprises' digitalization transformation, further promoting the healthy development of the industrial Internet industry.
6	Smart Sport	Smart Sport provides leading comprehensive information services of "full-process consultation + products + system construction + integrated operation" in the domestic sports industry. It leads and participates in the construction of national sports standards and norms as well as national smart society sports base, creating full-stack pan-sports solutions. We focus on technological innovation in the core areas of smart sports and create leading smart sports brains and N-type digital sports applications. The Group successfully completed the event information service support for the Chengdu FISU World University Games and Hangzhou Asian Games, and created a new model of comprehensive competitions. The Group deeply implements the strategy of a leading sporting nation and Digital China, by undertaking national sports public service pilot projects and forging a number of provincial-level benchmark digital sports platforms. Smart Sport improves the digital sports public service system, supports all business scenarios of digital sports with a multi-dimensional data element system, and creates a new prospect in which data empowers sports business and serves society.

7	Smart Education	Smart Education products are based on the concepts of integration, green, and innovation to create a smart integrated environment for campus work, study and life. By means of application service systems, we fully integrate teaching, research, management, campus life, campus security, and intelligent engineering to achieve one-network aggregation of educational data assets, one-network collaboration of identity information, and one-network management of hardware equipment, thus providing upper layer application with stable foundation support. The campus comprehensive management platform, logistics comprehensive service platform, and one platform for unified services to meet the business management needs of multiple departments such as logistics, academic work, teaching, and information centers. The campus unified operation visualization can provide "what you see is what you get" one platform unified management for energy conservation and emission reduction, emergency management, safe campus as well as command and dispatch.
8	Smart Livelihood	Integrating technologies such as the IoVT, IoT, big data and AI, we build an integrated Smart Livelihood service system to achieve full spatiotemporal monitoring, intelligent sensing, remote command and precise management and control. This platform system has been used in the fields of food safety and transportation and postal services. In the field of food safety, it empowers the government and market entities to improve the smart supervision and management, ensures food safety and promotes social co-governance. In the field of transportation and postal services, we help resolve the "last mile" distribution difficulty and promote the interconnection of urban and rural logistics.
9	Intelligent Building	Leveraging the Intelligent Building Management System (CCS-iBMS) as the core, the all-optical network FTTD (Fiber to the Desktop) as the unified base for information communications of buildings, and fully integrates the management of automated and informatized subsystems for different types of buildings. At the same time, it provides the owner of buildings with new generation proactive smart building solutions such as embedded sensing, AI IoT, and "Dual Carbon" management. The system provides two deployment options including local exclusive and cloud-based sharing.
10	CCS Innovation Middle Platform	CCS Innovation Middle Platform builds a middle platform for technological innovation with characteristics of the Group, it supports the closed-loop management of talent, management, production and results in the whole process of technological innovation, and commits to realizing the digitalization operation of technological innovation while improving the effectiveness of technological innovation. The innovation middle platform contains core function modules such as enterprise technological innovation management, development workbench, R&D assets and cloud exhibition hall. The enterprise technological innovation management module provides technological innovation management of the Group with organization and personnel management, R&D project full-process management, accumulation of technological innovation results and other functions. The development workbench offers R&D management and the one-stop DevOps tools for the delivered projects of the Group. The R&D asset module realizes the accumulation and management of technological innovation achievements, and endeavors to build standard product library, compliance document management library and exhibition hall material library of the Group. The cloud exhibition hall provides a showcase for the promotion of solutions, products, cases, atomic capabilities, ecology, enterprise services and other technological innovation achievements through the mini program, aiming to create a window for the promotion of the brand and technological innovation achievements of the Group. The platform aims to support the enterprise's business innovation to achieve digitalization transformation.

11	CCS IoT	CCS IoT is an all-scenario integrated IoT platform converging different project status including R&D and design, project construction, project operation and monitoring and post-project service, and empowering the pre-sales, design, development and operation capabilities of the IoT for all specialised branches. It enables quick connection of devices and easy setting of scenarios; builds component and module market to support rapid development; fully integrates equipment management and operating situation monitoring; aggregates internal and external ecology to expand AI, BI and digital twin capabilities as well as supporting the quick implementation for projects. CCS IoT launches SaaS services, component-based deployment, all-in-one machines and other product forms and derivative hardware products, and continues to provide IoT project supporting services for the Group.
12	Blockchain Platform	"China Comservice Blockchain Platform" follows the principles of independence and controllability. With the domestic top blockchain technology capabilities, we provide a cloud-chain integrated blockchain base platform that can meet the unified management of multiple chains to promote high-quality development of digitalization transformation. The platform deeply empowers the reform of business models, rebuilds the value order of industrial data, and promotes the applications in major industries such as agriculture and rural areas, government affairs and services, judicial services, medical health, "Dual Carbon" governance, and electronic tax receipt. Through a series of key products, we support customers to transform virtual data into realistic and usable data elements, expand the scope of customer business applications continuously, and promote "blockchain+" to empower the real economy.
13	Maintenance Cloud	Maintenance Cloud builds a digitalization transformation platform for the maintenance profession, helping maintenance innovation and expansion. The digitalization of maintenance capabilities is shown externally; Creates a supply and demand square to realize business matching; The full-process connection of the general agent/territory business to realize the end-to-end and full-process transparent management of projects; Innovation of typical maintenance scenarios (safety production, hidden risk management, vehicle monitoring) for quick promotion of special work task.
14	Carbon Neutral Data Management Platform	It is a comprehensive energy-saving and carbon-reducing capability management platform for buildings and parks. By building a ubiquitous IoT network and integrating advanced carbon emission calculation models, the platform realizes all-round intelligent monitoring and accurate measurement of energy and carbon data. The platform can formulate and implement intelligent energy-saving strategies based on key dimensions such as flow of people, light intensity, air conditioning, lighting and socket usage in the park, ensuring that park operation is always maintained at a state of optimized carbon emissions. Through high-precision digital twin models, the platform can conduct refined management of the carbon savings of each device, thereby building a complete carbon neutral system.
15	C-Cooling Energy-saving Cloud Platform	The platform is a comprehensive energy-saving and carbon-reducing system of "Products + Solutions + Services" under the data center scenario to specifically solve the AI energy-saving problem of air-conditioning water-cooled chilled water system in data centers. By establishing an equipment mechanism model pool, the platform uses AI algorithms to continuously learn and train, combine and seek for excellence, thereby outputting comprehensive tuning strategies of HVAC to assist in energy conservation and carbon reduction in the data centers.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

OVERVIEW

In 2023, by adhering to its overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development" and positioning itself as a "New Generation Integrated Smart Service Provider", the Group leveraged its strengths as "Builder of Digital Infrastructure", "Provider of Smart Products and Platforms", "Provider of Industrial Digitalization Services" and "Guard of Smart Operation", and accelerated the cultivation of new momentum from strategic emerging businesses. With value creation as the focus and technological innovation as the driver, the Group continued to achieve steady growth in operating performance. Total revenues for the year amounted to RMB148,615 million, representing an increase of 5.6% as compared to 2022. Profit attributable to the equity shareholders of the Company was RMB3,584 million, representing an increase of 6.7% as compared to 2022, with basic earnings per share amounting to RMB0.518. Free cash flow was RMB4,333 million with cash conversion ratio[9] being 149.4%, which continued to remain at a healthy level.

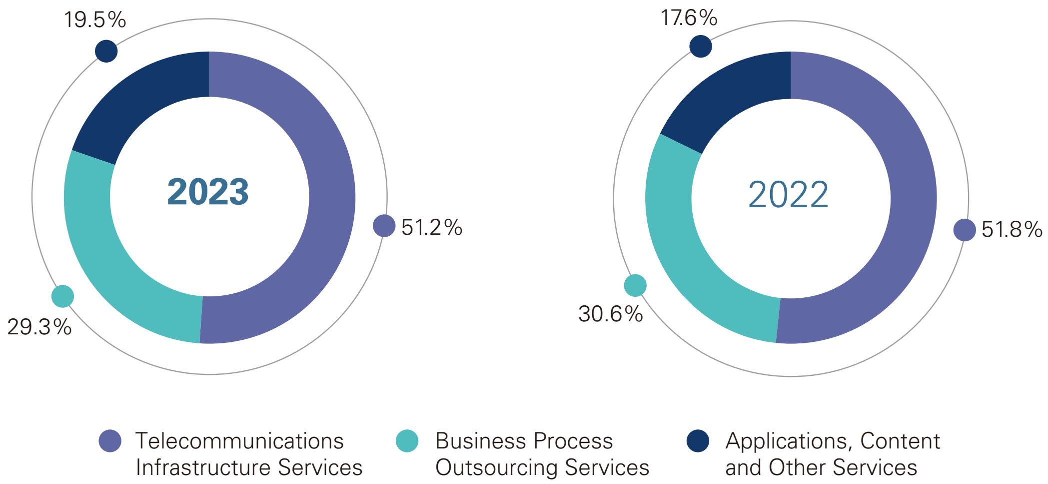
TOTAL REVENUES

The Group's total revenues in 2023 amounted to RMB148,615 million, representing an increase of 5.6% as compared to 2022. From the business perspective, the revenue from telecommunications infrastructure ("TIS") services was RMB76,137 million, representing a year-on-year growth of 4.4%; the revenue from business process outsourcing ("BPO") services was RMB43,551 million, representing a year-on-year increase of 1.1%; the revenue from applications, content and other ("ACO") services was RMB28,927 million, representing a year-on-year growth of 16.8%. During the year, by seizing the opportunities arising from 5G, new infrastructure and industrial digitalization and consistently improving its integrated comprehensive smart service capabilities, the Group supported the construction of domestic computing power and 5G network, and at the same time, continuously made breakthroughs in strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, emergency management and security, thus maintaining the steady growth of the TIS services. The Group further consolidated its resources and promoted specialized operations, resulting in a continuous stable growth in BPO services that possess attributes such as strong customer loyalty and short cash conversion cycle. Meanwhile, the Group continuously strengthened its technological innovation, consolidated the capabilities on its research and development as well as product development, and seized informatization construction opportunities arising from smart city upgrade, digital transformation of enterprises and emergency management, etc. These efforts stimulated the development of its businesses such as system integration and software development, making the ACO services continue to be the business segment with the fastest-growing revenue.

[9] Cash conversion ratio = net cash generated from operating activities/profit attributable to equity shareholders of the Company

From the market perspective, revenue from the domestic non-operator market amounted to RMB63,433 million, representing a year-on-year increase of 6.3%; revenue from the domestic telecommunications operator market amounted to RMB81,726 million, representing a year-on-year increase of 4.7%; revenue from the overseas market amounted to RMB3,456 million, representing a year-on-year increase of 15.3%. In the domestic non-operator market, the Group kept abreast of the trend brought by the reform of industrial digitalization, seized the development opportunities of the digital transformation across industries and focused on strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, emergency management and security, etc. Through continuously forging core capabilities and platforms as well as leveraging the advantage of integrated service capabilities, the Group strove to expand high-value businesses, thus achieving high-quality business development and continuous optimization of revenue mix in domestic non-operator market. In the domestic telecommunications operator market, with the effective implementation of its "CAPEX + OPEX + Smart Applications" development strategy, the Group seized opportunities of AI computing power construction, industrial digitalization, 5G+ and cloud-network construction and further developed the traditional CAPEX businesses; endeavored to increase OPEX market share by penetrating the market opportunities including maintenance, property management and supply chain services; and fully supported operators' demand for industrial digitalization amid their transformation by its active participation in the expansion of 5G industrial applications, industrial digitalization as well as network information security market, etc. In addition, the Group bolstered operators' green development by supporting the construction of "zero carbon" data centers, green retrofit of old machine rooms, and the construction of "dual carbon" energy-saving platforms. The above measures stabilized the fundamentals of the Group's businesses from the domestic telecommunications operators. In the overseas market, the Group actively responded to the demands in relation to digital economy along the "Belt and Road" by strengthening synergistic expansion and ecological cooperation with "Go Abroad" Chinese enterprises as well as replicating its domestic advantages and capabilities, to provide digital infrastructure construction, new energy construction and smart services for key regions and customers overseas, thereby achieving a rapid growth in operating revenue from overseas market.

BUSINESS REVENUE MIX



The following table sets forth a breakdown of the Group's total revenues for 2022 and 2023, together with their respective changes:

	2023 RMB'000	2022 RMB'000	Change
Telecommunications Infrastructure Services			
Design services	**10,550,076**	9,621,129	9.7%
Construction services	**61,188,251**	59,231,390	3.3%
Project supervision and management services	**4,398,429**	4,053,998	8.5%
	76,136,756	72,906,517	4.4%
Business Process Outsourcing Services			
Management of infrastructure for information technology (Network Maintenance)	**18,567,843**	18,157,716	2.3%
General facilities management (Property Management)	**7,884,713**	7,741,298	1.9%
Supply chain	**13,371,776**	12,848,890	4.1%
Sub-total of Core BPO Services	**39,824,332**	38,747,904	2.8%
Products distribution	**3,726,282**	4,325,246	(13.8%)
	43,550,614	43,073,150	1.1%
Applications, Content and Other Services			
System integration	**17,527,742**	15,210,749	15.2%
Software development and system support	**5,979,240**	4,781,207	25.1%
Value added services	**2,637,805**	2,553,557	3.3%
Others	**2,782,519**	2,222,389	25.2%
	28,927,306	24,767,902	16.8%
Total	**148,614,676**	140,747,569	5.6%

Telecommunications Infrastructure Services

In 2023, the Group's revenue from TIS services amounted to RMB76,137 million, representing an increase of 4.4% as compared to RMB72,907 million in 2022. TIS services was the primary source of revenue of the Group and accounted for 51.2% of the total revenues, representing a decrease of 0.6 percentage point from 51.8% in 2022. As to the customer structure, the Group's TIS revenue from domestic telecommunications operator customers amounted to RMB40,886 million and accounted for 53.7% of the total TIS revenues, representing a decrease of 0.7 percentage point from 2022. The aggregate TIS revenues from domestic non-operator customers and overseas customers amounted to RMB35,251 million and accounted for 46.3% of the total TIS revenues, representing an increase of 0.7 percentage point from 2022.

In 2023, the Group's TIS revenue from domestic telecommunications operator customers increased by 3.0% as compared to 2022. The Group maintained the market leading position by fully supporting the business demand of domestic telecommunications operator customers and supporting the construction of 5G networks and data centers in China. As domestic telecommunications operators continued to accelerate their digital transformation, increase their investment in new infrastructure such as computing power and data centers with a view to accelerating the transformation of cloud-network integration, the Group will further integrate itself into the ecosystem of operators and enhance its product and service capabilities, so as to cater for the integrated network construction services demand of domestic telecommunications operators and continue to maintain the stable development of business from domestic telecommunications operators. The aggregate TIS revenues from domestic non-operator customers and overseas customers increased by 6.1% over 2022, in which the TIS revenue from domestic non-operator customers recorded a year-on-year growth of 6.2%, the TIS revenue from overseas customers recorded a year-on-year growth of 5.1%. Pursuant to the further implementation of Digital China strategy, the acceleration in the construction of digital information infrastructure and the prosperous development of industrial digitalization, the Group will embrace new growth opportunities in the domestic non-operator market and overseas market.

Business Process Outsourcing Services

In 2023, the Group's revenue from BPO services amounted to RMB43,551 million, representing an increase of 1.1% as compared to RMB43,073 million in 2022, accounting for 29.3% of our total revenues, representing a decrease of 1.3 percentage points as compared to 30.6% in 2022. In terms of customer structure, the BPO revenue from domestic telecommunications operator customers amounted to RMB28,298 million, representing an increase of 1.2% over 2022, and accounting for 65.0% of the total BPO revenues, representing an increase of 0.1 percentage point from 2022. The aggregate BPO revenues from the domestic non-operator customers and overseas customers amounted to RMB15,253 million, representing an increase of 1.0% over 2022, and accounting for 35.0% of the total BPO revenues, representing a decrease of 0.1 percentage point over 2022.

In 2023, among each of the businesses under the Group's BPO services, the revenue from the network maintenance business amounted to RMB18,568 million, representing an increase of 2.3% as compared to 2022. The revenue from property management business amounted to RMB7,885 million, representing an increase of 1.9% as compared to 2022. Revenue from the supply chain business amounted to RMB13,372 million, representing an increase of 4.1% as compared to 2022. The Group focused on the upstream and downstream customers, continuously leveraged its advantages in full-process and network-wide synergistic operation in supply chain to provide integrated and full life cycle supply chain services to domestic telecommunications operators, government and enterprise customers. Besides, revenue from the products distribution business amounted to RMB3,726 million, representing a decrease of 13.8% as compared to 2022, which was mainly due to the fact that the Group adhered to high-quality development and proactively controlled the business of products distribution with low efficiency.

Applications, Content and Other Services

In 2023, the Group's revenue from ACO services, which amounted to RMB28,927 million, representing an increase of 16.8% as compared to RMB24,768 million in 2022, remained as the fastest-growing business segment and the main driver for the growth of total revenues for the year. The revenue from ACO services accounted for 19.5% of total revenues, representing an increase of 1.9 percentage points from 17.6% in 2022, and this proportion has been increasing for several years. Among which, the system integration business recorded revenue of RMB17,528 million, representing an increase of 15.2% as compared to 2022, being the largest contributor to the growth of the total revenues. In terms of the customer structure, the Group's ACO revenue from domestic telecommunications operator customers amounted to RMB12,542 million and accounted for 43.4% of the total ACO revenues, representing an increase of 1.4 percentage points as compared to 2022. Aggregate ACO revenues from domestic non-operator customers and overseas customers amounted to RMB16,385 million, accounting for 56.6% of the total ACO revenues, representing a decrease of 1.4 percentage points over 2022.

In 2023, the Group's ACO revenue from domestic telecommunications operator customers and domestic non-operator customers grew rapidly by 20.7% and 13.2% respectively as compared with 2022. The growth was mainly attributable to the Group's efforts in leveraging its capabilities and strength in integrated services, system integration and software development to further expand the scope of ecological cooperation and seize the domestic opportunities of new infrastructure, digital transformation, etc. By utilizing its proprietary core platforms and leading smart product series, the Group effectively satisfied the digitalization demand of its customers through vigorously expanding the markets including 5G+, data center, smart city, green and low-carbon and emergency management and security, etc.

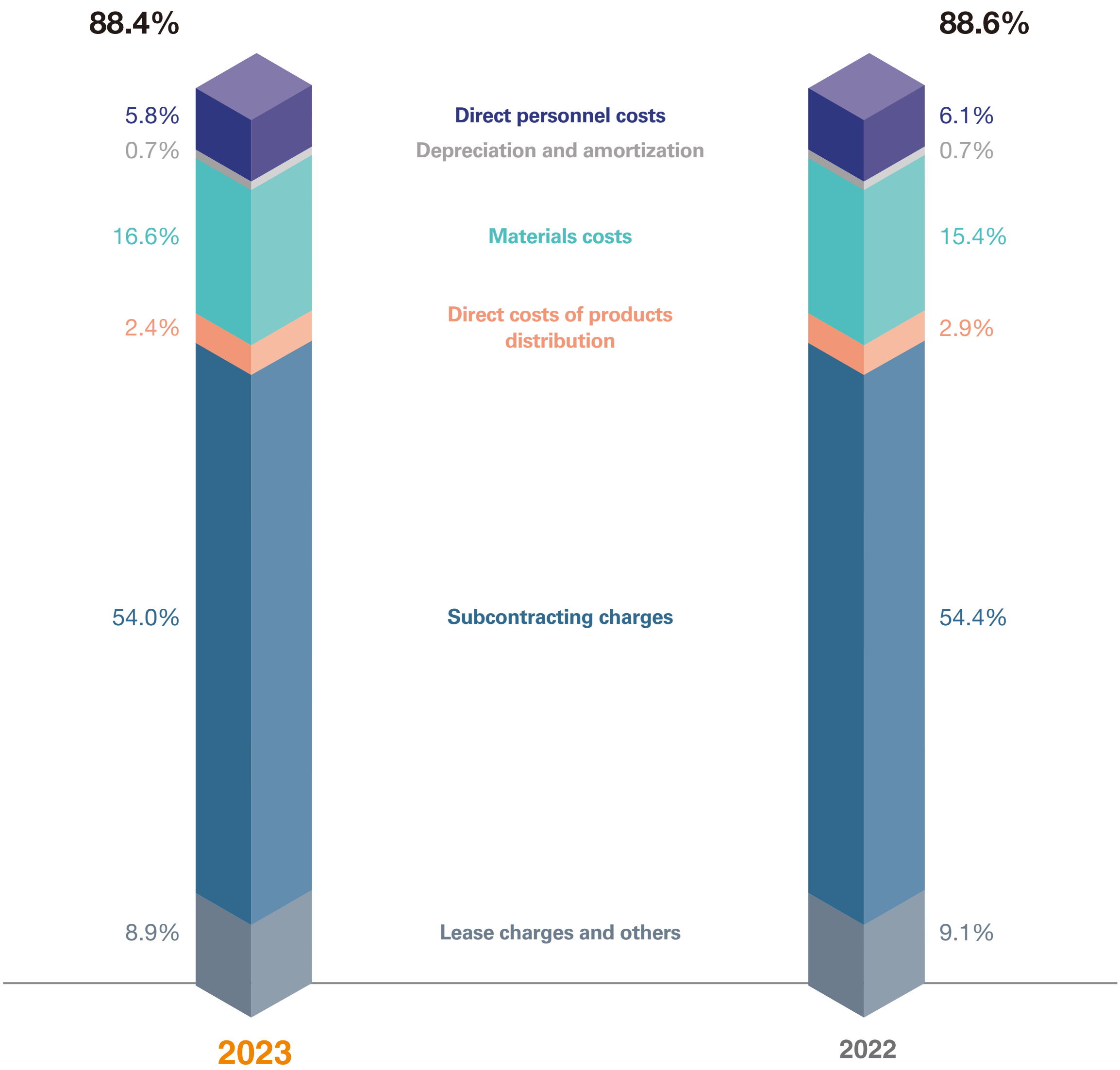
COST OF REVENUES

The Group's cost of revenues in 2023 amounted to RMB131,358 million, representing an increase of 5.3% from 2022 and accounting for 88.4% of the total revenues.

The following table sets out a breakdown of the Group's cost of revenues in 2022 and 2023 and their respective changes:

	2023 RMB'000	2022 RMB'000	Change
Direct personnel costs	**8,644,005**	8,558,400	1.0%
Depreciation and amortization	**1,017,154**	961,218	5.8%
Materials costs	**24,670,341**	21,657,339	13.9%
Direct costs of products distribution	**3,517,360**	4,065,197	(13.5%)
Subcontracting charges	**80,233,245**	76,546,469	4.8%
Lease charges and others	**13,275,321**	12,977,295	2.3%
Total cost of revenues	**131,357,426**	124,765,918	5.3%

COST OF REVENUES AS A % OF TOTAL REVENUES



Direct Personnel Costs

In 2023, direct personnel costs amounted to RMB8,644 million, representing an increase of 1.0% from RMB8,559 million in 2022. Direct personnel costs accounted for 5.8% of our total revenues, representing a decrease of 0.3 percentage point from 2022. The Group kept a reasonable control over its total headcount and continued to optimize the employee structure, which resulted in the continuous decrease of the proportion of direct personnel costs to total revenues. Remuneration per capita increased by 6.9%, which rose at a faster rate than the growth of total revenues, indicating that employees could share the results of corporate development.

Depreciation and Amortisation

In 2023, depreciation and amortisation amounted to RMB1,017 million, representing an increase of 5.8% from RMB961 million in 2022. Depreciation and amortisation cost accounted for 0.7% of our total revenues.

Materials Costs

In 2023, materials costs amounted to RMB24,671 million, representing an increase of 13.9% as compared to RMB21,657 million in 2022. Materials costs accounted for 16.6% of our total revenues, representing an increase of 1.2 percentage points from 2022. The increase was because the Group optimized its business model and undertook major projects in general contracting model proactively. In addition, the fast development of system integration business, which involved relatively more materials, also drove 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.

Direct Costs of Products Distribution

In 2023, direct costs of products distribution amounted to RMB3,518 million, representing a decrease of 13.5% as compared to RMB4,065 million in 2022. Direct costs of products distribution accounted for 2.4% of our total revenues, representing a decrease of 0.5 percentage point over 2022. The decrease of direct costs of products distribution was mainly attributable to the Group's initiative to control certain products distribution business with low operation efficiency.

Subcontracting Charges

In 2023, subcontracting charges amounted to RMB80,233 million, representing an increase of 4.8% as compared to RMB76,547 million in 2022. Subcontracting charges accounted for 54.0% of our total revenues, representing a decrease of 0.4 percentage point from 2022. By strengthening the full-process management of subcontracting continuously, enhancing the management and supervision through systems, technologies and personnel, as well as improving the self-sufficient delivery capability, the Group effectively controlled the subcontracting costs, with the proportion of subcontracting costs to total revenues declined and the growth rate of subcontracting costs being lower than the growth rate of total revenues by 0.8 percentage point. The Group will continue to strengthen and regulate the management over subcontracting, with a view to maintaining the growth of subcontracting charges at a relatively reasonable level.

Lease Charges and Others

In 2023, lease charges and others were RMB13,275 million, representing an increase of 2.3% over RMB12,977 million in 2022. Lease charges and others accounted for 8.9% of our total revenues, representing a decrease of 0.2 percentage point from 2022.

GROSS PROFIT

In 2023, the Group recorded gross profit of RMB17,257 million, representing an increase of 8.0% over RMB15,982 million in 2022. The Group's gross profit margin in 2023 was 11.6%, representing an increase of 0.2 percentage point from 11.4% in 2022, and the gross profit margin has continued to rebound steadily. During the year, while catering for the scale of its development, the Group focused more on improving quality and efficiency, and guided its subsidiaries through appraisal to strictly select and develop high-margin projects. At the same time, the Group continuously strengthened project management and cost control and strove to enhance the value creation capability of its business. As a result of the above measures, gross profit margin continued to improve. With the Group's deepening deployment in digital economy, new infrastructure and industrial digitalization areas, 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 2023, the selling, general and administrative expenses of the Group were RMB14,913 million, representing an increase of 6.8% as compared to RMB13,960 million in 2022. The selling, general and administrative expenses accounted for 10.0% of our total revenues, representing an increase of 0.1 percentage point from 2022. During the year, the Group proactively increased the investment in technological research. In the selling, general and administrative expenses, the research and development costs were RMB5,552 million, representing an increase of 12.1% as compared to RMB4,952 million in 2022, and accounted for 3.7% of our total revenues, representing an increase of 0.2 percentage point from 2022.

FINANCE COSTS

In 2023, the finance costs of the Group were RMB114 million, representing an increase of 24.9% as compared to RMB91 million in 2022. The majority of the Group's borrowings were in Hong Kong dollar and US dollar, and the increase in finance cost was mainly due to the impact of the increase in the interest rates of Hong Kong dollar and US dollar.

INCOME TAX

In 2023, the income tax of the Group was RMB378 million and its effective tax rate was 9.2%, representing a decrease of 0.1 percentage point from 9.3% in 2022. The decrease in the Group's effective tax rate and the difference between such effective tax rate and the statutory tax rate was mainly due to the increased investment in research and development by the Group. In accordance with the relevant national policies, the Group enjoyed more preferential income tax rate treatments as a high-technology enterprise and the preferential policy of tax deduction before income tax for research and development expenses. In 2023, certain subsidiaries of the Group that fell under the scope of high-technology enterprises were entitled to a preferential income tax rate of 15%. Certain enterprises in Western China benefited from the preferential policies for Western Development Program. Other than that, the Company and other domestic subsidiaries of the Group were mainly subject to an income tax rate of 25%. The overseas subsidiaries of the Group were subject to different tax rates in various countries.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY AND BASIC EARNINGS PER SHARE

In 2023, profit attributable to equity shareholders of the Company was RMB3,584 million, representing an increase of 6.7% over RMB3,360 million in 2022. Profit attributable to equity shareholders of the Company accounted for 2.4% of our total revenues, which remained essentially unchanged from 2022. Basic earnings per share of the Company were RMB0.518 (2022: RMB0.485).

CAPITAL EXPENDITURE

The Group implements stringent budget management over capital expenditure and makes adjustment according to changes in market condition. In 2023, capital expenditure of the Group amounted to RMB1,245 million, representing an increase of 35.1% from RMB922 million in 2022. The capital expenditure in 2023 accounted for 0.8% of the total revenues, representing an increase of 0.1 percentage point from 2022. In response to the needs for market expansion and capacity enhancement, the Group procured equipment for submarine cable construction and maintenance in 2023 to strengthen its capacity for the submarine cable business. Other than the above, the Group's capital expenditure included the purchase of production equipment and tools, instrumentation, intangible assets and other operating assets.

CASH FLOW

The Group recorded a net cash inflow of RMB838 million in 2023, representing a decrease of RMB38 million from RMB876 million in 2022. As at the end of 2023, the balance of cash and cash equivalents of the Group amounted to RMB22,915 million, of which 97.0% was denominated in Renminbi.

The following table sets out our cash flow positions in 2022 and 2023, respectively:

	2023 **RMB'000**	2022 RMB'000
Net cash generated from operating activities	**5,356,247**	4,909,042
Net cash used in investing activities	**(2,115,504)**	(2,289,478)
Net cash used in financing activities	**(2,402,308)**	(1,743,877)
Net increase in cash and cash equivalents	**838,435**	875,687

In 2023, net cash generated from operating activities of the Group was RMB5,356 million, representing an increase of RMB447 million from RMB4,909 million in 2022. The increase in operating cash flow was mainly due to the Group's persistence in value-driven approach and the strengthening of its planning and management of cash flow. While pursuing business development, the Group carried out effective measures in clearing and settling accounts receivable and strengthened the management of accounts payable at the same time.

In 2023, net cash used in investing activities of the Group was RMB2,116 million, representing a decrease of RMB173 million from RMB2,289 million in 2022. The decrease was mainly due to the reduction in the purchase of short-term banking wealth management products and the bank structured deposits after the Group's coordination and arrangement of its funds.

In 2023, net cash used in financing activities of the Group was RMB2,402 million, representing an increase of RMB658 million from RMB1,744 million in 2022. The increase was mainly due to the Group's buy back of minority shareholder's equity in its subsidiary and the increase in shareholders' dividend in 2023.

WORKING CAPITAL

As at the end of 2023, the Group's working capital (i.e. current assets net of current liabilities) was RMB20,708 million, representing an increase of RMB3,101 million from RMB17,607 million as at the end of 2022. The increase in working capital was mainly due to the Group's further effort in business expansion and the implementation of effective working capital management, resulting in the increase in operating cash flow and current assets.

ASSETS AND LIABILITIES

The Group continued to maintain its solid financial position. As at the end of 2023, the Group's total assets was RMB121,790 million, representing an increase of RMB11,521 million from RMB110,269 million as at the end of 2022. Total liabilities was RMB78,122 million, representing an increase of RMB9,477 million from RMB68,645 million as at the end of 2022. The liabilities-to-assets ratio was 64.1%, representing an increase of 1.8 percentage points from 62.3% as at the end of 2022.

INDEBTEDNESS

As at the end of 2023, total indebtedness of the Group was RMB861 million, representing a decrease of RMB20 million from RMB881 million as at the end of 2022. Indebtedness of the Group was mainly denominated in Hong Kong dollar, of which Renminbi loan accounted for 15.3%, US dollar loan accounted for 29.1% and Hong Kong dollar loan accounted for 43.1%; and of which 52.3% was the loans with a fixed interest rate and 47.7% was those with a floating interest rate.

As at the end of 2023, our gearing ratio[10] was 2.0%, representing a decrease of 0.1 percentage point from the end of 2022.

CONTRACTUAL OBLIGATIONS

The following table sets out our contractual commitments as at 31 December 2023:

	Total RMB'000	**2024** RMB'000	**2025** RMB'000	**2026** RMB'000	**2027** RMB'000	**2028 and after** RMB'000
Short-term debt	807,499	807,499	–	–	–	–
Long-term debt	53,557	–	20,398	20,398	12,761	–
Lease commitments	82,391	26,770	20,392	15,666	10,932	8,631
Contracted for but not provided capital commitments	160,072	160,072	–	–	–	–
Total of contractual obligations	1,103,519	994,341	40,790	36,064	23,693	8,631

EXCHANGE RATE

Most of the Group's revenues and expenses are denominated in Renminbi. As at the end of 2023, the balance of the Group's cash and cash equivalents in foreign currencies accounted for 3.0% of the balance of its total cash and cash equivalents, and 1.1% and 0.3% of the balance of its total cash and cash equivalents were denominated in US dollar and Hong Kong dollar, respectively.

10 Gearing ratio represents total interest-bearing debts at the end of the financial year divided by the sum of equity attributable to equity shareholders of the Company and interest-bearing debts.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LUAN Xiaowei

aged 51, is the Chairman and an Executive Director of our Company. Mr. Luan is a senior communications engineer, and he graduated from Beijing University of Posts and Telecommunications in 1995 with a bachelor's degree in wireless communications and obtained a master's degree in 2005 from Beijing University of Posts and Telecommunications in electronics and communications engineering. Mr. Luan currently serves as the Vice President of China Telecommunications Corporation. Mr. Luan previously served as the Deputy General Manager of China Mobile Group Shanxi Co., Ltd., the General Manager of China Mobile Group Device Co., Ltd. and the General Manager of China Mobile Group Fujian Co., Ltd. Mr. Luan has more than 28 years of operation and management experience in the telecommunications industry.

Mr. YAN Dong

aged 51, is the President and Executive Director of our Company, responsible for our daily operations and management. Mr. Yan also currently holds positions in the following subsidiaries of the Group, including the Chairman of China Communications Services International Limited and the Chairman of China Comservice Software Tech. Co., Ltd. Mr. Yan is also a Director of New Guomai Digital Culture Co., Ltd (formerly known as Besttone Holding Co., Ltd). Mr. Yan is a senior economist and graduated from Shandong University in 2002 with an MBA degree. Prior to his appointment as the President of our Company, Mr. Yan served as the Executive Vice President of the Company. In addition, Mr. Yan also served different positions in the following subsidiaries of the Group, including a Director of China Comservice Smart Property Development Co., Ltd., a Director and the General Manager of Shanghai Communications Services Company Limited, the Deputy General Manager and Chief Financial Officer of China International Telecommunication Construction Corporation, and he was also the Deputy General Manager of the Sideline Industrial Management Department of China Telecommunications Corporation. Prior to joining the Company, Mr. Yan served as the General Manager of Shandong Luxin Property Investment and Development Co., Ltd. Mr. Yan has extensive experience in corporate operations, enterprise management, financial management and the operations of a listed company.

Ms. ZHANG Xu

aged 54, is an Executive Director, Executive Vice President and Chief Financial Officer of our Company. Ms. Zhang graduated from Beijing University of Posts and Telecommunications in 1992 with a bachelor's degree in posts and telecommunications management engineering, and she also received a master's degree in international commence from The University of New South Wales in 2003. Prior to joining the Company, Ms. Zhang was Divisional Director of General Finance Division of China Telecommunications Corporation's Finance Department. Prior to that, Ms. Zhang served as Divisional Director of Treasury Division of China Telecommunications Corporation's Finance Department, a Director and Vice President of China Telecom (Hong Kong) International Limited and Divisional Director of Headquarter Finance and Accounting Division of China Telecommunications Corporation's Finance Department. Ms. Zhang has over 30 years of experience in telecommunications industry and financial management.

NON-EXECUTIVE DIRECTORS

Mr. GAO Tongqing

aged 60, is a Non-Executive Director of our Company. Mr. Gao is currently an Executive Vice President, Chief Legal Officer and Chief Compliance Officer of China Mobile Communications Group Co., Ltd., a Vice President of the China Mobile Limited, a Director and Vice President of China Mobile Communication Company Limited. Mr. Gao is also a Non-Executive Director of China Tower Corporation Limited and True Corporation Public Company Limited. Mr. Gao graduated from the Changchun Institute of Posts and Telecommunications with a major in telecommunications engineering and received a doctorate degree in business administration from the Hong Kong Polytechnic University. Mr. Gao previously served as Deputy Director General of Xinjiang Uygur Autonomous Region Posts and Telecommunications Administration, Deputy General Manager and General Manager of Xinjiang Uygur Autonomous Region Telecom Company, General Manager of China Telecom Jiangsu branch, Vice President of China Telecommunications Corporation, and Executive Director and Executive Vice President of China Telecom Corporation Limited. Mr. Gao has extensive experience in management and the telecommunications industry.

Mr. TANG Yongbo

aged 50, is a Non-executive Director of our Company. Mr. Tang graduated from Central South University with an MBA degree. He is currently the Vice General Manager of China United Network Communications Group Company Limited, a Senior Vice President of China United Network Communications Limited, a Senior Vice President of China Unicom (Hong Kong) Limited, and a Director and Senior Vice President of China United Network Communications Corporation Limited, a Non-executive Director of China Tower Corporation Limited, a Non-executive Director of HKT Management Limited and HKT Limited, as well as a Non-executive Director and the Deputy Chairman of the Board of PCCW Limited. He served as the Deputy General Manager and the General Manager of Hunan Branch of China Unicom and the General Manager of Marketing Department of China United Network Communications Group Company Limited. Mr. Tang has extensive experience in management and telecommunications industry.

Mr. LIU Aihua

aged 46, is a Non-Executive Director of our Company. Mr. Liu is a senior engineer, and he graduated from Hunan University with a bachelor's degree in industrial automation and obtained a master's degree from Southeast University. Mr. Liu is currently a Director and the General Manager of State Grid Information & Telecommunication Group Co., Ltd. Mr. Liu previously served as the Deputy General Manager (Vice President), Deputy Chief Engineer, and General Manager of the Marketing Service Center of NARI Group Corporation (State Grid Electric Power Research Institute), the Director, Deputy General Manager of the ICT Operation Division of NARI Technology Co., Ltd. and the General Manager of its Cybersecurity Branch, as well as the Executive Director and General Manager of NARI Information & Communication Technology Co., Ltd., and the General Manager of Marketing Center of NARI Technology Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SIU Wai Keung, Francis

aged 70, is an Independent Non-Executive Director of our Company. Mr. Siu is currently an Independent Non-Executive Director of CITIC Limited, BHG Retail Trust Management Pte. Ltd. and Morgan Stanley Securities (China) Co., Ltd., as well as the Non-Executive Director of the Accounting and Financial Reporting Council. Mr. Siu graduated from the University of Sheffield, United Kingdom, with a Bachelor of Arts in Economics and Accounting and Financial Management in 1979. He is also a fellow member of the Institute of Chartered Accountants in England and Wales, and a fellow member of the Hong Kong Institute of Certified Public Accountants. He joined KPMG Manchester, UK in 1979, returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. Mr. Siu used to serve as an Independent Non-Executive Director of Beijing Gao Hua Securities Company Limited and China International Capital Corporation Limited. He was also previously a Senior Partner of KPMG Shanghai Office, a Senior Partner of KPMG Beijing Office, as well as a Senior Partner of Northern Region, KPMG China. Mr. Siu has been in the accounting profession for over 30 years.

Mr. LV Tingjie

aged 69, is an Independent Non-Executive Director of our Company. Mr. Lv graduated from Beijing University of Posts and Telecommunications with a master's degree, and obtained a doctorate degree from Kyoto University of Japan. Mr. Lv is currently an Independent Non-executive Director of Beijing Digital Telecom Co., Ltd., an Independent Director of Beijing Tongtech Co., Ltd. and a Director of Wooboo Mobile Media Co., Ltd. Mr. Lv is also a member of the Technology Committee and a member of Telecommunication Economics Expert Committee of the Ministry of Industry and Information Technology, a member of the Technology Committee of China Post Group Corporation, a Standing Director of the International Telecommunications Society and a Standing Vice Chairman of China Information Economics Society. Mr. Lv used to serve as an Independent Non-executive Director of Global Link Communications Holdings Limited, an Independent Director of Gohigh Data Networks Technology Co., Ltd., BOE Technology Group Co., Ltd., China United Network Communications Limited, Shenzhen Aisidi Co., Ltd, and China Satellite Communications Co., Ltd, and also a consultant for the business management and strategic development in many telecommunication enterprises and provide advice and solutions to their development and reform. Mr. Lv has a deep insight in the development of China's communication industry and the management of telecommunication enterprises with extensive management experience.

Mr. WANG Qi

aged 66, is an Independent Non-Executive Director of our Company. Mr. Wang holds a master's degree in management engineering from Tsinghua University, and he also holds a professional and technical position as a CAS researcher. From 2010 to 2018, Mr. Wang was a Director (until August 2014) and Deputy General Manager of Chinese Academy of Sciences Holdings Co, Ltd. From 2011 to 2020, Mr. Wang was also the Chairman and General Manager of Cash Capital (Beijing) Investment Management Co., Ltd, the Chairman of Beijing RSLaser Opto-Electronics Technology Co. Ltd., the Chairman of Hygon Information Technology Co., Ltd., a Director of China Science Publishing & Media Ltd. and a Supervisor of Legend Holdings Limited. Prior to that, Mr. Wang served as Vice President of Changchun Institute of Optics, Fine Mechanics and Physics, Chinese Academy of Sciences, and a Director and General Manager of Changchun UP Optotech Co., Ltd.; the General Manager and Director of Guangzhou Chemical Co., Ltd, Chinese Academy of Sciences. Mr. Wang has extensive experience in corporate management and capital operation.

Mr. WANG Chunge

aged 67, is an Independent Non-Executive Director of our Company. Mr. Wang holds a doctorate degree in law from Peking University and is a senior economist and enjoys special government allowance of the State Council. Mr. Wang is currently an External Director of Beijing Energy Holdings Co., Ltd., a member of the Expert Committee of the National Corporate Compliance Committee of China Council for the Promotion of International Trade, and is also an arbitrator for several arbitration committees, including the China International Economic and Trade Arbitration Commission. Mr. Wang was the General Counsel, Deputy General Counsel, and General Manager of the Legal Affairs Department of China Merchants Group Limited, and he has been engaged in enterprise legal consulting for many years. Mr. Wang was selected as the "Top Ten Outstanding Legal Counsel of State-owned Enterprises" by the State-owned Assets Supervision and Administration Commission of the State Council in 2006, awarded the "Top Ten Legal Counsel of China's Transportation Enterprises" by the Ministry of Transport of the PRC in 2007, and he was also awarded the "Outstanding Contribution Award for Ten Years of Enterprise Management" by the Ministry of Transport of the PRC in 2012. Mr. Wang has a solid theoretical foundation and practical experience in law and arbitration.

SUPERVISORS

Ms. HUANG Xudan

aged 54, is the Chairperson of our Supervisory Committee. Ms. Huang is a senior economist. She graduated from Beijing University of Posts and Telecommunications in 1990 with a bachelor's degree in management engineering and obtained an MBA degree from the Carlson School of Management of the University of Minnesota in the USA in 2003. Ms. Huang is currently the General Manager of the Audit Department of China Telecommunications Corporation, the General Manager of the Audit Department of China Telecom Corporation Limited and the Chairperson of the Supervisory Committee of China Telecom Cloud Technology Co., Ltd. She previously served as the General Manager of the Finance Department of China Unicom Fujian Branch, the Deputy General Manager of the Finance Department of China United Network Communications Corporation Limited, the Deputy General Manager of the Finance Department of China Telecommunications Corporation, the General Manager of China Telecom Group Finance Co., Ltd. She has more than 30 years of finance and audit experience in the telecommunications industry.

Ms. CAI Manli

aged 50, is a Supervisor of our Company. Ms. Cai is a Certified Public Accountant of the PRC and a Certified Tax Agent of the PRC. Ms. Cai obtained a bachelor's degree in economics from Renmin University of China in 1998 and obtained a master's degree in management from Central University of Finance and Economics in 2006. Ms. Cai is currently a Senior Advisor at Beijing King & Wood Mallesons, as well as an Independent Director of Shanghai Flyco Electrical Appliance Co., Ltd., New Hope Liuhe Co., Ltd., Megvii Technology Limited, Guangzhou Xaircraft Technology Co., Ltd., Allmed Medical Products Co.,Ltd., and Lian Chu Securities Co.,Ltd, as well as an Independent Non-Executive Director of ZTE Corporation. Ms. Cai previously served a Deputy Chief of the M&A Governance Office II and Chief of the M&A Governance Office I and the Leader of the Accounting and Evaluation Team at the Department for the Governance of Listed Companies at China Securities Regulatory Commission. Ms. Cai previously also acted as the General Manager of HEYI Rising Assets Management Co., Ltd., and was an Independent Director of SF Diamond Co., Ltd., Hubei Radio & Television Information Network Co., Ltd. and Beijing Yadi Media Information Group Co., Ltd. and an External Supervisor of Sichuan Xinwang Bank Co., Ltd. Ms. Cai is well versed in capital market operations and regulations and has extensive experience in consultation and equity investments relating to capital markets.

Ms. LIU Lian

aged 49, is an Employee Representative Supervisor of the Company. Ms. Liu is a Deputy Director of the General Affairs Department of Sichuan Communications Services Company Limited, a subsidiary of the Group. Ms. Liu graduated from Southwest University of Science and Technology in 2004. Ms. Liu previously served a Supervisor of the Leading Group Office of the Inspection Work of the Party Committee of the Company and also served different positions with Mianyang Telecom Industry Group Co., Ltd of Sichuan Telecom Industry Group Corporation, including the Deputy Manager of Property Company, Deputy Manager of the Installation and Maintenance Department, Director of the Marketing and Operation Department and Deputy General Manager. She was also the Deputy General Manager, Chairman of the Labor Union and the General Manager of Mianyang Branch of Sichuan Communications Services Company Limited, the Deputy Chairman of the Labor Union, Director of the Party affairs Department and Employee Representative Supervisor of Sichuan Communications Services Company Limited. Ms. Liu has over 20 years of working experience in telecommunications industry.

MANAGEMENT

Mr. LUAN Xiaowei
(Please refer to the "Executive Directors" section)

Mr. YAN Dong
(Please refer to the "Executive Directors" section)

Ms. ZHANG Xu
(Please refer to the "Executive Directors" section)

Mr. XU Shiguang

aged 44, is an Executive Vice President of our Company. Mr. Xu obtained a bachelor's degree in auditing from Nankai University in 2001 and a master's degree in accounting from Nankai University in 2004. Prior to joining the Company, Mr. Xu was the Deputy General Manager of the Audit Department of China Telecommunications Corporation and the Deputy General Manager of the Audit Department of China Telecom Corporation Limited. Prior to that, Mr. Xu previously served as Divisional Director of the Engineering Audit Division and General Audit Division of China Telecommunications Corporation's Audit Department, as well as the Deputy General Manager of China Telecom Inner Mongolia Branch. Mr. Xu has 20 years of management experience in the telecommunications industry.

Mr. ZHAO Xu

aged 49, is an Executive Vice President of our Company. Mr. Zhao also currently serves as a Director and General Manager of Zhejiang Communications Services Holdings Group Company Limited, a subsidiary of the Group. Mr. Zhao joined the Company in September 2007 and used to serve as Divisional Director of the Business Innovation Division of the Company's Domestic Non-telecom Operator Business Department. Mr. Zhao received a master's degree in Management Science and Engineering from the Beijing University of Posts and Telecommunications in 2000, and Mr. Zhao is also a CFA charterholder. Prior to joining the Company, Mr. Zhao served in the Finance Department and the Office of the Board of China Telecommunications Corporation. Mr. Zhao has over 20 years of experience in the telecommunications and IT industry.

Mr. LI Dong

aged 44, a member of the senior management of the Company. Mr. Li is an intermediate economist and received a bachelor's degree in Labour Economics from Renmin University of China in 2002, and a master's degree in Public Administration from Peking University in 2011. Prior to joining the Company, Mr. Li served as an Director of Discipline Inspection and Supervision Office of China Telecommunications Corporation. Prior to that, Mr. Li worked in the Human Resources Department and Corporate Affairs Department of China United Network Communications Corporation Limited, the General Affairs Office and Discipline Inspection and Supervision Department of China Telecommunications Corporation. Mr. Li has more than 20 years of management experience in the telecommunications industry in China.

