中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司
CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 552)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- The Group seized the opportunities arising from the digitalization, intelligentization and green development of society and achieved good operating results, realizing improvements in both efficiency and quality as well as "four continuities":
  - ➢ Total revenues were RMB148,615 million, up by 5.6%, and continued to grow steadily and such growth rate was higher than last year[1].
  - ➢ Net profit was RMB3,584 million, up by 6.7%, and such growth rate continued to be higher than the revenue growth rate[1].
  - ➢ Gross profit margin was 11.6%, up by 0.2 percentage point, and improved for two consecutive years.
  - ➢ Free cash flow reached RMB4,333 million and continued to maintain at a healthy level.
- The Group maintained steady growth in the domestic telecommunications operator market, with revenue growing by 4.7%, while the domestic non-operator market showed steadily improving development, with revenue growing by 6.3%.
- The Group continuously increased investment in technological innovation, and the industrial digitalization business developed rapidly, with revenue from applications, content and other businesses growing by 16.8%, which was the leading contributor to revenue growth.
- The Group continued to step up its efforts to expand into strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, and emergency management and security, with the new contracts value growing by more than 30%.
- The Board has proposed to increase the dividend and pay a final dividend of RMB0.2174 per share, representing an increase of 12.1% and the dividend payout ratio increased from 40% to 42%.

1 In 2022, the Group's total revenues and net profit increased by 5.0% and 6.4% year-on-year, respectively.

CHAIRMAN'S STATEMENT

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%.

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

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. ***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.

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.

(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%.

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.

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.

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.

[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".

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.

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.

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*.

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.

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

GROUP RESULTS

China Communications Services Corporation Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023, extracted from the audited consolidated financial statements of the Group as set out in its 2023 annual report.

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	*8*	**(14,913,046)**	(13,959,926)
Other expenses		**(169,549)**	(140,958)
Finance costs	*7*	**(113,734)**	(91,046)
Share of profits of associates and joint ventures		**116,338**	92,747
Profit before tax	*8*	**4,109,482**	3,836,784
Income tax	*9*	**(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)	*10*	**0.518**	0.485

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)	11		
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

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		**6,082,260**	6,269,961
Right-of-use assets		**2,245,135**	2,402,559
Investment properties		**1,700,230**	1,716,227
Construction in progress		**883,465**	427,691
Goodwill		**103,005**	103,005
Intangible assets		**745,830**	724,013
Interests in associates and joint ventures		**1,343,796**	1,307,945
Financial assets at fair value through profit or loss		**342,301**	275,804
Equity instruments at fair value through other comprehensive income		**3,473,580**	3,336,403
Deferred tax assets		**1,019,736**	941,879
Deposits at financial institutions with original maturity more than one year		**5,888,447**	7,651,866
Other non-current assets		**1,008,969**	908,016
Total non-current assets		**24,836,754**	26,065,369
Current assets			
Inventories		**1,196,945**	1,367,311
Accounts and bills receivable, net	*13*	**23,921,258**	20,310,265
Contract assets, net	*14*	**28,584,146**	25,268,821
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
Financial assets at fair value through profit or loss		**10,429**	61,556
Short-term bank deposits and restricted cash		**3,157,780**	2,168,795
Cash and cash equivalents		**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		**807,499**	752,001
Accounts and bills payable	*15*	**53,426,398**	44,611,295
Current portion of lease liabilities		**487,758**	513,223
Contract liabilities	*16*	**9,527,291**	10,867,975
Accrued expenses and other payables		**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

Consolidated Statement of Financial Position (Continued)
At 31 December 2023

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Non-current liabilities		
Interest-bearing borrowings	**53,557**	129,120
Lease liabilities	**1,028,872**	1,066,892
Other non-current liabilities	**118,207**	219,457
Deferred tax liabilities	**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	**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

Notes:

1. 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 2 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.

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 China Telecommunications Corporation ("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.

2. 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	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.

3. 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.

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	2022
	RMB'000	*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 and its Subsidiaries (excluding the Group) ("CTC Group"), China Mobile Communications Group Co., Ltd. and its Subsidiaries ("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 Chinese Radio and Television Network Group Co., Ltd. and its subsidiaries 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)).