Mr. ZHANG Hao

aged 52, is an Executive Vice President of our Company. Mr. Zhang also currently holds positions in the following subsidiaries of the Group, including a Director and General Manager of China Communications Services International Limited and a Director of China Comservice Smart Property Development Co., Ltd. Mr. Zhang obtained a bachelor's degree in communications engineering from Beijing University of Posts and Telecommunications in 1995. Mr. Zhang previously served as a General Manager of Shaanxi Communications Services Company Limited, a subsidiary of the Group, a Director and Deputy General Manager of Anhui Communications Services Company Limited, a subsidiary of the Group, the General Manager of Anhui Hexin Technology Development Co., Ltd., the Deputy General Manager of Anhui Telecommunications Engineering Co., Ltd., and the Deputy General Manager of Anhui Guoxin Communications Company. Prior to joining the Group, Mr. Zhang also served as the General Manager of Anhui office of ZTE Corporation. Mr. Zhang has over 20 years of management experience in the telecommunications industry.

COMPANY SECRETARY

Mr. CHUNG Wai Cheung, Terence

aged 50, is the Company Secretary and Deputy Chief Financial Officer of our Company. Mr. Chung joined the Company in October 2006. Mr. Chung graduated from Melbourne University, Australia in 1996, with a bachelor of commerce degree and received a master's degree in business administration from the Australian Graduate School of Management in 2005. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chung previously worked in an international accounting firm, China Mobile Limited and China Telecom Corporation Limited, and has over 20 years of extensive experience in auditing, company secretary and financial management of listed companies.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of China Communications Services Corporation Limited (the "Company") is pleased to present the Report of the Directors of the Company, together with the audited financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023.

PRINCIPAL BUSINESSES

The Group is a leading service provider in the informatization sector in the PRC, positioned as "New Generation Integrated Smart Service Provider", which provides integrated comprehensive smart solutions in the field of informatization and digitalization. We offer telecommunications infrastructure services, including design, construction, supervision and management; business process outsourcing services, including management of infrastructure for information technology ("Network Maintenance"), general facilities management ("Property Management"), supply chain, products distribution; and applications, content and other services, including system integration, software development and system support, and value-added services. The major customers of the Group include domestic telecommunications operator customers, domestic non-telecom operator customers such as government agencies, industrial customers and small and medium enterprises, and overseas customers.

RESULTS

Results of the Group for the year ended 31 December 2023 and the financial position of the Group as at that date are set out in the audited financial statements on page 165 to page 248 in this annual report.

BUSINESS REVIEW

A fair review of the business, business outlook and the key financial performance indicators of the Group are provided in the "Chairman's Statement", "Business Overview" and "Management Discussion and Analysis of Financial Conditions and Results of Operations" of this annual report. Description of the principal risks and uncertainties faced by the Group is disclosed in this section. Particulars of important events affecting the Group that have occurred since the end of the financial year of 2023, if applicable, can also be found in the aforesaid sections.

In addition, more details regarding the Group's performance in relation to environmental and social-related policies, an account of the Group's relationships with its key stakeholders, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Environmental, Social and Governance Report" of this annual report.

The above discussion forms part of this "Report of the Directors".

DIVIDEND POLICY

The Company attaches great importance to the returns of shareholders. Taking into the consideration of the long – term interest and sustainable development of the Company, and with the support of the Group's profitability, the Company strives to maintain the continuity and stability of the dividend policy. The factors to be considered by the Company when formulating the dividend distribution plan are as follows:

1. current and expected operating results and cash flow performance;

2. future business development strategies and operating position, as well as future capital needs;

3. daily working capital needs;

4. expectations of shareholders and investors; and

5. other factors that the Board deems appropriate.

The Board is responsible for formulating the dividend distribution plan and will execute the relevant approval procedures in accordance with relevant laws, rules, regulations and articles of association of the Company before proceeding with the distribution.

DIVIDENDS

The Board proposes a final dividend of RMB0.2174 per share (pre-tax) for the year ended 31 December 2023. The dividend proposal will be submitted for consideration at the annual general meeting to be held on 20 June 2024 (the "AGM").

Dividends will be denominated and declared in Renminbi. Dividends will be paid in Renminbi for domestic share shareholders and H share shareholders (including enterprises and individuals) who invest in the H shares of the Company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") through the Shanghai Stock Exchange or Shenzhen Stock Exchange (the "Southbound Trading") (the "Southbound Shareholders"), and dividends for H share shareholders other than the Southbound Shareholders will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends by the AGM. The record date for entitlement to the shareholders' rights and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as those for the Company's H share shareholders. The proposed dividends are expected to be paid on or about Friday, 16 August 2024 upon approval at the AGM.

Further details in respect of the dividends and distribution by the Company are set out in note 15 of the audited financial statements on page 206 of this annual report.

For the overseas resident individual shareholders of the Company, pursuant to relevant laws and regulations including the Law of the People's Republic of China on Individual Income Tax, the Regulations for the Implementation of the Law of the People's Republic of China on Individual Income Tax, and the letter dated 28 June 2011 from the State Administration of Taxation to the Inland Revenue Department of Hong Kong, for individual H share shareholders receiving dividends who are Hong Kong or Macau residents or whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company, as a withholding agent, is required to withhold and pay individual income tax at the rate of 10%. For individual H share shareholders receiving dividends whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax at a tax rate of 10%. The Company can process applications on behalf of those shareholders to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, the extra amount of tax withheld will be refunded. For individual H share shareholders receiving dividends whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends and no application procedures will be necessary. For individual H share shareholders receiving dividends whose country of domicile is a country which has not entered into any tax treaty with the PRC or are under other situations, the Company will withhold the individual income tax at a tax rate of 20% when distributing dividends.

For the overseas non-resident enterprise shareholders of the Company (including HKSCC Nominees Limited, corporate nominees or trustees, or other organizations or entities that are considered non-resident enterprise shareholders), pursuant to the Law of the People's Republic of China on Enterprise Income Tax, the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax and relevant rules and regulations, as a withholding agent, the Company is required to withhold and pay the enterprise income tax at the tax rate of 10% on behalf of the overseas non-resident enterprise shareholders.

For the Southbound Shareholders of the Company, the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the Southbound Shareholders, will receive all dividends distributed by the Company and will distribute the dividends to the Southbound Shareholders through its depositary and clearing system. According to the relevant provisions under the "Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)" and "Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (Cai Shui [2016] No. 127)", the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H shares of the Company listed on the Stock Exchange through the Southbound Trading. In respect of the dividends for the investment of Mainland securities investment funds investing in the H shares of the Company listed on Stock Exchange through the Southbound Trading, the tax levied on dividends derived from such investment shall be ascertained by reference to the rules applicable to the treatment of individual income tax. The Company is not required to withhold income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading, and such enterprises shall report the income and make tax payment by themselves.

Should the H share shareholders of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

DIRECTORS OF THE COMPANY

The following table sets out information concerning the directors of the Company as at the date of this report:

Name	Position in the Company	Date of the first appointment
Luan Xiaowei	Executive Director Chairman	30 January 2024 30 January 2024
Yan Dong	Executive Director President	10 February 2023 11 January 2023
Zhang Xu	Executive Director Chief Financial Officer Executive Vice President	13 December 2018 14 November 2018 14 November 2018
Gao Tongqing	Non-executive Director	15 June 2020
Tang Yongbo	Non-executive Director	16 June 2023
Liu Aihua	Non-executive Director	30 January 2024
Siu Wai Keung, Francis	Independent Non-executive Director	28 June 2012
Lv Tingjie	Independent Non-executive Director	26 June 2015
Wang Qi	Independent Non-executive Director	17 June 2022
Wang Chunge	Independent Non-executive Director	17 June 2022

On 16 June 2023, Mr. Tang Yongbo was appointed as a Non-executive Director of the Company. On 30 January 2024, Mr. Liu Guiqing resigned as an Executive Director and the Chairman of the Company, and Mr. Luan Xiaowei was appointed as an Executive Director of the Company, and was elected as the Chairman by the Board; in addition, Mr. Huang Zhen resigned as a Non-executive Director of the Company and Mr. Liu Aihua was appointed as a Non-executive Director of the Company on the same day.

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company considers that all of the Independent Non-executive Directors are independent.

SUPERVISORS OF THE COMPANY

The following table sets out information concerning the supervisors of the Company as at the date of this report:

Name	Position in the Company	Date of the first appointment
Huang Xudan	Chairperson of the Supervisory Committee	30 January 2024
Cai Manli	Independent Supervisor	17 June 2022
Liu Lian	Employee Representative Supervisor	17 June 2022

On 5 December 2023, Ms. Ye Lichun resigned as the Chairperson and a supervisor of the Supervisory Committee of the Company. On 30 January 2024, Ms. Huang Xudan was appointed as a supervisor of the Company, and was elected as the Chairperson of the Supervisory Committee of the Company at the Supervisory Committee meeting held on the same day.

Profiles of directors, supervisors and senior management of the Company are set out in the "Profiles of Directors, Supervisors and Senior Management" section of this annual report.

SHARE CAPITAL

The Company was incorporated on 30 August 2006. In December 2006, by way of an initial public offering (the "IPO"), the Company issued 1,484,986,000 H shares with a nominal value of RMB1.00 each at a price of HK$2.20 per share. At the same time, the promoters of the Company transferred 148,498,600 domestic state-owned shares with a nominal value of RMB1.00 each to the National Council for Social Security Fund of the PRC (the "NSSF") and converted them into H shares on the basis of one domestic share to one H share. Immediately after the IPO, the registered capital of the Company amounted to RMB5,444,986,000, of which 1,633,484,600 H shares of the Company were listed and traded on the Stock Exchange.

On 9 April 2008, the Company announced the completion of placing a total of 359,365,600 H shares, including an issue of 326,696,000 new H shares and a placement of 32,669,600 H shares on behalf of NSSF upon conversion of the same number of existing domestic shares of the Company allocated to NSSF by China Telecommunications Corporation ("China Telecom"). After the completion of placing, the total issued shares of the Company increased to 5,771,682,000 shares, of which 1,992,850,200 shares were H shares.

As disclosed in the prospectus of the Company dated 27 November 2006, China Telecom entered into equity transfer arrangements with China Mobile Communications Corporation (now known as China Mobile Communications Group Co., Ltd. ("China Mobile")) and China United Telecommunications Corporation (now known as China United Network Communications Group Company Limited ("China Unicom")), respectively. Pursuant to the arrangements, China Telecom agreed to transfer 506,880,000 and 236,300,000 domestic shares to China Mobile and China Unicom, respectively. On 24 March 2009, the equity transfers were formally completed and became effective. On the same date, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation completed the transfers of 236,313,086 and 87,664,532 domestic shares, respectively, to China Telecom.

According to the equity transfer agreement between China Telecom and China National Postal and Telecommunications Appliances Corporation (now known as China National Postal and Telecommunications Appliances Co., Ltd.) on 28 May 2010, China Telecom agreed to transfer 108,899,720 domestic shares of the Company to China National Postal and Telecommunications Appliances Corporation. On 21 June 2011, the equity transfer was formally completed.

Pursuant to the resolutions passed at the extraordinary general meeting, H shareholders class meeting and the domestic shareholders class meeting of the Company held on 28 June 2011 and as approved by domestic and overseas regulatory authorities, the Company announced the launch of H share and domestic share rights issue plan of an aggregate of 1,154,336,400 new shares, including 398,570,040 H rights shares and 755,766,360 domestic rights shares on the basis of 2 rights shares for every 10 existing shares on 30 December 2011 at the price of HK$3.19 per H rights share and RMB2.59 per domestic rights share, respectively. On 10 February 2012, dealings in the H rights shares commenced on the Stock Exchange. After completion of the rights issue, the total number of issued shares of the Company was increased to 6,926,018,400 shares, including 2,391,420,240 H shares and 4,534,598,160 domestic shares.

According to the share transfer agreement between China Telecom and State Grid Information & Telecommunication Group Co., Ltd. on 25 June 2021, China Telecom agreed to transfer 166,000,000 domestic shares of the Company (representing 2.40% of the total issued share capital of the Company) to State Grid Information & Telecommunication Group Co., Ltd. In November 2021, the share transfer had formally completed, and the Company made the relevant announcement on 26 November 2021. Upon the completion of the share transfer, the percentage of shareholding of China Telecom in the total issued share capital of the Company was adjusted from 51.39% to 48.99%.

As at 31 December 2023, the share capital of the Company was RMB6,926,018,400 divided into 6,926,018,400 shares with a nominal value of RMB1.00 each. The share capital of the Company was comprised of the following:

Shares	Number of shares	Approximate percentage of issued share capital (%)
Domestic shares (Total)	4,534,598,160	65.47
Domestic shares held by:		
China Telecommunications Corporation	3,393,362,496	48.99
China Mobile Communications Group Co., Ltd.	608,256,000	8.78
China United Network Communications Group Company Limited	236,300,000	3.41
State Grid Information & Telecommunication Group Co., Ltd.	166,000,000	2.40
China National Postal and Telecommunications Appliances Co., Ltd.	130,679,664	1.89
H shares (Total)	2,391,420,240	34.53
Total	**6,926,018,400**	**100.00**

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the interests or short positions of persons who at any of the Company's general meetings (excluding the directors and supervisors of the Company) are entitled to exercise or control the exercise of 5% or more of the voting power in the shares and underlying shares of equity derivatives of the Company in each class as recorded in the register required to be maintained under Part XV of Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") were as follows:

Name of shareholder	Shares Description	Capacity	Number of shares held	Percentage of Domestic shares/H shares (if applicable) (%)	Percentage of the total number of shares in issue (%)
China Telecommunications Corporation	Domestic shares	Beneficial owner	3,393,362,496 (L)	74.83	48.99
China Mobile Communications Group Co., Ltd.	Domestic shares	Beneficial owner	608,256,000 (L)	13.41	8.78
China United Network Communications Group Company Limited	Domestic shares	Beneficial owner	236,300,000 (L)	5.21	3.41
FMR LLC	H shares	Interests of controlled corporations	144,960,636 (L)	6.06	2.09
Kopernik Global Investors LLC	H shares	Investment manager	119,806,000 (L)	5.01	1.73

Note: (L) – Long Position

Save as stated above, as at 31 December 2023, in the register required to be maintained under Part XV of Section 336 of the SFO, no other persons were recorded as holding any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers. As at 31 December 2023, the Company had not granted its directors or supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors has entered into a service contract with the Company. According to the service contract, unless otherwise specified, each of the contracts has an initial term of three years and is renewable in accordance with the Articles of Association of the Company when the initial term expires. These contracts are terminable at the option of either party by giving three months' notice in writing or according to the terms of the contract prior to the expiry of the contract. No such service contract is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate directors and officers liability insurance coverage for the directors, supervisors and senior management of the Company during the course of the financial year ended 31 December 2023 and such insurance remained in force as of the date of this report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the transactions, arrangements or contracts set out in the "Management Discussion and Analysis of Financial Conditions and Results of Operations" section and "Directors' and Supervisors' Service Contracts", "Major Customers and Suppliers", "Preferential Treatment and Non-competition Arrangement with China Tower Corporation Limited" and "Continuing Connected Transactions" in the "Report of the Directors" section of this annual report and note 46 to the Consolidated Financial Statements, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who was a Director or Supervisor of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year ended 31 December 2023.

EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS

Based on the Company's overall remuneration policy and with reference to the payroll standard of the same industry companies in the market, the Board and the Remuneration Committee determine the remuneration of directors and supervisors after taking into account the scope and complexities of their duties. Please refer to note 13 to the audited financial statements for details of the emoluments of the directors and supervisors of the Company in 2023.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the reporting period.

SUMMARY OF FINANCIAL INFORMATION

Please refer to pages 249 to 250 of this annual report for a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2023.

BANK LOANS AND OTHER BORROWINGS

Please refer to note 34 to the audited financial statements for details of bank loans and other borrowings of the Group as at 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Please refer to note 16 to the audited financial statements for movements in the fixed assets of the Group for the year ended 31 December 2023.

DISTRIBUTABLE RESERVES

Please refer to note 49 to the audited financial statements for details of the movements in the reserves of the Company for the year ended 31 December 2023.

DONATIONS

For the year ended 31 December 2023, the Group made charitable and other donations of a total amount of RMB2.04 million.

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Please refer to note 48 and note 22 to the audited financial statements for details of the Company's subsidiaries, the Company's associated companies and joint ventures as at 31 December 2023.

CHANGES IN EQUITY

Please refer to the consolidated statement of changes in equity contained in the audited financial statements (page 169 of this annual report).

PLAN OF EMPLOYEES' RETIREMENT BENEFITS

Please refer to note 41 to the audited financial statements for details of the retirement benefits provided by the Group.

SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

At the extraordinary general meeting held by the Company on 22 December 2021, the adoption of the Share Appreciation Rights Incentive Scheme (the "Scheme") was approved by the shareholders of the Company. The Board is of the opinion that the Scheme can further improve the corporate governance structure of the Company, refine the establishment of the mid- to long-term incentive mechanism of the Company, optimize the remuneration system of the Company as a whole, and cope with the fierce industry competition and support the Company's long-term development. In addition, the Scheme is beneficial for the Company to attract, retain and motivate outstanding management and core technical personnel, promote the concept of joint sustainable development between the Company and employees, fully motivate the core management and key personnel of the Company, and support the realization of the corporate strategy. For details of the Scheme, please refer to the Company's circular dated 1 December 2021 in relation to, among other things, "Proposed Adoption of Share Appreciation Rights Incentive Scheme and Proposed Initial Grant".

On 22 December 2021, the Board and the Remuneration Committee considered and approved the resolution on the implementation of the Initial Grant of the Share Appreciation Rights. The total number of the Share Appreciation Rights granted under the Initial Grant is approximately 207.27 million shares, representing 2.993% of the total issued share capital of the Company. The exercise price of each of the Share Appreciation Rights granted under the Scheme was HK$3.68. For details of the Initial Grant, please refer to the Company's announcement dated 22 December 2021 in relation to the "Initial Grant of the Share Appreciation Rights". Upon the review and approval by the Board and Remuneration Committee on 11 January 2023, the total number of person under the Initial Grant was 826. The incentive recipients include the management of the Company, the operational management of provincial companies and professional companies of the Group, as well as professional talents, and core management, technical and business personnel, etc. who contributed prominently to the Company's operating results and sustainable development.

The Scheme would not involve the grant of share options in respect of new shares or other new securities to be issued by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to the requirements under Chapter 17 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Articles of Association requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

MAJOR CUSTOMERS AND SUPPLIERS

For the reporting period, the revenue from sales of goods or rendering of services to the five largest customers (including China Telecom, China Mobile, China Unicom and China Tower) of the Group represented 55.0% of the total revenues of the Group; of which, the revenue from the largest customer of the Group represented 36.6% of the total revenues of the Group. The purchases from the five largest suppliers of the Group accounted for less than 9.1% of the total annual purchases of the Group.

To the knowledge of the Board, other than China Telecom and China Mobile (both of them being the shareholders holding more than 5% of the issued share capital of the Company), Mr. Luan Xiaowei, Mr. Yan Dong, Mr. Gao Tongqing and Mr. Tang Yongbo (positions of them setting out in the "Profiles of Directors, Supervisors and Senior Management" section of this annual report), none of the directors of the Company, their close associates, or any shareholder (holding more than 5% of the issued share capital of the Company) has any interests in such suppliers or customers.

PREFERENTIAL TREATMENT AND NON-COMPETITION ARRANGEMENT WITH CHINA TOWER CORPORATION LIMITED ("CHINA TOWER")

In July 2014, China Telecom Corporation Limited, a subsidiary of China Telecom, jointly established China Tower with China Mobile and China Unicom. Pursuant to the relevant arrangements for the establishment of China Tower, China Tower has indicated to the Company that:

1. on condition that it will not result in a breach by China Telecom and the Company of the Non-Competition Agreement signed between them, when China Tower invites public tender for the design, construction, supervision and maintenance of its telecommunications towers and related ancillary facilities, China Tower will select the Company on a preferential basis, provided that the terms are the same;

2. in the event of an injection of telecommunications assets into China Tower (acquisition by China Tower), the existing maintenance agreements entered into between the Company and the respective promoters of China Tower will remain valid. Upon the expiration of such maintenance agreements and when China Tower invites tender for the maintenance services, China Tower will consider the Company on a preferential basis, provided that the terms are the same; and

3. China Tower will not compete in contravention of the contents of the Non-Competition Agreement.

CONTINUING CONNECTED TRANSACTIONS

China Telecom is the controlling shareholder of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions between the Group and China Telecom and its subsidiaries (excluding the Group and including China Telecom Corporation Limited, collectively the "China Telecom Group") constitute connected transactions of the Group. The Group has entered into several connected transaction agreements with certain connected persons of the Group as described in the paragraphs below. The Company has complied with the disclosure requirements of the connected transactions under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA TELECOM

The Company and China Telecom entered into seven continuing connected transactions agreements on 29 September 2015 to govern the continuing connected transactions between the Group and China Telecom Group. These agreements include the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement, the IT Application Services Framework Agreement, the Centralized Services Agreement, the Property Leasing Framework Agreement and the Supplies Procurement Services Framework Agreement (the "2015 Agreements"). Each of the 2015 Agreements had an initial term expired on 31 December 2018 and, subject to approval from the shareholders (if applicable), the 2015 Agreements would be automatically renewed for a further period of no more than three years each time, unless terminated by either party by giving a written notice three months in advance. All of the 2015 Agreements (excluding the Centralized Services Agreement and the Property Leasing Framework Agreement that did not require independent shareholders' approval under the Listing Rules) were approved by the independent shareholders of the Company at the extraordinary general meeting held on 11 December 2015.

On 28 September 2018, the Company based on the 2015 Agreements and entered into supplemental agreements with China Telecom in respect of the aforementioned seven agreements (the "2018 Supplemental Agreements") to, among other things, renew each of the 2015 Agreements for a further term of three years from 1 January 2019 to 31 December 2021, change contact information of China Telecom and adjust the terms related to tender process of the Engineering Framework Agreement pursuant to the applicable PRC regulations. Other key terms of each of the 2015 Agreements remain unchanged.

Subject to approval from the shareholders (if applicable), the aforementioned seven amended continuing connected transactions agreements will be automatically renewed for a further period of no more than three years each time, unless terminated by either party by giving a written notice three months in advance. In connection with the entering into the 2018 Supplemental Agreements, the Company also set new annual caps for the three years ending 31 December 2021 in respect of the transactions contemplated under the seven continuing connected transactions agreements. The 2018 Supplemental Agreements and the new annual caps (excluding the new annual caps for the Centralized Services Agreement and the Property Leasing Framework Agreement that did not require any independent shareholders' approval under the Listing Rules) were approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 December 2018.

As each of the 2015 Agreements and the 2018 Supplemental Agreements (the "2018 Agreements") had expired on 31 December 2021, the Company entered into the 2021 Supplemental Agreements (the "2021 Supplemental Agreements") with China Telecom on 22 October 2021 to, among other things, extend the term for three years from 1 January 2022 to 31 December 2024. Other key terms of each of the 2018 Agreements remain unchanged. The 2021 Supplemental Agreements and the new annual caps (excluding the new annual caps for the Centralized Services Agreement and Property Leasing Framework Agreement that did not require any independent shareholders' approval under the Listing Rules) were approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2021.

The Board considers that it is in the interest of the Company to enter into the 2021 Supplemental Agreements and cooperate with China Telecom Group to ensure a stable revenue source from one of the largest telecommunications operators in the PRC so as to benefit the Company's future growth and development.

Details of each of such Agreements are set out below.

ENGINEERING FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Engineering Framework Agreement, the Company agreed to provide certain engineering related services, such as design, construction, project supervision and management for telecommunications infrastructure projects undertaken by China Telecom Group.

The charges for engineering services rendered under the Engineering Framework Agreement shall be determined at market price or prices obtained through tender process. According to the supplemental agreement to the Engineering Framework Agreement entered into between the Company and China Telecom, the thresholds which the project must be determined through tender process under the Engineering Framework Agreement include: whenever the value of any design or project supervision and management project exceeds RMB1 million, or the value of any construction project exceeds RMB4 million, the award of the relevant project must be subject to a tender process (with a minimum of three parties tendering bids) in accordance with the Bidding Law of the PRC and Regulation on the Implementation of the Bidding Law of the PRC, except as otherwise provided by other related laws and regulations. In determining the market price, the business and financial department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group by other service providers in the market; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company.

The Company will be given priority by China Telecom Group in the provision of the engineering services except in the tender process, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same type of services, and in return, the Company has undertaken to China Telecom Group that the Company shall not provide services to it on terms which are less favorable than those offered by the Company to independent third parties. The payment for engineering services provided by the Company under the Engineering Framework Agreement is normally made in accordance with the work progress of practical work following the general market practice in the industry.

ANCILLARY TELECOMMUNICATIONS SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Ancillary Telecommunications Services Framework Agreement, the Company agreed to provide to China Telecom Group certain ancillary telecommunications services such as maintenance of network facilities including equipment, ducts and cables, server rooms and base stations; distribution of telecommunications products and services; provision of comprehensive logistics services, including purchasing agent, warehousing, transportation, delivery, testing and inspection, logistics information management and distribution; provision of application, content and other services such as fixed-line value added services, wireless value added services, Internet value added services, and electronic authentication.

The Ancillary Telecommunications Services Framework Agreement stipulates that the Ancillary Telecommunications Services shall be provided at:

(a) market price. In determining the market price, the business and financial department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group by other service providers in the market; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company;

(b) in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the relevant taxes in sales and reasonable profits. In determining such cost and profits, the business and financial department of the relevant subsidiary of the Company will (i) review and compare the costs and profit margins of similar and comparable transactions conducted in the most recent year entered into with China Telecom Group or independent third parties, or (ii) where such comparison is not practicable, consider for reference the recent profit margins of comparable enterprises engaging in providing similar services in the relevant industry. Factors considered would also include, but not limited to, the scale of the comparable enterprises, quality of services, transaction size, supply and demand, labor cost, local commodity prices and economic development levels.

The Company will be given priority by China Telecom Group in the provision of the ancillary telecommunications services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same services. In return, the Company has undertaken to China Telecom Group that the Company and its subsidiaries shall not provide ancillary telecommunications services to it on terms which are less favorable than those offered by the Company to independent third parties. Subject to the terms and conditions set out above, the payment for the ancillary telecommunications services is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

OPERATION SUPPORT SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The Operation Support Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of operation support services. Pursuant to this agreement, the Company agreed to provide to China Telecom Group operation support services, including but not limited to facilities management and renovation, network facilities management in relation to buildings used for telecommunications purposes, human resources management, equipment maintenance, advertisement, conferencing services, vehicles, and certain repair and leasing of equipment. China Telecom Group also agreed to provide operation support services such as logistics services, warehousing, medical care, food and beverages, education, hotel and travelling services, labor services and so on to the Company.

The Operation Support Services Framework Agreement shall adopt the same pricing policy as the Ancillary Telecommunications Services Framework Agreement. In addition, in determining the market price of the operation support services provided to the Company by the China Telecom Group, the Company primarily considered the following factors: (i) prices of at least two comparable transactions of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices of at least two comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties previously. Subject to the terms and conditions set out above, the payment for the operation support services is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

Each of the parties to the Operation Support Services Framework Agreement will accord priority to the other party in the provision of the operation support services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favorable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favorable than those offered to independent third parties.

IT APPLICATION SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The IT Application Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of IT application services. Pursuant to this agreement, the Company agreed to provide China Telecom Group with telecommunications network support services, software and hardware development and other related IT services. China Telecom Group also agreed to provide to the Company certain IT application services including voice and data, value added services and information application services.

The IT Application Services Framework Agreement shall adopt the same pricing policy as the Engineering Framework Agreement. In addition, in determining the market price of the IT application services provided to the Company by the China Telecom Group, the Company primarily considers the following factors: (i) prices of at least three comparable transactions of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices of at least three comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties previously. Subject to the terms and conditions set out above, the payment for the IT application service is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

Each of the parties to the IT Application Services Framework Agreement will accord priority to the other party in the provision of the IT application services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favorable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favorable than those offered to independent third parties.

CENTRALIZED SERVICES AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Centralized Services Agreement, the centralized services to be provided by the Company to China Telecom Group include:

(a) the corporate headquarters management function to manage assets of China Telecom's certain retained specialized telecommunications support businesses in the PRC (other than the Group) and any remaining assets, such as hotels, manufacturing plants, schools and hospitals which are not in association with the specialized telecommunications support businesses in the primary service areas of the Group; and

(b) the provincial headquarters management function to manage remaining assets of China Telecom in the primary service areas of the Group.

Except as otherwise agreed by the parties, the aggregate administrative expenses incurred by the Company for the provision of the centralized services referred to above (all expenses incurred in connection with the abovementioned headquarters management functions excluding remuneration for the Directors, share appreciation rights and provision of bad debts) will be apportioned pro rata between the Company and China Telecom Group according to the proportional net asset value of each of the relevant parties.

PROPERTY LEASING FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The Property Leasing Framework Agreement governs the arrangements with respect to the mutual leasing of properties between the Group and China Telecom Group. China Telecom Group currently lease from the Company and its subsidiaries certain properties for use as business premises, offices, equipment storage facilities and sites for network equipment. The Company and its subsidiaries also lease from China Telecom Group certain properties for use as business premises, offices and equipment storage facilities. These arrangements fall within the Property Leasing Framework Agreement.

The rental charges in respect of each property are determined at market price. In determining the market price, the business and financial department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of property depreciation; (ii) rental charges of at least three comparable transactions of the same or similar type of property provided to China Telecom Group and the Company by independent third parties in the market; (iii) rental charges of at least three comparable transactions of the same or similar type of property provided to China Telecom Group and independent third parties by the Company previously, or rental charges of the same or similar type of property provided to the Company by China Telecom Group and independent third parties previously. Rental charges are payable monthly in arrears, except as otherwise agreed by the parties. Both parties will review the rental every three years and decide, after negotiation, on whether to adjust the rental charges and the amount of such adjustment.

SUPPLIES PROCUREMENT SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Supplies Procurement Services Framework Agreement, the Company agreed to provide to China Telecom Group with comprehensive supplies procurement services, including, among others, (i) procurement of imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies; (ii) agency services of supplies procurement; (iii) sales of telecommunications supplies manufactured by the Group; (iv) resale of supplies purchased from independent third parties; and (v) management of biddings, verification of technical specifications, warehousing, transportation and installation services. According to the same agreement, China Telecom agreed to provide to the Group with comprehensive supplies procurement services, including, among others, (i) sales of telecommunications supplies manufactured by China Telecom Group, (ii) resale of supplies purchased from independent third parties; (iii) agency services of supplies procurement; and (iv) warehousing, transportation and installation services.

The price for the provision of comprehensive supplies procurement services under the Supplies Procurement Services Framework Agreement is determined as follows:

(a) 1% of the contract value at the maximum for procurement services relating to imported telecommunications supplies;

(b) 3% of the contract value at the maximum for procurement services relating to domestic telecommunications supplies and other domestic non-telecommunications materials;

(c) for other services:

   (i) market price. In determining the market price, the business and financial department of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group or the Company by other service providers in the market; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties by the Company, or prices of at least three comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties;

   (ii) in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the taxes in sales and reasonable profits. In determining such price, the business and financial department of the relevant subsidiary of the Company will review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, take into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor cost, local commodity prices and economic development levels, and prepare fee proposals for review by the marketing department of the relevant subsidiary of the Company.

The Group will be given priority by China Telecom Group in the provision of comprehensive logistics services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecom that the Company and its subsidiaries shall not provide supplies procurement related comprehensive logistic services to it on terms which are less favorable than those offered by the Company and its subsidiaries to independent third parties.

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA TELECOM GROUP FINANCE CO., LTD. ("CHINA TELECOM FINANCE")

On 1 February 2019, the Company and China Telecom Finance entered into the Financial Services Framework Agreement ("2019 Financial Services Framework Agreement"). The 2019 Financial Services Framework Agreement was with effect from 1 February 2019 until 31 December 2021. Subject to the compliance with relevant laws and regulations and relevant regulatory requirements, both parties shall negotiate and agree on the renewal arrangement. Upon the 2019 Financial Services Framework Agreement becoming effective, each of the services under the Financial Services Framework Agreement, except the deposit services, can be provided by China Telecom Finance to the Group immediately in accordance with the business scope of China Telecom Finance as approved by the China Banking and Insurance Regulatory Committee ("CBIRC"). The deposit services under the 2019 Financial Services Framework Agreement and the annual cap were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 April 2019.

China Telecom Finance was jointly established by China Telecom, China Telecom Corporation Limited ("China Telecom Corporation") and the Company, representing 15%, 70% and 15% of the total registered capital of China Telecom Finance, respectively. Given China Telecom is the controlling shareholder of the Company, China Telecom Corporation is a subsidiary of China Telecom, and thus China Telecom Finance is a connected person of the Company under Chapter 14A of the Listing Rules as an associate of the Company's substantial shareholder. Accordingly, the transaction under the Financial Services Framework Agreement constitutes a continuing connected transaction of the Company.

As the 2019 Financial Services Framework Agreement had expired on 31 December 2021, the Company entered into the 2021 Financial Services Framework Agreement with China Telecom Finance on 22 October 2021 to extend the term of 2019 Financial Services Framework Agreement for three years from 1 January 2022 to 31 December 2024. The deposit services under the 2021 Financial Services Framework Agreement and the annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2021.

Details of the Financial Services Framework Agreements are set out below.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

Pursuant to the 2021 Financial Services Framework Agreement, China Telecom Finance has agreed to provide financial services to the Group, including deposit services, loan and bill discounting services and other financial services. The Group and China Telecom Finance will cooperate on a non-exclusive basis, and the Group may select at its discretion other financial institutions to provide the relevant financial services. The terms of the financial services offered to the Group by China Telecom Finance shall be equivalent to or more favorable than those offered to the Group by the major cooperative commercial banks of the Group for the financial services in the same period and of the same type. China Telecom Finance shall provide the following financial services to the Group in accordance with the major terms set out above, with relevant pricing policies as below:

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates offered by the major cooperative commercial banks of the Group for the deposit services in the same period and of the same type, and the deposit services shall be conducted on normal commercial terms or better. The deposit interest rates offered by China Telecom Finance shall be equivalent to or higher than those provided by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates of the deposits services provided by China Telecom Finance to the Group shall be the same as those offered by China Telecom Finance to other member companies of China Telecom for the deposit services in the same period and of the same type.

(ii) Loan and Bill Discounting Services

The interest rates for loan and bill discounting offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates offered by the major cooperative commercial banks of the Group for the loan services in the same period and of the same type and bill discounting services in the same period and of the same type and amount, and the loan and bill discounting services shall be conducted on normal commercial terms or better. The interest rates for loan and bill discounting offered by China Telecom Finance shall be equivalent to or lower than those provided by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates for loan and bill discounting provided by China Telecom Finance to the Group shall be the same as those offered by China Telecom Finance to other member companies of China Telecom for the loan services in the same period and of the same type and bill discounting services in the same period and of same type and amount.

China Telecom Finance offers loan and bill discounting services conducted on normal commercial terms or better to the Group. The Group will not be required by China Telecom Finance to provide guarantee by any of the Group's assets or through other means for the loan and bill discounting services provided to the Group.

(iii) Other Financial Services

Save as the deposit, loan and bill discounting services, China Telecom Finance will provide other financial services, including financial and financing advice, credit authentication, bill acceptance, fund transfer and settlement and designs of relevant settlement and clearance arrangement to the Group under the 2021 Financial Services Framework Agreement.

The fees charged for providing the other financial services mentioned above by China Telecom Finance to the Group shall comply with the fees standard promulgated by regulatory authorities including the People's Bank of China or the CBIRC (if applicable), and with reference to the handling fees standard charged by the major cooperative commercial banks of the Group for the other financial services of the same type, and the other financial services shall be conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the Group. Under the same conditions, the fees standard charged to the Group by China Telecom Finance shall be the same as those charged to other member companies of China Telecom by China Telecom Finance for the other financial services of the same type.

For each of the specific transactions with China Telecom Finance under the 2021 Financial Services Framework Agreement, China Telecom Finance has been appointed as one of the financial institutions to provide financial services to the Group under the terms and conditions of the 2021 Financial Services Framework Agreement. Prior to entering into any specific agreements with China Telecom Finance in respect of the transactions under the 2021 Financial Services Framework Agreement, the Group will compare the rates or fees and the other relevant transaction terms (e.g. transaction approval conditions, procedures or time limit) offered by China Telecom Finance with those offered by the major cooperative commercial banks of the Group for the deposits, loans or other financial services in the same period and of the same type. Only when the rates or fees or the other relevant transaction terms offered by China Telecom Finance are equivalent to or more favorable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with China Telecom Finance at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.

The following table sets out the annual caps and actual amounts of the above-mentioned continuing connected transactions of the Group during the year ended 31 December 2023 and the 2024 annual caps:

Unit: RMB million

	Year ended 31 December 2023		Year ending 31 December 2024
	Annual Cap	Actual Amounts	Annual Cap
Transactions with China Telecom Group			
Engineering services provided to China Telecom Group	26,000	20,743	28,000
Ancillary telecommunications services provided to China Telecom Group	26,000	18,222	28,000
Operation support services provided to/by China Telecom Group			
Revenue	5,500	4,703	6,000
Expenditure	1,100	819	1,200
IT application services provided to/by China Telecom Group			
Revenue	8,000	7,027	9,500
Expenditure	1,500	1,006	2,000
Centralized services provided to China Telecom Group	550	394	550
Property leasing provided to/by China Telecom Group			
Revenue	350	196	370
Expenditure			
Right-of-use Assets	650	145	650
Leasing Charges	350	91	350
Supplies procurement services provided to/by China Telecom Group			
Revenue	7,500	3,507	8,500
Expenditure	5,000	3,707	6,000
Transactions with China Telecom Finance			
Maximum daily balance of deposits under the deposit services provided by China Telecom Finance (including the interest accrued thereon)	8,500	8,056	8,500

The independent non-executive directors of the Company have confirmed that all the continuing connected transactions for the year ended 31 December 2023 to which the Group was a party:

1. had been entered into by the Group in the ordinary and usual course of business;

2. had been entered into on normal commercial terms or better; and

3. had been entered into according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors have further confirmed that:

The values of the continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps or revised annual caps.

The auditors of the Company have performed procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the continuing connected transactions and issued a letter to the Board to advise that:

1. nothing has come to their attention that causes them to believe that the continuing connected transactions disclosed above have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4. with respect to the actual amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that those actual amounts have exceeded the annual caps.

Save as disclosed above, none of other related-party transactions set out in the note 46 of the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the "Corporate Governance Report" set out in this annual report for details of our compliance with the Corporate Governance Code.

MATERIAL LEGAL PROCEEDINGS

Except for the disclosure in this annual report, as at 31 December 2023, so far as the directors are aware, the Company was not involved in any material litigation or arbitration and no material litigation or claims had been made against, or were pending or threatened against the Company.

RISK FACTORS

The following section lists out the principal risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

1. The business of the Group may be affected by the economic, political and social conditions as well as government policies in China

As substantially all businesses, assets and operations of the Group are located in China, the Group's operating results, financial status and business prospect depend on the economic, political and social developments of China to a large extent.

In recent years, China is one of the countries with the fastest pace of economic growth around the globe in terms of GDP. However, the current growth rate may not be sustainable. Moreover, any future disaster, such as natural disaster and outbreak of epidemics would potentially slow down the level of economic activities, and in turn affect the economic growth of China, Asia and even the world. If any of the above mentioned reasons causes serious economic downturn in China, or causes the Group could not carry out and deliver its businesses normally, the Group's financial status, operating results and prospect may be adversely affected.

2. The business of the Group is closely related to the investment and operating conditions in the Chinese telecommunications sector

Demands in the Group's services will be affected by the level of capital expenditures of telecommunications infrastructure of the telecommunications operators in China. Such decreases in capital expenditures may have adverse effect to the Group's revenue and profits.

Moreover, in the event that the competition in the Chinese telecommunications sector continues to intensify, the telecommunications operator customers of the Group may be under the pressure to reduce prices of their products or services, thus leading to the decrease in their revenue. If that happens, such telecommunications customers may reduce the service fees to our Company in relation to certain businesses for cost cutting, with a view to maintaining their profitability.

3. The business of the Group is working capital intensive in respect of services offered to customers

During our course of business, the Group shall incur considerable working capital expenditures to make procurements for goods and services required for the provision of services to the clients of the Group and for the completion of projects. In the past, the Company has satisfied the working capital needs primarily by cash from operating activities and its own fund. A deficiency in working capital may affect the Group's business, financial status and operating results. Moreover, the Group's customers may delay payment or default in accounts receivables, which may have adverse effect on the cash flows, working capital, financial status and operating results of the Company.

4. The Group is under certain risks in relation to international business and operation

The Group is dedicated in expanding into overseas market and strategically expanding overseas operations. The expansion into markets outside China will subject us to considerable risks, including the changes of the international political situation, differences in business environment, high entry barrier imposed on foreign enterprises, existing market players, exchange rate fluctuations, legal and regulatory requirements, potentially unfavorable tax liabilities, inexperience in new markets, competition in the local markets and protectionism.

Part of our business is conducted overseas and mainly located in developing countries and regions, where the local political and economic conditions are often unstable and such factors are beyond our control. As we have engaged in overseas business, we are subject to various risks related to the countries and regions where we operate.

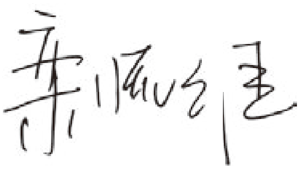
AUDITORS

At the Company's 2022 annual general meeting, the shareholders of the Company approved the re-appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international and domestic auditors of the Company respectively for the year ended 31 December 2023. PricewaterhouseCoopers has audited the accompanying financial statements, which were prepared in accordance with International Financial Reporting Standards.

Pursuant to the relevant regulations issued by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council in respect of the restrictions on the term of the years of audit services that an accounting firm can provide, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP retired as the auditors of the Company effective upon the conclusion of the 2020 annual general meeting. At the Company's 2020 annual general meeting and 2021 annual general meeting, the shareholders of the Company approved the appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the Company's international auditor and domestic auditor, respectively, for the year of 2021 and 2022.

Upon the recommendation of the Audit Committee of the Company, the Board has resolved to propose to the shareholders of the Company the re-appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international and domestic auditors of the Company for the year ending 31 December 2024, and a resolution for their re-appointments will be proposed at the Company's upcoming 2023 annual general meeting.

By order of the Board



Luan Xiaowei
Executive Director and Chairman

Beijing, PRC
27 March 2024

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee conscientiously performed their supervisory duties and earnestly safeguarded the interests of the shareholders and the Company in accordance with the relevant requirements including the PRC Company Law and the Articles of Association of the Company.

During the reporting period, the Supervisory Committee convened three meetings. At the third meeting of the sixth session of the Supervisory Committee convened on 23 March 2023, we reviewed and approved proposals such as the Company's 2022 financial report, 2022 auditors' report issued by the external auditors, profit allocation and dividend distribution plan for 2022, the Company's work report on risk management and internal control for 2022, the report of the Supervisory Committee for 2022, the work plan of the Supervisory Committee for 2023 and formed resolutions. Such meeting made relevant management suggestions to the enhancement of internal management and risk prevention of the Company. At the fourth meeting of the sixth session of the Supervisory Committee convened on 18 August 2023, we reviewed and approved proposals such as the Interim Financial Report for 2023, the Report on the Review of the Interim Financial Report for 2023 issued by the external auditors and the Company's work report on risk management and internal control for the first half of 2023 and formed resolutions. At the fifth meeting of the sixth session of the Supervisory Committee convened on 5 December 2023, we reviewed and approved the proposal on change of supervisor of the Company and formed a resolution. During the reporting period, the members of the Supervisory Committee attended the board meetings and general meetings of the Company for 2023. By attending these meetings, the Supervisory Committee supervised important decision-making of the Company and the duty performance of the members of the Board and senior management.

The Supervisory Committee is of the opinion that during the reporting period, the Company seized the opportunities of digital transformation, continued to innovate and transform, and adhered to market-oriented allocation of resources while strengthening corporate management as well as fulfilling social responsibility. In 2023, the Company's total revenues maintained a positive growth and amounted to RMB148,615 million and net profit amounted to RMB3,584 million. The Company's financial position remained stable, its operating performance continued to improve, its measures on quality and efficiency improvement were effective, and the company's value continued to increase.

The Supervisory Committee is of the opinion that, in 2023, all members of the Board and senior management of the Company complied with applicable laws and regulations, and performed their duties in accordance with the Articles of Association of the Company. They also safeguarded the legitimate interests of the shareholders, the Company and its employees, earnestly implemented various resolutions of the general meetings and the board meetings, and operated strictly in accordance with the regulatory requirements for a listed company. The Supervisory Committee was not aware of any violation of relevant PRC laws and regulations and the Articles of Association, or any acts which would prejudice the interests of the Company.

The Supervisory Committee carefully reviewed the information proposed to be submitted by the Board to the general meeting such as the Financial Report for 2023 which was prepared according to relevant requirements and issued with unqualified opinion by the external auditors. The Supervisory Committee is of the opinion that the financial report gives an objective and true view of the Company's financial position and operating results.

In 2024, the Supervisory Committee will continue to strictly comply with the relevant requirements of the PRC Company Law and the Articles of Association of the Company and assume the responsibilities of safeguarding the interests of the shareholders and the benefits of the Company, focusing on the supervision of the Company's implementation of its commitment to shareholders and expanding our scope of work approach, with a view to enhancing our supervision and inspection efforts in major adjustments and important operating activities and duly performing our duties in a thoughtful manner.

By order of the Supervisory Committee

Huang Xudan
Chairperson of the Supervisory Committee

Beijing, PRC
21 March 2024

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining sound corporate governance standards and procedures to ensure the completeness, transparency and quality of its information disclosure, and strives to achieve more standardized operational procedures and effective management, so as to safeguard shareholders' interests to the greatest extent.

CORPORATE GOVERNANCE PRACTICES

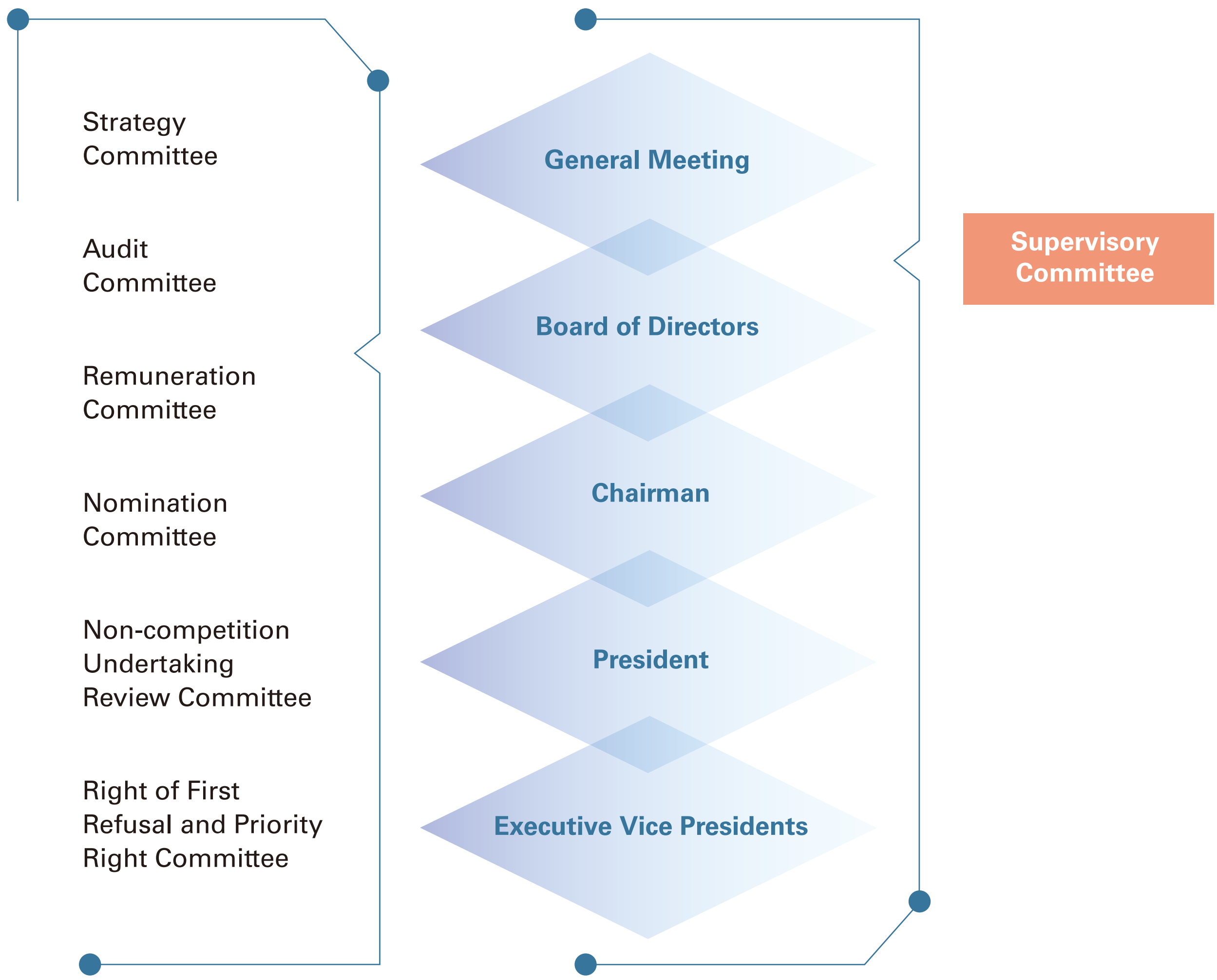
As a joint stock limited company incorporated in the PRC with limited liability and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has not only complied with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), but also abided by the Company Law of the People's Republic of China ("PRC Company Law") and other applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as basic guidelines for the Company's corporate governance. While strictly complying with relevant laws and regulations and also referencing good corporate governance practices, the Group is continually striving to further strengthen its internal control and risk management systems in order to improve its corporate governance standards and transparency.

The Company has been recognized by the capital market for its sound corporate governance over the years. In 2023, the Company continued to receive accolades in respect of its corporate management and ESG performance by international institutions such as *FORTUNE*, *The Asset* and *Corporate Governance Asia*. Besides, the Company was accredited as "Forbes China ESG Innovative Enterprises" for the first time.

The Board is responsible for performing corporate governance duties, including developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management as well as the Company's policies and practices in compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board believes that the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules for the year ended 31 December 2023.

CORPORATE STRUCTURE OF THE COMPANY



GENERAL MEETING

Pursuant to the Company's Articles of Association, the general meetings are classified as annual general meeting (the "AGM") and extraordinary general meeting (the "EGM"). The AGM is convened once a year and within six months after the end of a financial year. A resolution will be proposed for consideration in respect of each independent matter. The details of the voting procedures will be set out in the notices of the general meetings in accordance with the provisions of the Articles of Association and the Listing Rules. In accordance with the relevant provisions of the Listing Rules and the PRC Company Law, notices and circulars of general meetings are given to shareholders promptly, providing shareholders sufficient notice and time to consider the matters to be considered at the meeting, with details of the voting procedures set out in the notices of the general meetings. The Chairman of the Company should attend and chair the general meetings, and all the directors of the Company (in particular, the chairman of the committees of the Board) shall be invited to attend the general meetings to address any questions that may be raised by the shareholders at the general meetings. In addition, the Company has formulated the Rules of Procedure for the General Meeting which sets out the appropriate arrangements for convening, shareholders' proposing, attending and voting at the general meetings. In accordance with the Listing Rules, all the resolutions were voted by poll in the general meetings held in 2023.

For the 2023 EGM, a physical meeting was held in Beijing on 10 February 2023, at which the resolution of the appointment of an executive director was considered and approved. Shareholders and authorized proxies representing 83.09% of the total voting shares of the Company were present at the EGM, and the percentage of votes cast in favor of such resolution was over 99%.

For the 2022 AGM, a physical meeting was held in Beijing on 16 June 2023, at which the resolutions, including the 2022 financial statements, profit distribution and dividend declaration proposal, re-appointments of auditors, report of the directors, report of the supervisory committee, appointment of a non-executive director, were considered and approved. Shareholders and authorized proxies representing 83.48% of the total voting shares of the Company were present at the AGM, and the percentage of votes cast in favour of each resolution was over 82%.

The above resolutions at the general meetings were approved and passed by shareholders, and details of the relevant poll results were published on the websites of the Company and "HKExnews" of the Stock Exchange.

SHAREHOLDERS' RIGHTS TO CONVENE GENERAL MEETINGS AND SUBMIT PROPOSALS AT GENERAL MEETINGS

Pursuant to Article 8.24 of the Company's Articles of Association, shareholders who request for convening an EGM or a class meeting shall comply with the following procedures:

(1) Two (2) or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign one (1) or more counterpart requisition(s) stating the object of the meeting and requiring the Board to convene an extraordinary general meeting or a class meeting thereof. The Board shall as soon as possible proceed to convene an extraordinary general meeting or a class meeting thereof after receipt of such requisition(s). The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition(s).

(2) If the Board fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of the requisition(s), the requisitionists may themselves convene such a meeting (in a manner as similar as possible to the manner in which general meetings are convened by the Board) within four (4) months from the date of receipt of the requisition(s) by the Board.

Pursuant to Article 8.6 of the Company's Articles of Association, when the Company convenes a general meeting, shareholder(s) holding 3% or more of the total voting shares of the Company shall have the right to submit new proposals in writing, and the Company shall place such proposals on the agenda for such general meeting if they are matters falling within the functions and powers of shareholders in general meetings.

SHAREHOLDERS' ENQUIRIES

Enquiries or requisitions to convene a general meeting or submit a proposal pursuant to the Articles of Association of the Company that the shareholders of the Company wish to make to the Board may be addressed to the Investor Relations Department of the Company by our shareholders' hotline at 852-3699 0000 or by email at ir@chinaccs.com.hk.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has formulated the shareholders communication policy and has regularly reviewed on this. Such policy regulates the Company's various routine and non-routine daily communication channels with shareholders, including general meeting(s), roadshows and daily meetings. The above arrangements enable shareholders and investors to keep abreast of the latest operating status and development prospects of the Company. In addition, the Company has established an Investor Relations Department, which is dedicated to providing shareholders and investors with necessary information, data and services, and maintaining active communication with stakeholders in the capital market, including shareholders, investors, etc. Besides, the Company has set up a public email for investor relations to facilitate the communications and feedback from investors, allowing the Company to collect different opinions from the market in an effective and timely manner. The details of the communication with the shareholders including information on the shareholders' calendar of significant events and the public shareholding percentages, are set out in the section of "Investor Relations" of this annual report and the website of the Company. The dividend policy of the Company is set out in the section of "Report of the Directors" of this annual report. Based on the communications between the Company and the shareholders and investors as well as the feedback received during the year, the Board considers that the shareholder communication policy of the Company has been properly implemented and effective during the year.

BOARD OF DIRECTORS

The Board is responsible for leading and supervising the Company, and performing the duties of formulating strategies, making decisions and preventing risks, as well as implementing the resolutions passed in general meetings. The major responsibilities of the Board include making decisions on the medium and long-term development of the enterprise, formulating the Company's strategies and development plans, determining the Company's business plans and investment proposal, reviewing financial policies and performance, formulating the basic management systems of the Company, formulating the appraisal and compensation administrative measures of the management and determining their remuneration, rewards and penalties as well as conducting performance appraisal. The Board has delegated to the senior management the powers and responsibilities to conduct the day-to-day management and operations of the Group and to organize the implementation of the resolutions of the Board, annual business plans and investment proposals. The senior management must obtain the Board's approval before entering into any material transactions in accordance with the relevant provisions of the Articles of Association. The Articles of Association and the Rules of Procedure for the Board have clearly defined the scope of duties of the Board and the management of the Company. Besides, the Company has also refined and improved the matters to be approved by the Board and its sub-committee in accordance with the List of Board's Resolved Matters to continuously improve its corporate governance.

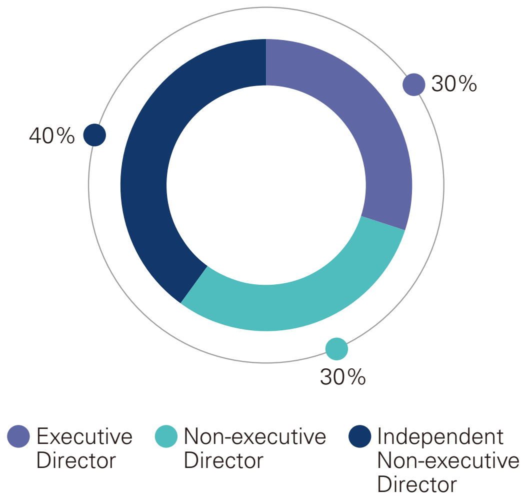
CHAIRMAN AND PRESIDENT

As of the date of this report, Mr. Luan Xiaowei and Mr. Yan Dong take up the position of Chairman and President of the Company, respectively. Mr. Luan Xiaowei, our Chairman, is responsible for overseeing the operation of the Board and in charge of the Company's overall management. Mr. Yan Dong, our President, is responsible for the Company's daily operation and management.

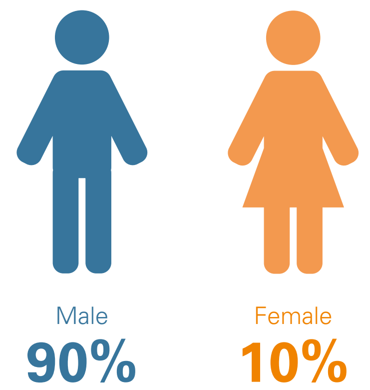
COMPOSITION OF THE BOARD AND DIVERSITY POLICY

As of the date of this report, the Board comprised ten directors, including three executive directors (Mr. Luan Xiaowei, Mr. Yan Dong and Ms. Zhang Xu), three non-executive directors (Mr. Gao Tongqing, Mr. Tang Yongbo and Mr. Liu Aihua) and four independent non-executive directors (Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wang Qi and Mr. Wang Chunge).

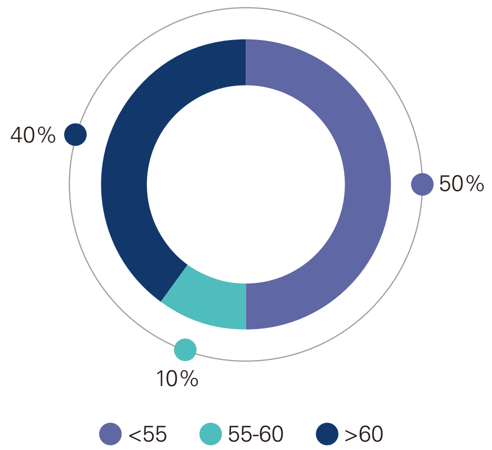
COMPOSITION



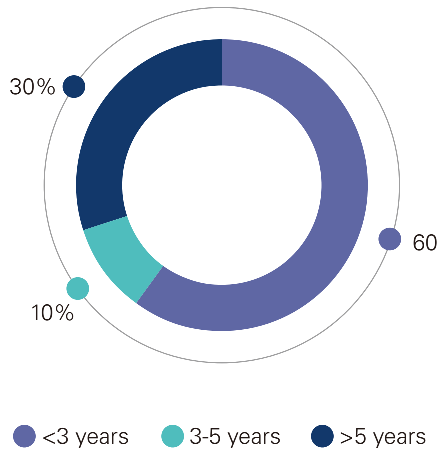
GENDER



AGE GROUP



YEARS OF SERVICES IN THE BOARD



The Company has adopted a board diversity policy, which sets out the approach to achieve diversity on the Board. The Company's board diversity policy gives a number of considerations in aspects including skill, knowledge, professional experience, gender and age. The Board of the Company comprises professionals with diversified backgrounds including telecommunications industry, technology, finance and accounting, compliance, management and academics. The Company has one female director on the Board and complies with its board diversity policy. The Company will continue to maintain gender diversity on the Board and the Nomination Committee will proactively consider the increase in the proportion of female members when selecting and making recommendations on suitable candidates for Board membership. Through the board diversity policy of the Company and the annual assessment by Nomination Committee on the board structure, the Company will develop a pipeline of potential successors to the Board which could achieve gender diversity. The Board has four independent non-executive directors, of which an independent non-executive director Mr. Siu Wai Keung, Francis possesses accounting professional qualification in compliance with Rules 3.10 and 3.10A of Chapter 3 of the Listing Rules. The profiles of the directors are set out in the "Profiles of Directors, Supervisors and Senior Management" section of this annual report and the Company's website.

The Company's human resources work focuses on coordinating the reform of the labor, personnel and distribution systems, giving full play to the decisive role of the market in resource allocation, fully implementing the tenure system and contractual management of the managerial staff, promoting market-oriented labor employment, strengthening the construction of the cadres, talents and employees, continuously optimizing the planning and structure of the team. We have established a market-oriented recruitment mechanism, improved the market-oriented operation mechanism and incentive and constraint mechanism, improved the standard and efficiency of human resources management, and provided solid organizational support and talent support for the sustainable and healthy development of the Company. The Company takes into full consideration of skills, age and gender diversity when recruiting its employees, and endeavors to strengthen the cultivation of female talents, increase the proportion of female talents in the talent team, and attaches importance to the selection and appointment of female talents. Based on business development and operational needs and a comprehensive consideration of various factors, the Company strives to achieve a balanced proportion of our employees in skills, age and gender. Information on the Company's workforce and gender ratio in 2023 is set out in the "Environment, Society and Governance" section of this annual report.

As of the date of this report, to the best knowledge of the directors, the members of the Board did not have any financial, business, family or other material connection with each other, in particular between the Chairman and the President, and all of them are free to make independent judgments.

The Company has received the written annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive directors to be independent.

The Company has also arranged appropriate insurance cover in respect of possible legal actions against its directors, supervisors and senior management.

Directors devoted sufficient time and efforts to the business of the Company. The Company also requires the directors to disclose the number of key positions they hold in public companies or organizations and provide the Company with the time they devoted to the relevant positions.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules to govern securities transactions by the directors and supervisors of the Company. The Company has made specific enquiries to the directors and supervisors, and each of the directors and supervisors has confirmed his/her compliance with the Model Code in connection with the transactions of the Company's securities in the reporting period.

NOMINATION AND APPOINTMENT OF DIRECTORS

The Company follows a formal, considered and transparent procedure for the appointments of new directors. The Nomination Committee of the Board first considers and discusses the nomination and appointment of a new director, and also makes recommendations to the Board for decision based on the board diversity policy. The Board shall recommend the candidate(s) at the general meeting and the candidate(s) shall be elected at the general meeting each for a term of three years (including non-executive directors), effective from the date of election.

If an independent non-executive director serves more than 9 years in the Company, the further appointment of such director should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes the independent non-executive director is still independent and should be re-elected, including the factors taken into account, the process and the discussions conducted by the Board in making such decision. After obtaining the authorization at the general meeting, the Board will determine the remuneration of each of the directors with reference to factors including their duties and responsibilities with the Company, their experiences and the current market conditions.

As at the date of this report, among the board members, except for Mr. Yan Dong, Mr. Tang Yongbo, Mr. Luan Xiaowei and Mr. Liu Aihua, all members of the Board were appointed for a term of three years commencing from the date of approval of their appointments to the sixth session of the Board at the AGM of the Company held on 17 June 2022. The term of office of Mr. Yan Dong commenced from 10 February 2023 (the date of the EGM approving his appointment) until the expiration of the term of office of the sixth session of the Board. The term of office of Mr. Tang Yongbo commenced from 16 June 2023 (the date of the AGM approving his appointment) until the expiration of the term of office of the sixth session of the Board. The term of office of Mr. Luan Xiaowei and Mr. Liu Aihua commenced on 30 January 2024 (the date of the EGM approving their appointments) until the expiration of the term of office of the sixth session of the Board. The directors of the Company are all eligible for re-election at the expiration of the term.

MEETINGS OF THE BOARD

Pursuant to the Company's Articles of Association and the Listing Rules, the Board shall convene at least four meetings a year. In addition, the Company has formulated the Rules of Procedure for the Board to define the relevant arrangements of the Company on matters such as the convening of board meetings, the delivery of notices and materials of meetings, and the manner of participation and voting by directors.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. Unless stipulated otherwise by the Board in advance, the time and place for any Board meeting shall be notified to all directors at least 14 days prior to the date of the meeting. The agenda and related documents of the Board meetings will be dispatched to all directors at least 3 days prior to the date of the meeting. The Board and each of the directors may contact the senior management independently if necessary and obtain additional information from the Company so that the directors can make informed decisions with relevant information. In addition, prior to the board meeting, the Company will obtain the advice and opinions from the directors on significant issues to ensure that the Board is provided with independent views and opinions. The Company conducts an annual review of the implementation and effectiveness of these mechanisms.

All minutes of the Board meetings record the details of resolutions considered and decisions made and are kept by meeting secretary and open for inspection by the directors. A director shall abstain from voting on any board resolution approving any proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum present at the meeting. In 2023, the Board held four meetings and passed two written resolutions. In addition to general matters such as review of the annual and interim financial statements, dividend distribution, Corporate Governance Report, ESG Report and budget, the Board also considered other resolutions, mainly including change in the senior management, recommendation of executive directors and non-executive directors, reviewing of the structure and composition of the Board, the List of Incentive Recipients of the Initial Grant of the Share Appreciation Rights Scheme of the Company, the Management Performance Report for 2022, the implementation of the remuneration of the senior management and the overall payroll of the Company for 2022, the amendments of the Administrative Measures for External Guarantees, reviewing of the management's performance targets of the operating results of 2023, and the working progress on the environmental, social and governance (ESG) performance in the first half of 2023, etc. Meanwhile, the directors have abstained from voting on the relevant resolutions in which they have conflicts of interests.

In 2023, the Chairman of the Company had a meeting with the independent non-executive directors without the presence of other directors.

The attendance record (excluding the case of the written resolutions) of the Company's directors in Board meetings, board committee meetings and general meeting(s) in 2023 were as follows:

	Attendance in 2023/Meeting convened during period of appointment					
	Board of Directors	Audit Committee	Remuneration Committee	Non-competition Undertaking Review Committee	AGM	EGM
Executive Directors						
Liu Guiqing[(1)]	4/4	–	–	–	1/1	1/1
Yan Dong[(2)]	4/4	–	–	–	1/1	–
Zhang Xu	4/4	–	–	–	1/1	1/1
Non-executive Directors						
Gao Tongqing	4/4[(3)]	–	–	–	1/1	0/1
Tang Yongbo[(4)]	3/3[(4)]	–	–	–	–	–
Huang Zhen[(5)]	4/4[(5)]	–	–	–	0/1	0/1
Independent Non-executive Directors						
Siu Wai Keung, Francis	4/4	2/2	2/2	2/2	1/1	1/1
Lv Tingjie	4/4	2/2	2/2	2/2	1/1	1/1
Wang Qi	4/4	–	2/2	–	1/1	1/1
Wang Chunge	4/4	2/2	–	2/2	1/1	0/1

Notes:

1. Mr. Liu Guiqing resigned as an executive director, the Chairman of the Company and the Chairmen of the Strategy Committee and Nomination Committee on 30 January 2024.
2. Mr. Yan Dong was appointed as an executive director of the Company and a member of the Strategy Committee with effect from 10 February 2023.
3. Mr. Gao Tongqing appointed another director to attend one meeting.
4. Mr. Tang Yongbo was appointed as a non-executive director of the Company and a member of the Strategy Committee with effect from 16 June 2023, he appointed another director to attend three meetings.
5. Mr. Huang Zhen resigned as a non-executive director of the Company and a member of the Strategy Committee on 30 January 2024, he appointed another director to attend four meetings.

DIRECTOR'S TRAINING

Newly appointed directors will receive trainings provided by the Company upon the appointment, so as to ensure that they have adequate understanding of the Company's business and they are fully aware of their duties as directors under the laws and regulations. The Company engaged external lawyers to provide the new directors appointed during the reporting period with trainings on issues including directors' duties and the Listing Rules.

The Company distributed board memorandum to directors each month, setting out updates on major business and financial position of the Company to facilitate the directors to discharge their duties. In addition, the Company also issued latest information regarding corporate governance, anti-corruption and directors' responsibilities under the Listing Rules and other applicable laws and regulations to the directors in a timely manner, ensuring their awareness of their responsibilities under the laws and regulations. All the directors were also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant.

In late September 2023, the Company organized an on-site research activity for the independent non-executive directors, all independent non-executive directors were present and made valuable recommendations for the development of the Company.

In 2023, the training records of the directors of the Company were as follows:

	Attend training or seminar relevant to the Company's industry, director's duties and/or corporate governance	Read information relevant to the Company's industry, director's duties and/or corporate governance; or read regular updates issued by the Company
Executive Directors		
Yan Dong	✓	✓
Zhang Xu	✓	✓
Non-executive Directors		
Gao Tongqing	✓	✓
Tang Yongbo	✓	✓
Independent Non-executive Directors		
Siu Wai Keung, Francis	✓	✓
Lv Tingjie	✓	✓
Wang Qi	✓	✓
Wang Chunge	✓	✓

Note: Two of the current Directors of the Company, Mr. Luan Xiaowei and Mr. Liu Aihua were appointed on 30 January 2024, and therefore they are not listed in the table above of 2023. Mr.Luan Xiaowei and Mr. Liu Aihua have obtained the legal opinion stated in Rule 3.09D of the Listing Rules and completed the new director training on 23 January 2024 and 18 January 2024, respectively. Both Mr. Luan Xiaowei and Mr. Liu Aihua confirmed that they understood the responsibility as a director of the Company.

BOARD COMMITTEES

As an important part of a sound corporate governance practice, the Board has set up five board committees since the listing of the Company: the Audit Committee, the Remuneration Committee, the Nomination Committee, the Non-competition Undertaking Review Committee and the Right of First Refusal and Priority Right Committee, and all of which are responsible for the supervision of the overall affairs of the Company in various areas and assistance of discharging its responsibilities. Except for the Chairman of the Nomination Committee, members of all these five board committees comprise of independent non-executive directors to ensure full expression of independent and objective views and to fulfill each of its responsibilities of review and supervision. In August 2019, the Company newly set up a Strategy Committee to further enhance its corporate governance. The list of members of each committee is published on the websites of the Company and the Stock Exchange.

Strategy Committee

The Strategy Committee is chaired by the Chairman of the Company and consists of seven directors, including Mr. Luan Xiaowei (appointed on 30 January 2024) and Mr. Yan Dong, the executive directors, Mr. Gao Tongqing, Mr. Tang Yongbo and Mr. Liu Aihua (appointed on 30 January 2024), the non-executive directors, and Mr. Lv Tingjie and Mr. Wang Qi, the independent non-executive directors. The Strategy Committee is mainly responsible for studying and making recommendations on the mid-to-long-term plan for development strategy, operating objectives and development direction of the Group. In 2023, the Strategy Committee did not hold any meeting.

Audit Committee

The Audit Committee consists of three independent non-executive directors: Mr. Siu Wai Keung, Francis (Chairman), who has accounting and related financial management expertise, Mr. Lv Tingjie and Mr. Wang Chunge. The Audit Committee is mainly responsible for reviewing the interim and annual financial statements of the Company to ensure a true and fair view of the state of affairs, reviewing interim and annual results of the Company after consulting with external auditors, and making recommendations to the Board. In addition, the Audit Committee is also responsible for examining the appointment of external auditors, considering and supervising the financial reporting procedures and the risk management and internal control systems of the Company, reviewing the effectiveness of the internal audit of the company, overseeing the execution of the connected transactions, and also listening to the external auditor's audit memorandum. The Audit Committee makes an assessment of the effectiveness of the Group's risk management (including environmental, social and governance risks) and internal control at least once a year. In addition, the Audit Committee is also responsible for reviewing the adequacy of resources of the Group's accounting and financial reporting function. Audit Committee could establish a reporting mechanism to accept and handle the complaints and anonymous reporting on accounting, internal control and auditing matters.

In 2023, the Audit Committee held two meetings, and mainly reviewed the resolutions of the audited financial report of the Company of 2022, interim report of 2023, report on connected transactions, report on internal control and risk management and appointment of independent auditors, as well as the working progress on the environmental, social and governance (ESG) performance in the first half of 2023.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors: Mr. Wang Qi (Chairman), Mr. Siu Wai Keung, Francis and Mr. Lv Tingjie. The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remunerations of all directors and senior management, on the establishment of a formal and transparent procedure for developing remuneration policy, the remuneration packages of directors and evaluating the performance of senior management and conducting their performance assessment, etc.

After being authorized by the shareholders at the general meeting, the Board will determine the remuneration for each director based on their duties, responsibilities, experience, and current market conditions. In addition, the Company has established a series of management measures as the basis for determining the compensation of senior management, which include the following four measures: the selection and appointment of management, performance appraisal of members of the management, remuneration management for members of the management and total salary.

In 2023, the Remuneration Committee held two meetings and passed one written resolution, and mainly reviewed the resolutions regarding the List of Incentive Recipients of the Initial Grant of the Share Appreciation Rights Scheme of the Company, the implementation of the remuneration of the senior management and the overall payroll of the Company for 2022 and reviewing of the management's performance targets for the operating results of 2023.

Nomination Committee

The Nomination Committee consists of one executive director and two independent non-executive directors: Mr. Luan Xiaowei (appointed on 30 January 2024), the executive director and the Chairman of the Nomination Committee, Mr. Lv Tingjie and Mr. Wang Qi. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, reviewing the structure, size and composition of the Board annually, identifying individuals suitably qualified to become Board members or senior management and selecting and nominate relevant individuals for directorships or senior officers, or making recommendations to the Board on the selection of individuals nominated for directorships or senior officers. The Nomination Committee will review the Board Diversity Policy annually to ensure its effectiveness, and the details of the board diversity policy has been set out under "Composition of the Board and Diversity Policy" of this section.

In 2023, the Nomination Committee passed four written resolutions, and mainly reviewed the resolutions regarding the recommendation of the appointments of executive directors, non-executive directors and executive vice presidents of the Company, and the review of the structure and composition of the Board. The Nomination Committee considered that the candidates possess extensive experience in multiple areas, including telecommunications industry, technology and management etc. Their expertise and knowledge in different areas are strongly complementary to each other and are conducive to the scientific decision-making of the Board. At the same time, they also have diverse characteristics in terms of gender, age, cultural and educational background, and length of services, which was in alignment with the Board's diversity policy, so Nomination Committee recommended nominating these candidates to serve as directors.

Non-Competition Undertaking Review Committee

The Non-competition Undertaking Review Committee consists of three independent non-executive directors: Mr. Lv Tingjie (Chairman), Mr. Siu Wai Keung, Francis and Mr. Wang Chunge. The Non-competition Undertaking Review Committee is mainly responsible for monitoring the implementation of the non-competition undertakings given by China Telecom to the Company.

In 2023, the Non-competition Undertaking Review Committee held two meetings, and mainly reviewed the implementation of the non-competition undertakings by China Telecom, and made their recommendations to the Board.

The Company has received a letter issued to the Company by China Telecom stating that they were not in breach of any non-competition undertakings in 2023. The letter has been reviewed by the Non-competition Undertaking Review Committee and the Board.

Right of First Refusal and Priority Right Committee

The Right of First Refusal and Priority Right Committee consists of three independent non-executive directors: Mr. Wang Chunge (Chairman), Mr. Siu Wai Keung, Francis and Mr. Wang Qi. The Right of First Refusal and Priority Right Committee is mainly responsible for monitoring the enforcement of the right of first refusal and priority right granted by China Telecom since the Company was listed and protecting the interests of independent shareholders when such right of first refusal or priority right is exercised. Meeting(s) are held when necessary according to the Right of First Refusal and Priority Right Committee Charter. In 2023, the Right of First Refusal and Priority Right Committee did not hold any meeting.

Independent Board Committee

Pursuant to the relevant requirements under the Listing Rules, a listed company shall establish an Independent Board Committee (which shall consist only of independent non-executive directors) to advise independent shareholders in relation to transactions that are subject to independent shareholder's approval (such as connected transactions) as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in the interests of the Company and its shareholders as a whole. In 2023, the Independent Board Committee did not hold any meeting.

SUPERVISORY COMMITTEE

The Company established a Supervisory Committee pursuant to the PRC Company Law. The Supervisory Committee consists of three female members: Ms. Huang Xudan (the chairperson), Ms. Cai Manli (an independent supervisor) and Ms. Liu Lian (the employee representative supervisor). Except for Ms. Huang Xudan, the term of service of the supervisors are three years, commencing from the AGM on 17 June 2022 approving the sixth session of the Supervisory Committee. The supervisors may serve consecutive terms if re-elected upon the expiry of their terms of service. The term of office of Ms. Huang Xudan commenced on 30 January 2024 (the date of the EGM approving her appointment until the expiration of the term of office of the sixth session of the Supervisory Committee. The Supervisory Committee is a standing supervisory institution of the Company and is accountable and reports to all the shareholders. The Supervisory Committee normally meets at least twice a year.

The primary duties of the Supervisory Committee are to supervise the financial activities of the Group, to review the financial statements and other financial information prepared and presented by the Board at the general meeting(s); to supervise the performance of duties of the directors and other senior management; to prevent them from abusing power; and to deal with the directors or to initiate legal actions against the directors on behalf of the Company. In 2023, the Supervisory Committee held 3 meetings, details of which are set out in the "Report of the Supervisory Committee" of this annual report.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company did not have any changes during 2023.

COMPANY SECRETARY

The Company Secretary, Mr. Chung Wai Cheung, Terence, is an employee of the Company and has appropriate understanding of the Company's business. The Company Secretary is responsible for supporting the daily operation of the Board and ensuring the compliance with the policies and procedures of the Board. All of the directors can access to opinions of the Company Secretary to ensure that the procedures of the Board conform to the applicable laws and regulations. The profile of the Company Secretary is set out in the section of "Profiles of Directors, Supervisors and Senior Management" in this annual report. The Company Secretary met the requirement on professional training under the Rule 3.29 of the Listing Rules in 2023.

REMUNERATION OF THE AUDITORS

The international and domestic auditors of the Company are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP, respectively. The remuneration (including VAT) received by the external auditors for the audit services and non-audit services provided to the Group during the year amounted to RMB31.81 million and RMB0.01 million respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements. The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, and therefore the directors continue to adopt the going concern approach in preparing financial statements.

The responsibility statement of PricewaterhouseCoopers, our external auditors, regarding its Independent Auditor's Report on the financial statements of the Group is set out on pages 159 to 164 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Internal Control System

The Board of Directors of the Company is fully responsible for establishing and maintaining an appropriate and effective risk management and internal control system to safeguard the investment of the shareholders and the assets of the Group. The Company has set up an internal control system and risk management mechanism in compliance with the COSO standards and defined management structure and its authority, which aims at ensuring the efficient utilization of the resources of the Company to achieve its business targets and safeguard its assets, with a view to preventing unauthorized utilization or disposal of the resources of the Company, securing appropriate accounting records to provide reliable financial evidence for internal use or external dissemination, so as to ensure that its operating activities are in compliance with relevant laws and rules. The above control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has a Code of Conduct for Employees to ensure ethical values and competency and it attaches great importance to the prevention of fraud risk and has established an internal reporting mechanism to encourage anonymous reporting of irregularities by the Company's employees, especially senior management. The Audit Committee has the power to make inquiries of the President and Chief Financial Officer of the Company regarding any fraud, whether material or not, involving management or other employees who play a significant role in the internal controls of the Company. For more information on the Company's anti-corruption initiatives, please refer to the "Environmental, Social and Governance Report" section of this annual report.

The Company attaches great importance to risk management in the course of its daily operation. With a decade of development since the listing, the Company has established a risk management culture appropriate to its business practices. The Company put in place a set of practicable risk management methods as well as a sound organization structure and management mechanism for risk management, which solidified risk management procedures, enhanced risk management efficiency and perfected its comprehensive risk management mechanism. In 2023, the Company took into account the requirements of Rule D.2 of the Corporate Governance Code of the Stock Exchange and continued to strengthen the identification, classification, assessment and control of risks, paid attention to environmental changes, strengthened green and energy-saving measures, innovation and transformation, and compliant operation. The Company actively shouldered social responsibilities, improved management efficiency, and monitored and tracked significant risks related to environmental, social, and governance, to promote its long-term sustainable development. No material risk issue was identified during the year. After strict identification, assessment and analysis of risks, the Company conducted assessments on the potential risks that the Company may be exposed to in 2024, such as market risks and financial risks, as well as the significant risks related to environmental, social and governance, and proposed practicable corresponding solutions. The Company formulated the annual risk management report which sets out the risk management work in 2023 and the assessment of material risks and the control plan for 2024. For details of the major risks of the Company, please refer to the "Report of the Directors" and "Environmental, Social and Governance Report" sections of this annual report.

Since its listing in 2006, the Company has formulated the internal control manual, internal control assessment rules and other systems based on the COSO internal control framework. Over the years, the Company has striven to improve the systems related to internal control and risk management in light of the changes in internal and external operating environments and business development requirements. In 2023, according to the internal and external regulatory requirements, as well as in response to the strategy of corporate transformation, the Company adapted to the changes in its operation management and policy environment and completed the revision of the internal control manual, and optimized and improved the internal control authority list. The Company has newly added internal control procedures related to environmental, social and governance as well as business practices on network information security management, overseas investment business, equity investment management and debt financing management. We revised the business processes for capital management, fixed asset management, contract management and procurement, and improved the management practices for safety production business, guarantee business management and assets rights management to ensure that the Company's internal control manual meets the management needs of the Company.

The Company has established an internal audit division, which is responsible for organizing the Company's daily risk management and internal control assessment and reporting to the Audit Committee and the Board of Directors to ensure that the Board and management maintain and operate a sound risk management and internal control system in accordance with established procedures and standards. In 2023, the Company further strengthened audit supervision, attached importance to the audit rectification and utilization of the results of audit, and continued to strengthen the construction of its audit team and centralized its audit resources in order to foster management improvement and prevent loopholes. The above work plays an important role in supporting the Board, the management and the risk management and internal control assessment.

The Company has formulated guidelines on information disclosure management to regulate the disclosure of the periodical result announcements, sensitive information and other important information of the Company and to make proper disclosure in accordance with the requirements of the Stock Exchange. The Company has established a progressive accountability, verification and reviewing system, to ensure the truthfulness, accuracy and timeliness of information disclosure. The Company will appoint external independent advisors, such as legal advisors, for reviewing and verifying when necessary. The Executive Vice President and the Company Secretary of the Company are responsible for coordinating and organizing information disclosure to ensure the compliance of the information disclosure. The Company Secretary is responsible for the daily management of information disclosure, including the disclosure of inside information. The Company also has the Office of the Board to assist in the detailed work regarding information disclosure.

In order to fulfill the requirements of the Stock Exchange, to ensure connected transactions are carried out according to the pricing policy or mechanism under the framework agreements and to regulate and enhance the management of connected transactions, the Company has formulated the "Administrative Measures of Connected Transactions of China Communications Services Corporation Limited". The Company enters into a connected transaction framework agreement with China Telecommunications Corporation and applies for the annual caps of connected transactions every three years. At the end of each year, the Company evaluates the connected transactions entered into in each province in the previous year. In order to ensure the compliance and effective operation of connected transactions on financial services with China Telecom Group Finance Co., Ltd., the Company has formulated the "Administrative Measures of Connected Transactions on Financial Services of China Communications Services Corporation Limited", through transaction verifying mechanism, daily monitoring mechanism, price checking mechanism and contingency planning mechanism, providing safeguards for the internal control of connected transactions on financial services, to ensure compliance with relevant regulatory requirements. The Company develops the monthly budget for deposit services, monitors the total amount of deposits of the provincial companies, and ensures that the caps of connected transactions is not exceeded. In addition, the risk identification and control targets for connected transactions formulated by the Company are set out in the internal control manual. A series of internal control procedures have been established in respect of the reporting and determination of the annual caps for connected transactions, signing and execution of contracts, reconciliation with connected parties, data verification, accounting, verification of information disclosure and information disclosure, and on-going improvements are made to the management process for connected transactions.

Annual Risk Management and Internal Control Assessment

The Company continues to focus on strengthening internal control and risk management and has sound internal control and management systems in place. The main internal control and risk management measures of the Company in 2023 are summarized as below:

In 2023, the internal audit division of the Company took the lead in organizing self-assessment for internal control within the whole Group. During the year, the Company continued its risk-oriented internal control self-assessment, which was organized from top to bottom and under a unified manner. With the changes in the Company's internal and external environments as well as the continuous expansion of its business scale, the Company increased its attention to comprehensive risk management. On the basis of its risk-oriented internal control self-assessment system and a comprehensive assessment, the Company identified the key areas and processes to focus on according to the major risks that might be faced by the Company during the year, included environmental, social and corporate governance (ESG) risks in the scope of the evaluation, and effectively and adaptively prepare the list of contents to be addressed for the self-assessment in the year, so as to accomplish a comprehensive and well-targeted inspection and assessment, which covered all of its subsidiaries.

The internal control self-assessment was conducted under the supervision of the Company's comprehensive risk management committee, with the President of the Company acting as its director. Leading by the internal audit division, it organized and coordinated the relevant departments of each risk issue to coordinate and assess their own risks, emphasizing the business departments playing a leading role in dealing with the risk management issues at source. The Company further promoted the effective combination between the self-assessment and daily operation management and ensured the effectiveness of the self-assessment work. The business departments were to decide on the persons responsible, exert themselves as the first line of defense of risk management, and instill the risk prevention awareness into all areas of the Company's operations, so as to enhance the effectiveness of their self-assessment efforts and promote the improvement of their management.

After the completion of the assessment, the Company focused on prevention of material risks, and reviewed and examined the design and implementation of its internal control and risk management systems. The Company also formulated practical and effective rectification measures in relation to defects identified during the self-assessment to ensure the effectiveness of the rectification, aiming to make ongoing improvements to the internal control system and process so that it could function better to prevent risks and contribute to good management practice. Meanwhile, in the subsequent internal audit, attention was paid to the effectiveness of the internal control for various businesses and inspection was made on assessment of internal control and rectification of defects, so as to ensure that the assessment is effective.

In 2023, the Company further improved its internal audit system and continued to promote the execution of the audit project plan and conduct comprehensive internal audits. The Company made independent and objective supervision and assessment of the operation activities and the appropriateness, compliance and effectiveness of its internal control, with an aim to enhance its operation and create more value for the Company, improve the processes for risk management, control and corporate governance and contribute to the fulfillment of its strategic goals. In light of the requirement on annual key risk control and the characteristics of its operation and management. The internal audit carried out during the year mainly included economic accountability audit, revenues and expenses audit and special audit on relevant matters, with a focus on income and cost accounting, cash management, and product distribution business management. Upon the request of the management of the Company and in light of the needs of relevant business departments, the internal audit division made use of the data from the audit and the audit outcomes to hold the audit joint meetings, so as to provide advice for the decision-making and operation and management activities of the Company.

In 2023, the Company continued to promote audit standardization and widely applied the standard audit plan to various special audits based on its audit informatization system. The Company utilized informatization audit measures to manage the audit projects and established an internal audit quality assessment system to conduct quality assessment so as to improve audit quality and achieve full audit coverage. In 2023, the Company completed not only the planned economic accountability audit, but also the revision of internal control manual and the special audit on the efficiency of internal control process, and promoted the implementation of strategic control to all levels of the Company.

The Board continued to monitor and supervise the risk management and internal control systems of the Company through the Audit Committee, and conducted an annual review on the risk management and internal control systems of the Company and its subsidiaries for the financial year ended 31 December 2023. The review covered all significant aspects of controls, including financial controls, operational controls and compliance controls. After receiving the report from the internal audit division as to the effectiveness of the relevant systems (including the environmental, social and governance related risk management and internal control systems) and the relevant confirmation from the management to the Board, the Board considered that the risk management and internal control systems of the Company were stable, healthy, proper, effective and adequate. The annual review also confirmed that the adequacy of resources, staff qualifications and experience, training programmes, and budget for the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's environmental, social and governance performance and reporting. The Company has satisfied the requirements under Rule D.2 of the Corporate Governance Code of the Stock Exchange regarding risk management and internal control.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is prepared pursuant to the Environmental, Social and Governance ("ESG") Reporting Guide (the "Guide") in Appendix C2 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report covered the period from 1 January 2023 to 31 December 2023. This report has complied with all the "comply or explain" provisions as set out in the Guide. We did not disclose certain key performance indicators which are required to be disclosed by the Stock Exchange but not directly related to the business of the Group or have minimal influence.

This report covered the data and cases from China Communications Services Corporation Limited and its subsidiaries. There is no significant change in the scope of this report from that of the 2022 ESG Report. For detailed information on the Company's governance structure, organizational structure, market of its services, and organizational scale, please refer to the Company's annual report for the year 2023.

PHILOSOPHY OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a leading service provider in the informatization sector in the PRC, the Group adheres to its position as a "New Generation Integrated Smart Service Provider" and commits to "Building Smart Society, Boosting Digital Economy, Serving a Good Life", providing integrated comprehensive smart solutions in the informatization and digitalization sectors.

Sustainable Development

The Group places a strong emphasis on the concept of scientific development, actively responds to the United Nations Sustainable Development Goals (SDGs) initiative and adheres to the sustainable development principle of "customer prioritization, efficient resources allocation, talent orientation, as well as responsibility and commitment". On the back of our fundamental missions of serving our customers, bringing returns to our shareholders, caring about our employees and giving back to society, we are committed to providing innovative, high-quality, efficient and secure integrated services including telecommunications infrastructure services, business process outsourcing services, applications, content and other services, while delivering value to our customers and the society, promoting healthy and sustainable development of itself, and aligning our corporate development with society and environment.

Customer Prioritization

Remaining customer-centric with a focus on their needs; ensuring the quality of our customers' products and delivery on the basis of high-quality products, solutions and services, ensuring prompt response to customer concerns, and continuously improving their satisfaction

Talent Orientation

Caring about the development of our employees in various aspects, striving to provide them with adequate space for development, a comprehensive training system, competitive salary and welfare packages and incentive mechanism while creating a safe and enjoyable working environment for them

Efficient Resources Allocation

Gradually improving the synergistic and professional operation of our internal resources to achieve eco-friendly and efficient utilisation of resources through scientific management and innovative application of new technologies; helping our partners achieve low-carbon and intelligent operation by leveraging the integration of new technologies and innovation

Responsibility and Commitment

Striving to give back to society by fulfilling our responsibilities as a state-owned enterprise in emergency rescue and disaster relief, etc., actively participating in projects for rural revitalization and improvement of people's livelihood, and encouraging our employees to actively participate in social welfare activities

Board Statement

The Board of Directors (the "Board") of China Communications Services Corporation Limited (the "Company") is the highest responsible and decision-making body for ESG governance and has overall responsibility for environmental, social and governance work. The Board meets annually to review and approve the publication of this report (including the review of the progress on ESG-related goals). The Company's management is authorized to be responsible for the implementation of specific ESG works of the Group (including stakeholders identification and communication). At the same time, the Board reviewed the potential risks and opportunities of ESG issues on the Company's overall strategy and the results of the materiality assessment of ESG issues.

The Audit Committee of the Board holds meetings twice a year to assist the Board in considering specific ESG work and is responsible for assisting the oversight of ESG issues and is continuously enhancing the requirements of internal control processes for ESG risk identification. The management of the Company formulates relevant internal control processes in accordance with the requirements of the Audit Committee of the Board to ensure the effective control of ESG risks by the Company's risk management and internal control system, and incorporates key ESG risks into the Company's comprehensive risk management system.

During the year, the Board and the Audit Committee listened to the Company's ESG work plan and relevant management initiatives, including energy consumption, green and low-carbon development, and other social responsibility issues such as disaster relief, production safety, staff training and anti-corruption. In addition, the Board and the Audit Committee were also briefed on the Company's work plan to address the new disclosure requirements on environmental, social and governance reporting under the Listing Rules of the Stock Exchange and the International Sustainability Standards Board (ISSB).

ESG Governance Structure

Board of Directors	– Responsible for the overall deployment and oversight of ESG work – Responsible for monitoring the progress against ESG-related targets – Responsible for assessing and determining the risks related to the Company
Management of the Company	– Implement the work arrangement of the Board – Manage the ESG Working Team – Review the ESG Report and submit it as an independent resolution to the Board for their consideration
ESG Working Team	– Promote and implement ESG tasks and follow up on the completion of ESG tasks in the subsidiaries at all levels – Responsible for ESG data collection and report preparation – Manage and monitor ESG-related issues and provide analysis, recommendations and updates for management discussion
Subsidiaries at All Levels	– Perform ESG tasks – Collect, collate and report ESG data and relevant information – Participate in the preparation of ESG Reports

Communication with Stakeholders

The Group pays attention to the common interests of stakeholders, including the government and regulatory authorities, shareholders and investors, employees, suppliers, customers and communities. It attaches great importance to the communication with them. Through announcements, regular reports, meetings, talks, visits, special communications and events, the Group collates and actively responds to the views and suggestions of all parties to promote innovation, coordination, green, openness and sharing in corporate development.

Stakeholders	Mechanism and Means of Communication	Expectations on the Company	Responses of the Company
Government and Regulatory Authorities	Meeting	Compliance with laws and regulations	Comply with laws and operate with integrity
	Reports or statements	Implement government regulatory requirements	Pay taxes in accordance with the laws and promote employment
	Report and visit	Promote the building of industrial ecosystem	Innovate smart products and services
Shareholders and Investors	Periodic reports, announcements	Asset preservation and appreciation	Operate in a stable manner and continuously create value for shareholders
	Special report, visit	Regulate corporate governance	Improve corporate governance and continuously enhance the internal control system
	Daily communication	Prevent operational risks	Protect the rights and interests of investors, especially small and medium-sized investors, in accordance with the laws
	Investor meeting	Regulate information disclosure	Disclose corporate information in strict accordance with the rules
Employees	Employee representative supervisors, employee representative meeting	Safeguard legal rights and interests	Regulate labour management
	Employee symposium with management	Achieve career development	Enhance staff training and open up career paths
	Employee survey	Participate in management	Improve income distribution and welfare protection mechanism
	Letter and visit	Staff caring	Care for the physical and mental health of staff and improve working conditions
Suppliers	Supplier selection and engagement	Integrity and self-discipline in procurement, clearly defined systems, rigorous processes and standardized operations	Improve the synergistic and compliant procurement management systems and separate the duty and function of supplier selection, procurement execution and monitoring
	Subcontract management	Clear needs and high transparency in management	Establish a supplier resource base, ensure supplier qualifications and service capabilities, provide necessary skills training and strengthen project-focused whole process management
	Green procurement	Implement green and eco-friendly concepts, reduce the damage and impact to the environment	Give priority to suppliers with environmental management system certificates and products that are in line with environmental protection standards. Disseminate the concept of environmental protection to suppliers and actively explore whole-process electronic procurement
Customers	Contract fulfilment	Cost-effective solutions (services, products)	Identify customer needs accurately and innovate smart products to meet their customized needs
	Visit, meeting and communication	Good service quality	Project reports, regular meetings, project visits, etc. for full life cycle business management
	Roadshow, exhibition	Efficient response	Respond to customer needs as soon as possible
Community	Community communication activity	Protect the environment	Energy saving, emission reduction and conservation of water and electricity
	Community building activity	Safeguard emergency communications	Actively engage in disaster relief and communications safeguard
	Public welfare activity	Care for the underprivileged groups	Carry out poverty alleviation work, help the disabled and the poor

Material Issues Identification and Assessment Process

With regard to the 12 types of ESG issues set out in the Guide, the Group took into consideration the characteristics of its business and the industry in which it operates to conduct investor meetings so as to understand the concerns of external stakeholders such as shareholders, investors and the capital market, and actively participated in questionnaire surveys conducted by ESG rating agencies to comprehensively analyse the concerns of stakeholders. At the same time, in combination with the Company's strategies, the Group interviewed its internal employees and conducted research on the issues related to sustainable development. Combining the results of internal and external analysis, it initially identified 21 issues.

Material Issues Assessment Process

- Research on policies and regulations
- Analysis of Company business
- Horizontal and vertical comparison with industry
- Analysis of external sentiments

↓

- Survey of external stakeholders
- Survey of internal stakeholders

↓

Identify material issues for the year

In order to gain a more in-depth and objective understanding of the ESG issues concerned by our stakeholders, during the period in which this report was prepared, we carried out materiality assessment of 21 ESG issues, with a total of more than 3,200 stakeholders participating in this assessment. Based on the results of the survey, 6 very material issues, 7 material issues and 8 relevant issues were ultimately identified.

The assessment results of this materiality analysis were reviewed and confirmed by the Board.