5. COST OF REVENUES

	2023	2022
	RMB'000	*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 fair value through other comprehensive income	**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. 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).

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following items:

		2023	2022
		RMB'000	*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	**767,292**	745,029
	– Right-of-use assets	**614,504**	583,559
	– Investment properties	**88,787**	87,539
	Amortisation		
	– Intangible assets	**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.

9. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current tax	**448,135**	566,817
Deferred tax	**(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	2022
	RMB'000	*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).

10. 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.

11. OTHER COMPREHENSIVE INCOME/(EXPENSE)

	2023	2022
	RMB'000	*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)

12. DIVIDENDS

(a) Dividends attributable to the year

	2023	2022
	RMB'000	*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	2022
	RMB'000	*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

13. ACCOUNTS AND BILLS RECEIVABLE, NET

	2023	2022
	RMB'000	*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 are unsecured, interest-free and are expected to be recovered within one year.

(b) The ageing analysis of accounts and bills receivable (net of allowance for credit losses) based on credit terms is as follows:

	2023	2022
	RMB'000	*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.

14. CONTRACT ASSETS, NET

	2023	2022
	RMB'000	*RMB'000*
Telecommunications infrastructure services	**23,874,832**	21,099,704
Business process outsourcing services	**1,223,662**	1,114,789
Applications, contents 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.

15. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	2023	2022
	RMB'000	*RMB'000*
Accounts payable	**48,655,930**	40,985,965
Bills payable	**4,770,468**	3,625,330
	53,426,398	44,611,295

15. ACCOUNTS AND BILLS PAYABLE (CONTINUED)

The ageing analysis of accounts and bills payable based on the invoice date is as follows:

	2023	2022
	RMB'000	*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 are unsecured, interest-free and are expected to be settled within one year.

16. CONTRACT LIABILITIES

	2023	2022
	RMB'000	*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.

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%

	2023 *RMB'000*	2022 *RMB'000*	Change
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%

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.

[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.

Contractual Obligations

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

	Total	2024	2025	2026	2027	2028 and after
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with the management and the Company's international auditor, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed the risk management, internal control and financial reporting matters including the review of the annual report of the Company for the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 has abided by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basic guidelines for the Company's corporate governance. 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 during the reporting period.

CLOSURE OF SHARE REGISTER

1. Annual General Meeting

The H share register of members of the Company will be closed, for the purpose of determining the H share shareholders' entitlement to attend the annual general meeting (the "Annual General Meeting") to be held on Thursday, 20 June 2024, from Monday, 17 June 2024 to Thursday, 20 June 2024 (both days inclusive), during which period no transfer of H shares will be registered. In order to attend the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 14 June 2024. H share shareholders of the Company who are registered on the register of members held by Computershare Hong Kong Investor Services Limited on Thursday, 20 June 2024 are entitled to attend the Annual General Meeting.

2. Proposed Final Dividend

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. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Monday, 8 July 2024. The register of members will be closed from Wednesday, 3 July 2024 to Monday, 8 July 2024 (both days inclusive). In order to be entitled to the final dividend, H share shareholders who have not registered the transfer documents are required to lodge the transfer documents together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Tuesday,2 July 2024.

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 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 Annual General Meeting. 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 Annual General Meeting.

The Company shall be obliged to withhold and pay income tax on behalf of overseas non-resident enterprise shareholders and overseas resident individual shareholders of H shares whose names appear on the Company's H share register of members on Monday, 8 July 2024 according to the following regulations:

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.

ANNUAL REPORT

The Annual Report for the year ended 31 December 2023 will be dispatched to shareholders and made available on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinaccs.com.hk) in due course.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks, uncertainties and assumptions, which are beyond our control. Potential risks and uncertainties include those concerning, among others, the change of macroeconomic environment, natural disaster, the growth of the relevant industries, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results of the Company may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

Beijing, PRC
27 March 2024

As of the date of this announcement, our executive directors are Mr. Luan Xiaowei, Mr. Yan Dong and Ms. Zhang Xu, our non-executive directors are Mr. Gao Tongqing, Mr. Tang Yongbo and Mr. Liu Aihua, and our independent non-executive directors are Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wang Qi and Mr. Wang Chunge.