Material Issues Matrix

Very Material	Sustainability philosophy of the Company	Responding to climate change	Production safety	
	Performance and remuneration appraisal	Broadening the talent pool	Technological innovation	
Material	ESG governance and oversight of by the Board and management of the Company			
	Total greenhouse gas emissions	Product responsibility and customers	Supply chain management	
	ESG governance structure of the Company	Labour standards and welfare	Communications support for major events	
Relevant	Communication between the Company and stakeholders	Waste discharge	Employee development and training	Disaster relief
	Resource utilization	Employee care	Anti-corruption	Rural revitalization

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Climate change not only has profound impacts on the global ecosystem, but also brings significant impacts on the global economy. Carbon dioxide emission has been adopted as an important indicator by the PRC for the evaluation of an enterprise's production and operation performance, which presented new requirements for enterprises to adapt to climate change. The Group has realized the effects of risks and policies associated with climate change on its operations and has taken corresponding proactive measures to capitalize on the opportunities arising therefrom and cope with the challenges.

The Group actively researched on and discussed the pathways to address climate change and control greenhouse gas emissions, while formulating green and low-carbon development plans. It organised capacity building, technology research and publicity work to fight against climate change and endeavoured to improve its capability in environmental management, with a view to contributing to mitigate global warming.

Climate Risk Governance

To enhance its ability to respond to climate change, the Group has analysed and sorted out major climate-related issues that had and may have an impact on the Company and the action taken to managing climate change. It has also established targets and work plans for reducing emissions. The Company has also taken into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to advance its work on governance, strategy, risk management and targets to address climate change.

Governance

The Board is responsible for coordinating and overseeing the implementation of ESG targets and ESG actions, including climate risk governance and "Carbon Peak, Carbon Neutrality" ("Dual Carbon") planning. The ESG Working Team under the Board is responsible for carrying out ESG-related tasks, including climate risk assessment and energy-saving and emission reduction initiatives. Besides, the Group also set up a "Carbon Peak, Carbon Neutrality" management organization, with the President of the Company as the person in charge, which is responsible for work related to overall planning and management.

The Company formulated the "Implementation Rules of China Comservice for the Management of 'Carbon Peak, Carbon Neutrality' in 2023", which clarifies the "Dual Carbon" management indicators and specific implementation rules of the Group's subsidiaries, objectively evaluates the implementation and effectiveness of the various tasks, and promotes the effective completion of the "Dual Carbon" work. In addition, the Group sets annual energy-saving and emission-reduction budgetary targets for its provincial companies and strictly implements the assessment and reward and punishment mechanisms in relation to energy saving and emission reduction performance, which ensure the accomplishment of its annual energy-saving tasks.

Strategies

The Group realized the long-term and significant impact and risks posed by climate change to the enterprise. By analysing the potential impact of the risks, it identified strategies to deal with risks to avoid negative impact on business operations as far as possible. In addition, the Group prepared "the Dual Carbon Goals Rolling Development Plan" and "the Dual Carbon Action Plan" to actively seize the opportunities from climate change. Please refer to relevant sections in this report for relevant contents.

Type of Risk		Risk Description	Potential Major Financial Impacts	Preventive Strategy
Physical Risks	Acute risk: extreme weather such as typhoons and heavy rainfall	Increase in frequency and severity of extreme weather, such as heavy rainfall, which affects business development progress	Loss of revenue, higher operating costs	Implement emergency plans for natural disasters
	Chronic/long-term risk	Higher temperature in the future, increase in energy consumption	Increase in operating costs, including more energy consumption due to the need for more refrigeration equipment as a result of higher temperatures	Implement energy-saving and emission reduction measures Research and development for the application of more energy-efficient refrigeration technologies and equipment
Transition Risks	Technology risk	Low-carbon technology transformation leading to change of business scenarios	Increase in operating costs, stranded assets due to failure to adopt low-carbon technologies timely	Enhance R&D capabilities for low-carbon technology and commence relevant technology cooperation
	Market risk	Customer preference for low-carbon products and solutions based on climate related considerations	Loss of revenue and failure to effectively meet consumer demand for green and low-carbon products and solutions	Expand the industrial ecosystem to provide low-carbon products and solutions
	Regulatory compliance risk	Enforcement of stricter climate-related laws and regulations	Increase compliance costs	Form working groups to regularly follow up on legal and regulatory requirements

Risk Management

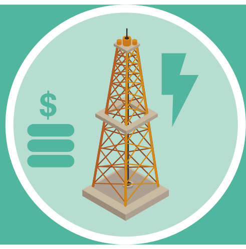
The Audit Committee of the Board is responsible for reviewing the assessment of the relevant risks and delegating authority to management to develop and implement the relevant systems. At the same time, climate change risks were included in the overall risk assessment and management system of the Company and internal control process related to the environmental, social and governance was improved to further strengthen the Company's risk management of ESG.

Metrics and Targets

The Group actively responds to the national strategy of "Dual Carbon" while persistently implementing the development philosophy of innovation, coordination, green, openness and sharing. It has formulated green and low-carbon plans and related implementation programs and continuously increased its R&D investment in emerging energy-saving technologies and new businesses, thereby creating a green ecosystem and making China Comservice more eco-friendly.

Targets during the Period of "Dual Carbon Goals Rolling Development Plan"

The growth rate of total energy consumption does not exceed that of business revenue



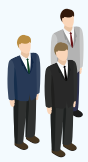
Electricity and fuel consumption per revenue of RMB10,000 remains on a reasonable decline

	2023	2022	Change
Energy consumption per revenue of RMB10,000 (kg of standard coal)	**10.96**	11.29	(2.9%)
Electricity consumption per revenue of RMB10,000 (kWh)	**19.07**	20.56	(7.3%)
Fuel consumption per revenue of RMB10,000 (L)	**5.69**	7.26	(21.6%)

Our Actions

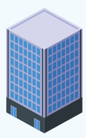
Action 1

The Group has set up a "Carbon Peak, Carbon Neutrality" management organization, with the President as the main person in charge and the Company's management working together to form the leading group. This three-tier working structure aims to promote the Group's green and low-carbon development.



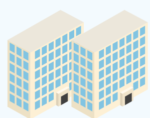
Leading Group

Directing the deployment of green development work and studying and making decisions on important issues in respect of "Dual Carbon"



Office of the Leading Group

Implementing the specific work and organizing the day-to-day work of the Group for the "Dual Carbon"

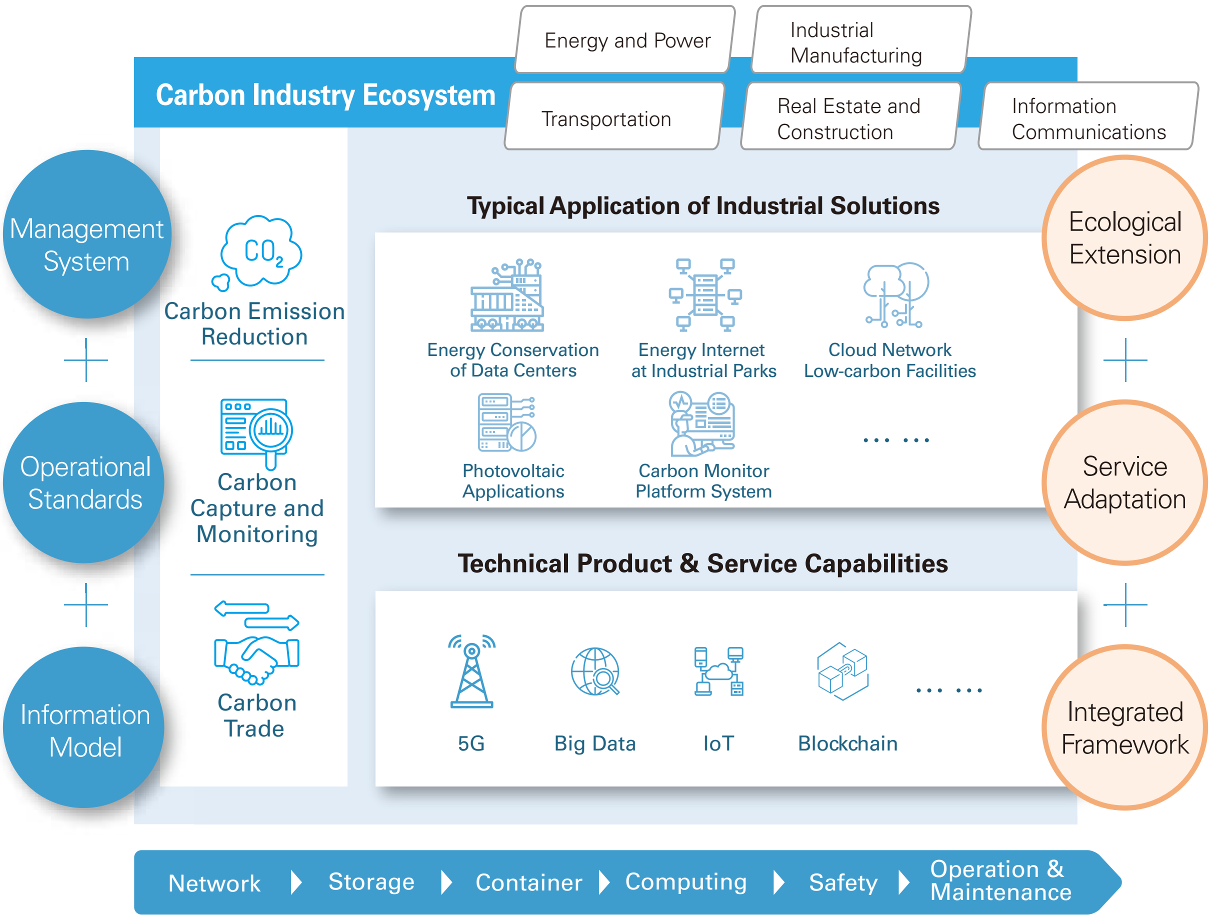


Subsidiaries at All Levels

Implementing the Group's "Dual Carbon" plans and objectives, promoting and undertaking "Dual Carbon" projects

Action 2

The Group prepared "the Dual Carbon Goals Rolling Development Plan for 2024–2026", and continuously promoted the "Research on the Peaks of Carbon Emission and Pathways to Carbon Peak". Leveraging the "Dual Carbon" mission, it improved the organizational system and rules for energy conservation and emission reduction, supported the construction of a binding incentive mechanism for energy conservation and emission reduction, and reduced total energy consumption. Focusing on the areas such as energy and power, industrial manufacturing, transportation, real estate and construction, and information and communications as well as three major business sectors which included carbon management, carbon emission reduction and carbon removal, the Group strived to promote carbon reduction in society.



Talent Training to Address Climate Change

1. Building up the Talent Team of Dual carbon Experts

The Group's subsidiaries focus on dual carbon business, strengthen the construction of talent teams, actively build platforms, organize personnel to participate in dual carbon training and certification, and cultivate a number of dual carbon experts.

– Zhejiang company, a subsidiary of the Group, organized 41 employees to participate in Dual Carbon training, passed the "Carbon Peak and Carbon Neutrality Industry Talent Job Competency Certification" of the Ministry of Industry and Information Technology and obtained relevant certificates.

2. Building Training Centers and Developing Training Products

The Group uses its affiliated training branches as an incubator to develop a dual carbon training center and integrate the strength of expert think tanks inside and outside the Group, and continues to carry out special training on dual carbon operation management, carbon asset management, and green and low-carbon new technologies and models using a combination of online and offline methods.

– Guangxi Technology Training Branch, a subsidiary of the Group, undertook dual carbon management and business empowerment training, and hired influential professors, doctoral supervisors and industry experts in the domestic dual carbon field to give special courses on low-carbon development of smart cities, energy conservation and carbon reduction in the power industry, green development empowered by digital intelligent integration, carbon market and other aspects.

3. Participating in Dual Carbon Seminars and Exchange Meetings

– The Group organized special seminars for leading cadres of its affiliated enterprises at all levels, and invited academicians of relevant disciplines of the Chinese Academy of Engineering, well-known experts and scholars from the Ministry of Ecology and Environment and think tanks, and leaders of central enterprises, local state-owned enterprises and private enterprises to give lectures. The Group also organized seminar courses focusing on the green and low-carbon transformation of enterprises, low-carbon recycling industry system construction, energy conservation, carbon reduction, efficiency improvement and technology application, carbon emission management mechanism and green finance.

– Shanghai Posts and Telecommunications Designing Consulting Institute Co., Ltd., a subsidiary of the Group, participated in major strategic consulting and research projects led by several academicians of the Chinese Academy of Engineering. It was responsible for researching the key influencing factors of carbon emissions in China's digital industry and sub-regional development trends. The relevant research results are available for two-way sharing with the Environmental Planning Institute of the Ministry of Ecology and Environment, Tsinghua University and other research institutions to open up the "enterprise-academic-research" channel, and effectively accelerate the transformation of technological achievements in areas such as dual carbon digital monitoring and intelligent prediction. In addition, as the only communications enterprise participating in the research, the Group has provided positive value in many aspects such as industry development, building talent echelons, and creating an ecosystem.

The WSIS Champion Project of the World Summit on the Information Society

"The Blue Sky Guard System" of China International Telecommunication Construction Corporation, a subsidiary of the Group, as a project representative in the field of environmental protection, stood out from 762 projects worldwide and won the WSIS Champion Project at the World Summit on the Information Society (WSIS), co-hosted by United Nations Educational, Scientific and Cultural Organization, the United Nations Development Programme, and the International Telecommunication Union. "The Blue Sky Guard System", which aims to establish an automatic monitoring system for straw burning to reduce air pollution, is closely related to the WSIS action line "E-environment", and will promote cooperation between information and communications technologies and the environment, among other areas.

Establishment of "Joint Laboratory for Zero Carbon Information and Communications Network"

China International Telecommunication Construction Corporation, a subsidiary of the Group, established the "Joint Laboratory for Zero Carbon Information and Communications Network" in collaboration with several institutions such as Tsinghua University and Chongqing University. Through the combination of strengths of laboratory members, the Group realized synergies and empowerment to jointly carry out "dual carbon" cutting-edge, forward-looking and professional industry-university-research cooperation. Adhering to the strategy of serving the dual carbon 3060 goals, the Group strives to achieve the goal of "building zero-carbon information communications network, empowering dual carbon green development."

Zero Carbon Development Alliance

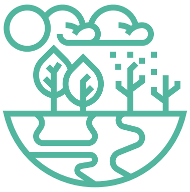
"Zero Carbon Development Alliance" is jointly launched by 25 entities including the subsidiaries of the Group, China International Telecommunication Construction Corporation and China Comservice Supply Chain Co., Ltd., as well as China Quality Certification Centre and Beijing Internet Exchange Center of the Ministry of Industry and Information Technology. Through the collaborative development of alliance members, with the vision of co-creation, co-sharing and co-construction, and the core of standard co-construction and business interconnection, we promoted ecological civilization and carbon neutrality business development.

Digital Carbon Neutrality White Paper

The Group's subsidiary, China Information Consulting & Designing Institute Co., Ltd., composed the "Digital Carbon Neutrality White Paper", focusing on the two-way in-depth integration of digital transformation and green and low-carbon transformation. Based on the strategic thinking of digital carbon neutrality and innovation drive, we comprehensively analyzed digital carbon neutrality trends and connotations, and built the overall pathway and structure of digital carbon neutrality. We also established digital carbon neutrality application models in key industries and fields, put forward digital carbon neutrality promotion strategies and suggestions, and constantly promoted digital carbon neutrality to move into deeper and wider areas, continuously accelerated the digital, green and high-level coordinated development, thereby contributing to the green and low-carbon, as well as high-quality development of the economy and society.

National Key R&D Program

Fujian Post & Telecom Planning & Designing Institute Co., Ltd., a subsidiary of the Group, participated in the national key research and development program "Research on Key Measurement Technologies and Standards for Quality Control of Carbon Emission Monitoring Data", jointly researched on the topic of "Research on the Application of New Technologies such as Blockchain in Carbon Emission Monitoring" with the China Academy of Information and Communications Technology, studied how to solve the practical issues such as unification of terminal standards for obtaining carbon emission data and diversification of industrial agreements.



Use of Technology to Seize Opportunities from Climate Change

In managing the risks of climate change, the Group has leveraged its unique advantages to increase the application of new technologies such as 5G, cloud computing, the Internet of Things ("IoT"), big data, blockchain and AI. While promoting upgrade and carbon reduction of energy-intensive industries, it developed a series of energy-saving technologies and products, which allows it to seize the energy-saving and carbon reduction opportunities in climate change.

Continuous Investment in R&D of Green Technology

With the rapid development of 5G, cloud computing, IoT, big data, blockchain, AI and other technologies, the scale of communications base stations and data centers has rapidly expanded, resulting in the continuous increase of power consumption. By fully leveraging its internal R&D synergies, the Group focuses on key technologies and intensifies technological innovation while strengthening cooperation with operators to give full play to its differentiated advantages, actively contributing to the green and low-carbon development of the communications industry.

The Group has developed its own 5G base station smart energy-saving system, 5G base station AI energy-saving technology, 5G base station energy control intelligent shutdown technology, evaporative cooling module multi coupling heat pipe refrigeration mainframe, energy-saving integrated cabinet, photovoltaic energy storage and power backup system, distributed intelligent power supply system, server room AI group control and other energy-saving technologies and products, and accumulated mature planning, design and construction experience in energy saving and emission reduction, which has been promoted across the country. Through providing information and communications technologies and services in various industries, the Group has also actively assisted in the digitalization, intelligentization and green development of government, energy, transportation, education, finance and other sectors, realizing green coexistence.

Successful Cases of Green Technology Application

Hangzhou Big Data Center Park

Huaxin Consulting Co., Ltd., a subsidiary of the Group, undertook the Hangzhou Big Data Center Park EPC General Contracting Project for an operator. Adhering to the national "Dual Carbon" strategy, through energy-saving buildings, HVAC, electricity savings, water conservation, intelligent operation and maintenance, the project deploys new environmental protection systems such as centralized power supply, photovoltaic power generation and rainwater recycling, and applies "natural cooling", "high water-temperature server room", "indirect evaporative cooling system", "inter-column air conditioning" and "closed hot aisle", thus the average annual PUE value is lower than 1.25, achieving the goal of low carbon emission. In the future, the project will also adopt new advanced technologies such as "heat pipe backplane, heat pipe multi coupling" and "liquid cooling system", which will further reduce the PUE value to below 1.2 and lower the operating costs.

The project is equipped with two platforms, namely the smart park and DCIM system, which realize the application of intelligent scenarios from AI intelligent security to energy consumption management, and enhance the level of intelligent operation and management. The "visible, manageable and controllable" operation and management can effectively improve the business efficiency and reduce the operation cost during the life cycle.

Biodiversity Digital Monitoring Platform

In response to the national biodiversity conservation strategy, China Information Consulting & Designing Institute Co., Ltd., a subsidiary of the Group, explored the in-depth integration of digital villages and digital biodiversity conservation, and created the "Rural Biodiversity Conservation Platform (Digital Application Platform)", which comprised core functions such as ecological monitoring, ecological industry and public participation.

– The ecological monitoring segment serves the needs of digital monitoring and governance of rural biodiversity, including monitoring of biological species and their living environment, monitoring equipment, event alarms and patrol and enforcement.

– The ecological industry segment supports the sustainable development of the ecological industry, building an open ecological resource sharing platform for local ecological industry and economic development through digital means, and providing services for social enterprises, local residents and other groups, so as to create a demonstration and benchmark in the rural areas that "lucid waters and lush mountains are invaluable assets".

– The public participation segment is a public welfare module for science popularization, experience and participation for the public, providing online activities such as live streaming (cloud viewing) and online learning (cloud classroom), as well as offline activities such as nature experience, nature protection, ecological events and AI identification, which allows the public to truly experience and participate in biodiversity conservation work.

Natural Disaster Monitoring and Early Warning Platform

Based on GIS geographic information technology, IoT, big data, artificial intelligence, digital twin and other technical means, the Natural Disaster Monitoring and Early Warning Platform of the Group's subsidiary, CCS Hexin Technology Co., Ltd., focuses on the actual scenario of the monitoring and early warning for flood control, flood and drought, covering business entities in "three defense", and provides basic application support, data support, model support and other application. The Platform enhances the ability of all-elements-integrated monitoring, comprehensive risk assessment, forecasting and early warning, intelligent situation analysis as well as command and rescue of natural disasters.

Risk Monitoring and Early Warning System for the Production Safety of Tailings Ponds

CCS Hexin Technology Co., Ltd., a subsidiary of the Group, focusing on the major safety risks of tailings ponds, collects and assesses the basic data, dynamic sensing data and three-dimensional models of tailings ponds in a province and then uses the data analysis model to conduct comparative analysis and hierarchical early warning. In accordance with the level of early warning, it urges the enterprises to find out the reasons and investigate the risks and hidden dangers as soon as possible so as to realize the closed-loop management of safety risks.

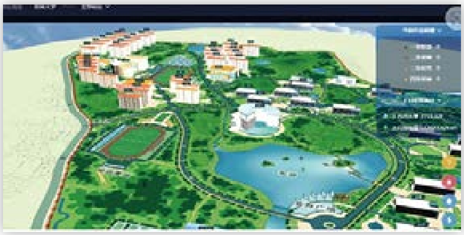
A disaster simulation model is established according to the tailings pond capacity, as well as geology, hydrology and other natural environment factors, in combination with real-time meteorological and geological data, so as to simulate the dynamic display of the consequences of dam breakage accidents, and release early warnings of possible risk of dam breakage in a timely manner, effectively improving the ability to prevent and control the disaster risks in tailings ponds and the ability to prevent and resolve the major safety risks in tailings ponds.

Al Shuaibah Photovoltaic Project in Saudi Arabia

Zhejiang Post Telecommunication Construction Co., Ltd., a subsidiary of the Group, undertook all the construction and installation projects of the 600MW photovoltaic field, temporary roads throughout the field, temporary facilities for the construction unit and fire-fighting installations in the 2.6GW Al Shuaibah Photovoltaic Project in Saudi Arabia. The project is a renewable energy power plant project in Saudi Arabia, adopting the world's most advanced N-type bifacial photovoltaic modules and flat single-axis auto-tracking type racking, which was the largest single photovoltaic power plant project under construction in the Middle East and North Africa region at that time. The project will maximise the use of localised components, provide 3,000 local jobs and reduce carbon emissions by approximately 3.12 million tonnes per annum.

Green Campus IoT Energy Consumption Big Data Platform

The "Green Campus IoT Energy Consumption Big Data Platform" developed by Zhejiang Post Telecommunication Construction Co., Ltd., a subsidiary of the Group, is a comprehensive energy consumption monitoring and management platform that helps reduce campus carbon emissions continuously. The platform creates rich IoT scenarios, including electricity consumption monitoring, water consumption monitoring, smart streetlights, smart air conditioning, water supply and drainage pressure monitoring, air quality monitoring, oil and smoke monitoring, water quality monitoring, etc., which allow users to understand the campus energy consumption in real time. The energy consumption management function has been optimized and improved according to user requirements, realizing multi-dimensional (meter dimension, building dimension, organizational structure dimension) equipment management, energy consumption management, electricity and water usage balancing management, and capacity management functions.



Promote Green Operations

The Group is an informatization communications service provider. In the course of providing services to customers, the Group has always strictly complied with various laws and regulations on environmental protection and emissions, including the PRC Environmental Protection Law and the PRC Energy Conservation Law. It has actively controlled pollutant and greenhouse gas emissions, sewage discharge and the disposal of solid and hazardous waste. The Group has actively responded to the national call to reduce the impact of its operations on the environment.

Energy Consumption

In 2023, the total energy consumption of the Group was approximately 162,000 tonnes of standard coal, with an energy consumption per revenue of RMB10,000 at 10.96 kg of standard coal (2022: approximately 159,000 tonnes of standard coal, with an energy consumption per revenue of RMB10,000 at 11.29 kg of standard coal).

According to the energy report of the Group, the total emission of greenhouse gases generated from energy consumption of the Group in 2023 as accounted pursuant to the Greenhouse Gas Protocol was approximately 448,500 tonnes (2022: approximately 442,900 tonnes).

Greenhouse Gas Emissions (10,000 tonnes)	=	Direct Emissions (Scope 1) (10,000 tonnes)	+	Indirect Emissions (Scope 2) (10,000 tonnes)
2023: 44.85		**2023: 25.79**		**2023: 19.06**
2022: 44.29		2022: 24.83		2022: 19.46

Notes:

1. Scope 1 direct greenhouse gas emissions include greenhouse gas emissions from the consumption of natural gas, coal, gasoline and diesel.
2. Scope 2 indirect greenhouse gas emissions include greenhouse gas emissions from the purchase of electricity and heating.
3. Total greenhouse gas emissions are the sum of Scope 1 direct greenhouse gas emissions and Scope 2 indirect greenhouse gas emissions.

Direct/Indirect Energies by Type

Electricity (GWh)	Gasoline (Million L)	Diesel (Million L)	Natural Gas (Million standard cubic meters)
2023: 283.41	**2023: 84.49**	**2023: 20.61***	**2023: 9.14**
2022: 289.32	2022: 87.17	2022: 14.99	2022: 8.75

Notes:

* Some subsidiaries of the Group have improved their energy statistics standards and optimized the fuel statistics data caliber, resulting in a larger increase in total diesel consumption.

Waste Discharge

The Group strictly follows the PRC Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes and other laws and regulations regarding waste disposal and utilisation, and carries out waste disposal in accordance with regulatory requirements. Some of the provincial companies and professional companies of the Group have engaged property management firms for waste disposal.

Daily Garbage[1]
(10,000 tonnes)

2023: 2.61[2]
2022: 1.68

Sewage Emissions[1]
(10,000 tonnes)

2023: 80.88
2022: 93.24

Notes:

1. The Group is an asset-light enterprise, its solid wastes are mainly daily garbage, and the sewage it discharges is mainly daily sewage.

2. A few subsidiaries of the Group have experienced a considerable increase in the overall discharge of household waste due to adjustments in the accounting and collection methods of waste disposal fees by local authorities.

Resource Utilisation

In terms of the use of packaging materials, the Group operates in the informatization communications service industry, and is mainly engaged in design, construction, supervision, maintenance and other services. Therefore, there is no significant usage of packaging materials in its production and operation process.

As for water consumption, the Group's water supply is provided by the owner or property manager of the office building. The Group attaches great importance to the reasonable and efficient usage of water resources in the normal course of business. It strives to promote and advocate water conservation through public promotion on a daily basis and the installation of water-saving taps, which allows it to further intensify the management of water resource utilisation and reduce unnecessary consumption of water resources. In 2023, the Group's total water consumption was approximately 4.59 million tonnes (2022: approximately 4.60 million tonnes).

In respect of office paper usage, the Group adheres to the principle of economical use and tolerates no waste to strictly control the use of office paper. In addition, the Group actively enhances its online office capabilities, continuously improves its service quality with informatization means, and extensively promotes the use of cloud-based office applications such as paperless conference systems and online conference systems. In 2023, the increase in the Group's bidding projects led to an increase in total office paper consumption, which was approximately 1,521 tonnes (2022: approximately 1,135 tonnes).

Protecting the Ecological Environment in Project Construction

The Group complies with relevant environmental laws and regulations, and other relevant requirements in its business operations. It reduces construction waste and natural resource consumption, and requires its subsidiaries to understand the environmental characteristic and needs of the regions where they operate, and establish and implement environmental management strategies in line with the requirements. More than 60% professional companies of the Group have obtained relevant certifications, including 130 professional companies with ISO 9001 certification and 91 professional companies with ISO 14001 certification. Besides, Jiangsu Telecom Real Estate Management Co., Ltd., a subsidiary of the Group, has obtained ISO 50001 energy management system certification. They are committed to managing and reducing the environmental impact in the business activities.

Land Conservation
Strictly abide by national laws and regulations, effectively protect arable land, and orderly implement treatment and restoration work such as site closure, rehabilitation and greening to achieve sustainable use of land resources

Equipment Pollution
Give priority to equipment that is free of noise, electromagnetic radiation and pollutant emissions

Construction Impacts
Avoid mineral deposits, forests, grasslands, wildlife, natural relics, human relics, natural reserves, scenic spots and other areas when conducting field survey for communications lines and avoid changing the neighbouring environment when laying optical fibre cables as far as possible

Electromagnetic Radiation
Actively adopt advanced technical means to refine the layout of base stations and ensure that the electromagnetic radiation indicators meet the national standards; monitor and assess the electromagnetic environment around base stations; strictly control the quality of equipment connecting to the network to exercise strict control at source

Green Office

The Group constantly improves its organizational system, management system and work process for energy saving and emission reduction through multiple measures, so as to effectively reduce energy consumption. Campaigns like Energy-saving Promotion Week and National Low-carbon Day are actively carried out by the Group to continuously raise the energy-saving and environmental-protection awareness of its staff. Energy conservation slogans are put up in venues such as public areas inside the buildings and conference rooms. The Group transformed the office environment through technological innovation to help save energy in operations, and launched energy-saving renovation of office buildings, replacement of old air-conditioners, and construction of distributed photovoltaic power generation systems in accordance with the actual situation in suitable provinces and in a planned manner.

Improve Online Office Capabilities	The Group makes full use of cloud conferencing and cloud investigation and research and other methods to enhance online office efficiency
Strengthen Power Saving Management for Lighting	The Group continues to enhance its daily electricity saving measures and adopts energy-saving lamps in all offices, meeting rooms and other premises to reduce the electricity consumption of lighting equipment
Enhance Energy Consumption Management for Vehicles, Promote Green Travel	The Group strictly controls the formation and scale of the fleet of business vehicles to reduce the energy consumption, and it has implemented a "one vehicle, one card" refuelling system in an effort to reduce total fuel consumption. With the use of GPS systems for precise positioning, it aims to reduce the energy consumption of vehicles. It also advocates green travel among employees

Eco-friendly Recycling

Several professional companies of the Group collect returned network equipment, inefficient equipment with high-energy consumption and other inefficient assets from telecommunications operators for recycling and disposal via a green auction platform. By introducing the reverse integrated asset disposal model of "dismantling, transportation, storage and sale", a closed-loop ecological chain of environmentally-friendly asset disposal, starting from the source of scrap materials till the auction and delivery of assets, has been developed, which not only realizes eco-friendly disposal of waste and obsolete products, but also achieves effective utilisation of resources.

The Group will actively establish and improve a long-term mechanism for resource conservation, improve energy efficiency, develop a circular economy and fulfil its corporate environmental responsibility.

China Comservice Supply Chain Co., Ltd.

China Comservice Supply Chain Co., Ltd. ("Supply Chain Company"), a subsidiary of the Group, owns six subsidiaries including Zhongjie Telecommunications Co., Ltd., Shanghai Tongmao International Supply Chain Management Company Ltd., Zhejiang Zhongtong Communications Co., Ltd., Jiangsu Zhong Bo Communications Co., Ltd., Fujian Zhongtong Communication Logistics Co., Ltd. and Hubei Xintong Communication Ltd. These subsidiaries engaged in the auction business and disposed of cables, batteries, telecommunications equipment, terminals, air-conditioners, vehicles and office equipment for a total of RMB880 million in 2023. Since 2009, they have disposed of assets with a total amount of nearly RMB7 billion.

Based on the nature of the waste and obsolete materials from customers, Supply Chain Company has established a green auction support system, which integrates the recycling, transportation, sorting, storage and disposal of such materials to solve the problems including long asset disposal cycle, various safety hazards and high storage costs for customers. The company has also compiled a whole process integrated plan to meet customers' needs for the whole process management and control from asset scrapping to material delivery.

- **Zhejiang Zhongtong Communications Co., Ltd.**

Since 2009, it has engaged in the recycling, storage and disposal of scrap materials for operators and built its own disposal platform for waste and obsolete products. The company has over 1,600 high-quality recycling partners and a business presence in 31 provinces, municipalities and autonomous regions across China. It disposes of communications assets, office supplies and engineering materials for customers including telecommunications operators, such as China Telecom, China Mobile and China Tower. It also offers integrated assets disposal services for asset owners which include asset valuation, qualification examination and online auction services.

- **Shanghai Tongmao International Supply Chain Management Company Ltd.**

The green auction support system of Shanghai Tongmao formed a mature reverse integrated asset disposal model by integrating the recycling, transportation, sorting, storage and disposal of scrap materials. The whole process fully covers from the source of scrap materials after they are generated, all the way to the disposal, delivery and settlement of scrap assets. Currently, the auction platform has nearly 350 recycling enterprises with various types of materials and various qualifications, which can cover the disposal needs of operators for scrap materials. Apart from improving the disposal efficiency of asset units, it can also avoid the environmental risks arising from scrap materials and fulfils the environmental responsibilities of waste-producing units.

HUMAN RESOURCES MANAGEMENT

Employment

The Group had approximately 80,000 employees as at 31 December 2023. We are committed to ensuring equal development opportunities for both genders, and protecting and enhancing the rights and interests of female employees. Our employees are located primarily in the PRC with some of them located in other regions around the world such as Southeast Asia, the Middle East and Africa. Our employees are divided into contract employees, dispatched employees, part-time employees and other employees.

Total Number of Employees

2023: 80,372

2022: 83,808

Indicator	2023	2022
By type (No. of employees)		
Contract employees	**77,998**	80,549
Dispatched employees	**2,161**	3,009
Part-time employees	**38**	59
Others	**175**	191
By region		
Mainland China	**96.6%**	98.7%
Hong Kong, Macao, Taiwan and overseas	**3.4%**	1.3%

Total number of newly hired employees
2023: 3,806
2022: 4,861

Total number of resigned employees
2023: 5,003
2022: 8,328

Proportion of resigned male employees
2023: 72.8%
2022: 70.6%

Proportion of resigned female employees
2023: 27.2%
2022: 29.4%

2023 Employee Turnover Rate

aged 30 and under	aged 31-40	aged 41-50	aged 51 or above	male employees	female employees
1.9%	2.5%	1.3%	0.5%	4.8%	1.4%

In Mainland China: 6.2%

In Hong Kong, Macao, Taiwan and overseas: <0.1%

Employee Structure (Contract + Dispatched Employees)

■ 2023 ■ 2022

By gender

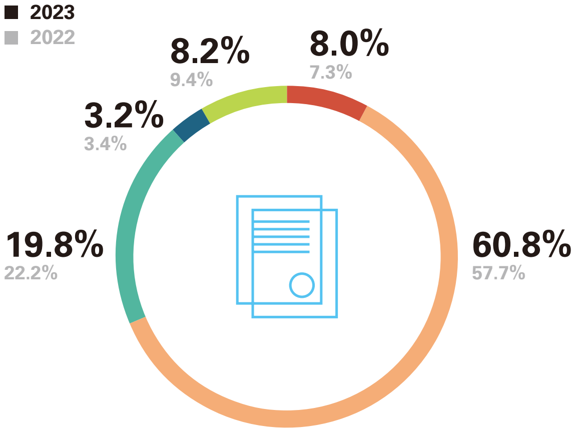
	2023	2022
male	73.3%	73.0%
female	26.7%	27.0%

By age

	2023	2022
aged 30 and under	12.6%	13.4%
aged 31-40	35.9%	38.0%
aged 41-50	35.3%	33.3%
aged 51 or above	16.2%	15.3%

By education level

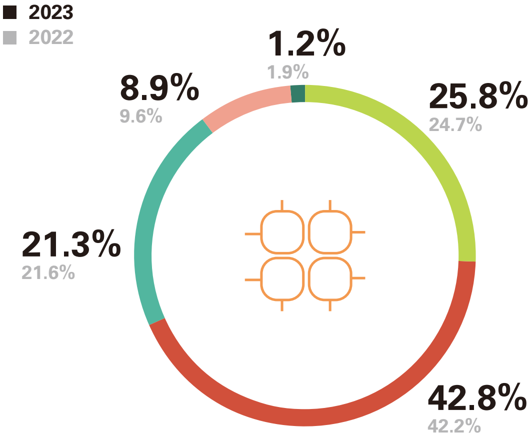
■ 2023
■ 2022



- Post-graduate or above
- University graduate
- College graduate
- Technical school graduate
- High school graduate or below

By nature

■ 2023
■ 2022



- Administration and management
- Telecommunications infrastructure services
- Business process outsourcing services
- Applications, content and other services
- Others

Contract Employees

■ 2023 ■ 2022

	2023	2022
joining the trade union	100%	100%
female management	1.4%	1.5%
employees of ethnic minority	4.2%	2.8%

Broadening the Talent Pool

As a state-owned enterprise, the Group undertakes an important social responsibility of stabilizing employment situation and provides a large number of job opportunities in the market every year. In addition, we take into consideration the characteristics of communications infrastructure construction projects, i.e. strong cyclicality with a large demand for temporary labour, and encourage our upstream and downstream partners to conduct flexible recruitment during the installation of communications cables and equipment based on actual business needs. Through which, we create a large number of job opportunities in the market, which plays an important role in building up our own talent pool and addressing the employment needs of fresh college graduates.

The Group organized a series of college recruitment activities

To further improve the market-oriented operational mechanism and deepen the innovation of the human resources system and mechanism, the Group has been pushing forward the reform of the human resources, labour, and allocation systems in 2023. It established an employment mechanism based on position management with contract management as the core, with a focus on key business areas. It has also introduced high-tech, highly skilled, and high-quality talent, maintained control over the total number of employees, optimized the workforce structure, improved the effectiveness of career mobility mechanism, enhanced the overall quality of staff, and boosted labor productivity continuously.

Remuneration and Performance Appraisal Management

The Group regards employees as an important resource of the enterprise and attaches significance to the protection of their interests. In accordance with the principle of "performance-oriented, internally equitable and externally competitive", it optimises the remuneration distribution system which links closely with its enterprise value and individual performance. It formulates and implements the "Guidance on Performance-related Pay for Heads of Professional Companies and Municipal Companies under Provincial Subsidiaries of China Comservice". It insists on adopting a remuneration system that favours employees with outstanding contributions and those working in crucial and front-line positions of hardship and danger to support first-class talents in delivering first-class performance for first-class remuneration, so that employees who worked more would be paid more.

We are committed to the career development of our employees and offer dual promotion paths for them: "promotion for management functions" and "promotion for technical expertise." We implement a system that links our employees' remuneration and promotion to their work experience, capabilities, and performance, which encourages them to be proactive. Staff promotion follows the principles of fairness, justice, openness and transparency, and fully respects employees' right to choose, right to know and right of supervision.

The Group actively supported the implementation of the position-based bonus incentive scheme for state-owned technology-based enterprises in 47 technology-based enterprises under the Group, which aimed to promote a close linkage between the remuneration of technological talents and their innovation ability and contribution. This allows employees to share the fruits of corporate development and stimulates the vitality of the organization and staff. The Group pays social insurance and housing fund for its employees in strict accordance with relevant national policies. It establishes an enterprise annuity system to protect the basic rights and interests of employees.

In order to deepen the reform of the incentive and restraint mechanism and establish a sound medium and long-term incentive system, the Group has implemented share appreciation rights incentive scheme to drive the mutual coordination and promotion of shareholders' interests, the Company's interests and the interests of incentive recipients. As a result, the interests of core employees in key positions are closely aligned with the Company's operating performance, which motivates their enthusiasm.

The Group provides the Provincial Company Leaders' Performance Evaluation Indicator System and Scoring Measures every year to ensure the full implementation of the Company's development objectives and tasks for the year. By closely coordinating the budget, appraisal, and resource allocation, the Group gives full play to motivating and guiding roles of performance evaluation, motivates business units at all levels to further develop strategic businesses, and promotes the steady improvement of the Company's value and capability.

The Group's headquarters publishes employee performance appraisal methods based on different appraisal indicators each year and conducts annual performance appraisals for employees at all levels to give full play to the value-orientation and strategic execution of the performance management system, promoting the employees to enhance their efficiency, and mobilize their motivation and creativity.

Labor Standards and Welfare

Compliance with the Laws in the Use of Labor

The Group has always complied with laws and regulations on dismissal, working hours and anti-discrimination. Our employees are entitled to national holidays. The Group strictly abides by and implements the laws and regulations in relation to labor employment and protection of labor's rights and interests, including the PRC Labor Law, the PRC Labor Contract Law and the PRC Trade Union Law. Pursuant to which, the Group protects the labor rights and interests, democracy and spiritual and cultural rights and interests of its employees.

- It strengthens labor employment management in a lawful and standard manner, ensures the entering into labor contracts with contract employees and makes contributions to the social insurance.

- In line with employment standards, it provides standardized labor contracts by category to clarify the rights and obligations of both parties, so that there are rules and laws for the management of labor relations to follow.

- It sets up standards for the dispatching contracts entered into with the labor dispatching units, inspects and supervises the signing of labor contracts between the labor dispatching units and dispatched employees, makes contributions to the social insurance and protects the rights and interests of the dispatched employees.

Diversity and Equal Opportunities

The Group provides multi-channel and diversified recruitment methods to bring in various types of outstanding talents. The Group adheres to the employment policies of gender equality and equal pay for equal work, provides equal employment opportunities in the recruitment and promotion of employees, does not discriminate against workers on the basis of their ethnicity, race, gender, age, geographic location, marital and child-bearing status, and physical conditions, and offers posts suitable for disabled persons with regard to their personal characteristics. The Group also protects the privacy of employees in accordance with the law, and implements a system of paid leave for employees.

Prohibition of Using Child Labor

The Group strictly implements the relevant requirements of the Provisions on the Prohibition of Using Child Labor, strictly manages the staff recruitment process, specifies the age requirements for candidates and prohibits the use of child labor and prevents the use of forced labor in accordance with the law. There were no incidents of child labor and forced labor in 2023.

Safeguarding Democratic Rights and Interests

The Group respects and supports the freedom of employees to join labor unions and other organisations in accordance with the law, continuously improves the organizational structure of the labor union, clarifies the division of responsibilities, and strives to leverage the role and value of the labor union in promoting business development. We also continuously expand democratic management channels, improve democratic management systems, adopt diversified methods to ensure staff representatives participate in enterprise democratic management, encourage employees to provide suggestions and fully guarantee their rights of information, participation, expression, and supervision. We continuously enhance the standard and capability of enterprise democratic management, safeguard democratic rights and interests, and promote the healthy development of the Company. Meanwhile, in order to further promote the institutionalisation and standardisation of the employee representative meeting, give full play to the role of the employee representative meeting in developing harmonious labor relations and safeguarding the democratic rights of the employees. The Group formulated the Provisional Rules for the Administration of the Employee Representative Meeting of the Provincial Companies of China Comservice in accordance with the PRC Company Law, the PRC Trade Union Law, the PRC Labor Contract Law, and the Regulations on Workers' Congress of Industrial Enterprises Owned by the Whole People and other laws and regulations.

The Group organises youth symposiums to encourage young employees to contribute their ideas

Safeguarding the Rights and Interests of Female Employees

The Group is highly concerned about and values the care for female employees and strengthens the protection of their legal rights and interests, enhances female employees' qualities and contributions, offers support of rights protection, strictly implements the protection of female employees during the "four periods" (menstruation, pregnancy, childbirth and breastfeeding), and cares and comforts "single mothers" and menopausal female employees. At the same time, enterprises at all levels are urged to protect the legal rights and interests of female employees and widely collect reasonable suggestions from female employees.

The Group formulated and published the Guiding Opinions on Further Strengthening the Work of Female Employees in China Comservice, and implemented the PRC Law on the Protection of Women's Rights and Interests, the Outline of Women's Development in China (2021–2030), the Special Provisions on the Labor Protection of Female Employees, the Regulations on the Work of Female Workers' Committee in the Trade Unions and other laws and regulations. It also safeguarded the collective interests of female employees, improved the mechanisms for the education and motivation of female employees, the system for cultivation and selection of female leaders and managers, and improved the mechanisms for labor protection, occupational health, social security, as well as the assistance and relief for female employees. Furthermore, the Group launched the "N+1" care and concern activities for female employees in phases, such as signing a collective contract for female employees, adding a special health check-up for female employees, purchasing an additional insurance policy for female employees, organizing a special health seminar for female employees, forming a team for female employees' cultural and sports activities, setting up a forum for emotional exchange among female employees, and setting up a system of care and concern for the whole working cycle of female employees, so as to realize, protect and develop the fundamental interests of the majority of female employees to the greatest extent.

Welfare System

The Group's welfare system includes corporate annuity, supplementary medical care, holiday benefits, various allowances, health check-ups, staff cafeteria, staff dormitories, paid annual leave, comfortable office environment, reasonable work rhythm, rich online learning, diversified cultural and recreational activities and so forth.

Development and Training

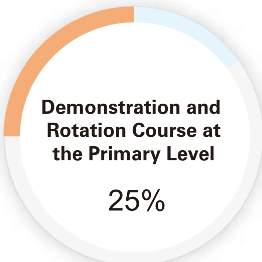
The Group attaches great importance to staff training. Currently, it has established a three-tier training system covering the headquarters, provincial companies and professional companies. By fully leveraging the resource advantage of the training centers under the Company, it strives to build a hierarchical, classified, synergistic and efficient training system to promote the building of a learning-oriented organization.

Headquarters	Responsible for providing training for leaders of provincial companies, management reserve of provincial companies, and experts talents from each business line, as well as a variety of professional business lines training led by the headquarters
Provincial Companies	Responsible for providing training for leaders of professional companies, middle management of provincial companies and all kinds of professional lines in the province, and assisting the headquarters in organizing and training for all kinds of professional lines
Professional Companies	Responsible for conducting all kinds of daily skill improvement training for employees under management

In 2023, the Group formulated and issued the "China Comservice 2023 Training Work Plan". It made synergistic and efficient use of resources from the colleges and training centers under the Company, led by the key mission of promoting high-quality development of the Company, and concentrated on the key tasks for the year. With a focus on building up three teams, namely leading cadres, expert talents and key employees at the base level, it coordinated the training camps for improvement of various management and professional capacities, and continuously optimized the training management system, course development system and online training system, so as to provide talent and capability support for the innovation and transformation of the Company.

In the context of the main tracks and new challenges of the Group in the new era, and towards the requirements of high-quality development of the Company, we are committed to promoting the awareness enhancement, knowledge re-construction and mindset re-creation of the management reserve in each provincial company, so as to build a double-engine management reserve team of "Entrepreneurial Leaders" and "Technical Talents"

Focus on creating a high-quality talent ecology, with the goals of expanding perspectives and enhancing capabilities, and take various training camps and action learning as the vehicle to train for practice, combine training with practice, and devote efforts to cultivate a team of professional backbone talents on each line



We pay attention to the capability enhancement and development aspirations of the core backbone employees at the frontline, and organize various comprehensive ability and professional skills training courses for frontline employees on 5G key technologies and industry applications, project management, marketing, etc., so as to build a frontline employee team with core competitiveness and cohesion

The Group actively conducted various training activities to provide talent and capability support for the innovation and transformation of the Company

China Comservice 2023 Data Center Integrated Delivery Skills Competition for Training for Backbone Employees

The training lasted two and a half days, and was carried out in the form of offline on-site lectures, live lectures, and online recorded courses. The training included topics such as data center air-conditioning design, data center power supply design, data center EPC general contracting project management, data center equipment construction management, data center safety management, data center operation and maintenance management, data center development trend and policy interpretation, and data center full-process consultation.

China Comservice 2023 Capability Enhancement Training for the Marketing in the Industries of Non-operator Market

With the goal of promoting the high-quality development of the Group’s non-operator business, the training adopted a combination of theory, practice and output to lead trainees to immerse themselves in the learning of strategies for non-operator’s business, benchmark cases and other course contents, unify the Group’s marketing language and the thinking in marketing management, and build a professional marketing team for non-operator businesses.

China Comservice 2023 Rule of Law Training

In order to implement the requirements of the Group's conference on deepening the rule of law and strengthening compliance management, the Group carried out training focusing on the construction engineering and subcontracting management, compliance management of state-owned enterprises, contract management, handling of dispute cases, digital transformation of legal work, and the interpretation of corporate strategies, non-operator market, and financial policies and other key contents.

China Comservice 2023 Enterprise Strategic Planning and Enterprise Reform Work Training

For the relevant staff of subsidiaries under the Group responsible for comprehensive planning, enterprise reform and digital transformation, the Group disseminated its strategic planning and enterprise reform, digital transformation planning, digital industry research results and other contents through a combination of online and offline methods.



Total Training Expense
(RMB million)

2023: 171
2022: 127

Total Number of Trainings

2023: 692,353
2022: 794,926

Total Training Hours
(Hour)

2023: 14,338,150
2022: 48,920,547

Per Capita Training Expense
(RMB/person-time)

2023: 246
2022: 160

Per Capita Training Hours
(Hour/person-time)

2023: 21
2022: 62

* Due to the impact of the Covid-19, the Group's training in 2022 was mainly online, and more staff could participate online, therefore the total training hours and total attendances in 2022 were higher, but the overall expenses were lower. In 2023, the Group's training was mainly offline, therefore the total attendances were lower, and the total expenses increased.

Indicator	Unit	2023	2022
Types of Training			
Production safety training	No. of trainings	**4,702**	6,057
	Person-time	**199,901**	216,922
Anti-corruption and integrity promotion training and activities	No. of trainings	**1,426**	1,886
	Person-time	**46,322**	59,348
Operation management training	No. of trainings	**2,256**	2,980
	Person-time	**42,587**	70,191
Technical expertise training	No. of trainings	**13,261**	13,207
	Person-time	**232,598**	262,166
Other training	No. of trainings	**5,730**	6,069
	Person-time	**170,945**	186,299
Training by Position/Gender			
Senior management	Ratio	**2.2%**	2.6%
Middle management	Ratio	**36.2%**	35.8%
General employees	Ratio	**61.6%**	61.6%
Male employees	Ratio	**73.9%**	72.1%
Female employees	Ratio	**26.1%**	27.9%
Average Training Hours by Position/Gender			
Senior management	Hour/person-time	**56**	93
Middle management	Hour/person-time	**25**	39
General employees	Hour/person-time	**16**	72
Male employees	Hour/person-time	**20**	59
Female employees	Hour/person-time	**24**	69

OPERATION MANAGEMENT

Health and Safety

The Group proactively complies with the national laws and regulations, and resolutely implements the PRC Labor Law, the PRC Work Safety Law, the PRC Fire Protection Law, the Administrative Regulations on the Work Safety of Construction Projects and the requirements of the relevant industry regulations.

The Group fully implements the overall philosophy of national safety and persists in the principle of coordinating the two major principles of high-quality development and high-level safety. Through the full implementation of the system of responsibility for production safety for all employees, strengthening the standardization of production safety, consistently improving the management system of production safety, continuously carrying out production safety education and training, and establishing the dual prevention mechanism of tiered risk management and control as well as the investigation and management of hidden dangers, the regular production safety supervision and inspection and the periodic emergency rescue drills, etc., the Group ensured the effective implementation of production safety by promoting all work in an orderly manner in accordance with the law.

Meanwhile, the Group has continuously adjusted and optimized its approach in managing subcontractors, strengthened the safety management of business outsourcing and subcontracting units in an all-round way, and strictly controlled the key aspects such as enterprise qualification review, personnel information collection, entry approval of safety conditions, safety education and training, on-site behavior supervision, management of non-compliant behavior, and dynamic judgement of entry and exit, so as to firmly safeguard the bottom line of safety development, and steadily push forward the transformation of the enterprise's safety governance mode into a pre-prevention mode, prevent and curb the occurrence of major safety production accidents, ensure the health and safety of employees, and proactively create a safe environment conducive to the development of the enterprise.

Safety Management System

The Group's Production Safety Committee is a production safety management body, with the President of the Company as its director. Each of the subordinate provincial companies has set up a production safety committee to implement production safety responsibilities and regularly hold production safety committee meetings to discuss and make decisions on material matters related to production safety. By refining the duties and responsibilities of the organization and increasing the number of experts, the level of safety management is continuously enhanced.

Safe Construction

In order to ensure the safe production of communications construction projects, according to the requirements of relevant laws and regulations such as the PRC Work Safety Law and the Administrative Regulations on the Work Safety of Construction Projects, the principal responsible persons, project responsible persons and full-time safety production management personnel, etc. of all communications construction enterprises under the Group have passed the assessment of safety production knowledge and management ability organized by the local information and communications administration, and 100% of them are certified to work.

The Group attaches importance to and makes every effort to safeguard the funding for production safety, and requires all its subsidiaries to reserve special production safety funds in accordance with the regulations for, among others, improving working conditions, improving safety facilities, updating labor protection equipment, conducting education and training, and strengthening safety inspections, so as to provide financial support for the smooth implementation of production safety.

In 2023, the Group formulated and implemented the "Safety Management Strengthening Year" action plan, carried out 55 safety production inspections throughout the year, and investigated and rectified 145 potential safety hazards, with a rectification completion rate of 100%; organized provincial companies to carry out safety production inspections 1,461 times, and investigated and rectified 5,125 hidden dangers, with a completion rate of 100%. The Group's headquarters and its provincial companies organized 2,765 fire evacuation drills, various warehouses organized 1,499 fire fighting and evacuation drills, and front-line construction teams organized 4,951 emergency rescue drills for production safety accidents.

Occupational Health, Safety Production and Environment Management

Based on the strategic goal of continuously building the general contracting capability in recent years, the Group formulated the Guidelines for the Management of General Contracting Projects of China Communications Services Corporation Limited, in which it made specific requirements for occupational health, safety production and environment management (HSE management) of its companies at all levels in undertaking general contracting projects:

1. Clearly define objectives and responsibilities and continuously improve the HSE management system, standardize the occupational health, safety production and environmental management of general contracting projects, so as to minimize the danger to the project construction, the harm to the society and the damage to the environment.

2. According to the project scale, deploy full-time or part-time safety management personnel, who are responsible for the organization and coordination of occupational health, safety production and environmental management under the leadership of the project manager.

3. Carry out occupational health hazard identification and risk assessment, formulate project occupational health management plan, establish occupational health examination system, carry out monitoring and measurement, dynamically identify potential hazard sources and emergencies, and take countermeasures to prevent and reduce injuries.

4. Formulate the Measures for the Administration of Project Safety Production or similar documents, and establish and improve the safety management system; strictly implement the responsibility system for safe production; set up a dedicated safety organization and strengthen the organization and leadership of safety production.

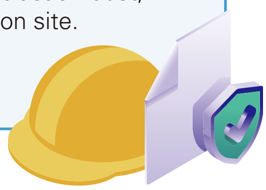
5. Carry out hazard identification and risk assessment, formulate safety management plan, implement safety guarantee measures to ensure safety. Strictly implement the investigation and management system of hidden dangers of production safety accidents, discover and eliminate hidden dangers and accidents in a timely manner, and record the investigation and management of hidden dangers and accidents.

6. Carry out safety production education and training regularly, and project managers, safety management personnel, special operations personnel, etc. shall hold certificates according to regulations.

7. According to the relevant regulations of the PRC, industry, local governments and enterprises, establish necessary safety records to prove the effectiveness of safety management, including safety management ledger, safety meeting minutes, rectification notice, safety production inspection records, purchase and distribution records of labor protection accessories and other original records, etc.

8. Implement the safety disclosure system, and disclose the hazard sources and the preventive measures, safety operation requirements, safety matters that should be paid attention to in cross-operation of various specialties level-by-level before construction, with signatures obtained up to the level of the workers (including suppliers and subcontractors).

9. According to the approved environmental impact assessment documents of construction projects, prepare the project environmental protection plan, identify important environmental factors, formulate environmental management target indicators and management schemes, and effectively control and manage important environmental factors such as construction dust, noise pollution, sewage discharge, solid waste discharge and fire on the construction site.



Dual Prevention Working Mechanism

According to the relevant requirements of the PRC Work Safety Law and on the basis of the Regulations on Tiered Management and Control of Safety Risks of China Communications Services Corporation Limited, the Group formulated the Regulations on Investigation and Management of Potential Safety Hazards of China Communications Services Corporation Limited in 2023, and initially established a dual prevention working mechanism for enterprise safety production.

The Group divides the safety risk level into four tiers: major risk, greater risk, general risk and low risk. It also stipulates that all kinds of risks should be managed and controlled from five aspects: engineering and technical measures, management measures, training and education measures, individual protection measures and emergency response measures. The Group conducts list-based management around the tiered risk management and control contents under 33 specific scenarios, such as construction operations, production and business premises and special equipment.

In 2023, in combination with the relevant requirement the "2023 Special Action for Investigation and Remediation of Major Hidden Dangers", the Group organized provincial companies to carry out investigation and remediation of hidden dangers for all employees around five scenarios: office building, engineering construction, maintenance business and customer service center, warehouse and other business premises, with major hidden dangers investigated and rectified, and a rectification completion rate of 100%. In 2023, the Company carried out a special inspection and rectification of production safety hazards throughout the Group and conducted a special safety hazard inspection of owned properties and leased properties to identify and rectify production safety risks and potential hazards in a timely manner to prevent accidents from occurring at source.

Building a Culture of Safety

Conducting Education and Training on Production Safety

The Group insists on carrying out production safety education and training for all employees by different categories, so as to enhance the safety awareness of all employees. In 2023, the Group organized all employees to study the Administrative Measures for the China Comservice Production Safety Management, invited internal and external safety production experts to train safety production management personnel and project managers at all levels on the specialized subdivisions of construction operation safety, and organized a series of publicity and education activities such as "Safety Production Month", "Fire Safety Month" and "Telecom Fire Safety Publicity Month".

Production Safety Training

2023	4,702	199,901
	No. of trainings	Person-times

The Group revised the Guide for Safe Construction of Information and Communications Engineering (ISBN 978-7–115-61752-1), summarized the excellent experience of safe production in the field of communications construction, and promoted the experience of safe production in the field of communications construction to the front line by training all subcontractors level-by-level.

The Group actively organized provincial companies to participate in the first "Construction Safety Cup", the communications construction enterprise safety production knowledge competition. All 63 enterprises affiliated to the Group with the first-class qualification of communications engineering construction general contracting signed up for the competition (accounting for 39% of the total participating enterprises), with a total of 5,228 applicants (accounting for 51% of the total number of participants), and achieved good competition results in the final.

Valuing Expert Talents

The Group formulated the Management Measures for Invited Experts of Production Safety of China Comservice, and engaged several external experts to give full play to their technological supporting role. These experts created synergy with the Group's expert talents, thereby enhancing the Group's education and training as well as the supervision and management capabilities in respect of production safety.

Safeguarding the Occupational Health of Employees

The Group always values the occupational health management of its employees, strictly complies with the Law of the PRC on the Prevention and Control of Occupational Diseases and other relevant laws and regulations, provides occupational safety and protective equipment that meets the national occupational health standards and requirements, and ensures the occupational health of all employees. In order to enhance health and safety management, the Group has introduced internationally recognized occupational health and safety management system certification. As at the end of 2023, more than 110 subsidiaries of the Group have obtained the international OHSAS 18001 certification, ISO 45001 certification or relevant domestic certifications, etc.

The Group has established and implemented an accident reporting system and prepared statistics on a quarterly basis. During 2023, the Group did not have any material production safety responsibility accidents, and for the past three years (including the reporting year), there were no responsible work-related fatalities or serious injuries to employees*, and no working days were lost due to work-related injuries.

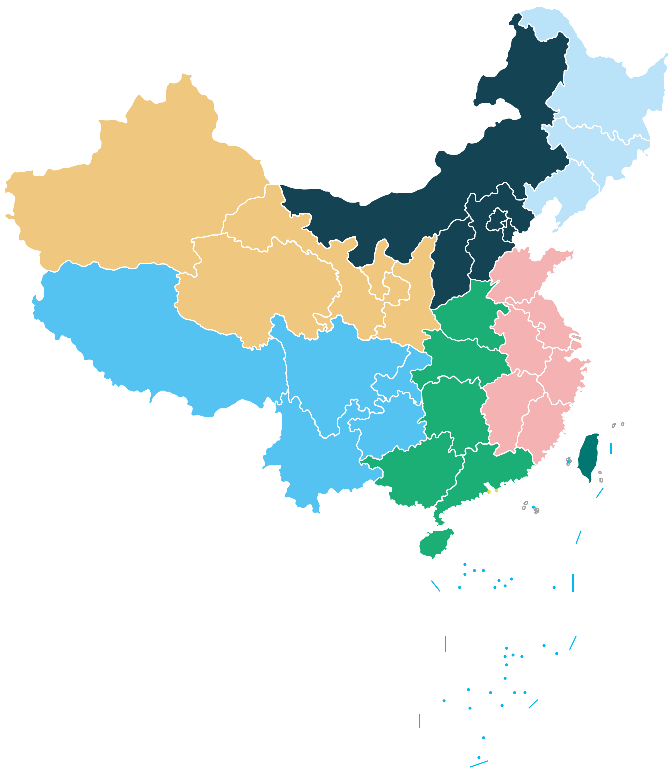
* The scope of the data covers current contract employees, which is counted based on the scope of responsibility for production safety, including those production safety incidents for which the Group has direct responsibility or management responsibility.

Supply Chain Management

In compliance with relevant laws and regulations of the PRC, such as the PRC Civil Code, the Bidding Law of the PRC, the Regulation on the Implementation of the Bidding Law of the PRC, the Measures for the Administration of Bidding for Communications Engineering Construction Projects, the Management Measures for the Determination, Investigation and Handling of Breaches of the Laws on Contract Issuing and Contracting of Construction Projects, the Administrative Measures for General Contracting of Housing Construction and Municipal Infrastructure Projects, and the Opinions of the General Office of the State Council on Promoting the Sustainable and Healthy Development of the Construction Industry, the Group takes into account the actual situation of the enterprise to continuously improve the relevant administrative methods on procurement and strengthens their implementation, with a focus on the management and control over key procedures of, among others, the selection and management of suppliers, contract signing, safety management, financial settlement, supervision and inspection. At the same time, it provides trainings on job skills and safety education to the personnel of suppliers, and regulates their management on production safety, ensuring that the suppliers comply with the national and local regulations on the payment of remuneration and labor management.

Geographic Location	Number of service suppliers	Number of goods suppliers
Northeast region	261	144
Northwest region	1,480	1,012
Mid-South region	2,164	2,140
Southwest region	1,152	1,628
Northern China region	915	961
Eastern China region	3,563	4,418
Hong Kong, Macao and Taiwan	0	2
Overseas	48	4
Total	9,583	10,309

Note: Each supplier is counted only once according to the area of principal use; some suppliers supplying services and goods at the same time are counted separately on both sides.



Develop a Fair and Equitable Supply Chain Environment

The Group implements hierarchical management of suppliers by its headquarters, provincial companies and professional companies. The headquarters is responsible for establishing a synergistic procurement system, formulating procurement management strategies and IT-based management requirements, and supervising, inspecting and assessing the procurement management of provincial companies. Provincial companies are responsible for establishing their own provincial procurement management system, carrying out the synergistic management of suppliers in the province through the IT system, formulating the implementation rules for procurement management and improving the corresponding internal control processes, and conducting inspection and assessment of the procurement situation of professional companies. Professional companies are responsible for the specific implementation of procurement management in their own units, formulating management standards or specific measures, and accepting supervision and inspection by the headquarters and provincial companies.

Supply Chain Management Model

Organizational System

- Adapting to the Company's organizational structure and establishing the system of "three-level procurement and two-level centralized procurement"
- Leveraging the Group's subsidiary, China Comservice Supply Chain Co., Ltd., to implement centralized procurement
- Establishing "headquarters + 21 provincial companies" centralized procurement center

Scope & Plan

- Headquarters-level centralized procurement, provincial-level centralized procurement, professional company procurement
- Classifying procurement types based on business development model, professional nature and other factors

Procurement Method

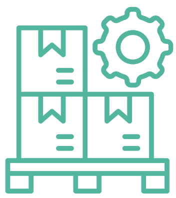
- Procurement methods include tendering, comparison, quotations, competitive bargaining, competitive negotiation, competitive bidding, single-source procurement, etc.
- Implementing procurement according to the content and amount, taking into account both efficiency and effectiveness, to ensure the maximum transparency of procurement

Contract & Price

- Formulating and utilizing standardized contract texts and adopting electronic approval throughout the process
- Establishing and implementing an "annual benchmark price" management system to control procurement costs reasonably

Supervision

- Comprehensively using "the China Comservice procurement management platform" to conduct procurement work
- Ensuring procurement data is comprehensive, timely, true and valid
- Improving the review and assessment mechanism to carry out supervision level-by-level



Targeting the principal business activities and key issues of supply chain management, the Group formulated relevant procurement supply chain management systems such as the China Communications Services Corporation Limited Procurement Management Measures (Self-use Category), China Communications Services Corporation Limited Procurement Management Measures (Contracting Business Services Category), China Communications Services Corporation Limited Centralized Procurement Management Measures and China Communications Services Corporation Limited Procurement Supplier Management Measures to ensure the achievement of procurement objectives, enhance the enterprise's ability to acquire and integrate external resources, and improve the efficiency and service level of the supply chain operation, thus fostering a green cooperation ecosystem of "integrity, efficiency, quality, stability and reliability".

Supplier Database Management

The unified information system is used to achieve hierarchical management of the supplier database. After the completion of procurement activities, the procurement execution department will submit an application for entry into the database, and the procurement centralized management department will conduct an audit. For suppliers who are no longer cooperating at the end of the cooperation period, should exit according to requirements and together with those included in the negative list, they will be removed from the supplier database.

Supplier Post-evaluation

The post-evaluation is divided into regular post-evaluation, annual post-evaluation and overall post-evaluation, and the post-evaluation results are aggregated by using a unified information system to ensure that the comprehensive performance of suppliers is reflected objectively. The post-evaluation results of suppliers are used as an important reference basis for all phases of procurement and cooperation.

Supplier Rating, Rewards and Penalty

Suppliers are rated and rewarded or penalized according to their post-evaluation and contribution level to determine their strategic value to the Company. Through rating, an effective competition mechanism of "survival of the fittest" is realized to aggregate high-quality suppliers. There are four ratings: A (preferred), B (eligible), C (reserve) and D (eliminated).

In 2023, a total of 12,356 suppliers were rated, of which A, B, C and D ratings accounted for 69.3%, 28.5%, 2.0% and 0.2% respectively.

Supplier Negative List

Specify the management standards of the suppliers' negative list at different levels, and prohibit cooperation within the corresponding scope if there are any behaviors listed in the negative list, and ensure the implementation through the unified information system.

Integrity **Efficiency** **Quality** **Stability** **Reliability**

Supplier Communication

The Group fully implements the China Communications Services Corporation Limited Procurement Supplier Management Measures. In order to facilitate suppliers and potential suppliers to accurately understand the Group's relevant policies on supplier management, we proactively disclose such measures in the public through "China Comservice Procurement and Tendering Portal" (https://szyc.chinaccs.cn/).

Controllable Supply Chain Risk

Through continuous amendments and improvement on the system, the Group drives the implementation of the system and further improves management, implementation and monitoring and inspection capabilities. It strictly follows the supplier selection and examination procedures to eliminate the disqualified suppliers, to ensure that all suppliers enlisted in the "supplier resource pool" have materials to prove they possess adequate capabilities to perform the contract and control the risks. Such materials include enterprise qualifications issued by relevant government departments (the construction enterprise qualification, the design qualification, the labor qualification and the production safety permit), product standards and competence certificates recognized by the industry (product certificates and the service capability evaluation), professional qualification certificates of relevant personnel (certificates related to special operations, and certificates of safe production specialists of A, B and C classes). The Group instructs suppliers to improve their awareness of production safety, eliminates hidden risks and hazards and promotes the healthy development of the Company through a range of activities such as establishment of IT systems and standardization of management processes.

Pre-job Training	– Daily safety and technical briefings for construction operations – Unified drills
Working with Certificates	– Climbing, electricity-related and other high-risk work scenarios require the appropriate certificates
Purchase of Insurance	– No insurance, no entry – Work-related injury insurance, with additional commercial insurance for construction business
Labor Protection	– Pay the production safety fee in full and ensure the usage – Central purchase of labor protective equipment with reliable quality
Safety Supervision	– Complete on-site supervision by project manager – High frequency of safety inspection

When the Group enters into contracts with suppliers, the Group includes the Confidentiality Agreement, Production Safety Agreement, Anti-Corruption Agreement and Environmental Protection Agreement as the main annexures to the contracts, monitors the relevant situations through proactive audit activities to ensure the contracts are honored during cooperation, and performs procedures such as termination of cooperation, withdrawal or inclusion in the list of negative suppliers in accordance with the regulations for suppliers who have committed relevant risky acts.

Green Procurement

The Group has incorporated "green and environmental friendly" as one of the principles in its procurement system, practiced the concept of green procurement, and taken into account the requirements of environmental protection at the beginning of raising the procurement needs, committing to work with the upstream and downstream of the supply chain to reduce the damage and impact on the environment.

Preference for Suppliers with Environmental Management System Certification	In centralized procurement, the presence or absence of the environmental management system certification (ISO 14001) is one of the scoring criteria for suppliers.
Preference for Products that Meet Environmental Protection Standards	In the centralized procurement of goods, specific environmental protection clauses are set as one of the main technical requirements in the technical specifications, and the implementation standard is "Requirements of Concentration Limits for Certain Restricted Substances in Electrical and Electronic Products" (GT/T 26572-2011), etc. Bidders are required to present their RoHS inspection reports.
Conveying Environmental Protection Concepts to Suppliers	The Group's subsidiaries are explicitly required in the system to strengthen the dissemination of environmental protection concepts to suppliers; for service suppliers, the "Environmental Protection Agreement" is included as one of the main annexures to the contract and their implementation of environmental protection responsibilities is strictly monitored; specific requirements are made for the packaging of goods in the centralized procurement of goods to prevent unnecessary excessive packaging.
Disciplinary Action Against Suppliers who Neglect Environmental Protection	Suppliers who cause environmental pollution incidents can be withdrawn from the system and disqualified from cooperation according to the system. During the year, no supplier was withdrawn accordingly.
Actively Exploring the Whole Procurement Process through Electronic Means	The Group put into operation of its "China Comservice Procurement Management Platform", covering many modules such as procurement and tendering portal, procurement system, bidding system and e-mall, to promote the whole procurement process to be accessed online and minimize carbon emissions from paper use and personnel travel.

Integrity and Self-discipline in Procurement

In accordance with the provisions of the Group's procurement-related system, before the commencement of a procurement project, all personnel involved are required to sign a "Commitment of Integrity and Self-discipline" to remind them to perform their duties objectively and impartially and to serve as a basis for accountabilities afterwards. During the year, the Group conducted an inspection and verified the supplier enterprises, and included 108 relevant enterprises into the negative list of suppliers at the headquarters level in order to prevent the occurrence of integrity risks.

The Company's Commitment of Integrity and Self-discipline includes commitments to abide by relevant national laws and regulations, abide by various regulations on work integrity, abide by company rules and regulations, ensure objective and fair performance of duties without favoritism and malpractice, and eliminate all kinds of unhealthy practices and corruption, among which special agreements are made for abiding by professional ethics:

- Do not accept gifts, gratuities, securities or any other benefits from bidders or other interested parties.
- Do not ask for any benefits such as money or materials from bidders or other interested parties in any form.
- Do not have expenses, which should be paid by individuals, reimbursed by bidders or other interested parties.
- Do not participate in entertainment, banquets, travel and other activities organized by bidders or other interested parties.
- Do not ask bidders or other interested parties to provide convenience for personal business or family-run enterprises.
- Strictly abide by other regulations related to work integrity.

Labor Rights Protection by Suppliers

The Group pays great attention to the protection of the rights and interests of the labor of its suppliers. In the process of cooperation with suppliers during procurement, we ensure that the wages and remuneration packages provided by suppliers are reasonable, wages are paid in a timely manner and all labor rights and interests are enforced through prior review, inspection during the process and assessment afterwards. We urge service suppliers to strictly abide by the PRC Labor Contract Law and other laws and regulations. According to the China Communications Services Corporation Limited Procurement Management Measures (Contracting Business Services Category), suppliers must submit the list of personnel participating in the project, personnel social insurance and labor contracts, technical management personnel professional titles, education and special operation qualification certificates, employer liability insurance or accident insurance materials for verifying their basic protection of labor rights and interests.

Service suppliers are urged to strictly abide by the Regulations on Ensuring Wage Payment to Migrant Workers and other laws and regulations. The Group specifically opens a channel for whistleblowing and complaints regarding defaulted migrant workers' wages, ensuring that it is accessible, and actively coordinates the handling of relevant clues received, regularly organizes personnel to conduct spot checks on suppliers' payment of wages of migrant workers. The Group could include suppliers who deliberately defaulted on migrant workers' wages or caused mass events in the negative list of suppliers according to the China Communications Services Corporation Limited Procurement Supplier Management Measures. During the year, the Group's subsidiaries had included two suppliers who had wage claims in the negative list of suppliers at the corresponding levels.

For subcontractors that cause mass incidents due to violations of laws and regulations such as child labor, long working hours overtime, or infringement of labor rights, the Group includes them in the negative list and prohibits procurement in accordance with the China Communications Services Corporation Limited Procurement Supplier Management Measures. There was no use of child labor or forced labor during the year.

Supplier Training

For major suppliers that provide construction and other services, the Group requires its affiliated companies at all levels to incorporate the training and education of their suppliers' employees into the Company's overall coordination and planning.

During the year, the Group issued the Notice on Further Strengthening the Education and Training on Safety Production in Contracted Communications Construction Projects, which clearly covers the personnel of subcontractors and requires each of its companies whose main business scope is construction to strictly implement the Decision of the Work Safety Committee of the State Council on Further Strengthening Safety Training, the Provisions on the Safety Training of Production and Operation Entities and other regulations, and provides at least 32 hours of safety training for new employees including those from subcontractors and at least 20 hours of retraining every year. The training contents include but are not limited to: safety production laws and regulations, safety technical standards and normative documents, safety production management system, advanced safety production technology and management experience, special education on high-risk operation scenarios such as climbing/electricity-related/limited space, warning analysis of typical accident cases, etc.. Safety training is carried out in accordance with relevant requirements when adjusting employees' positions or adopting new techniques, new technologies, new equipment, and new materials.

Product Responsibility and Customers

Ensuring Quality of Service

The Group is committed to building a "Service Excellence" corporate image and continuously improves its service quality. Over 100 subsidiaries of the Group have obtained ISO 9001/GB/T 19001 quality management system certification. The Group compiled the China Communications Services Corporation Limited Service Quality Management Guidelines to further standardize and improve the service quality management system, promote service awareness of companies at all levels of the Group, improve management and service quality, enhance customer satisfaction, shape a good image of the Company, build a "moat" of service quality and establish service golden signboard.

Basic Principles of Service Quality Management

Customer Satisfaction-oriented	We gain in-depth understanding of customers' requirements or potential demands to offer compliant products and services that are in line with the interests of the customers and able to meet their demands. We also promote our service awareness and enhance our professional capabilities so as to enhance customer satisfaction.
Emphasize the Involvement of All Employees	The Group requires its staff in all departments and job positions cooperate with each other to establish the awareness of service quality, actively seek opportunities to improve technical capabilities, enhance knowledge reserves, continuously accumulate experience, and proactively share with the team in an effort to jointly promote the improvement of service quality.
Focus on Process Control	Service quality is not only reflected in the results, but also in the quality of the service process. We ensure the overall service standard of the Company by establishing reasonable and detailed service specifications and processes, implementing process control to manage risks that may affect the process and results, through practicing the principle of prevention beforehand, control the process and assessment afterwards.
Maintain Continuous Improvement	We timely track customer advice and recommendations, analyse the key concerns of customers, continuously improve our technical solutions, optimize the service processes, and constantly enhance professional capability and service quality in order to satisfy customers' demand.
Enhance Services Communication	The Group requires companies at all levels should strengthen communication and exchange with customers, firmly establish service concepts, maintain timely communication and quick response, enhance motivation and sense of responsibility to solve the actual problems faced by the customers.

In terms of the delivery management of contracting business, the Group implements the China Communications Services Corporation Limited Contracting Business Delivery Management Measures to regulate the whole process from project initiation, implementation to completion, acceptance and settlement, to streamline the responsibilities of internal and external parties and management processes in the delivery process, and to promote internal management and customer satisfaction through scientific, regulated, standardized and effective delivery management.

Measures to Ensure Quality of Service

- Determine the departments and persons responsible for delivery quality management
- Develop clear delivery quality standards with clients for specific projects
- Quality control/inspection/assessment during delivery process
- Use of digitalized control tools
- One-time quality acceptance target
- Data archiving/experience accumulation/continuous improvement

Awards Received

During the year, the "China Telecom & China Unicom 5G Co-building and Sharing SA Construction Project", which was designed by 14 units including Huaxin Consulting Co., Ltd. under the Group, constructed by 15 units including China Comservice Construction Co., Ltd. and supervised by 11 units including China Utone Construction Consulting Co., Ltd., won the National Quality Engineering Gold Award in 2022-2023. The "Public Network Coverage Project for the Jiangmao Section of the Shenzhen-Maoming High-speed Railway by China Tower Guangdong Branch", which was designed by Guangdong Planning and Designing Institute of Telecommunications Co., Ltd. under the Group, constructed by Changxun Communications Service Co., Ltd. and China Communications Technology Co., Ltd. and supervised by Gongcheng Management Consulting Co., Ltd., won the National Quality Engineering Award in 2022-2023.

Responding to Customer Complaints/Customer Satisfaction Management

Adhering to the "customer-centric" development philosophy, the Group pays great attention to customer perception. Catering to the characteristics of government and enterprise customers, companies at all levels under the Group have set up service departments for different customer groups, established direct and efficient communication channels with customers, and timely followed up on customers' needs through customer visits, skills exchanges, implementation of delivery, maintenance services, post-sales visits and satisfaction surveys at all stages of pre-sales, in-sales and post-sales. Among them, the Group's subsidiaries such as Zhejiang company and Jiangsu company hired third-party companies to actively carry out satisfaction surveys to listen to customers' voices for the year.

The Group has set up a customer complaint response mechanism, with different response processes for serious and general complaints. It adopts closed-loop management in handling customer complaints, with the handling process recorded and filed in writing. The Group organizes service quality meetings from time to time, collects and handles customers' opinions and recommendations on its services, carries out analysis on service quality, proactively explores the in-depth root causes of customer complaints and formulates specific rectification measures so as to develop an effective mechanism of improvement.

In 2023, customers were generally satisfied with the quality of the Group's services and there were no material complaints or disputes. The Group belongs to the informatization communications services industry, and is mainly engaged in project design, construction, supervision and maintenance services for the communications service industry, which does not involve product recall.

Intellectual Property Protection

The Group strictly complies with all the laws and regulations in relation to the protection of intellectual property rights, such as the PRC Civil Code, the PRC Trademark Law, the PRC Patent Law, the PRC Copyright Law and the PRC Anti-Unfair Competition Law, while continuously enhancing its awareness of intellectual property rights protection, handling and resolving infringement disputes on a timely basis. The Group strengthens trademark management to regulate the use of registered trademarks. It pays attention to brand protection while promoting its own brand and enhancing the brand value. It conducts research on intellectual property in respect of the emerging businesses of the Group. The Group organizes law-enforcement seminars from time to time to enhance its employees' knowledge of, respect to, compliance with and usage of relevant laws and regulations and their awareness and levels of intellectual property rights protection.

During the process of product research and development, the Group attaches importance to the protection of intellectual property rights, resulting in the corresponding patents or software copyrights.

In 2023, the Group obtained 524 new authorized patents, 944 new patents accepted, 1,208 new software copyrights.

Information Security and Privacy Safeguards/Cybersecurity

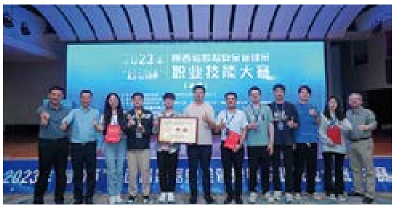
The Group attaches great importance to the protection of information, privacy and data security of the Company, its employees and customers, and strictly complies with the laws and regulations such as the PRC Cybersecurity Law, the PRC Data Security Law, the PRC Personal Information Protection Law, and continuously improves a series of systems such as the Management Measures for Network and Information Security and the Management Measures for Data Security of the Group to regulate internal network, information and data security management. Over 60 companies under the Group possess ISO 27001 information security management system certification, 17 companies fulfill GB/T 22080-2016 information security management system requirements, and relevant employees hold CISP, CISSP, CISA, CISP-DSG and other qualification certificates.

Network and Information Security Management System

The Group's Network and Information Security Leading Group is the network and information security management body, headed by the President of the Company. Each of its provincial companies has set up its Network and Information Security Leading Group to fulfill the responsibility for network and information security. The Group and all of its provincial companies regularly hold monthly meetings of the Leading Group to discuss and make decisions on network and information security matters.

Network/Information Security and Privacy Protection Training and Dissemination

The Group strengthened the training and dissemination of network and information security and privacy protection for its employees. In 2023, a total of seven training sessions on network and information security were organized by the Group for relevant management and technical personnel, including policy interpretation, awareness dissemination, skill enhancement, situation analysis and warning education, with a total of over 68,000 person-times' participation. We actively participated in publicity activities such as National Security Education Day and Cybersecurity Publicity Week, and we have been raising the awareness of internal employees on network and information security and privacy protection through online and offline forms such as special training by external experts, poster publicity and video dissemination. We organized internal network and data security skills competitions and actively participated in external competitions, and won the Silver Cauldron Award in the third "Wangding Cup" to improve security protection capabilities through competitions.



Building a Strong Line of Defense for Network and Information Security

The Group actively carries out regular security operations, organizes 7 x 24 hrs round-the-clock security monitoring, regularly analyses security situation, conducts and organizes offensive and defensive drills and social engineering drills covering the entire Group, conducts special inspections and checks on key issues, and establishes an all-rounded emergency response mechanism and process.

In order to strengthen information security protection, the Group continues to promote various special actions, organizes data security compliance assessments, and conducts regular inspections of new technologies and businesses. Meanwhile, it carries out assessments and inspections of its own APPs involving users' personal data to effectively protect users' personal information and avoid excessive claims to rights.

Culture and Responsibility of Privacy and Security

In 2023, no occurrence of leakage of customer privacy and information was identified within the Group. The Group enters into relevant information protection agreements in accordance with the customer needs and signs confidentiality agreements with relevant employees according to actual needs, which are strictly complied after signing. The possibility of leakage of customer privacy is also eliminated through technical means such as isolation from the Internet, data desensitization and encryption, data leakage prevention and data auditing.

The Group issued the Notice on Carrying out the Study and Publicity of Data Security Law and Personal Information Protection Law, which requires the strengthening of the systematic study and publicity of the PRC Data Security Law, the PRC Personal Information Protection Law and the PRC Cybersecurity Law, ensuring that all employees fully understand and master it in depth, clarifying the bottom line, not touching the red line, and effectively regulating data and information processing activities.

The Group studied and clearly implemented the responsibilities of various departments in the work of the "two laws", organized various lines to sort out the existing systems, norms, businesses (including APP), services, processes, agreements, systems and other situations involving data and personal information, and formed a list of gaps and risks according to legal provisions.

– Focus on checking whether the business involving the processing of data and personal information entrusted by other parties is carried out in accordance with the legal provisions and contractual agreements;

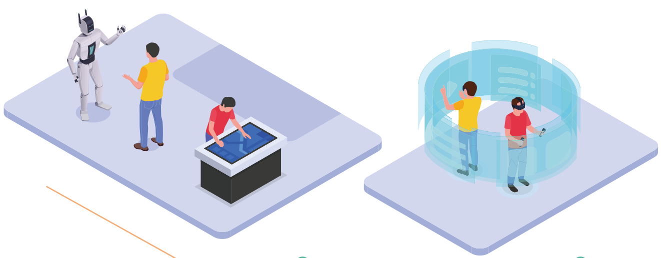
– Check whether the privacy policies, privacy policy summaries, user agreements and product/service provider settlement agreements of online platforms/products/applications and offline businesses are compliant, and disclose the information processing methods and uses to users according to legal requirements; check whether the precise marketing process based on automated decision-making provides a convenient way for user to refuse, and will not continue to push similar type of information after users' refusal;

– Sort out and gradually improve data and personal information protection means;

– Sort out and improve all kinds of information protection clauses related to personal information processing contracts.

Cybersecurity Capabilities

The Group actively responds to the national strategy of building a strong cyber nation. In recent years, we have strategically focused on network and information security, continuously increasing our research and development investments. The Group has established a sub-brand of "CCS Cyber Security" and set up a professional team to serve the country, customers and industry, so as to provide overall network and information security solutions and comprehensive products and services for key national information infrastructure industry clients and undertake the construction of several national major network and information security projects. Having participated in compiling the national and industrial standards, white papers and monographs for network and information security, the Group was accredited the "Pilot Demonstration of Cybersecurity Technology Application" by the Ministry of Industry and Information Technology in many occasions. It has been listed in the "Top 100 Cybersecurity Enterprises in China" published by "AQNIU", a think tank in the cybersecurity industry for five consecutive years, and its own core products and services have been selected for many times in the "China Cybersecurity Industry Panorama". The brand influence of "CCS Cyber Security" is gradually increasing.



Cyberspace Surveying and Mapping Platform

Based on the actual combat perspective of network attack and defense, a one-stop correlation analysis system of internal and external network integration mapping is constructed to realize the closed-loop governance of "internal network assets + Internet exposed assets" integration, high precision and full coverage, which helps the national key industries to identify high-risk attack surfaces, create holographic maps of cyberspace and realize wall chart operations of safe assets.

Intelligent Security Operation Platform

Facing the actual needs of complex operation of national key industry operating units, it provides in-depth analysis of security threats and automatic response capability of security arrangement, realizes the closed loop of the whole process of security risk detection, monitoring, disposal and early warning, and helping national key industry operating units to improve safety operation efficiency.

Data Security Monitoring Platform

We provide data security supervision services such as data asset management, data desensitization management, interface security management and access and operation audit management to help customers improve their overall data security capabilities and enhance their data security assurance capabilities.

Cloud Cryptographic Service Platform

It integrates cryptographic services, application access management, situational awareness and unified monitoring, calls the underlying cryptographic software and hardware resources and services, and provides cryptographic services distributed on demand and flexibly expanded for government cloud applications to ensure the authenticity, confidentiality, integrity and non-repudiation of government cloud applications.

Training Simulation Exercise Platform

It realizes the integration of real network training, simulation research and offensive and defensive competitive capability, meets the needs of scenario-based and customized training simulation drills in national key industries, helping security services and offensive and defensive teams to quickly improve their technical and combat capabilities in maintenance and operation and actual combat confrontation.

Comservice Crowdsource Testing and Security Vulnerability Management Platform

By aggregating information security experts through Internet crowdsourcing, and based on an intelligent control model with in-depth integration of "artificial + automation", we provide operators, government and enterprise customers and venture-startup teams a full set of one-stop services with cybersecurity vulnerability management as the core, realizing the visibility, control and management of the whole life cycle of vulnerabilities.

Contribution to Network Security Talent Evaluation and Cultivation

As one of the core companies in the construction of domestic security standard system, the Group participated in the research, discussion and compilation of the White Paper on Practical Capability of Cybersecurity Talents-Talent Evaluation.

For the first time, the white paper focuses on the field of cybersecurity talent evaluation in China, comprehensively presents the basic situation, evaluation status, evaluation demand and the building of cybersecurity talent evaluation system of supply-side and demand-side cybersecurity talents, and develops a "cybersecurity talent practical capability evaluation system" that includes a full spectrum of roles and covers a complete professional life cycle.

Strategic Cooperation on the Development of Cybersecurity Field

Guangdong company, a subsidiary of the Group, signed a strategic cooperation agreement with Guangdong Information Technology Security Evaluation Center. Guangdong Information Technology Security Evaluation Center is a professional, fair and authoritative third-party evaluation organization in the network and information security assurance system of Guangdong Province. This strategic cooperation aims to carry out comprehensive cooperation in promoting the training of network security talents in the Mainland and Hong Kong, strengthening cybersecurity evaluation, improving cybersecurity operation and maintenance services and cybersecurity emergency response capabilities, and connecting the CISP (Certified Information Security Professional) certification training system at home and abroad.

After signing the strategic cooperation agreement, the Guangdong company under the Group will appoint the Hong Kong company under the Group to set up a joint working group with the Guangdong Information Technology Security Evaluation Center to jointly develop international training courses suitable for overseas regions, strive to establish an information security system for the Hong Kong SAR government and train and accumulate network security experts, form a more effective information security defense mechanism, ensure the network information security of various industries amid the development of smart city, and enhance the influence of "China Standard" for CISP.

Anti-corruption

Strengthening Integrity Construction

The Group always strictly abides by the PRC Criminal Law, the PRC Oversight Law, the Law of PRC Administrative Discipline for Public Officials, the PRC Company Law, the PRC Anti-Money Laundering Law, the PRC Anti-Unfair Competition Law, the Regulation on the Integrity of State-owned Enterprise Officials and other laws and regulations, and complies with social morality, business ethics and industry rules. The Group is committed to business integrity, opposes unfair competition and eliminates corrupt practices in business activities, including but not limited to bribery, extortion, fraud and money laundering.

The Group attaches great importance to strengthening integrity and discipline education, and guides and supervises management and employees at all levels to improve their awareness of integrity and red line by holding warning education conferences, reporting typical cases, conducting integrity propaganda, reminding in daily conversations and publicizing through new media platforms. In 2023, the whole group held 599 warning education conferences, and reported a total of 5,645 typical cases through various channels, intensifying deterrence and fostering a strict atmosphere at every level. The Group carries out integrity propaganda, and continues to build up the ideological defense line of honesty and self-discipline. The Group promotes the culture atmosphere of integrity, produces and publishes its "Song of China Comservice Integrity", and use the song as a medium to spread the voice of integrity and promote the atmosphere of integrity.

Formulating the Code of Conduct and Ethics for Employees

The Group has formulated non-compliance management regulations covering all employees, including the Code of Conduct and Ethics for Employees, the Code of Conduct and Ethics for Senior Management and the Code of Professional Conduct for Employees to supervise senior management and employees to comply with them consciously. These codes and guidelines set out the Group's regular initiatives in areas, including anti-corruption, fraud, conflict of interest, anti-discrimination, anti-competition and confidentiality, which form the basis for the Group to deliver its products and services in a responsible manner. These codes and guidelines provide guiding principles for all employees of the Group to act with integrity, impartiality and honesty, and clarify the provisions for the handling of and punishment in the event of violations, including honest practice standards, network information security and confidentiality management, attendance management, meeting standards, daily office and etiquette standards.

The Code of Conduct and Ethics is available in Chinese and English and uploaded to the Company's website (www.chinaccs.com.hk) for staff reference at any time.

Improving the Supervision System

The Group continues to establish and improve the supervision system in order to strengthen the restriction and supervision to the exercises of power. Focusing on key areas and key sections, the Group carries out targeted special governance and supervision, optimizes relevant system processes, improves risk prevention and control capabilities, and resolutely prevents major risks. In 2023, the Group focused on strengthening supervision and inspection over important nodes, strictly and genuinely reinforced the conversation reminders for and daily supervision on management and personnel in key positions at all levels, supervised specialized agencies to conduct 4,016 active interviews, and conducted 3,869 on-site supervisions and inspections at major festivals and nodes. The Group integrates all kinds of supervision efforts from human resources, audit, risk management, business and finance, etc., actively builds a synergistic and efficient general supervision system, promotes the integration of all kinds of supervision in a concerted effort.

Whistleblowing

The Group has established a whistleblowing mechanism, and continuously strengthened the management of problem clues through complain letters and visits, and enhanced the development of integrity culture. We strictly implemented regulations such as the Working Rules for Handling Reports and Complaints by Discipline Inspection and Supervision Agencies, handling compliants and accusations according to regulations, discipline, and law, strictly implementing confidentiality requirements to effectively protect the rights of those making accusations. The complaint acceptance process is regulated. When the Group's internal employees and business partners identify corruption and bribery of our staff, they can report by real-name or anonymously through the post office box (Beijing, 100033 mailbox 33 bin), or by telephone or by visiting in person. The information of the whistleblower will be kept strictly confidential. The Group will investigate the reported cases according to the regulations, disciplines and laws, timely beware of the existing problems and solve them, so as to continuously create positive atmosphere of good integrity.

During the year, the Group provided training to directors and employees on anti-corruption.

Education Activities for Anti-corruption and Integrity Promotion			
	2023	1,426 No. of trainings	46,322 Person-times

The Group attaches great importance to the development of an anti-corruption system, always maintains a highhanded anti-corruption stance at all times, enforces discipline and accountability seriously with "zero tolerance" for violations of laws, regulations and disciplines, and deals with them seriously in accordance with the requirements of laws and regulations to maintain the normal operation order of the Group. During the reporting period, there were no concluded litigation cases regarding corrupt practices brought against the Group or its employees.

Organizational System Construction

Leverage the role of the anti-corruption coordination team. Hold regular coordination team meetings, promote and optimize the organic integration of auditing, human resources, finance, business and other kinds of supervision, and actively build a synergistic and efficient supervision system.

Continue to promote the in-depth development on the supervision of the grassroots, establish a team of honest supervisors at the grassroots level, and open up the "last mile" of grassroots supervision.

Work Style Construction

Formulate relevant systems to further strengthen work style construction, and persevere in loosening and reducing burdens for the grassroots. We commended 47 individuals as model workers and advanced individuals in integrity and anti-corruption efforts, who dare to take responsibility and excel in their actions. We organized and carried out thematic lectures on advanced deeds titled "Inspired by the Virtuous to Strive for Excellence and Bravely Take on Significant Challenges with Vigor and Determination" to promote a work style characterized by responsibility and pragmatism.

Warning and Education Enhancement

By conducting warning education meetings level by level, we compiled a collection of cautionary cases titled "Clarifying Rules Through Cases, Sounding the Alarm Continuously" and produced specialized warning education films. We deeply engaged in integrity warning education, ensuring employees respect and fear rules and maintain bottom lines, effectively building a strong mindset of integrity and self-discipline. Besides, we strengthened the development of family virtues and education, fully leveraging the role of families in consistently promoting integrity and calculating the "integrity account" to aid in fostering integrity.

SOCIAL PARTICIPATION

The Group has always fulfilled its responsibilities as a State-owned enterprise in disaster relief and emergency support, actively participated in rural revitalization and the improvement of people's livelihood, encouraged its employees to participate in social welfare activities in a bid to give back to society and contribute to the building of a harmonious society.

Communications Support for Major Events

The 19th Asian Games Hangzhou and Asian Para Games

Zhejiang company, a subsidiary of the Group safeguarded the quality and security of communications networks across 6 cities involved in the Asian Games and Asian Para Games, 56 Asian Game-related venues, 128 supporting venues, and 639 trunk lines and critical machine rooms. The company accomplished business activations over 1,300 times, fault handling over 1,500 times as well as inspections and troubleshooting over 55,000 times. On a daily basis, an average of 1,800 personnel were involved in the supporting efforts, with 298 vehicles deployed for the mission. Meanwhile, the company strictly guarded the network and information security to ensure "zero accidents", successfully fulfilling our commitment to "Safeguarding the Asian Games, mission accomplished".


感谢信

31st summer edition of the FISU World University Games ("Universiade")

The China Comservice Smart Sport Research Institute undertook the overall integration of the information systems for the Universiade, responsible for the competition command system, competition management system, MOC system, various private networks, cloud computing, and smart venue platform projects. It aimed to build a leading competition information operation system for the Universiade, becoming a highlight application of "Smart Universiade".

– **Communications Support**

1. Made the support deployment in advance. Carried out the work according to the four stages of "Experience Planning-Quality Improvement-Acceptance & Rehearsal-Event Standby". We conducted front-end and back-end linkage testing and optimization, and cumulatively completed more than 5,000 parameter tuning and more than 2,000 antenna adjustments. Meanwhile, more than 200 new base stations were opened, 500 terminal stress tests were simulated, and more than 500 interferences were investigated. This effort ensured that the 4/5G signals coverage without dead zones, network experience without delay in the supporting areas.

2. Private network safeguard and comprehensive safeguard for operator. It mainly included the suggestions and network operation support of the core event private network and the verification private network, and the network construction of the broadcast private network. It meets the needs of all kinds of information systems such as score system, timing and scoring system, competition monitoring system, Internet access during the Games, etc., and verification private network meets the stable operation of vehicle inspection system, human inspection system and TV broadcast system.

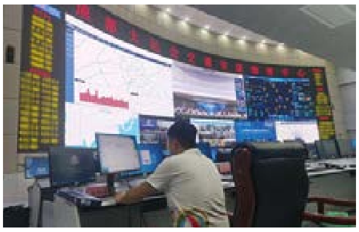
– **Transport Support**

1. The safeguard of the traffic command and dispatch system and basic environmental equipment and facilities of the Universiade Traffic Security Command Center. The Group set up an interdisciplinary technical support team, worked out a bespoke support plan, and participated in all-factor drills to ensure that problems were found and solved at once, and fully guaranteed the stable operation of the Universiade traffic command system.

2. Supporting the outfield system. The Group focused on ensuring the normal functioning of display equipment and ensuring the normal operation of road monitoring equipment.

– **Emergency Support**

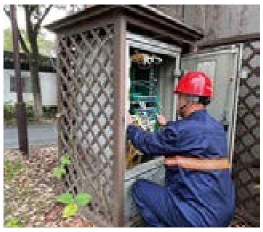
On the eve of the Universiade, a comprehensive inspection was conducted on material storage and equipment. During the Universiade, the Group fully guaranteed the proper functioning of the equipment in the warehouse, ensuring the safety of communications emergency power throughout the Universiade.



Supporting the World Internet Conference for Ten Consecutive Years

This year marks the tenth anniversary of the World Internet Conference Wuzhen Summit, as well as the tenth year of the Group providing support for the event, so ensuring the information service support was highly meaningful.

– 24-hour Standby for Rapid Response



The Zhejiang company under the Group established a "Frontline Command Center" on site. Following the emergency support plan developed in the early stages, the communications emergency support team was organized to conduct 24-hour patrols of the conference venues, surrounding key routes, and critical areas, securing over 4,700 public security surveillance points throughout Tongxiang and eliminated potential dangers. During the conference, the Frontline Command Center and support personnel were on 24-hour standby, ready to rapidly respond and comprehensively manage the detection, early warning, and handling of any emergency incidents, ensuring the absolute security of the conference's communications networks.

– Creating Highlights for "The Light of Internet Expo"

By fully leveraging their expo technology strength and informatization professional capabilities, the Zhejiang company under the Group employed innovative green construction techniques at this "The Light of Internet Expo" to create a booth "without a framework", integrating cutting-edge technologies such as artificial intelligence, digital humans, and machine vision.

Furthermore, the Zhejiang company also set up five major booths: the Zhejiang Province Digital Economy Development Achievement Exhibition, the Zhejiang Digital Village Pilot Area Construction Achievement Exhibition, the China Telecom Booth, the Hangzhou Iron and Steel Group Booth, and the World Internet Conference Smart Experience Station, truly lighting up the world of Internet technology with dedication.

Disaster Relief

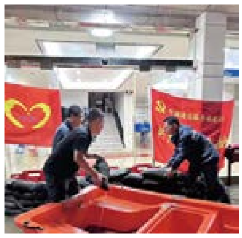
The Group actively practices its social responsibility, assists in emergency support all over the country in major natural disasters and public safety incidents without delay, actively assists in repairing communications lines and ensuring smooth communications networks.

In 2023, the Group contributed resources including a total of over 28,900 person-times and 12,400 vehicle-times, repaired more than 24,200 communications facilities and participated in disaster relief for more than 3,000 hours, while actively participating in post-disaster pandemic prevention and disinfection as well as environmental clean-up.

Typhoon “Doksuri” and “Talim”

– **Typhoon “Talim”**

The Guangdong company, a subsidiary of the Group, actively deployed resources to carry out communications support work such as emergency repair and reconstruction of post-disaster communications in an orderly manner. A total of 474 construction person-times and 151 vehicle-times were contributed. A total of 167 communications facilities were troubleshooted and repaired.



The Guangxi company, a subsidiary of the Group, quickly activated the typhoon emergency rescue plan, performed the ”7X24 hours” three-level duty work, and pre-set emergency repair teams, emergency vehicles, power-generating diesel engines and other resources in key flood and typhoon protection cities in advance, so as to efficiently carry out typhoon defense and emergency rescue work, and made every effort to ensure the safe operation of communications networks. During the typhoon, a total of more than 800 support person-times were dispatched and 1,434 fault orders were handled without any safety incidents.

– **Typhoon “Doksuri”**

– On the eve of typhoon landing, the Fujian company, a subsidiary of the Group, launched professional emergency rescue plans to prepare emergency personnel, vehicles, diesel engines and diesel, tools, rescue equipment and materials in advance, and organized inspections and reinforcements of sites in low-lying areas and important sites, making joint efforts to prepare for typhoon prevention. It gathered a total of 118 teams across the province which were ready to go to the disaster-stricken areas to carry out support work at any time.

– After the typhoon made landfall, the Fujian company, a subsidiary of the Group, promptly dispatched 40 teams to support Quanzhou and Putian in carrying out communications recovery. A total of 9,710 person-times were dispatched, 4,403 vehicle-times were put into operation.

6.2 Magnitude Earthquake in Jishishan County, Linxia Prefecture, Gansu Province

A number of subsidiaries of the Group rushed to the scene in Gansu and Qinghai at once to repair the communications and support lifeline.

– The Gansu company urgently activated the emergency plan and organized a rescue team to the disaster-stricken areas to repair the communications lifeline at once. A total of 30 communications support personnel, 13 communications support vehicles and 48 power-generating diesel engines were contributed, and the company restored the power supply for 130 base stations to make effort to carry out communications support work.

– The Qinghai company quickly organized and carried out emergency communications support work. 25 communications support personnel and 5 communications support vehicles were dispatched to Minhe, Hualong and other disaster-stricken areas to carry out communications repair work.

– China Communications Construction First Engineering Bureau Co., Ltd. rushed to Minhe Hui and Tu Autonomous County, Haidong City, Qinghai Province overnight, urgently deployed the transmission optical cables, and immediately dedicated into the transmission access work of the emergency command center.

– The Linxia warehouse of the Gansu Branch of the supply chain immediately activated the earthquake emergency plan, made effort to ensure the support of communications materials, and interpreted the mission with "Comservice Speed". A total of nearly 10 tons of communications materials were transported to the front line of disaster relief.

Rural Revitalisation

The Group actively fulfills its corporate social responsibility, vigorously promotes the spirit of poverty alleviation, consolidates and expands the achievements of poverty alleviation efforts, promotes effective linkage between poverty alleviation and rural revitalization, leverages its own advantages, continues to implement major assistance policies, and supports the development of poverty alleviation areas and rural revitalization.

The Group formulated and issued the "Key Points of China Comservice's Work to Assist Rural Revitalization in 2023", establishing and improving a working mechanism to effectively connect the consolidation and expansion of poverty alleviation achievements with rural revitalization. The Group required all its provincial subsidiaries to report on the progress of rural revitalization on a quarterly basis, and established a quarterly report account to supervise and guide all provincial companies to complete various work arrangements for rural revitalization on a quarterly basis to ensure that annual task targets are fully completed.

Pairing assistance on the agricultural products from Jiuzhi County, Qinghai Province to participate in the second "Central Enterprise Consumption Assistance and Agricultural Development Week"

Jiuzhi County in Qinghai is the Group's pairing assisted area. Since 2022, the Group has combined the characteristics of the communications industry, integrated assistance resources, and arranged special funds to continue to increase pairing assistance to Jiuzhi County in respect of network assistance, intellectual assistance, industrial assistance, employment assistance, and public welfare assistance.

In 2023, the Group helped Jiuzhi County's agricultural products to participate in the "Central Enterprises Consumption Assistance and Agricultural Development Week" guided by the Social Responsibility Bureau of the SASAC of the State Council, hosted by the e-commerce platform for central SOEs consumption assistance, and co-hosted by the News Center of the SASAC of the State Council, which facilitated Jiuzhi County to sell high-quality agricultural products, as well as consolidate and expand the results of poverty alleviation, and comprehensively assist rural revitalization.

E-commerce Skills Training for Villages and Towns

Sichuan company, a subsidiary of the Group, carried out e-commerce skills training in many villages and towns under the jurisdiction of Qingchuan County, Guangyuan City, Sichuan Province. It used VR technology to conduct online live broadcasts of popularization of science to achieve digital information technology empowerment in e-commerce skills, office skills, short video production, and digital information processing skills. Since 2021, it has directly benefited 578 villagers to achieve an average household income increase of more than RMB1,500.

Industrial Assistance and Digital "Smart" Governance for Jointly Building a Beautiful and Harmonious Countryside

China Communications Technology Co., Ltd., a subsidiary of the Group, leveraged its resource advantages to help promote the implementation of the agricultural rice production and processing base project in Jiangwei Village, Xiangshui, Jiangsu Province, achieving annual production and processing of a total of more than 400,000 catties of green and ecological paddy, shrimp, and rice, creating employment for people in the surrounding area, with the per capita annual labor income reaching more than RMB40,000. It piloted the "half-acre field" mass income increase plan, using the miscellaneous land and idle land in front of and behind the houses of the masses to plant chrysanthemums. The income per mu is more than three times the income of ordinary crops, driving the masses to increase their income while improving the rural living environment.

In addition, China Communications Technology Co., Ltd., also gave full play to its advantages in communications construction to rectify the communications lines and household lines in Jiangwei Village, and helped Jiangwei Village build a digital comprehensive information service platform that integrates "smart big screen", "smart agriculture" and "rural TV station".

Employee Care

Adhering to employee-centric principle, the Group focuses on strengthening employee care, and actively launches the employees' sense of happiness program. It pays attention to the thoughts, work and life dynamics of employees, regularly communicates with employees and solves their problems to continuously improve their sense of security, sense of gain, sense of achievement, sense of belonging and sense of happiness. The Group insists on "sending warmth in winter and coolness in summer", offers "five visits and five congratulations"*, and always offers visits during festivals to retired employees, advanced and model workers and employees in difficulty.

The Group encourages its staff to actively participate in and organize various types of voluntary services and activities.

China Comservice's First Employee Table Tennis Competition

On 23 February 2023, the Group's labor union and the labor union of its affiliated Guangdong Company hosted the "China Comservice's first employee table tennis competition", in which more than 260 employees from all provinces across the country participated in.

Note:

* "five visits and five congratulations": the Group visits sick employees in hospitals, employees who have special family difficulties, bereaved employees, employees who encounter material family disputes, and employees who disagree with other colleagues. The Group also congratulates employees on their birthdays, weddings, giving birth, their children's admission to colleges (or the army) and their retirement.

AED First Aid Training

China Utone Construction Consulting Co., Ltd., a subsidiary of the Group, continued to promote the "Health Comservice" initiative by enriching the "Health Express" service content, and effectively protected the physical and mental health of employees. It conducted a series of lectures and trainings such as AED first aid basic knowledge training and employee health consultation, aiming to help employees learn first aid knowledge and better cope with work and life.

Employee Recuperation Activities

Jiangxi company, a subsidiary of the Group, carried out the annual honorary recuperation activities for outstanding employees to continuously enhance their sense of honor, gain and pride, better stimulate the enthusiasm, initiative and creativity of employees, enhance their ability to collaborate with each other as well as the corporate cohesion, and create the good atmosphere of "learning from the outstanding and catching up with the outstanding" within the enterprise.

Team Building Activities

The Group focuses on the physical and mental health of employees, organizing them to participate in various competitions, team-building, and recreational activities. These activities aim to enhance relationships among employees, alleviate stress, and continuously boost employee happiness.

INVESTOR RELATIONS

The Company attaches great importance to maintaining close and effective communication with the capital market, and builds sound relationship with investors through proactive interaction with various means. In 2023, the Company further strengthened its investor relations' initiatives under the principles of high transparency, accuracy, timeliness, fairness and effectiveness.

INVESTOR RELATIONS WORK OVERVIEW

As the digital economy era unfolds comprehensively, the development of artificial intelligence (AI) has accelerated the construction of digital infrastructure, which provided new momentum to the digital transformation of various industries. The Company seized the opportunities arising from the deep integration of digital technology with the real economy, as well as digitalization and intelligentization, which contributed to the steady growth of the Group's results during the year. Coupled with implementing quality and efficiency enhancing measures, the Company's operating efficiency continued to improve constantly. While striving to enhance its operating results and increase shareholders' dividend returns, the Company strengthened its communication with the capital market through multi-level interactive communication by utilizing various means, including physical meetings, online meetings and digital technologies, etc., so as to effectively convey the Company's investment value to the capital market and strengthen the market's recognition and investment confidence on the Company's value and future prospects. As a result of the above efforts, the Company's investor relations achieved positive results during the year despite various challenges in the macroeconomy and the capital market. Among which, the Company's share price rose against the downward market trend in 2023, and the shareholder mix was further diversified. Moreover, the Company won a number of awards related to investor relations in the capital market.

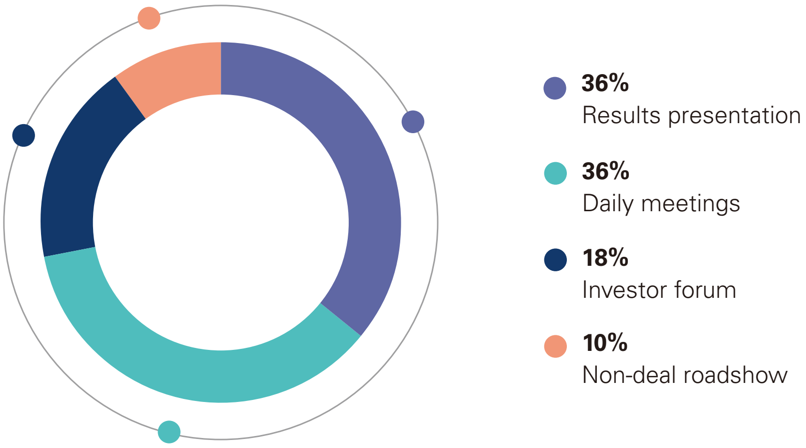
INVESTOR RELATIONS ACTIVITIES

In 2023, as the impact of the pandemic gradually receded and economic activities steadily resumed to normal, the Company actively initiated multi-level interactive communication with investors, including results briefings which combined physical meetings with online means, non-deal roadshows, teleconferences, video conferences and investor forums organized by investment banks and institutions, so as to continually enhance the communication with the capital market. During the year, the Company resumed on-site results briefings, and the Company's chairman, president and other relevant management participated in the meetings in person. The results briefings could also be accessed through various channels such as telephone and online platform, so that investors in different regions had the opportunity to communicate directly with management in real-time through online means. During the year, the Company held approximately 100 meetings through the above channels, and communicated with analysts and investors for approximately 400 person-times, representing a significant increase as compared to last year. In addition, we also strengthened the use of social media to timely release information related to the Company's latest business development, and published the key messages of its results in the format of "At a Glance" infographics, so that investors could understand the latest development of the Company more easily and clearly.

The Company emphasizes two-way interactive communication, and the investor relations team fully utilizes its role as a bridge between the capital market and the Company to keep abreast of the market pulse and investors' concerns about the Company, and reports the capital market concerns as well as investors' views, suggestions and expectations to the management of the Company in a timely manner. Such action is beneficial to the Company management's proactive response to market concerns, formulation of operation, management and development strategies, to facilitate the sustainable development of the Company and enhance its long-term value.

2023 Annual Results Presentation

Attendance Analysis of Investor Relations Activities in 2023



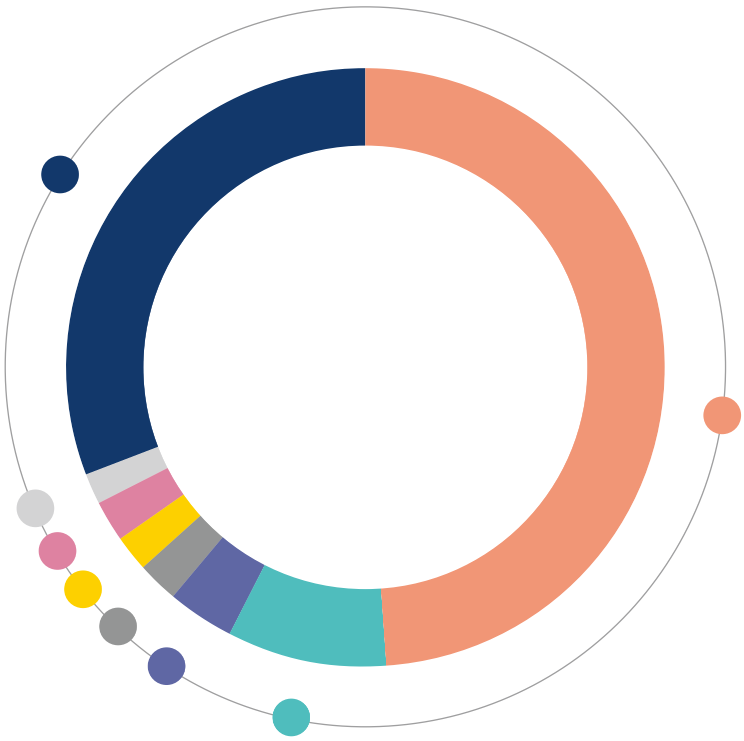
List of Investor Relations Activities of the Company in 2023

Date	Event
1/2023	Credit Suisse 9th Greater China Technology and Internet Conference
1/2023	Morgan Stanley Virtual China Opportunity Conference
1/2023	UBS Greater China Conference 2023
3/2023	2022 Annual Results Announcement – Analyst Briefing – Press Conference
3/2023	Non-deal Roadshow
5/2023	CICC Closed-door Meetings with Select Listed Companies 2023 – Frontier Technology
5/2023	Zheshang Securities 2023 Interim Capital Market Summit
6/2023	UBS Future-Now APAC Conference 2023
8/2023	2023 Interim Results Announcement – Analyst Briefing – Press Conference
8/2023	Non-deal Roadshow
8/2023	Citi China TMT Corporate Day 2023
9/2023	Nomura China Investor Forum 2023
9/2023	Jefferies 4th Asia Forum
11/2023	Citi China Investor Conference 2023
11/2023	Morgan Stanley Twenty-Second Annual Asia Pacific Summit
11/2023	CITICS Capital Market Conference 2024
11/2023	Guotai Junan International 2023 Fall/Winter Investor Conference
12/2023	Zheshang Securities Boutique Listed Company Conference

SHAREHOLDING STRUCTURE

In 2023, the Company continued to appoint an international survey company to conduct comprehensive surveys on the shareholding structure to keep abreast with the information of its shareholders, including structure and position changes of shareholders, types of shareholders, and their geographical distribution and investment styles. The Company actively approached shareholders and potential investors by referencing to the above information, which targeted on strengthening the interactive communication with investors, as well as proactively broadening its investor base, particularly the investors from Mainland China, in order to diversify the geographical distribution of investors. According to the public disclosure information on the website of Hong Kong Stock Exchange, as at 31 December 2023, 7.23% of the issued H share capital of the Company was held by the investors from Mainland China through China Securities Depository and Clearing Corporation Limited, which increased significantly compared with 5.49% at the end of 2022, reflecting the effectiveness of the Company's efforts in expanding its investor base in Mainland China, leading to a more diversified shareholder mix.

Shareholding Structure[1] as of 31 December 2023



48.99%
China Telecommunications Corporation

8.78%
China Mobile Communications Group Co., Ltd.

3.41%
China United Network Communications Group Company Limited

2.40%
State Grid Information & Telecommunication Group Co., Ltd.

1.89%
China National Postal and Telecommunications Appliances Co., Ltd.

2.09%
FMR LLC

1.73%
Kopernik Global Investors LLC

30.71%
Other public shareholders

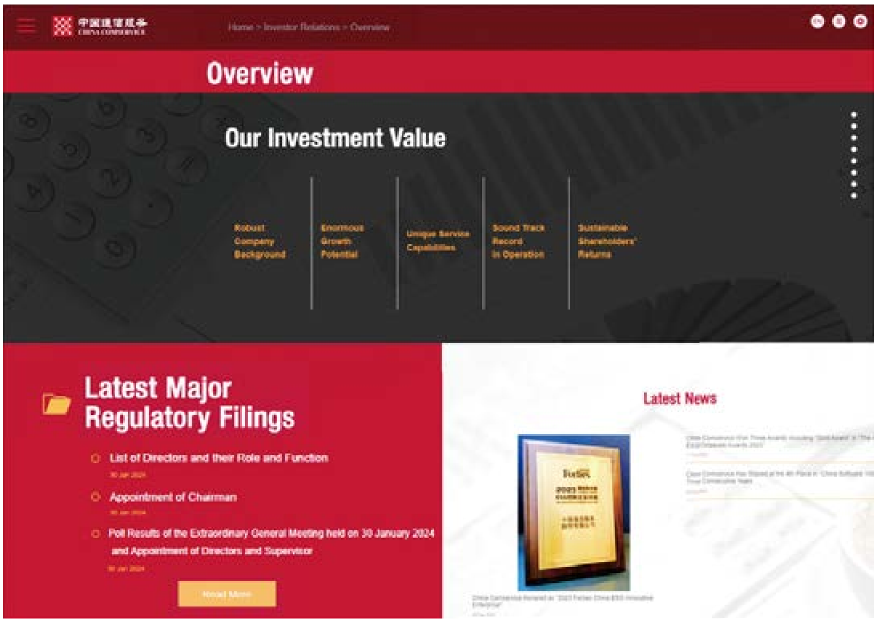
[1] For details of the material interests and short positions in shares and underlying shares of the Company, please refer to "Report of the Directors".

INFORMATION DISCLOSURE

The Company has strictly complied with the information disclosure requirements for listed companies and has considered information disclosure as the responsibility and obligation that must be discharged for the protection of investors' interest. We have made information disclosure with consistent adherence to the principles of accuracy, timeliness, openness and fairness and dedicate to improving the transparency of the Company in respect of information disclosure and facilitating the capital market to gain a better understanding of the Company. The Company timely disseminates important information to the capital market through various channels including announcements, circulars, press releases and investor relations website, etc.

In 2023, in accordance with the Listing Rules, the Company published approximately 20 corporate communications such as announcements and circulars on the websites of the Hong Kong Stock Exchange and the Company. Such publications have objectively and comprehensively disclosed information regarding the Company's results, operating performance, financial information, dividend payment, and poll results for general meetings, mainly including:

11/01/2023	Announcement of Resignation of Director, Proposed Appointment of Director and Change of Important Executive Positions
11/01/2023	Announcement of List of Directors and their Role and Function
17/01/2023	Circular of Proposed Appointment of Executive Director and Notice of the EGM
17/01/2023	Notice of the Extraordinary General Meeting
10/02/2023	Announcement of Poll Results of the Extraordinary General Meeting held on 10 February 2023 and Appointment of Executive Director
10/02/2023	Announcement of List of Directors and their Role and Function
15/03/2023	Announcement of Date of Board Meeting to Approve the 2022 Annual Results
29/03/2023	Announcement of Annual Results for the Year Ended 31 December 2022
24/04/2023	Annual Report 2022
24/04/2023	Notice of Annual General Meeting
25/05/2023	Circular of Proposed Appointment of Non-executive Director and Supplemental Notice of the AGM
25/05/2023	Supplemental Notice of the Annual General Meeting
16/06/2023	Announcement of Poll Results of the 2022 Annual General Meeting, Payment of Dividend and Appointment of Non-executive Director
16/06/2023	Announcement of List of Directors and their Role and Function
14/08/2023	Announcement of Date of Board Meeting to Approve the 2023 Interim Results
24/08/2023	Announcement of Interim Results for the Six Months Ended 30 June 2023
11/09/2023	Interim Report 2023
05/12/2023	Announcement of Resignation of Supervisor and Proposed Appointment of Supervisor
08/12/2023	Announcement of Resignation of Directors and Proposed Appointment of Directors
29/12/2023	Announcement of Change in Executive Vice Presidents



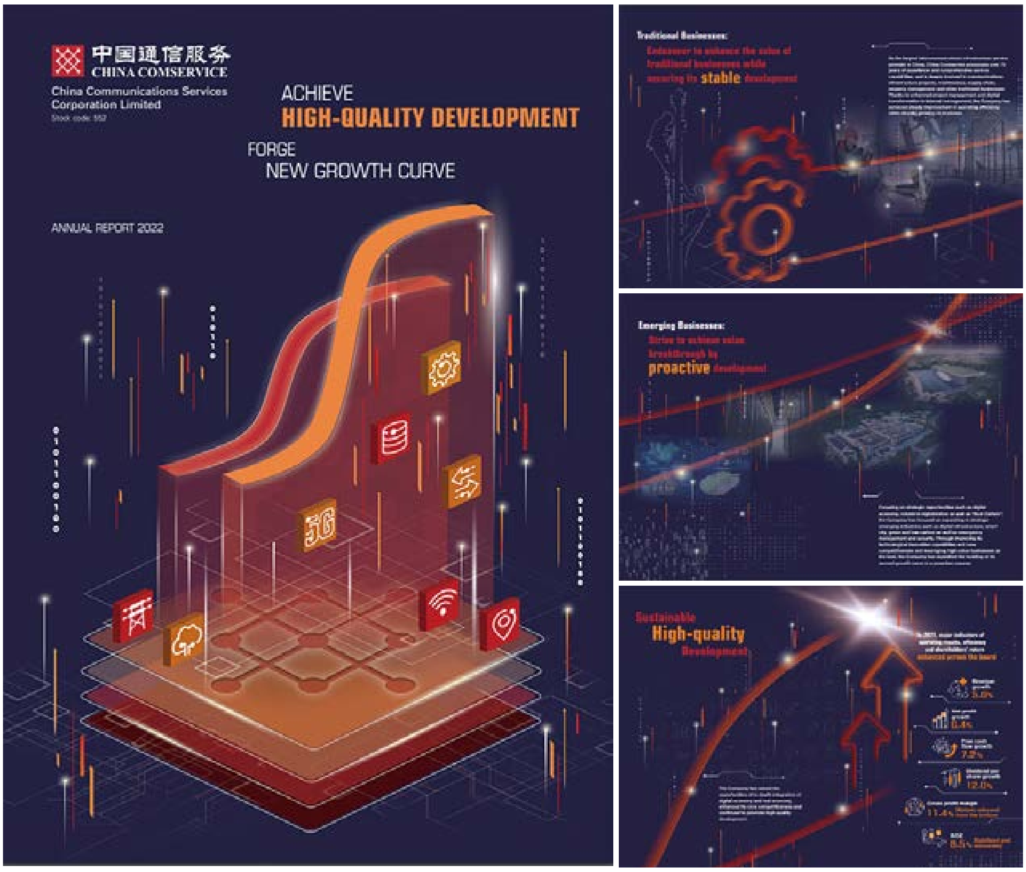
Other than announcements and circulars, the Company's website (www.chinaccs.com.hk) is also one of the important channels for corporate information disclosure and provides capital market, media, shareholders and potential investors with a more convenient and efficient access to the detailed information related to the Company. Other than introducing the basic information of the Company and disclosing the corporate governance, environmental and social information, the website also showcases the development of businesses and markets of the Company, while highlighting various smart services and related cases we provide for different industries, such that investors could have a more comprehensive understanding on our transformation in recent years. In addition, a range of detailed information catering for investors' needs, including hot topics concerned by investors such as downloadable historical financial information, stock information, investment value, annual reports, presentation materials, webcasts, investor activities and frequently asked questions of the Company are systematically disclosed in the Investor Relations' section of the website. The Company also updates the content of the website in a timely manner to keep the capital market abreast of the Company's latest development.

Annual report is not only an important document for information disclosure of a listed company, the Company can also disclose more comprehensive information to investors through the annual report, such as its operating philosophy, strategies and market positioning, operating performance, development trends, corporate governance and environmental and social responsibility. The Company therefore puts great emphasis on the preparation of annual report. Through the detailed disclosures in the annual report, investors are able to have more adequate and comprehensive understanding of the Company.

In 2023, the Company published its 2022 annual report with the design theme of "Achieve High-quality Development, Forge New Growth Curve". On the annual report cover, two curves with different colors and growth trends imply the solid growth of the Company's fundamental businesses and the rapid growth of its strategic emerging businesses respectively; the four layers beneath symbolize the Company's continued adherence to the positioning of "1 Positioning, 4 Roles", supporting the sustainable development of the Company's fundamental businesses and strategic emerging businesses.

The preparation and design of the 2022 annual report of the Company were recognized by a number of international award organizations. In 2023, the Company received Platinum Award and ranked 35th in the Top 100 Reports Worldwide of the "Vision Awards" by "The League of American Communications Professionals" (LACP); and won Gold Award of "Cover Photo & Design" in "International ARC Awards".

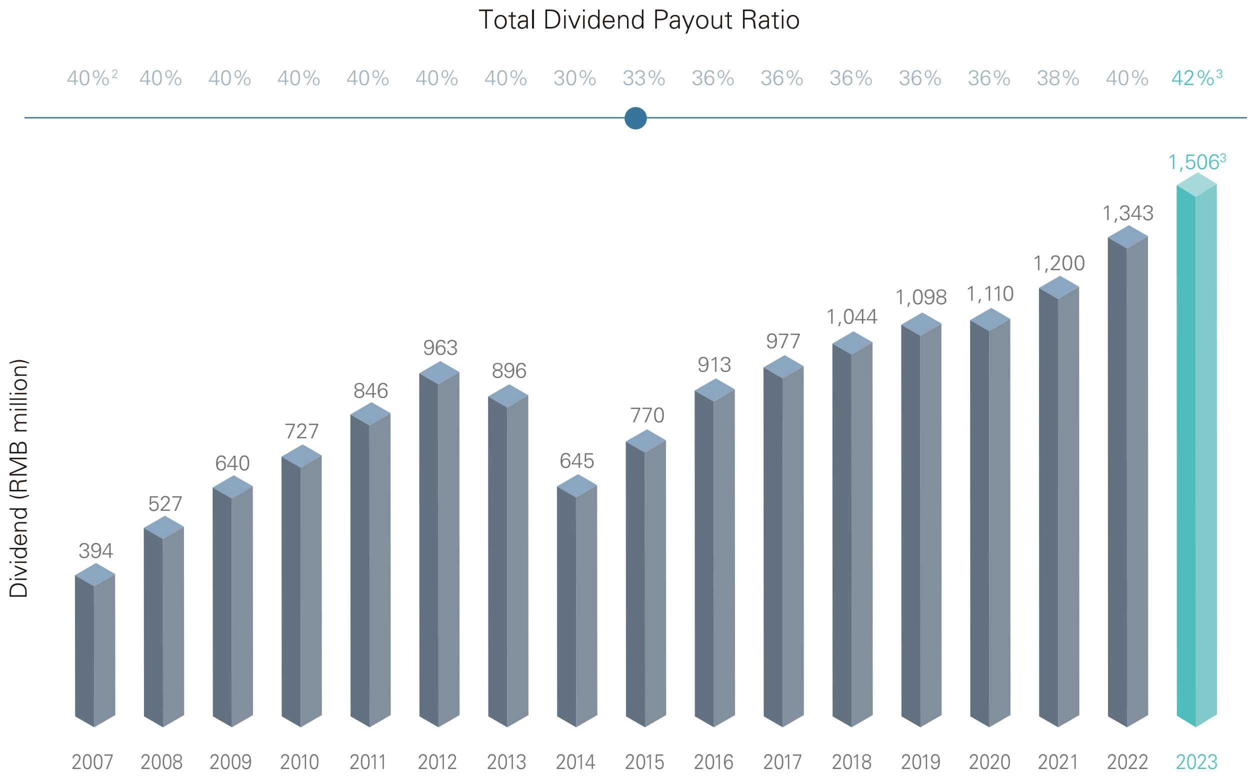
The Company's 2022 Annual Report Design



DIVIDEND

The Company has always valued the interests and returns to shareholders since its listing in 2006. In general, the Company has increased its dividend payment from year to year to better reward shareholders. The Company determines the dividend payment for the year with reference to factors such as the Company's results performance, financial position, cash flow, long-term development and business needs and other investment opportunities in the year, as well as consideration of capital market expectation. In 2023, the Company continued to achieve satisfactory operating results and free cash flow for the year. In view of the Company's confidence in operating performance and future development, and to further increase shareholders' return, the Board has proposed to increase the dividend payout ratio from 40% in 2022 to 42% in 2023, representing a final dividend of RMB0.2174 per share[3].

Dividend Distribution of the Company Since its Listing



2 The 2007 dividend payout ratio is calculated after deducting the net profit contributed by the business in 13 provinces before 31 August 2007 (being the completion date of the acquisitions) when such business was acquired by the Company.

3 Subject to the approval at the 2023 annual general meeting to be held on 20 June 2024.

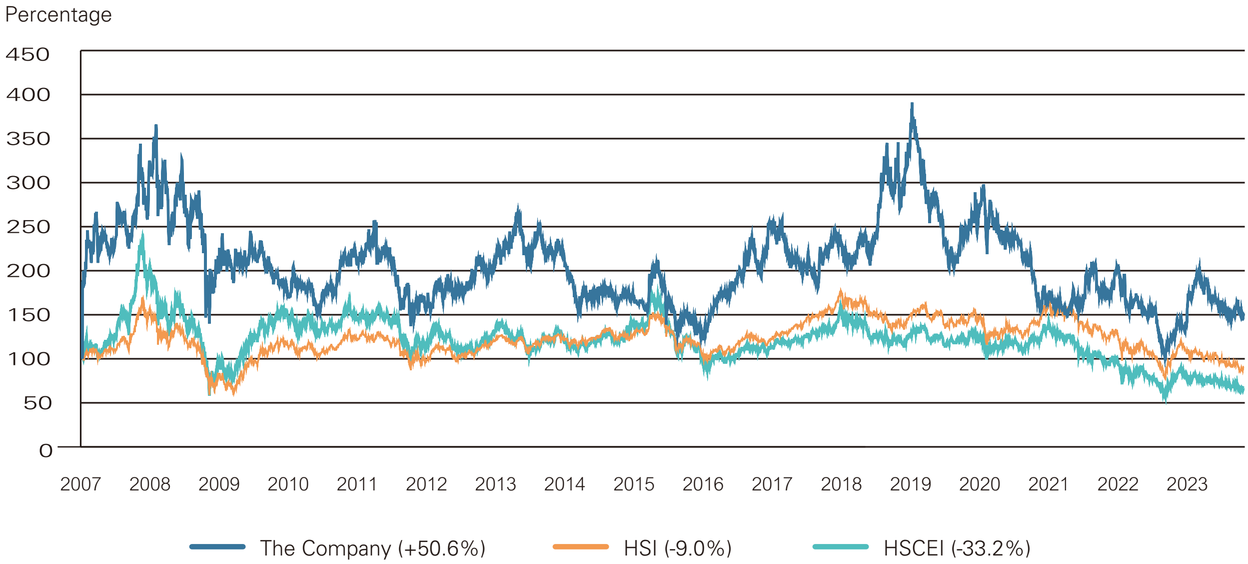
SHARE PRICE PERFORMANCE

The H shares issued by the Company were listed on the Hong Kong Stock Exchange on 8 December 2006 at an offer price of HK$2.2 per share. Since its listing, the Company has firmly captured industry and technology development trend, elevated competitiveness continuously through the implementation of forward-looking development strategies, enhancing efforts on technological innovation and promoting transformation, facilitated sustainable development by grasping market opportunities of informatization, digitalization and intelligentization. At the same time, the Company adhered to the principle of sound corporate governance and implemented practical and effective investor relations initiatives that supported the stock price performance of the Company.

Share Price Performance of the Company Since its Listing

(Performance relative to indexes)

From 8 December 2006 to 31 December 2023



In 2023, under the global high-interest environment, compounded by several external unfavorable factors and geopolitical challenges, the Hong Kong capital market experienced some volatility. Hang Seng Index recorded a notable decline for the year, down by approximately 13% year-on-year, and marking the fourth consecutive year of decline. Amid the challenging operating environment, the Company achieved remarkable results by seizing the opportunities of the digital economy and proactively making deployment in strategic emerging industries. During the year, the Company achieved steady growth in results, improvement in operating efficiency, and increased shareholders' dividend return. These accomplishments drove our stock price to rise by more than 13% year-on-year against the downward market trend.

2023	**Highest**	**Lowest**	**Closing**
Price per H share of the Company (HK$)	4.43	2.82	3.24

Share Price Performance of the Company in 2023

(Performance relative to indexes)

From 1 January 2023 to 31 December 2023

As at 31 December 2023, the total number of shares of the Company was 6,926,018,400 shares, including 4,534,598,160 domestic shares and 2,391,420,240 H shares, both at nominal value of RMB1.00 each. All the H shares of the Company are listed on the Hong Kong Stock Exchange, representing approximately 34.5% of the total number of shares of the Company. Based on the closing price of HK$3.24 as of 31 December 2023, the Company's total market capitalization was about HK$22.4 billion.

MAJOR AWARDS AND RECOGNITIONS FROM THE CAPITAL MARKET IN 2023

"2023 Asia Executive Team Rankings" by *Institutional Investor*

- Most Honored Company
- Small & Midcap category in the telecommunications sector
  - * Best CEO
  - * Best CFO
  - * Best IR Professional
  - * Best IR Program
  - * Best ESG
  - * Best Company Board

"13th Asian Excellence Award" by *Corporate Governance Asia*

- Asia's Best CEO
- Asia's Best CFO
- Best Investor Relations Company
- Best Environmental Responsibility

"The Asset ESG Corporate Awards 2023" by *The Asset*

- Gold Award
- Best Initiative in Technological Innovation Award
- Best Investor Relations Team Award

"2023 Forbes China ESG Innovative Enterprise Selection" by *Forbes China*

- One of the 50 Award-winning Companies

The "8th Zhitong Finance Listed Company Awards" by *Zhitong Finance* and *Tonghuashun Finance*

- The Best TMT Company

"2023 FORTUNE China Listed Company 500" by *FORTUNE China*

- Rank the 98th

"2023 Forbes Global 2000" by *Forbes*

- Rank the 1,499th

"Wind 2023 Top 100 ESG Best Practices Chinese Listed Companies" by *Wind*

"7th China IR Annual Awards" by *RoadshowChina* and *Excellence IR*

- Best Capital Market Communication Award

"Vision Awards" by *LACP*

- Platinum Award
- Rank 35th in the Top 100 Annual Reports Worldwide

"International ARC Awards"

- Gold Award in "Cover Photo & Design"
- Silver Award in "Combined Annual and Sustainability Report"
- Bronze Award in "Printing and Production"

RECOGNITIONS AND HONOURS IN THE CAPITAL MARKET

The Company has always been well recognized by the capital market. It has been admitted in certain indices in Hong Kong, including the "Hang Seng Composite Index", "Hang Seng China State-holding Enterprises Index", "Hang Seng Composite Industry Index – Information Technology", "Hang Seng Stock Connect Hong Kong Index", "Hang Seng SCHK China Technology Index" and "Hang Seng China Central SOEs Index", "Hang Seng SCHK Central SOEs Value Index" and others. The Company has been optimizing its ESG performance. In 2023, it continued to be a constituent of "Hang Seng Corporate Sustainability Benchmark Index" and was newly admitted to "Hang Seng SCHK China Central SOEs ESG Leaders Index", "Hang Seng SCHK Artificial Intelligence Theme Index" and others.

The Company has been also recognized by a number of major investment banks and institutions with favorable ratings. In 2023, about nine international and mainland investment banks and institutions prepared and published research reports for the Company on a regular basis, giving positive investment ratings such as "Buy" or "Hold" on the Company.

The Company has been dedicated to improving its management and operation in all aspects, and was recognized by many domestic and overseas organizations and institutions. In 2023, international and authoritative institutions such as *Fortune, Forbes, Institutional Investor, Corporate Governance Asia* and *The Asset* offered recognitions and awards to the Company in respect of its corporate management, ESG and investor relations. The Company won the "Most Honored Company", "Best CEO", "Best CFO", "Best IR Program", "Best ESG", "Best Company Board" and other awards in the "2023 Asia Executive Team Rankings" by *Institutional Investor*; the "Asia's Best CEO", "Asia's Best CFO", "Best Investor Relations Company" and "Best Environmental Responsibility" in the "13th Asian Excellence Award" held by *Corporate Governance Asia*, a corporate governance magazine in Asia; the "Gold Award", "Best Initiative in Technological Innovation Award" and "Best Investor Relations Team Award" in "The Asset ESG Corporate Awards 2023" organized by *The Asset*; and "The Best TMT Company" in the "8th Zhitong Finance Listed Company Awards". Meanwhile, the Company's ESG performance has also been well recognized, it has been admitted to "Hang Seng Corporate Sustainability Benchmark Index" for two consecutive years; honored as one of the 50 award-winning companies in the "2023 Forbes China ESG Innovative Enterprise Selection" by *Forbes China* for the first time; named as one of the "Wind 2023 Top 100 ESG Best Practices Chinese Listed Companies" by *Wind*, a domestic financial data, information and software services provider. In addition, the Company was ranked the 98th in the "2023 FORTUNE China Listed Companies 500", and ranked the 1,499th in the "2023 Forbes Global 2000".

OTHER INFORMATION FOR SHAREHOLDERS

Shareholder Services

Any matters relating to shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8628
Facsimile: (852) 2529 6087

Corporate Communications

All corporate communications are available in both English and Chinese on the Company's website (www.chinaccs.com.hk) and the HKExnews website of Hong Kong Stock Exchange.

If shareholders would like to obtain the relevant printed copies, please send an email to chinaccs@computershare.com.hk, stating your name, address and request for printed copies of the corporate communications, or submit your request to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholder Enquiries

Office hours: Monday to Friday, 9:00-18:00
Telephone: (852) 3699 0000

Investor Enquiries

For enquiries from institutional investors and securities analysts, please contact:

Investor Relations Department, China Communications Services Corporation Limited
Room 1101–1102, 11/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Telephone: (852) 3699 0000
Facsimile: (852) 3699 0120
Email: ir@chinaccs.com.hk

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Communications Services Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 165 to 248, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of construction services from non-telecom operators
- Revenue recognition of system integration services
- Expected credit losses of accounts receivable and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction services from non-telecom operators	
Refer to Note 2(q) Material accounting policies and Note 4 Revenues to the consolidated financial statements, respectively. Revenue derived from construction services from non-telecom operators amounted to RMB31,062 million in 2023. The Group generally recognised revenue over a period of time according to the progress towards completion agreed with the customers based on the output method. Our audit focused on revenue derived from construction services from non-telecom operators because such revenue was provided to a large number of customers in different industries. The number of contracts was large and the revenue recognised had a significant impact on the financial statements, we were required to put in significant audit efforts on it, therefore, we identified the revenue recognition of construction services from non-telecom operators as a key audit matter.	We performed the following procedures in relation to revenue recognition of construction services from non-telecom operators: 1. Obtained an understanding, and evaluated and tested the applicable internal controls relevant to the revenue recognition of construction services from non-telecom operators; 2. Selected a number of service contracts on a sample basis, performed contract reviews on major terms and assessed the reasonableness of the basis adopted by management in relation to the revenue recognition method. 3. Performed the following procedures for contracts on a sample basis: • Discussed with project management personnel to obtain an understanding of the progress towards completion of the construction projects; • Examined the supporting documents, such as certificate of the progress towards completion, project settlement statement etc., obtained by the Group; and • Tested the mathematical accuracy of the revenue recognised based on the progress towards completion and the contract revenue. 4. Performed cut-off tests by examining the supporting documents that management used to recognise the revenue before and after the balance sheet date, such as certificate of the progress towards completion and project settlement statement to assess whether the revenue had been recognised in the correct accounting period. Based on our work performed, we found that the revenue recognition of construction services from non-telecom operators made by management was supported by available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of system integration services	
Refer to Note 2(q) Material accounting policies, Note 4 Revenues and Note 45(a) Significant accounting estimates and judgements to the consolidated financial statements, respectively. Revenue from system integration amounted to RMB17,528 million in 2023. Contracts for system integration services of the Group are mostly non-standard contracts. The management had to make significant judgement when identifying performance obligations and significant estimation when allocating the transaction price to each performance obligation on relative stand-alone selling price basis. Therefore, we identified revenue recognition of system integration services as a key audit matter.	We performed the following procedures in relation to revenue recognition of system integration services: 1. Obtained an understanding, and evaluated and tested the applicable internal controls relevant to the revenue recognition of system integration services; 2. Selected a number of contracts on a sample basis and performed the following procedures: • Reviewed the contract terms to evaluate the reasonableness of the performance obligations identified by the management; • Obtained the supporting evidence, such as benchmarked to the gross profit margin of similar business or market price information by the Group to evaluate the reasonableness of transaction price allocated to each performance obligation on relative stand-alone selling price basis; and • Evaluated the reasonableness of the method of revenue recognition for each performance obligation based on the provisions laid down in the contract terms. 3. Performed the following procedures for contracts, on a sample basis, to determine if the revenue had been recognised properly over a period of time according to the relevant performance obligations: • Discussed with the project management personnel to understand the progress towards completion of the contract work; • Examined the supporting documents, such as certificate of the progress towards completion, project settlement statement etc., obtained by the Group; and • Tested the mathematical accuracy of the revenue recognised based on the progress towards completion and the contract revenue. 4. Examined the supporting documents for a sample of contracts, such as receipt notes and acceptance notes issued by the customers, to assess if revenue recognised at a point in time upon the fulfillment of the relevant performance obligation, was supported by adequate evidence to prove that the control of the relevant products had been properly transferred to the respective customers. Based on our work, we found that the revenue of system integration services recognised by management was supported by available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of accounts receivable and contract assets	
Refer to Note 2(l) Material accounting policies, Note 28 Accounts and bills receivable, net, Note 29 Contract assets, net, Note 44(a) Financial risk management and fair values, and Note 45(b) Significant accounting estimates and judgements to the consolidated financial statements, respectively. As at 31 December 2023 the carrying amounts of accounts receivable and contract assets amounted to RMB25,769 million and RMB28,897 million, respectively, with loss allowances amounted to RMB2,313 million and RMB312 million, respectively. Provision for credit loss allowance of accounts receivable and contract assets was made based on an assessment of the lifetime expected credit losses. When measuring expected credit losses, the Group had considered credit losses incurred in the past, and adjusted it by taking into consideration of the present conditions and forward looking factors. In assessing forward-looking information, the Group considered factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. Management needs to exercise significant judgments and estimates in assessing the expected credit losses of accounts receivable and contract assets. Considering the degree of estimation uncertainty and other inherent risk factors, we have therefore identified the expected credit losses of accounts receivable and contract assets as a key audit matter.	We performed the following procedures in relation to expected credit losses of accounts receivable and contract assets: 1. Obtained an understanding, and evaluated the applicable internal control relevant to management assessment of expected credit losses of accounts receivable and contract assets; 2. For accounts receivable and contract assets assessed individually, we reviewed, on a sample basis, documents for supporting management's assessment of the respective financial position and creditworthiness of the customers, historical payment and settlement records, and forecasted future economic conditions, in order to assess the reasonableness of expected credit loss allowance provided by management; 3. For accounts receivable and contract assets assessed collectively by making reference to the credit risk characteristics, we assessed the reasonableness of the grouping, and the respective expected credit losses provision made by management by reviewing, on a sample basis, documents and information, aging profile of accounts receivable and contract assets, current conditions and forward looking factors; 4. Tested the accuracy of the aging analysis of the accounts receivable and contract assets on a sample basis and recalculated the historical default rate, evaluated the basis adopted by management in determining the forward looking adjustment with the assistance of our internal valuation specialists, and tested the mathematical accuracy of calculation of the expected credit loss allowance. Based on our work, we considered that the significant judgments and estimates made by management in relation to the expected credit losses of accounts receivable and contract assets were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenues	4	**148,614,676**	140,747,569
Cost of revenues	5	**(131,357,426)**	(124,765,918)
Gross Profit		**17,257,250**	15,981,651
Other income	6	**1,932,223**	1,954,316
Selling, general and administrative expenses	9	**(14,913,046)**	(13,959,926)
Other expenses	7	**(169,549)**	(140,958)
Finance costs	8	**(113,734)**	(91,046)
Share of profits of associates and joint ventures	22	**116,338**	92,747
Profit before tax	9	**4,109,482**	3,836,784
Income tax	10	**(377,805)**	(356,097)
Profit for the year		**3,731,677**	3,480,687
Attributable to:			
Equity shareholders of the Company		**3,584,391**	3,359,555
Non-controlling interests		**147,286**	121,132
		3,731,677	3,480,687
Basic/diluted earnings per share (RMB)	11	**0.518**	0.485

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000 (Restated)
Profit for the year		**3,731,677**	3,480,687
Other comprehensive income/(expense) for the year (after tax)	12		
Item that will not be reclassified to profit or loss (after tax):			
Equity instruments at fair value through other comprehensive income:			
Net movements in the fair value reserve		**103,919**	(242,483)
Remeasurements of defined benefit plans		**(90)**	51
Item that may be subsequently reclassified to profit or loss (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside of Mainland China		**(4,202)**	26,141
		99,627	(216,291)
Total comprehensive income for the year		**3,831,304**	3,264,396
Attributable to:			
Equity shareholders of the Company		**3,683,969**	3,142,696
Non-controlling interests		**147,335**	121,700
		3,831,304	3,264,396

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment, net	16	**6,082,260**	6,269,961
Right-of-use assets	17	**2,245,135**	2,402,559
Investment properties	18	**1,700,230**	1,716,227
Construction in progress	19	**883,465**	427,691
Goodwill	20	**103,005**	103,005
Intangible assets	21	**745,830**	724,013
Interests in associates and joint ventures	22	**1,343,796**	1,307,945
Financial assets at fair value through profit or loss	31	**342,301**	275,804
Equity instruments at fair value through other comprehensive income	23	**3,473,580**	3,336,403
Deferred tax assets	24	**1,019,736**	941,879
Deposits at financial institutions with original maturity more than one year	25	**5,888,447**	7,651,866
Other non-current assets	26	**1,008,969**	908,016
Total non-current assets		**24,836,754**	26,065,369
Current assets			
Inventories	27	**1,196,945**	1,367,311
Accounts and bills receivable, net	28	**23,921,258**	20,310,265
Contract assets, net	29	**28,584,146**	25,268,821
Current portion of deposits at financial institutions with original maturity more than one year	25	**3,498,709**	221,188
Prepayments and other current assets	30	**13,668,864**	12,717,632
Financial assets at fair value through profit or loss	31	**10,429**	61,556
Short-term bank deposits and restricted cash	32	**3,157,780**	2,168,795
Cash and cash equivalents	33	**22,914,865**	22,087,661
Total current assets		**96,952,996**	84,203,229
Total assets		**121,789,750**	110,268,598
Current liabilities			
Interest-bearing borrowings	34	**807,499**	752,001
Accounts and bills payable	35	**53,426,398**	44,611,295
Current portion of lease liabilities	36	**487,758**	513,223
Contract liabilities	37	**9,527,291**	10,867,975
Accrued expenses and other payables	38	**11,642,004**	9,500,858
Income tax payable		**354,095**	351,105
Total current liabilities		**76,245,045**	66,596,457
Net current assets		**20,707,951**	17,606,772
Total assets less current liabilities		**45,544,705**	43,672,141

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (Restated)
Non-current liabilities			
Interest-bearing borrowings	34	**53,557**	129,120
Lease liabilities	36	**1,028,872**	1,066,892
Other non-current liabilities	39	**118,207**	219,457
Deferred tax liabilities	24	**676,368**	632,747
Total non-current liabilities		**1,877,004**	2,048,216
Total liabilities		**78,122,049**	68,644,673
Equity			
Share capital	40	**6,926,018**	6,926,018
Reserves		**35,650,741**	33,434,619
Equity attributable to equity shareholders of the Company		**42,576,759**	40,360,637
Non-controlling interests		**1,090,942**	1,263,288
Total equity		**43,667,701**	41,623,925
Total liabilities and equity		**121,789,750**	110,268,598

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 165 to 248 were approved and authorised for issue by the board of directors on 27 March 2024 and are signed on its behalf by:

Luan Xiaowei
Chairman and Executive Director

Zhang Xu
Executive Vice President and Chief Financial Officer, Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Equity attributable to equity shareholders of the Company											
	Notes	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Specific reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2023 (Restated)		6,926,018	4,529,310	2,051,403	1,860,249	401,360	1,900,280	(22,103)	(68,310)	22,782,430	40,360,637	1,263,288	41,623,925
Changes in equity for the year ended 31 December 2023													
Profit for the year		–	–	–	–	–	–	–	–	3,584,391	3,584,391	147,286	3,731,677
Other comprehensive income/ (expense) for the year		–	–	–	–	–	103,919	(4,251)	(90)	–	99,578	49	99,627
Total comprehensive income/ (expense) for the year		–	–	–	–	–	103,919	(4,251)	(90)	3,584,391	3,683,969	147,335	3,831,304
Dividend declared	15(b)	–	–	–	–	–	–	–	–	(1,342,955)	(1,342,955)	–	(1,342,955)
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(52,840)	(52,840)
Appropriation		–	–	–	177,022	–	–	–	–	(177,022)	–	–	–
Appropriation of specific reserve		–	–	–	–	40,164	–	–	–	(40,164)	–	–	–
Acquisition of Target Company	2(b)	–	–	(18,453)	–	–	–	–	–	–	(18,453)	–	(18,453)
Acquisition of equity interest held by the non-controlling interests		–	–	(101,459)	–	–	–	–	–	–	(101,459)	(266,841)	(368,300)
Others		–	–	(4,980)	–	–	(1,891)	–	–	1,891	(4,980)	–	(4,980)
Balance as at 31 December 2023		6,926,018	4,529,310	1,926,511	2,037,271	441,524	2,002,308	(26,354)	(68,400)	24,808,571	42,576,759	1,090,942	43,667,701
Balance as at 1 January 2022		6,926,018	4,529,310	2,036,326	1,706,073	359,093	2,149,333	(47,892)	(68,310)	20,817,263	38,407,214	1,202,906	39,610,120
Adjusted for acquisition of Target Company	2(b)	–	–	4,530	–	–	–	–	–	(4,712)	(182)	–	(182)
Balance as at 1 January 2022 (Restated)		6,926,018	4,529,310	2,040,856	1,706,073	359,093	2,149,333	(47,892)	(68,310)	20,812,551	38,407,032	1,202,906	39,609,938
Changes in equity for the year ended 31 December 2022													
Profit for the year (Restated)		–	–	–	–	–	–	–	–	3,359,555	3,359,555	121,132	3,480,687
Other comprehensive (expense)/income for the year (Restated)		–	–	–	–	–	(242,699)	25,789	51	–	(216,859)	568	(216,291)
Total comprehensive (expense)/ income for the year (Restated)		–	–	–	–	–	(242,699)	25,789	51	3,359,555	3,142,696	121,700	3,264,396
Dividend declared	15(b)	–	–	–	–	–	–	–	–	(1,199,587)	(1,199,587)	–	(1,199,587)
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(51,972)	(51,972)
Appropriation		–	–	–	154,176	–	–	–	–	(154,176)	–	–	–
Appropriation of specific reserve		–	–	–	–	42,267	–	–	–	(42,267)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	215	215
Others (Restated)		–	–	10,547	–	–	(6,354)	–	(51)	6,354	10,496	(9,561)	935
Balance as at 31 December 2022 (Restated)		6,926,018	4,529,310	2,051,403	1,860,249	401,360	1,900,280	(22,103)	(68,310)	22,782,430	40,360,637	1,263,288	41,623,925

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (Restated)
Operating activities		
Profit before tax	4,109,482	3,836,784
Adjustments for:		
Depreciation and amortisation	1,672,181	1,597,698
Impairment losses on accounts receivable, other receivables, contract assets and others, net	416,880	333,085
Impairment loss on right-of-use assets	2,264	–
Write-down of inventories, net	48,978	26,835
Interest income	(693,001)	(590,894)
Finance costs	113,734	91,046
Share of profits of associates and joint ventures	(116,338)	(92,747)
Dividend income	(177,746)	(178,234)
Investment income and fair value gains of financial instruments at fair value through profit or loss	(17,159)	(63,777)
(Gain)/Loss on disposal of an associate and other investments	(33,495)	36
Gain on disposal of property, plant and equipment, intangible assets, construction in progress and termination of lease, net	(14,722)	(20,115)
Foreign exchange loss, net	15,734	158
Write-back of non-payable liabilities	(51,078)	(50,581)
Operating profit before changes in working capital	5,275,714	4,889,294
Decrease in inventories	121,388	97,865
Increase in accounts and bills receivable	(3,990,766)	(2,314,759)
Increase in contract assets	(3,347,986)	(3,777,614)
Increase in prepayments and other current assets	(1,759,824)	(1,978,901)
Increase in accounts and bills payable	8,837,066	8,323,462
Decrease in contract liabilities	(1,340,684)	(581,196)
Increase in accrued expenses and other payables	1,654,858	427,731
Net cash inflow from operations	5,449,766	5,085,882
Interest paid	(115,730)	(134,522)
Interest received	441,343	449,796
Income tax paid	(419,132)	(492,114)
Net cash generated from operating activities	5,356,247	4,909,042

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Investing activities			
Payments for purchase of property, plant and equipment, construction in progress and intangible assets		**(1,218,388)**	(1,226,279)
Proceeds from disposal of property, plant and equipment, construction in progress and intangible assets		**27,111**	32,434
Short-term bank deposits (paid)/received		**(5,909)**	515,937
Dividends received		**265,272**	258,029
Proceeds from disposal of equity instruments		**88,417**	7,539
Payments for acquisition of equity investments		**(54,275)**	(147,390)
Proceeds from disposal of wealth management products and structured deposits		**–**	3,355,829
Payments for acquisition of associates and joint ventures		**(6,730)**	(9,414)
Proceeds from disposal of associates and joint ventures		**–**	1,030
Payments for acquisition of deposits at financial institutions with original maturity more than one year		**(1,466,500)**	(5,077,193)
Received deposits at financial institutions with original maturity more than one year		**200,000**	–
Payments for acquisition of a subsidiary	2(b)	**(18,453)**	–
Other cash received relating to investing activities		**73,951**	–
Net cash used in investing activities		**(2,115,504)**	(2,289,478)
Financing activities			
Proceeds from bank and other loans		**643,917**	240,183
Payments for acquisition of equity interest held by the non-controlling interests		**(369,925)**	–
Capital injection from non-controlling interests		**–**	215
Repayments of bank and other loans		**(657,843)**	(197,122)
Repayments of lease liabilities		**(613,206)**	(529,557)
Dividends paid		**(1,405,251)**	(1,257,596)
Net cash used in financing activities		**(2,402,308)**	(1,743,877)
Net increase in cash and cash equivalents		**838,435**	875,687
Cash and cash equivalents at beginning of year		**22,087,661**	21,172,860
Effect of foreign exchange rate changes		**(11,231)**	39,114
Cash and cash equivalents at end of year	33	**22,914,865**	22,087,661

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. PRINCIPAL ACTIVITIES AND ORGANISATION

(a) Principal activities

China Communications Services Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is a leading service provider in the People's Republic of China (the "PRC") that provides integrated comprehensive smart solutions in the field of informatization and digitalization. The Group offers telecommunications infrastructure services, including design, construction and project supervision and management; business process outsourcing services, including management of infrastructure for information technology, general facilities management, supply chain and products distribution; and applications, content and other services, including system integration, software development and system support, and value-added services.

(b) Organisation

The Company was established in the PRC on 30 August 2006 as a joint stock limited company under the Company Law of the PRC as part of the restructuring of China Telecommunications Corporation ("CTC"), a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 8 December 2006.

The address of the Company's registered office is Block No.1, Compound No.1, Fenghuangzui Street, Fengtai District, Beijing, PRC 100073. At 31 December 2023, the directors of the Company consider the immediate and ultimate holding company of the Group to be CTC.

The Company established Comservice Intelligent Technology Co., Ltd. in December 2023. The registered capital is RMB50 million. The Company has not paid the contribution.

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board (the "IASB"). IFRSs include all applicable individual IFRSs, International Accounting Standards ("IASs") and related interpretations. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the material accounting policies adopted by the Group is set out below.

The IASB has issued certain revised IFRSs that are first effective or available for early adoption for the current year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior years reflected in these consolidated financial statements.

(b) Basis of preparation of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and its interests in associates and joint ventures.

For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

2. MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of consolidated financial statements (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs are unobservable inputs for the asset or liability.

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 45.

2. MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of consolidated financial statements (continued)

Application of business combination under common control

Pursuant to the Equity Transfer Agreements entered into by one of the Company's subsidiaries, China International Telecommunications Construction Corporation ("CITCC"), and China Telecom Industrial Asset Management Co., Ltd, a subsidiary of CTC, on 28 February 2023, CITCC acquired 100% equity interests in China Post and Telecommunication Translation Service Co., LTD (the "Target Company") for a total purchase price of RMB18.45 million.

Since the Group and the Target Company are under common control of CTC, the assets and liabilities of the Target Company have been accounted for at historical costs and the consolidated financial statements of the Group prior to the acquisition of the Target Company have been restated to include the results of operations and assets and liabilities of the Target Company on a consolidated basis as if the Target Company had been consolidated at the previous end of the reporting period based on the Group's accounting policies of business combinations involving enterprises under common control. The considerations paid by the CITCC for the acquisition of the Target Company were accounted for as an equity transaction in the consolidated statement of changes in equity.

The results of operations for the year ended 31 December 2022, the financial position as at 31 December 2022 and the cash flows for year ended 31 December 2022 previously reported by the Group have been restated to include the results of the Target Company as set out below:

	The Group (as previously reported) RMB'000	**Target Company** RMB'000	**Combined** RMB'000
Results of operations for the year ended 31 December 2022			
Revenues	140,745,755	1,814	140,747,569
Gross profit	15,980,543	1,108	15,981,651
Profit for the year	3,479,281	1,406	3,480,687
Basic/diluted earnings per share (RMB)	0.485	–	0.485
Financial position as at 31 December 2022			
Total assets	110,264,105	4,493	110,268,598
Total liability	68,641,455	3,218	68,644,673
Total equity	41,622,650	1,275	41,623,925
Cash flows for the year ended 31 December 2022			
Net cash generated from operating activities	4,908,283	759	4,909,042
Net cash used in investing activities	(2,289,201)	(277)	(2,289,478)
Net cash used in financing activities	(1,743,877)	–	(1,743,877)

For the year presented, the balances and transactions between the Group and the Target Company had no significant impact on the consolidated financial statements.

The Target Company contributed revenues of RMB1,742 thousand and profit of RMB41 thousand to the Group for the year ended 31 December 2023.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to capital reserve. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before the business combination.

The acquirer, at the acquisition date, allocates the consideration of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date. The excess of the consideration over the fair value of the net identifiable assets acquired is recorded as goodwill (see note 2(d)).

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

(iii) Subsidiaries and non-controlling interests

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

a. has power over the investee;

b. is exposed, or has rights, to variable returns from its involvement with the investee; and

c. has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(iii) Subsidiaries and non-controlling interests (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non – controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9"), or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iv) Investments in associates and joint ventures

Associates are entities in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating decisions.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(iv) Investments in associates and joint ventures (continued)

Investments in associates or joint ventures are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investments are initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the cost of the investment (if any, after reassessment) which is recognised in the consolidated statement of profit or loss. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's profit or loss and other comprehensive income. The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase after reassessment.

2. MATERIAL ACCOUNTING POLICIES (continued)

(d) Goodwill (continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination involving entities not under common control is allocated to each cash-generating unit, or group of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment (see note 2(j)).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(e) Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation.

Investment properties are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(j)). Depreciation is calculated to write off the cost less estimated residual value if applicable and is charged to profit or loss on a straight-line basis over the estimated useful lives ranging from 20 years to 30 years.

When an item of property, plant and equipment is transferred to investment property evidenced by end of owner-occupation or when an investment property commencement of owner-occupation and reclassified as property, plant and equipment, its costs at the date of reclassification becomes its cost for accounting purposes.

(f) Property, plant and equipment

Property, plant and equipment are initially recorded at cost, less subsequent accumulated depreciation and impairment losses (see note 2(j)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition and location for its intended use and the cost of borrowed funds used during the periods of construction. Expenditure incurred after the asset has been put into operation, including cost of replacing part of such an item, is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and the cost can be measured reliably. All other expenditure is expensed as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is provided to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	5-30 years
Building improvements	5-8 years
Motor vehicles	6-10 years
Furniture, fixtures and other equipment	3-10 years

The useful life of an asset and its residual value, if any, and depreciation method are reviewed annually.

2. MATERIAL ACCOUNTING POLICIES (continued)

(g) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction, capitalisation of interest charge and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;

b. the intention to complete the intangible asset and use or sell it;

c. the ability to use or sell the intangible asset;

d. how the intangible asset will generate probable future economic benefits;

e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss from the date they are available for use on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

2. MATERIAL ACCOUNTING POLICIES (continued)

(i) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2. MATERIAL ACCOUNTING POLICIES (continued)

(i) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Except for the practical expedient rent concessions, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

For the lessor, the Group derecognises assets held under a finance lease in balance sheet and present them as a receivable at the present value of the lease payments. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2. MATERIAL ACCOUNTING POLICIES (continued)

(j) Impairment of long-lived assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following long-lived assets may be impaired, except in the case of goodwill:

- property, plant and equipment;
- right-of-use assets;
- investment properties;
- construction in progress;
- goodwill; and
- Intangible assets with finite useful lives.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- **Recognition of impairment losses**

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

  Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then, to reduce the carrying amount of the other assets in the unit (or group of cash-generating units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable or zero.

2. MATERIAL ACCOUNTING POLICIES (continued)

(j) Impairment of long-lived assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversals occurs.

(l) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. MATERIAL ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations ("IFRS 3") applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit – impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that does not meet the criteria for being measured at amortised cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including accounts and bills receivable, financial assets included in prepayments and other current assets, long term receivables, short-term bank deposits and restricted cash, cash and cash equivalents), lease receivables and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable, lease receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant risk, and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics and type of customers, such as receivables from telecommunications operators and non-telecom operators. Telecommunications operators include China Telecommunications Corporation and its subsidiaries (excluding the Group) ("CTC Group"), China Mobile Communications Group Co., Ltd. and its subsidiaries ("CM Group"), China Unicom Group and its subsidiaries, China Radio and Television Network Group Co., Ltd. and its subsidiaries ("China Broadnet Group"), and China Tower Corporation Limited, non-telecom operators refer to all of the other customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk and credit-impaired since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available);

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and bills receivable, contract assets, lease receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2. MATERIAL ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at FVTPL or at amortised cost using the effective interest method.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(ii) Financial liabilities at amortised cost

Financial liabilities including interest-bearing borrowings, accounts and bills payable, financial liabilities included in accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

(iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of original maturity at acquisition.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

(iii) Share appreciation rights scheme

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period based on the estimated number of rights that are expected to vest. The liabilities are presented as employee benefit obligations and remeasured to fair value at each reporting date, with any measurement changes recognised in profit or loss as employee benefit expense. In estimating the fair value, market conditions and non-vesting conditions are taken into account. Where share appreciation rights are forfeited due to a failure by the employee to satisfy the service conditions, the liability is derecognised and expenses previously recognised are reversed. Further details of the Group's share appreciation rights scheme are set out in note 42.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial recognition for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. MATERIAL ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. MATERIAL ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which, intend either to realise the current tax assets and settle the current tax liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied. i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a piece of goods or service (or a bundle of goods or services) that is distinct or a series of a piece of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Groups performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

As such, revenues from contracts with customers of major telecommunications support services, including construction (included in the revenue from telecommunications infrastructure services described in note 4), management of infrastructure for information technology (included in the revenue from business process outsourcing services described in note 4) are generally recognised over time during which the services are provided to customers.

Otherwise, revenue is recognised at a point in time when the customer obtains control of a piece of distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 (see note 2(l)). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis.

The stand-alone selling price of a piece of distinct goods or a distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognised over time: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is mainly measured based on the output method, which is to recognise revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue from contracts with customers (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contract where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

(r) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

(s) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and the presentation currency of the Group is Renminbi ("RMB"). Foreign currency transactions during the year are translated at the applicable rates of exchange quoted by the People's Bank of China prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the applicable rates ruling at the end of the reporting period. Foreign currency differences, other than those capitalised as construction in progress (see note 2(g)), are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2. MATERIAL ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities of foreign operations are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Upon the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

(t) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of qualifying assets, which are asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and development activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provide regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group principally has one operating segment and hence no segment information is provided (see note 47).

(v) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the period in which they are declared.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. MATERIAL ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is controlled or jointly controlled by a person identified in (a);

(vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are mandatorily effective for the current year:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12 (note (i))	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the above amendments to IFRSs in the current year has had no material effect on the Group's consolidated financial statements.

Note:

(i) The Group has applied IFRS 16 since 1 January 2019 and recognised deferred tax related to temporary differences arising from lease liabilities and right-of-use assets on a net basis. Starting from 1 January 2023, the Group has applied Amendments to IAS 12. The initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. For the equal amounts of deductible and taxable temporary differences arising from the above transactions, the Group has recognised deferred tax assets and deferred tax liabilities separately and disclosed in note 24. The relevant notes as at 31 December 2022 has been restated. The application of Amendments to IAS 12 has had no material effect on retained earnings and other related reporting items as at 1 January 2022 and 31 December 2022.

4. REVENUES

Revenues are derived from the provision of integrated comprehensive smart solutions.

The Group's revenues by business nature can be summarised as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Revenue from telecommunications infrastructure services	**76,136,756**	72,906,517
Revenue from business process outsourcing services	**43,550,614**	43,073,150
Revenue from applications, content and other services	**28,927,306**	24,767,902
	148,614,676	140,747,569

The Group's major customers are telecommunications operators mainly including CTC Group and CM Group. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the year ended 31 December 2023 amounted to RMB54,399 million and RMB15,804 million, respectively (2022: RMB50,268 million (restated) and RMB17,415 million, respectively) being 36.6% and 10.6% of the Group's total revenues, respectively (2022: 35.7% (restated) and 12.4% (restated), respectively). The revenues derived from areas outside Mainland China for the year ended 31 December 2023 amounted to RMB3,456 million (2022: RMB2,998 million).

For the year ended 31 December 2023, the Group's top three business lines that contributed to the overall revenues were construction included in telecommunications infrastructure services, management of infrastructure for information technology included in business process outsourcing services and system integration included in applications, content and other services, the revenues from which amounted to RMB61,188 million, RMB18,568 million and RMB17,528 million, respectively (2022:The Group's top three business lines that contributed to the overall revenues were construction, management of infrastructure for information technology and system integration, the revenues from which amounted to RMB59,231 million, RMB18,158 million and RMB15,211 million, respectively).

From 1 January 2023, the Group has reclassified China Broadnet Group from non-telecom operator to telecommunications operator, the comparative information has been reclassified. Revenues from non-telecom operators for construction amounted to RMB31,062 million (2022: RMB29,291 million (restated)).

4. REVENUES (continued)

The Group generally accounts for major telecommunications support services, including construction, management of infrastructure for information technology, logistics and warehousing in supply chain, as performance obligations satisfied over time, when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, or the Group's performance creates or enhances an asset that the customer controls as the Groups performs, revenue is recognised for these services by measuring the progress towards complete satisfaction of each performance obligation mainly using the output method. For other goods or services, the revenue recognition method is determined based on the specific contract terms.

As of 31 December 2023, the total transaction price of RMB115,882 million (31 December 2022: RMB96,652 million) allocated to the Group's remaining performance obligations under existing contracts is expected to be recognised as revenue in 2024 and subsequent periods (31 December 2022: 2023 and subsequent periods) in accordance with the terms of the contract and the provision of services. These amounts disclosed above do not include contracts with an original expected duration of one year or less.

5. COST OF REVENUES

	2023 **RMB'000**	2022 RMB'000 (Restated)
Subcontracting charges	**80,233,245**	76,546,469
Materials costs	**24,670,341**	21,657,339
Direct personnel costs	**8,644,005**	8,558,400
Direct costs of products distribution	**3,517,360**	4,065,197
Expense relating to short-term leases and leases of low-value assets	**1,255,813**	1,184,887
Depreciation and amortisation	**1,017,154**	961,218
Others	**12,019,508**	11,792,408
	131,357,426	124,765,918

6. OTHER INCOME

	2023	2022
	RMB'000	RMB'000
		(Restated)
Interest income	**693,001**	590,894
Management fee income	**393,803**	386,733
Input tax credits	**200,156**	313,019
Government grants	**264,214**	280,781
Dividend income from equity instruments at FVTOCI	**177,746**	178,234
Write-back of non-payable liabilities	**51,078**	50,581
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	**22,151**	26,936
Others	**130,074**	127,138
	1,932,223	1,954,316

7. OTHER EXPENSES

	2023	2022
	RMB'000	RMB'000
		(Restated)
Bank handling fees	**93,687**	81,899
Penalty charge and compensation	**31,730**	23,976
Net foreign exchange loss	**15,734**	158
Loss on disposal of property, plant and equipment, construction in progress and intangible assets	**7,429**	6,821
Donations	**2,040**	2,779
Others	**18,929**	25,325
	169,549	140,958

8. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
		(Restated)
Interest on bank and other borrowings	**59,250**	33,402
Interest on lease liabilities	**54,484**	57,644
	113,734	91,046

For the year ended 31 December 2023, no borrowing costs were capitalised in relation to construction in progress (2022: Nil).

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following items:

	2023 RMB'000	2022 RMB'000 (Restated)
(a) Staff costs:		
Salaries, wages and other benefits	**16,586,383**	15,848,428
Contributions to defined contribution retirement schemes	**2,184,492**	2,134,966
	18,770,875	17,983,394
(b) Other items:		
Depreciation		
– Property, plant and equipment (note 16)	**767,292**	745,029
– Right-of-use assets (note 17)	**614,504**	583,559
– Investment properties (note 18)	**88,787**	87,539
Amortisation		
– Intangible assets (note 21)	**201,598**	181,571
Auditors' remuneration	**30,008**	28,499
Materials costs	**24,670,341**	21,657,339
Direct costs of products distribution	**3,517,360**	4,065,197
Write-down of inventories, net	**48,978**	26,835
Impairment losses recognised and reversed on accounts receivable, other receivables, contract assets and others, net	**416,880**	333,085
Expense relating to short-term leases and leases of low-value assets	**1,492,871**	1,403,579

The selling expenses, general and administrative expenses, research and development costs and others of the Group are RMB2,672 million, RMB5,848 million, RMB5,552 million and RMB841 million (2022: RMB2,654 million, RMB5,623 million (restated), RMB4,952 million and RMB731 million (restated)), respectively for the year ended 31 December 2023.

10. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000 (Restated)
Current tax	**448,135**	566,817
Deferred tax (note 24)	**(70,330)**	(210,720)
Total income tax	**377,805**	356,097

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before tax	**4,109,482**	3,836,784
Expected income tax expense at a statutory tax rate of 25% (2022: 25%)	**1,027,371**	959,196
Differential/preferential tax rates on subsidiaries' income (note (i)(ii))	**(156,305)**	(176,342)
Non-deductible expenses (note (iii))	**182,619**	239,494
Non-taxable income	**(88,876)**	(107,391)
Tax losses and other temporary differences not recognised	**174,047**	63,692
Utilisation of previously unrecognised tax losses	**(21,784)**	(13,089)
Adjustments in respect of current income tax of previous years	**14,465**	(3,964)
Additional deduction of research and development expenses (note (iv))	**(753,732)**	(605,499)
Income tax	**377,805**	356,097

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory tax rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2023 (2022: 25%), except for certain domestic subsidiaries of the Group, which are taxed at preferential rates (refer to note (ii) below), where applicable; and for certain overseas subsidiaries of the Group, which are taxed at their respective statutory rates.

(ii) According to the PRC enterprise income tax law and its relevant regulations, certain subsidiaries that are qualified as High and New Technology Enterprise, enterprises under the Western Region Development Program, and Small and Micro enterprises as defined under the tax law are entitled to a preferential income tax rate of 15%, 15% and 20% (2022: 15%, 15%, 20%).

(iii) The amounts represent staff costs in excess of the statutory deductible limits for tax reporting purposes and other non-deductible expenses.

(iv) According to the PRC enterprise income tax law and its relevant regulations, certain research and development expenses of Group's PRC subsidiaries are qualified for an additional deduction of 100% for tax reporting purposes (2022: 75% and 100% for tax reporting purposes, from 1 January, 2022 to 30 September, 2022, and from 1 October, 2022 to 31 December, 2022 respectively).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2023 of RMB3,584,391 thousand (2022: RMB3,359,555 thousand (restated))and number of shares in issue during the year ended 31 December 2023 of 6,926,018 thousand shares (2022: 6,926,018 thousand shares).

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

12. OTHER COMPREHENSIVE INCOME/(EXPENSE)

	2023 **RMB'000**	2022 RMB'000 (Restated)
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense) recognised during the year	**140,013**	(326,391)
Net deferred tax (charged)/credited to other comprehensive income/(expense)	**(36,094)**	83,908
Remeasurements of defined benefit plans	**(90)**	51
Exchange differences on translation of financial statements	**(4,202)**	26,141
Other comprehensive income/(expense) for the year	**99,627**	(216,291)

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The names of the directors and the supervisors of the Company and their remuneration for the year ended 31 December 2023 are as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000 (note)	Pension scheme contributions RMB'000	Expenses related to share appreciation rights RMB'000	2023 Total RMB'000
Executive Directors						
Liu Guiqing	–	–	–	–	–	–
Yan Dong (appointed on 10 February 2023)	–	180	615	138	42	975
Huang Xiaoqing (resigned on 10 February 2023)	–	27	27	12	50	116
Zhang Xu	–	189	573	148	42	952
	–	396	1,215	298	134	2,043
Non-Executive Directors						
Gao Tongqing	–	–	–	–	–	–
Huang Zhen	–	–	–	–	–	–
Tang Yongbo (appointed on 16 June 2023)	–	–	–	–	–	–
	–	–	–	–	–	–
Independent Non-Executive Directors						
Siu Wai Keung, Francis	330	–	–	–	–	330
Lv Tingjie	200	–	–	–	–	200
Wang Qi	170	–	–	–	–	170
Wang Chunge	170	–	–	–	–	170
	870	–	–	–	–	870
Supervisors						
Cai Manli	170	–	–	–	–	170
Ye Lichun (resigned on 5 December 2023)	–	–	–	–	–	–
Liu Lian	–	90	331	57	16	494
	170	90	331	57	16	664
Total directors' and supervisors' emoluments						3,577

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

The names of the directors and the supervisors of the Company and their remuneration for the year ended 31 December 2022 are as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000 (note)	Pension scheme contributions RMB'000	Expenses related to share appreciation rights RMB'000	2022 Total RMB'000
Executive Directors						
Liu Guiqing	–	–	–	–	–	–
Huang Xiaoqing	–	242	997	132	4	1,375
Zhang Xu	–	184	882	128	3	1,197
	–	426	1,879	260	7	2,572
Non-Executive Directors						
Gao Tongqing	–	–	–	–	–	–
Mai Yanzhou (resigned on 30 May 2022)	–	–	–	–	–	–
Huang Zhen	–	–	–	–	–	–
	–	–	–	–	–	–
Independent Non-Executive Directors						
Siu Wai Keung, Francis	328	–	–	–	–	328
Lv Tingjie	193	–	–	–	–	193
Wang Qi	92	–	–	–	–	92
Wang Chunge	92	–	–	–	–	92
Wu Taishi (resigned on 17 June 2022)	85	–	–	–	–	85
Liu Linfei (resigned on 17 June 2022)	85	–	–	–	–	85
	875	–	–	–	–	875
Supervisors						
Cai Manli	92	–	–	–	–	92
Ye Lichun	–	–	–	–	–	–
Liu Lian	–	59	151	36	1	247
Si Jianfei (resigned on 17 June 2022)	–	100	336	56	–	492
Hai Liancheng (resigned on 17 June 2022)	42	–	–	–	–	42
	134	159	487	92	1	873
Total directors' and supervisors' emoluments						4,320

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Note:

The discretionary bonus is determined based on the individual performance of the directors and supervisors and the Group's overall operating results.

The emoluments of certain executive director or supervisor, and non-executive directors were not borne by the Group and they received remunerations from the parent company and/or from other shareholders. The directors of the Company are of the opinion that the services provided to the Group only occupy an insignificant amount of their time and therefore it is concluded that those directors or supervisors are not remunerated for such services.

The emoluments of executive directors were for their services rendered in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were in connection with their services rendered as directors of the Company.

The emoluments of supervisors were in connection with their services rendered as a supervisor of the Company or as an employee of the Group.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S REMUNERATION

(a) The five highest paid employees of the Group

The five highest paid employees of the Group are as follows:

	2023	2022
Directors and supervisors	**–**	1
Non-director and non-supervisor employees	**5**	4
	5	5

The remuneration paid to the above highest paid employees are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and other benefits in kind	**2,327**	2,017
Discretionary bonuses	**5,151**	5,129
Pension scheme contributions	**586**	533
	8,064	7,679

The number of these highest paid employees whose remuneration fell within the following bands:

	2023	2022
RMB equivalent		
1,000,001 to 1,500,000	**3**	3
1,500,001 to 2,000,000	**2**	2

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S REMUNERATION (continued)

(b) Senior management's remuneration

The number of the senior management (excluding non-director and non-supervisor employees presented in note 14 (a)) whose remuneration fell within the following bands:

	2023	2022
RMB equivalent		
Nil to 1,000,000	**19**	11
1,000,001 to 2,000,000	**2**	10

15. DIVIDENDS

(a) Dividends attributable to the year

	2023 **RMB'000**	2022 RMB'000
Final dividend proposed after the end of reporting period of RMB0.2174 per share (2022: RMB0.1939 per share)	**1,505,716**	1,342,955

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2023 **RMB'000**	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.1939 per share (2022: RMB0.1732 per share, including final dividend RMB0.1641 per share and special dividend RMB0.0091 per share)	**1,342,955**	1,199,587

16. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings RMB'000	Building improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Total RMB'000
Cost					
As at 1 January 2023 (Restated)	6,097,513	934,366	1,515,419	4,467,302	13,014,600
Transfer to investment properties (note 18)	(68,225)	–	–	–	(68,225)
Transfer from investment properties (note 18)	4,236	–	–	–	4,236
Transfer from construction in progress (note 19)	46,589	38,478	346	185,818	271,231
Additions	18,552	41,983	126,413	215,522	402,470
Disposals	(13,146)	(6,381)	(118,538)	(228,947)	(367,012)
As at 31 December 2023	6,085,519	1,008,446	1,523,640	4,639,695	13,257,300
Accumulated depreciation and impairment losses					
As at 1 January 2023 (Restated)	2,027,208	779,564	1,024,056	2,913,811	6,744,639
Transfer to investment properties (note 18)	(5,601)	–	–	–	(5,601)
Transfer from investment properties (note 18)	3,578	–	–	–	3,578
Depreciation charge	205,675	83,126	114,110	364,381	767,292
Depreciation written back on disposals	(7,500)	(6,381)	(111,867)	(208,633)	(334,381)
Impairment loss	(171)	–	–	(316)	(487)
As at 31 December 2023	2,223,189	856,309	1,026,299	3,069,243	7,175,040
Net carrying value					
As at 31 December 2023	3,862,330	152,137	497,341	1,570,452	6,082,260
As at 1 January 2023 (Restated)	4,070,305	154,802	491,363	1,553,491	6,269,961

16. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

	Buildings RMB'000	Building improvements RMB'000	Motor vehicles RMB'000 (Restated)	Furniture, fixtures and other equipment RMB'000 (Restated)	Total RMB'000 (Restated)
Cost					
As at 1 January 2022	6,083,646	858,030	1,530,260	4,095,860	12,567,796
Transfer to investment properties (note 18)	(80,186)	–	–	–	(80,186)
Transfer from investment properties (note 18)	356	–	–	–	356
Transfer from construction in progress (note 19)	86,830	21,155	997	310,989	419,971
Additions	7,438	57,925	125,101	275,956	466,420
Disposals	(571)	(2,744)	(140,939)	(215,503)	(359,757)
As at 31 December 2022	6,097,513	934,366	1,515,419	4,467,302	13,014,600
Accumulated depreciation and impairment losses					
As at 1 January 2022	1,841,453	718,317	1,039,949	2,754,605	6,354,324
Transfer to investment properties (note 18)	(22,436)	–	–	–	(22,436)
Transfer from investment properties (note 18)	181	–	–	–	181
Depreciation charge	208,174	63,234	113,460	360,161	745,029
Depreciation written back on disposals	(164)	(1,987)	(129,353)	(200,907)	(332,411)
Impairment loss	–	–	–	(48)	(48)
As at 31 December 2022	2,027,208	779,564	1,024,056	2,913,811	6,744,639
Net carrying value					
As at 31 December 2022	4,070,305	154,802	491,363	1,553,491	6,269,961
As at 1 January 2022	4,242,193	139,713	490,311	1,341,255	6,213,472

All the Group's buildings are located in the PRC.

Up to the date of issuance of these consolidated financial statements, the Group was still in the process of applying for or changing the registration of the title certificates of certain of its properties with an aggregate carrying value of approximately RMB67 million as at 31 December 2023 (2022: RMB103 million) to its name. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Total RMB'000
As at 31 December 2023					
Net carrying value	**848,998**	**1,312,679**	**7,734**	**75,724**	**2,245,135**
As at 31 December 2022					
Net carrying value	882,005	1,434,953	6,613	78,988	2,402,559
For the year ended 31 December 2023					
Depreciation charge	**26,004**	**526,641**	**4,977**	**56,882**	**614,504**
Impairment loss	**–**	**–**	**–**	**2,264**	**2,264**
For the year ended 31 December 2022					
Depreciation charge	25,852	506,303	2,772	48,632	583,559
Impairment loss	–	–	–	–	–

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**1,437,755**	1,377,202
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**55,116**	26,377
Total cash outflow for leases	**2,145,735**	1,910,919
Additions to right-of-use assets	**673,826**	697,216

The Group leases leasehold lands, buildings, motor vehicles and other equipment for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of the terms under the contract and determines the period for which the contract is enforceable.

The Group entered into short-term leases mainly for buildings, motor vehicles and other equipment. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2023, the Group entered into new leases for buildings, motor vehicles and other equipment that had not yet commenced, the total future undiscounted cash flows over the non-cancellable period amounted to RMB82 million (2022: RMB137 million).

18. INVESTMENT PROPERTIES

	2023 **RMB'000**	2022 RMB'000 (Restated)
Cost		
As at 1 January	**2,625,943**	2,530,944
Additions	**3,820**	15,169
Transfer from property, plant and equipment (note 16)	**68,225**	80,186
Transfer from right-of-use assets	**12,437**	–
Transfer to property, plant and equipment (note 16)	**(4,236)**	(356)
As at 31 December	**2,706,189**	2,625,943
Accumulated depreciation		
As at 1 January	**909,716**	799,922
Transfer from property, plant and equipment (note 16)	**5,601**	22,436
Transfer from right-of-use assets	**5,433**	–
Transfer to property, plant and equipment (note 16)	**(3,578)**	(181)
Depreciation charge	**88,787**	87,539
As at 31 December	**1,005,959**	909,716
Net carrying value		
As at 31 December	**1,700,230**	1,716,227
As at 1 January	**1,716,227**	1,731,022
Fair value (as at 31 December)	**6,122,748**	6,265,977

All the Group's investment properties are located in the PRC.

The fair value measurement of the Group's investment properties is categorised as Level 3 of fair value measurement. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by making reference to the rentals achieved in the lettable units of the properties, as well as lettings of other similar properties in the neighbourhood. The discount rate is determined by making reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted by taking into account the market expectation from property investors which reflect factors specific to the Group's investment properties.

18. INVESTMENT PROPERTIES (continued)

The Group leases out its properties under operating leases. The leases typically run for period of one year to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. At the end of the reporting period, the total future minimum lease payments receivable under non-cancellable period were as follows:

	2023 RMB'000	2022 RMB'000
Within one year	129,412	176,613
In the second year	117,996	104,630
In the third year	123,140	90,802
In the fourth year	100,293	81,856
In the fifth year	84,378	65,982
After five years	136,601	143,933
As at 31 December	691,820	663,816

During the year ended 31 December 2023, RMB164 million (2022: RMB179 million) had been recognised as rental income in the consolidated statement of profit or loss and RMB17 million (2022: RMB28 million) in respect of direct operating costs relating to investment properties had been recognised as costs in the consolidated statement of profit or loss.

Up to the date of issuance of these consolidated financial statements, the Group was still in the process of applying for or changing the registration of the title certificates of certain of its properties with an aggregate carrying value of approximately RMB39 million as at 31 December 2023 (2022: RMB44 million) to its name. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

19. CONSTRUCTION IN PROGRESS

	2023 RMB'000	2022 RMB'000
Cost		
As at 1 January	427,691	576,405
Additions	768,831	320,259
Disposals	(8,402)	(4,063)
Transfer to intangible assets (note 21)	(33,424)	(44,939)
Transfer to property, plant and equipment (note 16)	(271,231)	(419,971)
As at 31 December	883,465	427,691

20. GOODWILL

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cost and carrying amount	**103,005**	103,005

	2023 RMB'000	2022 RMB'000
Impairment testing for group of cash-generating units containing goodwill		
CITCC	**103,005**	103,005

The recoverable amount of group of cash-generating units relates to goodwill arising from the acquisition of CITCC which was determined based on value in use calculation. The calculation uses cash flow projection based on financial budget approved by management covering a five-year period and pre-tax discount rate adopted is 10.81% (2022: 11.01%). The financial budgets and discount rate had been assessed by the Group as at 31 December 2023, taking into consideration a higher degree of estimation uncertainties in the current year due to uncertainty of volatility in the financial markets.

Cash flows beyond the five years period are extrapolated using zero growth rate.

Key assumptions used for the value in use calculations are the gross margin and revenue growth rate. Management determined the budgeted gross margin based on the gross margin achieved in the period immediately before the budget period and its expectation of the trend of major telecommunication operators' capital expenditure. Revenue growth was budgeted based on the actual revenue achieved in the period immediately before the budget period. Management believes any reasonably possible change in the key assumptions would not cause the group of cash-generating units' carrying amount to exceed its recoverable amount.

21. INTANGIBLE ASSETS

	2023 RMB'000	2022 RMB'000
Cost		
As at 1 January	**1,897,867**	1,694,034
Additions	**190,692**	191,075
Transfer from construction in progress (note 19)	**33,424**	44,939
Disposals	**(25,502)**	(32,181)
As at 31 December	**2,096,481**	1,897,867
Accumulated amortisation		
As at 1 January	**1,173,854**	1,010,557
Amortisation charge	**201,598**	181,571
Written back on disposals	**(24,801)**	(18,274)
As at 31 December	**1,350,651**	1,173,854
Net carrying value		
As at 31 December	**745,830**	724,013
As at 1 January	**724,013**	683,477

Intangible assets mainly represent computer software.

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Share of associates	**1,232,444**	1,204,430
Share of joint ventures	**111,352**	103,515
	1,343,796	1,307,945

The Group's associates and joint ventures are established and operated in the PRC. The Group's interests in associates and joint ventures are individually and in aggregate not material to the Group's financial condition or results of operation for the year.

Aggregate financial information of the Group's associates and joint ventures that are not individually material is disclosed below:

	2023 RMB'000	2022 RMB'000
The Group's share of profit of associates	**112,767**	84,569
The Group's share of total comprehensive income of associates	**112,767**	84,569
The Group's share of profit of joint ventures	**3,571**	8,178
The Group's share of total comprehensive income of joint ventures	**3,571**	8,178

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The equity instruments mainly represent ordinary shares of entities listed in stock exchanges of Mainland China. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potentials in the long run.

24. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (Restated)
Impairment losses, primarily for receivables and inventories	**437,434**	388,401	**–**	–
Tax losses	**50,867**	42,580	**–**	–
Changes in fair values of FVTPL and FVTOCI	**–**	195	**(682,261)**	(641,114)
Accrued expenses	**553,707**	530,321	**–**	–
Right-of-use assets and lease liabilities	**262,638**	268,931	**(248,777)**	(258,773)
Others	**–**	–	**(30,240)**	(21,409)
	1,304,646	1,230,428	**(961,278)**	(921,296)
Offsetting	**(284,910)**	(288,549)	**284,910**	288,549
Deferred tax assets/(liabilities)	**1,019,736**	941,879	**(676,368)**	(632,747)

Movements in deferred tax assets and liabilities for the year ended 31 December 2023 are as follows:

	As at 1 January 2023 RMB'000	Recognised in profit or loss RMB'000 (note 10(a))	Recognised in other comprehensive income RMB'000 (note 12)	Others RMB'000	As at 31 December 2023 RMB'000
Impairment losses, primarily for receivables and inventories	388,401	49,033	–	–	437,434
Tax losses	42,580	8,287	–	–	50,867
Changes in fair value of FVTPL and FVTOCI	(640,919)	(5,248)	(36,094)	–	(682,261)
Accrued expenses	530,321	23,386	–	–	553,707
Right-of-use assets and lease liabilities	10,158	3,703	–	–	13,861
Others	(21,409)	(8,831)	–	–	(30,240)
	309,132	70,330	(36,094)	–	343,368

24. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	As at 1 January 2022 RMB'000 (Restated)	Recognised in profit or loss RMB'000 (note 10(a)) (Restated)	Recognised in other comprehensive income RMB'000 (note 12)	Others RMB'000	As at 31 December 2022 RMB'000 (Restated)
Impairment losses, primarily for receivables and inventories	347,306	41,095	–	–	388,401
Tax losses	58,802	(16,222)	–	–	42,580
Changes in fair value of FVTPL and FVTOCI	(739,944)	13,849	83,908	1,268	(640,919)
Accrued expenses	346,883	183,438	–	–	530,321
Right-of-use assets and lease liabilities	9,832	326	–	–	10,158
Others	(9,643)	(11,766)	–	–	(21,409)
	13,236	210,720	83,908	1,268	309,132

Note:

As at 31 December 2023, the Group had not recognised deferred tax assets in respect of tax losses of RMB1,923 million (2022: RMB1,686 million) as it is not probable that future taxable profits, against which the losses can be utilized, will be available. According to the PRC enterprise income tax law and its relevant regulations, the tax losses of certain subsidiaries that are qualified as High and New Technology Enterprise can be carried forward for ten years from the year they are incurred. As for other subsidiaries, the tax losses can be carried forward for five years from the year they are incurred.

25. DEPOSITS AT FINANCIAL INSTITUTIONS WITH ORIGINAL MATURITY MORE THAN ONE YEAR

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total deposits at financial institutions with original maturity more than one year	**9,387,156**	7,873,054
Less: Current portion	**3,498,709**	221,188
	5,888,447	7,651,866

26. OTHER NON-CURRENT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Long-term receivables	**622,357**	586,620
Others	**386,612**	321,396
	1,008,969	908,016

27. INVENTORIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Goods for resale	**595,469**	713,013
Construction materials	**462,604**	572,673
Spare parts and consumables	**138,872**	81,625
	1,196,945	1,367,311

28. ACCOUNTS AND BILLS RECEIVABLE, NET

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Bills receivable	**465,039**	508,294
Accounts receivable	**25,769,168**	21,748,457
	26,234,207	22,256,751
Less: allowance for credit losses	**(2,312,949)**	(1,946,486)
	23,921,258	20,310,265

(a) The amounts due from CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 46) are unsecured, interest-free and are expected to be recovered within one year.

28. ACCOUNTS AND BILLS RECEIVABLE, NET (continued)

(b) The ageing analysis of accounts and bills receivable (net of allowance for credit losses) based on credit terms is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Current	**1,892,584**	1,897,638
Within 1 year	**18,452,197**	15,651,051
After 1 year but less than 2 years	**2,707,336**	2,026,546
After 2 years but less than 3 years	**649,456**	513,913
After 3 years but less than 4 years	**136,651**	139,131
After 4 years but less than 5 years	**34,560**	33,512
Over 5 years	**48,474**	48,474
	23,921,258	20,310,265

(c) Credit losses of accounts and bills receivable

Credit losses in respect of accounts and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the credit loss is written off against accounts and bills receivable directly (see note 2(l)).

Details of impairment assessment of accounts receivable are set out in note 44(a).

29. CONTRACT ASSETS, NET

	31 December 2023 RMB'000	31 December 2022 RMB'000
Telecommunications infrastructure services	**23,874,832**	21,099,704
Business process outsourcing services	**1,223,662**	1,114,789
Applications, content and other services	**3,798,145**	3,337,797
	28,896,639	25,552,290
Less: allowance for credit losses	**(312,493)**	(283,469)
	28,584,146	25,268,821

The contract assets relate to the rights of the Group to considerations receivable for work completed and not billed because the rights are conditional upon the Group's future performance in achieving specified milestones on construction, design and other service contracts. The contract assets are transferred to accounts receivable when the rights become unconditional. The Group typically transfers the contract assets to accounts receivable within one year when the specific milestones are met.

30. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments in connection with construction work and equipment purchases	**6,083,479**	6,115,312
Other receivables	**5,373,777**	4,504,116
Input VAT deductible	**826,047**	834,169
Long-term receivables due within 1 year	**535,395**	718,425
Others	**850,166**	545,610
	13,668,864	12,717,632

Included in other receivables are mainly deposits. The amounts due from CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 46) are unsecured, interest-free and are expected to be recovered within one year.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Equity instruments	**352,730**	337,360
Analysed for reporting purpose as:		
Current assets	**10,429**	61,556
Non-current assets	**342,301**	275,804
	352,730	337,360

32. SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

Short-term bank deposits and restricted cash represent cash in bank pledged as deposits for bills payable and cash held in dedicated bank accounts for certain construction projects, and deposits with original maturity over three months and within one year. Short-term bank deposits and restricted cash carry interest at prevailing market interest rates.

33. CASH AND CASH EQUIVALENTS

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Cash at bank and in hand	**18,475,393**	17,072,252
Cash at China Telecom Group Finance Co., Ltd. ("China Telecom Finance")	**4,439,472**	5,013,633
Deposits at bank with original maturity less than three months	**–**	1,776
Cash and cash equivalents	**22,914,865**	22,087,661

Bank balances carry interest at prevailing market interest rates.

34. INTEREST-BEARING BORROWINGS

The Group's short-term and the current portion of long-term interest-bearing borrowings comprise:

	31 December 2023 RMB'000	31 December 2022 RMB'000
RMB denominated		
Borrowings from banks		
– unsecured	131,630	77,017
– secured	–	8,055
Other RMB denominated borrowings		
– unsecured	395	8,634
USD denominated		
Borrowings from banks		
– unsecured	176,359	548,810
– secured (note)	20,558	20,058
Other denominated		
Borrowings from banks		
– unsecured	472,898	84,906
Interest payable	5,659	4,521
	807,499	752,001

Note:

As at 31 December 2023, the amount of secured USD denominated borrowings from banks, RMB20,558 thousand (31 December 2022: RMB20,058 thousand), was the current portion of long-term interest-bearing borrowings.

34. INTEREST-BEARING BORROWINGS (continued)

The Group's short-term borrowings bearing interest rate per annum are as follows:

	31 December 2023	31 December 2022
RMB denominated		
Borrowings from banks		
– unsecured	1.50%-3.80%	1.50%-3.80%
– secured	NA	3.50%-3.90%
Other RMB denominated borrowings		
– unsecured	4.00%-4.50%	8.50%
USD denominated		
Borrowings from banks		
– unsecured	NA	4.53%
– secured	NA	3.50%
– unsecured (floating interest rate)	Secured Overnight Financing Rate ("SOFR") +1.08%-1.10%.p.a	SOFR +1.10%.p.a AND London Interbank Offered Rate ("LIBOR") +1.00%-1.35%
Other denominated		
Borrowings from banks		
– unsecured	5.61%-9.92%	7.88%
– unsecured (floating interest rate)	Hong Kong Interbank Offered Rate ("HIBOR") +0.95%-1.00%	Base Rate of Nepal Rastra Bank +3.00%

34. INTEREST-BEARING BORROWINGS (continued)

The Group's long-term interest-bearing borrowings comprise:

	31 December 2023 RMB'000	31 December 2022 RMB'000
USD denominated		
Borrowings from banks		
– secured	**74,115**	149,178
Less: Current portion	**(20,558)**	(20,058)
	53,557	129,120

The Group's long-term borrowings bearing interest rate per annum are as follows:

	31 December 2023	31 December 2022
USD denominated		
Borrowings from banks		
– secured	**NA**	3.50%
– secured (floating interest rate)	**SOFR+2.45%**	NA

The Group's borrowings were repayable as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	**807,499**	752,001
After 1 year but within 2 years	**20,398**	20,058
After 2 years but within 5 years	**33,159**	109,062
	861,056	881,121

35. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accounts payable	**48,655,930**	40,985,965
Bills payable	**4,770,468**	3,625,330
	53,426,398	44,611,295

The ageing analysis of accounts and bills payable based on the invoice date is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	**50,406,385**	42,062,776
After 1 year but less than 2 years	**1,594,073**	1,414,963
After 2 years but less than 3 years	**688,155**	450,309
After 3 years	**737,785**	683,247
	53,426,398	44,611,295

The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 46) are unsecured, interest-free and are expected to be settled within one year.

36. LEASE LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Lease liabilities payable:		
Within 1 year	**487,758**	513,223
After 1 year but within 2 years	**381,651**	393,882
After 2 years but within 5 years	**465,345**	450,084
After 5 years	**181,876**	222,926
	1,516,630	1,580,115
Less: Amount due for settlement within 12 months shown under current liabilities	**487,758**	513,223
Amount due for settlement after 12 months shown under non-current liabilities	**1,028,872**	1,066,892

The weighted average lessee's incremental borrowing rate applied to lease liabilities is 3.6% (2022: 3.6%).

37. CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Telecommunications infrastructure services	**6,931,722**	8,526,663
Other services	**2,595,569**	2,341,312
	9,527,291	10,867,975

When the Group receives advance payments from customers before the performance obligation is satisfied, the amounts will give rise to contract liabilities, until the performance obligation is satisfied.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Telecommunications infrastructure services RMB'000	**Other services** RMB'000
For the year ended 31 December 2023		
Revenue recognised that was included in the contract liability balance at the beginning of the year	**8,269,624**	**2,194,728**
For the year ended 31 December 2022		
Revenue recognised that was included in the contract liability balance at the beginning of the year	7,960,808	2,524,162

38. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Wages and welfare payable	**1,585,103**	1,551,118
Output VAT payable	**1,436,712**	1,441,097
Other taxes payable	**784,310**	710,543
Amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group (note (i))	**421,503**	373,530
Advance lease payments received	**33,043**	34,733
Dividend payable	**5,866**	7,156
Payables for construction and purchase of property, plant and equipment	**2,098**	4,244
Others (note (ii))	**7,373,369**	5,378,437
	11,642,004	9,500,858

Notes:

(i) The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group (see note 46) are unsecured, interest-free and are expected to be settled within one year.

(ii) The amounts mainly include payables to suppliers for purchases on behalf of CTC Group, deposits received from subcontractors and others.

39. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent the deferred income arising from government grants and termination benefits.

40. SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2022: 4,534,598,160) domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2022: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

	2023 Thousand shares	2022 Thousand shares
At 1 January and 31 December	**6,926,018**	6,926,018

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally in all material respects.

(a) Capital management

The Group's primary objectives of managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by strengthening their leading position as an integrated service provider to the telecommunications industry and achieving economies of scale in the market.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings, and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital using a gearing ratio which is defined as total debts divided by the sum of total debts and equity attributable to equity shareholders of the Company. For this purpose, the Group defines total debts as the sum of short-term interest-bearing borrowings and long-term interest-bearing borrowings. The Group aims to maintain the gearing ratio at a reasonable level. The Group's ratio as at 31 December 2023 was 2.0% (2022: 2.1% (restated)). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce the gearing ratio.

41. RETIREMENT BENEFIT OBLIGATIONS

In accordance with the labour regulations of the PRC, the Group participates in various defined contribution retirement schemes organised by the municipal and provincial governments for its employees. The Group is required to make contributions to the retirement schemes at rates ranging from 8% to 20% (2022: 8% to 20%) of the salaries, bonuses and certain allowances of the employees.

The Group has no other material obligations for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

42. SHARE APPRECIATION RIGHTS SCHEME

The Group implemented a share appreciation rights scheme for members of its eligible employees to provide incentives to them. Under this plan, share appreciation rights are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights scheme. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the share appreciation rights over the applicable vesting period.

On 22 December 2021 (note (i)), the Company's remuneration Committee approved the granting of 207 million share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of 5 years from the date of grant and the exercise price is HKD3.68 per unit. Participants can only vest if certain performance standards are met.

A recipient of share appreciation rights cannot exercise the rights in the first 24 months after the date of grant. As at each of the third, fourth and fifth anniversary of the date of grant, the total number of share appreciation rights exercisable cannot in aggregate exceed one-third, two-thirds and 100%, respectively, of the total share appreciation rights granted to such person.

The fair value of the accretive rights was determined using the Black-Scholes model using the following inputs as at 31 December 2023:

	31 December 2023
Share price at measurement date	**HKD3.24**
Expected volatility	**34.48%**
Dividend yield	**–**
Risk-free interest rate	**3.92%**

Movements in the number of share appreciation rights for the years presented are as follows:

	2023	2022
As at 1 January	**207,270,000**	–
Granted	**–**	207,270,000
Forfeited	**(1,140,000)**	–
As at 31 December	**206,130,000**	207,270,000

For the years ended 31 December 2023 and 2022, no share appreciation right units were exercised.

42. SHARE APPRECIATION RIGHTS SCHEME (continued)

The expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2023 was RMB11,020 thousand (2022: RMB827 thousand).

As at 31 December 2023, the carrying amount of the liability arising from share appreciation rights was RMB11,847 thousand (31 December 2022: RMB827 thousand).

Note:

(i) The actual grant date of the share appreciation rights was 23 December 2022, because eligible employees signed an agreement with the Company on this day. The actual granted number of share appreciation rights was 207,270 thousand.

43. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 31 December 2023, the Group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	2023	2022
	RMB'000	RMB'000
Contracted for but not provided	**160,072**	217,583

(b) Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities and no financial guarantees issued.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to accounts receivable and contract assets arising from contracts with customers and other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis. Normally, the Group does not obtain collateral from customers.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk and impairment assessment (continued)

The Group's major customers are CTC Group and CM Group. The Group has a certain concentration of credit risk as the Group's major customers accounted for 45% of the total accounts and bills receivable as at 31 December 2023 (2022: 47% (restated)). The Group has no significant credit risk with any of these customers since they are large state-owned companies in the telecommunications industry.

The credit risk on bank deposits is limited because the counterparties are financial institutions with high credit rankings, mainly the four large state-owned banks in the PRC, China Telecom Finance and other reputable commercial banks.

The amounts of cash and cash equivalents, short-term bank deposits and restricted cash, accounts and bills receivable, contract assets, other receivables and long-term receivables in the consolidated statement of financial position after deducting impairment allowance represent the Group's maximum exposure to the credit risk in relation to financial assets and contract assets.

The Group recognises a loss allowance for ECL on financial assets and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Assessment is performed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions as at the reporting date, as well as the forecasted future economic conditions.

Accounts receivable and contract assets arising from contracts with customers

The Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable and contract assets. To measure the ECL, accounts receivable and contract assets have been grouped together based on their shared credit risk characteristics.

The contract assets relate to unbilled revenues due to the same group of customers reported as accounts receivable and have substantially the same risk characteristics as the accounts receivable for the same type of contracts. The Group has therefore concluded that the expected loss rates for the accounts receivable are a reasonable approximation of the loss rates for the contract assets.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk and impairment assessment (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on a provision matrix within lifetime ECL. Debtors with significant risk with gross carrying amounts of RMB1,008 million as at 31 December 2023 were assessed individually (31 December 2022: RMB811 million), the loss allowance provision was RMB794 million (31 December 2022: RMB734 million).

	2023			2022 (Restated)		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Telecommunications operators						
Within 1 year	0.2%	10,502,131	(21,004)	0.2%	9,622,557	(19,246)
After 1 year but within 2 years	5.6%	1,638,392	(91,750)	5.9%	948,956	(55,988)
After 2 years but within 3 years	16.9%	405,847	(68,588)	17.7%	305,456	(54,066)
After 3 years but within 4 years	40.6%	150,235	(60,995)	46.1%	160,310	(73,903)
After 4 years but within 5 years	69.3%	67,610	(46,854)	71.3%	73,902	(52,692)
Over 5 years	100.0%	175,951	(175,951)	100.0%	183,813	(183,813)
		12,940,166	(465,142)		11,294,994	(439,708)
Non-telecom operators						
Within 1 year	0.6%	9,309,284	(55,856)	0.5%	7,449,971	(37,250)
After 1 year but within 2 years	20.3%	1,437,201	(291,752)	14.1%	1,317,107	(185,712)
After 2 years but within 3 years	45.2%	567,601	(256,556)	36.3%	411,818	(149,490)
After 3 years but within 4 years	72.8%	159,499	(116,115)	63.0%	141,191	(88,950)
After 4 years but within 5 years	84.6%	86,467	(73,151)	73.6%	46,601	(34,298)
Over 5 years	100.0%	260,510	(260,510)	100.0%	275,915	(275,915)
		11,820,562	(1,053,940)		9,642,603	(771,615)

Expected loss rates were assessed based on actual loss experienced over the past 1 to 5 years. These rates had been adjusted to reflect differences between economic conditions during the period over which the historic data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivable balances.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk and impairment assessment (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

The Group adjusted the macro factors and weights in ECL model by taking into account the changes of the macro environment.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	2023 RMB'000	2022 RMB'000 (Restated)
As at 1 January	**1,945,664**	1,693,286
Changes due to financial assets recognised during the year		
– Impairment loss recognised	**583,212**	434,749
– Impairment loss reversed	**(203,361)**	(175,720)
– Uncollectible amounts written off	**(12,633)**	(6,651)
As at 31 December	**2,312,882**	1,945,664

The Group writes off an accounts receivable when there is information indicating that the specific debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy process.

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	2023 RMB'000	2022 RMB'000
As at 1 January	**283,469**	239,748
Changes due to financial assets recognised during the year		
– Impairment loss recognised	**71,647**	70,967
– Impairment loss reversed	**(42,623)**	(27,150)
– Uncollectible amounts written off	**–**	(96)
As at 31 December	**312,493**	283,469

(b) Interest rate risk

The Group is exposed to fair value interest rate risk primarily from its short-term and long-term borrowings carrying interests at fixed rates. The Group manages its exposure to fair value interest rate risk by maintaining high proportion of fixed rate borrowings with maturity within one year. Details of the interest rates of interest-bearing borrowings are disclosed in note 34.

The Group is also exposed to cash flow interest rate risk in relation to short-term and long-term borrowings carrying interests at variable rates. The Group manages its exposure to interest rate risk by closely monitoring the change in the market interest rates.

The management of the Group considers the fluctuation in interest rates on short-term and long-term borrowings carrying interests at variable rates is insignificant. Therefore, no sensitivity analysis is presented.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on interest rates at the end of the reporting period) and the earliest date the Group would be required to repay:

	31 December 2023					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but within 5 years RMB'000	More than 5 years RMB'000
Short-term and the current portion of long-term interest-bearing borrowings (notes 34)	**807,499**	**818,257**	**818,257**	**–**	**–**	**–**
Long-term interest-bearing borrowings (notes 34)	**53,557**	**58,011**	**–**	**23,367**	**34,644**	**–**
Accounts and bills payable (notes 35)	**53,426,398**	**53,426,398**	**53,426,398**	**–**	**–**	**–**
Lease liabilities (notes 36)	**1,516,630**	**1,648,705**	**556,901**	**406,838**	**498,307**	**186,659**
Accrued expenses and other payables	**7,752,156**	**7,752,156**	**7,752,156**	**–**	**–**	**–**
	63,556,240	**63,703,527**	**62,553,712**	**430,205**	**532,951**	**186,659**

	31 December 2022 (Restated)					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but within 5 years RMB'000	More than 5 years RMB'000
Short-term and the current portion of long-term interest-bearing borrowings (notes 34)	752,001	758,761	758,761	–	–	–
Long-term interest-bearing borrowings (notes 34)	129,120	142,049	–	23,713	66,926	51,410
Accounts and bills payable (notes 35)	44,611,295	44,611,295	44,611,295	–	–	–
Lease liabilities (notes 36)	1,580,115	1,709,303	565,121	419,942	491,272	232,968
Accrued expenses and other payables	5,747,880	5,747,880	5,747,880	–	–	–
	52,820,411	52,969,288	51,683,057	443,655	558,198	284,378

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

Foreign currency exchange rate risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. As at 31 December 2023, the Group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in USD, the aggregate net assets are RMB95 million. To manage the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to foreign currency risks, and a portion of those risks is hedged by using derivative financial instruments, when management considers it necessary. The Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

(e) Price risk

The Group is exposed to equity price changes arising from equity investments at FVTPL and designated as at FVTOCI.

The Group's listed investments are listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange. Listed investments held in the investment portfolio have been chosen based on their longer term growth potentials and are monitored regularly for performance against expectations.

At 31 December 2023, it is estimated that an increase/(decrease) of 5% (2022: 5%) in the relevant share price (for listed investments) as applicable, with all other variables held constant, would have increased/(decreased) the Group's other components of consolidated equity as follows:

	2023		2022	
	Increase/ (decrease) in equity price	**Effect on other components of equity RMB'000**	Increase/ (decrease) in equity price	Effect on other components of equity RMB'000
Changes in the relevant equity price risk variable:				
Increase	**5%**	**130,439**	5%	126,368
Decrease	**(5%)**	**(130,439)**	(5%)	(126,368)

The above sensitivity analysis indicates the instantaneous change in the Group's other components of consolidated equity that would result, assuming that the changes in the share price had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair value

(i) Financial instruments carried at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period.

	2023			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial Assets				
Equity instruments at fair value through other comprehensive income (note (i))	**3,461,069**	**–**	**12,511**	**3,473,580**
Equity instruments at fair value through profit or loss (note (ii))	**10,429**	**–**	**342,301**	**352,730**

	2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets				
Equity instruments at fair value through other comprehensive income (note (i))	395,680	–	2,940,723	3,336,403
Equity instruments at fair value through profit or loss (note (ii))	42,018	–	295,342	337,360

Notes:

(i) One of the invested entities was listed on Shanghai Stock Exchange in 2018 and the Group is contractually prevented from selling the shares held immediately following the initial public offering for a period of 5 years. At the end of 31 December 2023, the relevant restricted shares have all been lifted, so they have been transferred from Level 3 to Level 1.

(ii) The invested entities in Level 3 were private companies. At the end of 31 December 2023, the Group appointed an external valuer to determine the fair value of the invested entity in Level 3 based on discounted cash flows. The future cash flows had been estimated based on long-term revenue growth rates, taking into management's experience and knowledge of market conditions.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair value (continued)

(ii) Reconciliation of level 3 fair value measurement

	Equity instruments at fair value through other comprehensive income RMB'000	**Wealth management products and structured deposits RMB'000**	**Equity instruments at fair value through profit or loss RMB'000**
As at 1 January 2023	**2,940,723**	**–**	**295,342**
Purchases	**1,053**	**–**	**54,275**
Disposals/settlements	**(4,702)**	**–**	**–**
Transferred to level 1	**(3,389,425)**	**–**	**(19,538)**
Total gains/(losses)			
– in profit or loss	**–**	**–**	**12,222**
– in other comprehensive income	**464,862**	**–**	**–**
As at 31 December 2023	**12,511**	**–**	**342,301**

	Equity instruments at fair value through other comprehensive income RMB'000	Wealth management products and structured deposits RMB'000	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2022	3,236,509	3,303,941	171,943
Purchases	–	–	147,390
Disposals/settlements	(409)	(3,355,829)	–
Transferred to level 1	–	–	(35,880)
Total gains/(losses)			
– in profit or loss	–	51,888	11,889
– in other comprehensive income	(295,377)	–	–
As at 31 December 2022	2,940,723	–	295,342

(iii) Fair values of financial instruments carried at other than fair value

The fair values of financial assets and financial liabilities recorded at amortised cost are not materially different from their carrying amounts, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

45. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In addition to those disclosed in note 20, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition of system integration services

The Group assesses the contracts for system integration services to identify each performance obligation contained in the contracts. Identifying the performance obligations requires judgment in some situations to determine whether multiple promised goods or services in a contract should be accounted for separately or as a group. For the contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price is the price of selling a piece of distinct goods or service underlying each performance obligation. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

(b) Provision of ECL for accounts receivable and contract assets

Accounts receivable and contract assets with significant risk are assessed for ECL individually. In addition, the Group uses a provision matrix to calculate ECL for the accounts receivable and contract assets by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical loss rates, taking into consideration reasonable and supportable forward-looking information that is available without undue costs or efforts. At every reporting date, the historical loss rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The Group has considered the uncertainty under different macroeconomics scenarios and the risk of increased credit default rates appropriately. The information about the ECL and the Group's accounts receivable and contract assets are disclosed in notes 44(a), 28 and 29 respectively.

(c) Fair value measurement of financial instruments

Certain of the Group's equity investments are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 44(f) for further disclosures.

46. RELATED PARTIES

The Group has undertaken significant transactions and maintained relationships with members of CTC Group, the material related party transactions are as below:

(a) Transactions with CTC Group

Because of the relationship between the Group and CTC Group, the terms of these transactions were negotiated between the Group with GTC Group.

The principal transactions with CTC Group which were carried out in the ordinary course of business are as follows:

	2023	2022
	RMB'000	RMB'000
		(Restated)
Engineering related services revenue (note (i))	**20,743,062**	18,933,546
IT application services revenue (note (ii))	**7,027,463**	5,822,815
Provision of ancillary telecommunications services revenue (note (iii))	**18,222,068**	17,825,467
Provision of operation support services revenue (note (iv))	**4,703,200**	4,378,069
Supplies procurement services revenue (note (v))	**3,506,856**	3,121,815
Property leasing services revenue (note (vi))	**196,005**	186,758
Management fee income (note (vii))	**393,803**	386,733
Property leasing services charges (note (viii))	**91,419**	155,223
IT application services charges (note (ix))	**1,005,638**	331,278
Operation support services charges (note (x))	**819,140**	969,922
Supplies procurement services charges (note (xi))	**3,707,388**	2,636,383
Interest expenses (note (xii))	**29,139**	30,577
Net deposits placed with China Telecom Finance (note (xiii))	**892,338**	1,004,094
Interest income of deposits placed with China Telecom Finance (note (xiv))	**88,874**	56,098
Net lending funds (note (xv))	**(67,000)**	–
Interest income of lending funds (note (xvi))	**2,158**	2,366

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

Notes:

(i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to CTC Group.

(ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group.

(iii) The amount represents ancillary telecommunications services such as maintenance of network facilities (including optical ducts and cables, exchange buildings and base stations), operation of distribution channels, fixed line and wireless value-added service, internet contents and information services provided to CTC Group.

(iv) The amount represents the facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group.

(v) The amount represents supplies procurement service such as warehousing, transportation and installation and other related services provided to CTC Group.

(vi) The amount represents rentals from operating leases in respect of business premises leased to CTC Group.

(vii) The amount represents management fee in respect of headquarters management function services ("Centralised Services") provided to CTC Group.

(viii) The amount represents rentals from short-term leases in respect of business premises paid and payable to CTC Group.

(ix) The amount represents the charge paid and payable to CTC Group for basic telecommunications service, value-added service and information application service.

(x) The amount represents the charge paid and payable to CTC Group for logistics, labor resources, cultural, educational, hygiene and other supporting services.

(xi) The amount represents the charge paid and payable to CTC Group for supplies procurement services, warehousing, transportation and installation services.

(xii) The amount represents the interest paid and payable to CTC Group in respect of the loans and lease liabilities from CTC Group.

(xiii) The amount represents net deposit under deposit services provided by China Telecom Finance.

(xiv) The amount represents the interest income from deposit services provided by China Telecom Finance.

(xv) The amount represents the net lending of funds to CTC Group.

(xvi) The amount represents the interest income arising from lending funds to CTC Group.

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

Amounts due from/to CTC Group included in respective balances are summarised as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Cash and cash equivalents	**4,439,472**	5,013,633
Short-term bank deposits and restricted cash	**7,304**	–
Accounts and bills receivable, net	**9,190,845**	7,562,052
Contract assets, net	**13,194,503**	11,549,415
Current portion of deposits at financial institutions with original maturity more than one year	**995,055**	–
Prepayments and other current assets	**2,299,125**	1,670,309
Deposits at financial institutions with original maturity more than one year	**2,614,243**	2,066,259
Other non-current assets	**214,189**	192,063
Total amounts due from CTC Group	**32,954,736**	28,053,731
Accounts and bills payable	**622,558**	500,729
Contract liabilities	**505,848**	595,613
Accrued expenses and other payables	**338,686**	288,931
Current portion of lease liabilities	**174,492**	172,001
Lease liabilities	**524,870**	614,489
Total amounts due to CTC Group	**2,166,454**	2,171,763

As at 31 December 2023, the Group had recognised credit losses of RMB404 million (2022: RMB399 million) in respect of amounts due from CTC Group.

For the year ended 31 December 2023, additional amount of RMB145 million of right-of-use assets had been recognised under new lease contracts entered into with CTC Group (2022: RMB119 million).

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are reasonable so far as the shareholders of the Company are concerned.

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

The terms of the principal agreements agreed with CTC impacting the results of operations of the Group are summarised as follows:

(1) The Group has entered into agreements with CTC pursuant to which the Group provides CTC Group with construction, design and project supervision and management for telecommunications infrastructure projects. In addition, the Group has entered into information technology service agreements with CTC pursuant to which the Group provides CTC Group with telecommunications network support services, software and hardware development and other IT related services. The amounts charged for these services are determined by reference to market rates as reflected in prices obtained through tender processes.

(2) The Group has entered into facilities leasing agreements with CTC pursuant to which the Group leases certain premises and other facilities to CTC Group, and vice versa. The rental charges are negotiated based on market rates.

(3) The Group has entered into operation support services agreements for facilities management, advertising, conferencing, logistics, cultural, educational, hygiene and other community services with CTC. In addition, the Group has entered into ancillary services agreements with CTC. The ancillary services provided to CTC Group include repairs and maintenance of telecommunications equipment and facilities and provision of certain customer services. Pursuant to these agreements, the Group charges CTC Group, and vice versa, for these services in accordance with the following terms:

- market price. In determining the market price, the Group primarily considers the following factors: (i) cost of services; (ii) prices of the same or similar type of services provided to CTC Group by other service providers in the market; (iii) prices of the same or similar type of services provided to CTC Group and independent third parties previously by the Group.

- in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the relevant taxes in sales and reasonable profits. "Reasonable costs" means the costs confirmed by both parties after negotiations, and "reasonable profit" means a profit ratio confirmed by both parties during the course of normal commercial negotiation, taking into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor costs, local commodity prices and economic development levels.

(4) The Group has entered into agreement with CTC pursuant to which the Group takes up the role of providing headquarter management functions to manage assets of the telecommunications support businesses of provinces, municipalities and autonomous regions ("Centralised Services"). The aggregate administrative costs incurred by the Group for the provision of the Centralised Services are apportioned pro rata between the Group and CTC Group according to the net asset ratio of each of the relevant parties.

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

(5) The Group has entered into Supplies Procurement Services Framework agreement for procurement of telecommunication and non-telecommunication supplies, provision of agency services of supplies procurement, sales of telecommunication supplies and management of biddings, verification of technical specifications, warehousing transportation and installation services. Pursuant to the agreement, the Group charges CTC Group for these services in accordance with the following terms:

- maximum 1% of the contract value for procurement services on imported telecommunication supplies;

- maximum 3% of the contract value for procurement services on domestic telecommunication and non-telecommunication supplies and materials;

- market price. In determining the market price, the Group primarily considers the following factors: (i) cost of services; (ii) prices of the same or similar type of services provided to CTC Group or the Group by other service providers in the market; (iii) prices of the same or similar type of services provided to CTC Group and independent third parties by the Group, or prices of the same or similar type of services provided to the Group by CTC Group and independent third parties;

- in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the taxes on sales and reasonable profits. “Reasonable costs” means the costs confirmed by both parties after negotiations, and “reasonable profit” means a profit ratio confirmed by both parties during the course of normal commercial negotiation, taking into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor costs, local commodity prices and economic development levels.

The Group and China Telecom Finance entered into the Financial Services Framework Agreement, pursuant to which China Telecom Finance has agreed to provide financial services to the Group, including deposit services, loan services and other financial services.

46. RELATED PARTIES (continued)

(b) Transactions with associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties

The Group has entered into transactions with associates and joint ventures of the group, associates and joint ventures of CTC Group, and other related parties can exercise significant influence. The transactions entered into by the Group and above related parties are as follows:

	2023 RMB'000	2022 RMB'000
Engineering related service revenue (note (i))	**4,132,208**	3,592,264
IT application service revenue (note (ii))	**244,334**	274,224
Provision of ancillary telecommunications service revenue (note (iii))	**1,805,949**	1,685,313
Provision of operation support service revenue (note (iv))	**110,857**	123,892
Supplies procurement service revenue (note (v))	**202,292**	180,319
Property leasing service revenue (note (vi))	**5,334**	5,864
Property leasing service charges (note (vii))	**14,802**	384
IT application service charges (note (viii))	**1,998,645**	857,144
Operation support service charges (note (ix))	**3,509,544**	2,871,019
Supplies procurement service charges (note (x))	**150,269**	127,469
Interest expenses (note (xi))	**–**	6

Notes:

(i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to associates and joint ventures of the Group, associates and joint ventures of CTC Group.

(ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to associates and joint ventures of the Group, associates and joint venture of CTC Group, and other related parties.

(iii) The amount represents ancillary telecommunications services such as maintenance of network facilities (including optical ducts and cables, exchange buildings and base stations); operation of distribution channels; fixed line and wireless value-added services; internet contents and information services provided to associates and joint ventures of the Group, associates and joint ventures of CTC Group.

(iv) The amount represents facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to associates and joint ventures of the Group, associates and joint ventures of CTC Group.

(v) The amount represents supplies procurement services such as warehousing, transportation and installation and other related services provided to associates and joint ventures of the Group, associates and joint venture of CTC Group.

(vi) The amount represents rental received/receivable from operating leases in respect of business premises entered into with associates and joint ventures of the Group, associates and joint ventures of CTC Group.

(vii) The amount represents rentals from short-term lease in respect of business premises paid and payable to associate and joint ventures of the Group, associates and joint ventures of CTC Group.

(viii) The amount represents charges paid and payable to associates and joint ventures of the Group, associates and joint venture of CTC Group, and other related parties for basic telecommunications services, value-added services and information application services.

(ix) The amount represents charges paid and payable to associates and joint ventures of the Group, associates and joint venture of CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.

(x) The amount represents the charge paid and payable to associates and joint ventures of the Group, associates and joint venture of CTC Group, and other related parties for supplies procurement services, warehousing, transportation and installation services.

(xi) The amount represents interest paid and payable to associates and joint ventures of CTC Group in respect of lease liabilities from associates and joint ventures of CTC Group.

46. RELATED PARTIES (continued)

(b) Transactions with associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (continued)

Amounts due from/to associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties included in respective account balances are summarised as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accounts and bills receivable, net	**423,773**	282,770
Contract assets, net	**393,375**	375,710
Prepayments and other current assets	**1,376,449**	1,083,392
Other non-current assets	**–**	6
Total	**2,193,597**	1,741,878
Accounts and bills payable	**2,302,545**	1,451,956
Contract liabilities	**373,369**	343,193
Current portion of lease liabilities	**–**	85
Accrued expenses and other payables	**82,817**	84,599
Total	**2,758,731**	1,879,833

The directors of the Company are of the opinion that the above transactions undertaken with related parties were conducted on normal commercial terms in the ordinary course of business.

(c) Transactions with other government-related entities in the PRC

The Company is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with parent company and its affiliates (note 46(a)), the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

– Rendering and receiving services, including but not limited to telecommunications services

– Sales and purchases of goods, properties and other assets

– Leasing of assets

– Depositing and borrowing money

– Use of public utilities

46. RELATED PARTIES (continued)

(c) Transactions with other government-related entities in the PRC (continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services rendered and products sold based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors of the Company believe the above information provides meaningful disclosure of related party transactions.

(d) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors as disclosed in note 13 and certain of the highest paid employees as disclosed in note 14, is as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other emoluments	**7,239**	6,836
Share appreciation rights	**826**	–
Retirement benefits	**3,051**	2,755
Discretionary bonuses	**17,682**	19,557
	28,798	29,148

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions with CTC Group disclosed in note 46(a) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. SEGMENT REPORTING

The Group principally has one operating segment, which is the provision of integrated comprehensive smart solutions in the field of informatization and digitalization. Therefore, no additional segment information has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 4.

48. SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2023 which principally affected the results of operations, assets or liabilities of the Group.

Name of company	Type of legal entity	Place of incorporation/ establishment	Proportion of ownership interest and voting rights held by the Company 31 December 2023 Directly %	31 December 2022 Directly %	Issued and paid up capital	Principal activities
Guangdong Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB2,688 million	Provision of integrated telecommunications support services through its subsidiaries in Guangdong Province
Zhejiang Communications Services Holdings Group Company Limited	Limited Liability Company	The PRC	100	100	RMB998 million	Provision of integrated telecommunications support services through its subsidiaries in Zhejiang Province
Shanghai Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB1,376 million	Provision of integrated telecommunications support services through its subsidiaries in Shanghai Municipality
Fujian Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB281 million	Provision of integrated telecommunications support services through its subsidiaries in Fujian Province
Hubei Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB317 million	Provision of integrated telecommunications support services through its subsidiaries in Hubei Province
Jiangsu Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB578 million	Provision of integrated telecommunications support services through its subsidiaries in Jiangsu Province
Anhui Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB420 million	Provision of integrated telecommunications support services through its subsidiaries in Anhui Province
Jiangxi Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB200 million	Provision of integrated telecommunications support services through its subsidiaries in Jiangxi Province
Hunan Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB886 million	Provision of integrated telecommunications support services through its subsidiaries in Hunan Province
Guangxi Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB192 million	Provision of integrated telecommunications support services through its subsidiaries in Guangxi Zhuang Autonomous Region

48. SUBSIDIARIES (continued)

Name of company	Type of legal entity	Place of incorporation/ establishment	Proportion of ownership interest and voting rights held by the Company 31 December 2023 Directly %	31 December 2022 Directly %	Issued and paid up capital	Principal activities
Chongqing Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB209 million	Provision of integrated telecommunications support services through its subsidiaries in Chongqing Municipality
Sichuan Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB798 million	Provision of integrated telecommunications support services through its subsidiaries in Sichuan Province
Guizhou Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB131 million	Provision of integrated telecommunications support services through its subsidiaries in Guizhou Province
Yunnan Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB238 million	Provision of integrated telecommunications support services through its subsidiaries in Yunnan Province
Shaanxi Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB145 million	Provision of integrated telecommunications support services through its subsidiaries in Shaanxi Province
Gansu Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB129 million	Provision of integrated telecommunications support services through its subsidiaries in Gansu Province
Qinghai Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB68 million	Provision of integrated telecommunications support services through its subsidiaries in Qinghai Province
Xinjiang Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB195 million	Provision of integrated telecommunications support services through its subsidiaries in Xinjiang Uygur Autonomous Region
China International Telecommunication Construction Corporation	Limited Liability Company	The PRC	**100**	100	RMB550 million	Provision of integrated telecommunications support services through its subsidiaries in Northern China Provinces
China Communications Services International Limited	Limited Liability Company	Hong Kong	**100**	100	HKD846.87 million	Provision of integrated telecommunications support services through its subsidiaries in Hong Kong

48. SUBSIDIARIES (continued)

Name of company	Type of legal entity	Place of incorporation/ establishment	Proportion of ownership interest and voting rights held by the Company 31 December 2023 Directly %	31 December 2022 Directly %	Issued and paid up capital	Principal activities
Zhongshutong Information Co., Ltd.	Limited Liability Company	The PRC	**60.38**	60.38	RMB120 million	Provision of integrated telecommunications support services
China Comservice Software Tech. Co., Ltd	Limited Liability Company	The PRC	**60**	60	USD25 million	Provision of integrated telecommunications support services
Ningxia Hui Autonomous Region Communications Industrial Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB106 million	Provision of integrated telecommunications support services through its subsidiaries in Ningxia Hui Autonomous Region
Shandong Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB100 million	Provision of integrated telecommunications support services in Shandong Province
Sino-British Submarine System Co., Ltd. (note (i))	Limited Liability Company	The PRC	**100**	51	RMB327 million	Provision of submarine cable installation and other related services
Hainan Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB141 million	Provision of integrated telecommunications support services through its subsidiaries in Hainan Province
China Comservice Supply Chain Co., Ltd.	Limited Liability Company	The PRC	**73.99**	73.99	RMB1,256 million	Provision of integrated telecommunications support services
Inner Mongolia Autonomous Region Communications Services Company Limited	Limited Liability Company	The PRC	**100**	100	RMB10 million	Provision of integrated telecommunications support services in Inner Mongolia Autonomous Region
Comservice Capital Holding Company Limited	Limited Liability Company	The PRC	**100**	100	RMB500 million	Management of Group capital
China Comservice Smart Property Development Co., Ltd.	Limited Liability Company	The PRC	**100**	100	RMB50 million	Provision of property services
Comservice Intelligent Technology Co., Ltd.	Limited Liability Company	The PRC	**100**	NA	–	Provision of integrated telecommunications support services

Note:

(i) In December 2023, the Company acquired 49% equity interests of Sino-British Submarine System Co., Ltd. held by the non-controlling interests.

China Comservice Supply Chain Co., Ltd., China Comservice Software Tech. Co., Ltd., and Zhongshutong Information Co., Ltd. are non-wholly owned subsidiaries of the Group. The cumulative carrying amount of the Group's non-controlling interests was RMB1,091 million as at 31 December 2023 (2022: RMB1,263 million). The non-controlling interests were individually and in aggregate not material to the Group's financial conditions or results of operations for both 2022 and 2023.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment, net	**1,390,340**	1,585,933
Investment properties	**1,618,985**	1,542,924
Construction in progress	**8,539**	158
Other intangible assets	**69,081**	98,794
Investments in subsidiaries	**14,695,834**	14,237,534
Interests in associates and joint ventures	**851,025**	816,159
Deposits at financial institutions with original maturity more than one year	**4,581,609**	5,249,225
Total non-current assets	**23,215,413**	23,530,727
Current assets		
Inventories	**309**	310
Accounts and bills receivable, net	**50,467**	4,226
Current portion of deposits at financial institutions with original maturity more than one year	**2,251,999**	110,587
Prepayments and other current assets	**2,002,764**	2,018,186
Short-term bank deposits and restricted cash	**374,781**	185
Cash and cash equivalents	**14,875,868**	14,135,829
Total current assets	**19,556,188**	16,269,323
Total assets	**42,771,601**	39,800,050
Current liabilities		
Contract liabilities	**481**	481
Accrued expenses and other payables	**23,440,284**	20,894,588
Income tax payable	**1,530**	2,936
Total current liabilities	**23,442,295**	20,898,005
Net current assets (note (i))	**(3,886,107)**	(4,628,682)
Total assets less current liabilities	**19,329,306**	18,902,045
Total liabilities	**23,442,295**	20,898,005
Equity		
Share capital	**6,926,018**	6,926,018
Reserves	**12,403,288**	11,976,027
Total equity	**19,329,306**	18,902,045
Total liabilities and equity	**42,771,601**	39,800,050

Note:

(i) The current assets of the Company were less than the current liabilities as at December 31, 2023. The current liabilities of RMB23,021 million were debts arising from amounts due to the subsidiaries of the Group, the Company will be able to decide the repayment plans at its own discretion to enable the Company to meet the liabilities as they fall due and carry on the business without a significant curtailment of operations.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movements of equity of the Company are as follows:

	Share capital RMB'000 (note 40)	Share premium RMB'000	Capital reserve RMB'000	Statutory Surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	6,926,018	4,529,310	1,966,293	1,706,073	3,432,174	18,559,868
Profit for the year	–	–	–	–	1,541,764	1,541,764
Distribution of dividends (note 15(b))	–	–	–	–	(1,199,587)	(1,199,587)
Appropriation	–	–	–	154,176	(154,176)	–
At 31 December 2022	6,926,018	4,529,310	1,966,293	1,860,249	3,620,175	18,902,045
Profit for the year	–	–	–	–	**1,770,216**	**1,770,216**
Distribution of dividends (note 15(b))	–	–	–	–	**(1,342,955)**	**(1,342,955)**
Appropriation	–	–	–	**177,022**	**(177,022)**	–
At 31 December 2023	**6,926,018**	**4,529,310**	**1,966,293**	**2,037,271**	**3,870,414**	**19,329,306**

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with IFRSs after the appropriation made to statutory surplus reserve as detailed in notes to the consolidated statement of changes in equity.

50. POSSIBLE IMPACT OF AMENDMENTS TO STANDARDS AND NEW STANDARD ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments to standards and new standard which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IFRS 21	Lack of Exchangeability[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact that will result from adopting the amendments to standards and new standard issued by the IASB which are not yet effective for the accounting period ended on 31 December 2023. Up to the date of approval of these financial statements, the Group believes that the adoption of these amendments to standards and new standard is unlikely to have a significant impact on its financial position and the results of operations.

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below includes changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	As at 1 January 2023 RMB'000	**Accruals RMB'000**	**Financing cash flows RMB'000**	**Foreign exchange translation RMB'000**	**Lease modified RMB'000**	**As at 31 December 2023 RMB'000**
Borrowings (note 34)	**881,121**	**–**	**(13,926)**	**(6,139)**	**–**	**861,056**
Dividends payable	**26,456**	**1,395,795**	**(1,405,251)**	**8,166**	**–**	**25,166**
Lease liabilities (note 36)	**1,580,115**	**721,914**	**(613,206)**	**–**	**(172,193)**	**1,516,630**
	2,487,692	**2,117,709**	**(2,032,383)**	**2,027**	**(172,193)**	**2,402,852**

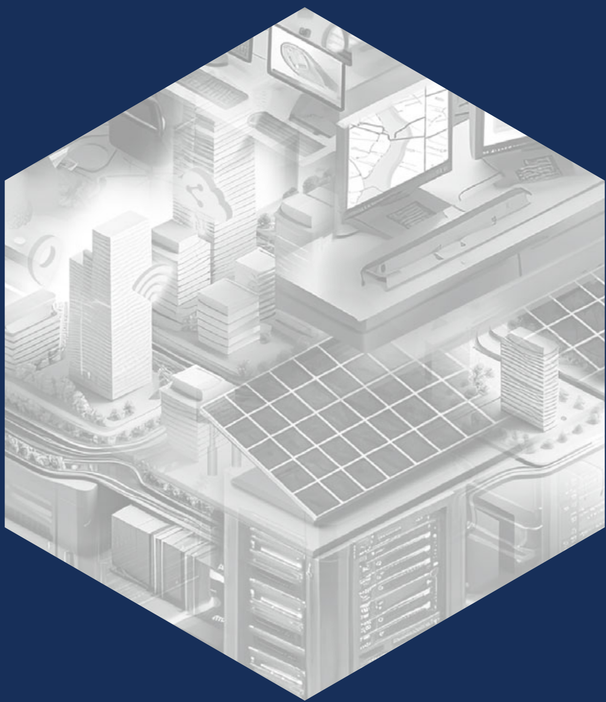
	As at 1 January 2022 RMB'000	Accruals RMB'000	Financing cash flows RMB'000	Foreign exchange translation RMB'000	Lease modified RMB'000	As at 31 December 2022 RMB'000
Borrowings (note 34)	812,832	–	43,061	25,228	–	881,121
Dividends payable	31,016	1,251,559	(1,257,596)	1,477	–	26,456
Lease liabilities (note 36)	1,562,803	672,516	(529,557)	–	(125,647)	1,580,115
	2,406,651	1,924,075	(1,744,092)	26,705	(125,647)	2,487,692

FINANCIAL SUMMARY

(Amounts in thousands, except per share data)

	2023 RMB	2022 RMB (Restated)	2021 RMB (Restated)	2020 RMB (Restated)	2019 RMB (Restated)
Results					
Revenue from telecommunications infrastructure services	**76,136,756**	72,906,517	71,889,248	67,164,571	64,688,815
Revenue from business process outsourcing services	**43,550,614**	43,073,150	40,623,948	37,277,681	36,637,387
Revenue from applications, content and other services	**28,927,306**	24,767,902	21,479,245	18,208,529	16,089,855
Total Revenues	**148,614,676**	140,747,569	133,992,441	122,650,781	117,416,057
Depreciation and amortisation	**(1,017,154)**	(961,218)	(908,525)	(827,536)	(757,077)
Direct personnel costs	**(8,644,005)**	(8,558,400)	(8,805,077)	(8,300,760)	(9,111,790)
Materials costs	**(24,670,341)**	(21,657,339)	(19,166,225)	(15,057,234)	(12,838,003)
Direct costs of products distribution	**(3,517,360)**	(4,065,197)	(4,614,143)	(4,067,599)	(4,167,579)
Subcontracting charges	**(80,233,245)**	(76,546,469)	(71,239,853)	(67,166,028)	(64,462,508)
Lease charges and others	**(13,275,321)**	(12,977,295)	(14,473,844)	(13,492,874)	(12,390,660)
Cost of revenues	**(131,357,426)**	(124,765,918)	(119,207,667)	(108,912,031)	(103,727,617)
Gross profit	**17,257,250**	15,981,651	14,784,774	13,738,750	13,688,440
Other income	**1,932,223**	1,954,316	1,946,411	1,687,801	1,554,758
Selling, general and administrative expenses	**(14,913,046)**	(13,959,926)	(12,952,506)	(11,827,203)	(11,495,543)
Other expenses	**(169,549)**	(140,958)	(214,032)	(216,876)	(333,375)
Finance costs	**(113,734)**	(91,046)	(78,624)	(63,482)	(68,888)
Share of profits of associates and joint ventures	**116,338**	92,747	91,923	168,928	148,478
Profit before tax	**4,109,482**	3,836,784	3,577,946	3,487,918	3,493,870
Income tax	**(377,805)**	(356,097)	(392,673)	(398,278)	(463,802)
Profit for the year	**3,731,677**	3,480,687	3,185,273	3,089,640	3,030,068
Attributable to:					
Equity shareholders of the Company	**3,584,391**	3,359,555	3,156,946	3,081,795	3,049,498
Non-controlling interests	**147,286**	121,132	28,327	7,845	(19,430)
Profit for the year	**3,731,677**	3,480,687	3,185,273	3,089,640	3,030,068
Basic/diluted earnings per share (RMB)	**0.518**	0.485	0.456	0.445	0.440

	2023 RMB	2022 RMB (Restated)	2021 RMB (Restated)	2020 RMB (Restated)	2019 RMB (Restated)
Financial position					
Property, plant and equipment, net	**6,082,260**	6,269,961	6,213,472	4,331,391	4,369,530
Right-of-use assets	**2,245,135**	2,402,559	2,422,952	2,046,005	1,895,996
Equity instruments at fair value through other comprehensive income	**3,473,580**	3,336,403	3,672,472	4,362,469	4,088,204
Deposits at financial institutions with original maturity more than one year	**5,888,447**	7,651,866	2,563,841	200,000	–
Other non-current assets	**7,147,332**	6,404,580	5,881,290	7,288,295	3,936,420
Inventories	**1,196,945**	1,367,311	1,492,011	1,676,943	1,974,150
Accounts and bills receivable, net	**23,921,258**	20,310,265	18,254,550	18,208,593	19,093,096
Contract assets, net	**28,584,146**	25,268,821	21,534,745	19,786,576	17,153,529
Current portion of deposits at financial institutions with original maturity more than one year	**3,498,709**	221,188	–	–	–
Prepayments and other current assets	**13,668,864**	12,717,632	11,102,020	9,618,532	8,771,892
Financial assets at fair value through profit or loss	**10,429**	61,556	3,364,554	3,098,634	4,567,824
Cash and cash equivalents	**22,914,865**	22,087,661	21,172,860	21,010,586	19,222,969
Short-term bank deposits and restricted cash	**3,157,780**	2,168,795	2,357,234	2,865,265	2,471,515
Total assets	**121,789,750**	110,268,598	100,032,001	94,493,289	87,545,125
Interest-bearing borrowings	**807,499**	752,001	723,024	704,401	511,234
Accounts and bills payable	**53,426,398**	44,611,295	36,319,980	33,363,786	30,674,619
Current portion of lease liabilities	**487,758**	513,223	490,859	400,627	343,281
Contract liabilities	**9,527,291**	10,867,975	11,449,171	10,977,645	10,087,102
Accrued expenses and other payables	**11,642,004**	9,500,858	9,093,109	9,501,926	8,732,222
Income tax payable	**354,095**	351,105	239,624	282,597	337,372
Non-current liabilities	**1,877,004**	2,048,216	2,106,296	2,074,929	1,821,413
Total liabilities	**78,122,049**	68,644,673	60,422,063	57,305,911	52,507,243
Equity attributable to equity shareholders of the Company	**42,576,759**	40,360,637	38,407,032	36,718,088	34,564,020
Non-controlling interests	**1,090,942**	1,263,288	1,202,906	469,290	473,862
Total equity	**43,667,701**	41,623,925	39,609,938	37,187,378	35,037,882
Total liabilities and equity	**121,789,750**	110,268,598	100,032,001	94,493,289	87,545,125



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