中国通信服务
CHINA COMSERVICE

China Communications Services Corporation Limited
Stock code : 552

MOVE FORWARD WITH INNOVATION

SUSTAIN LONGEVITY WITH QUALITY

ANNUAL REPORT 2024

INNOVATION • INTEGRATION • INTELLIGENCE • EXCELLENCE

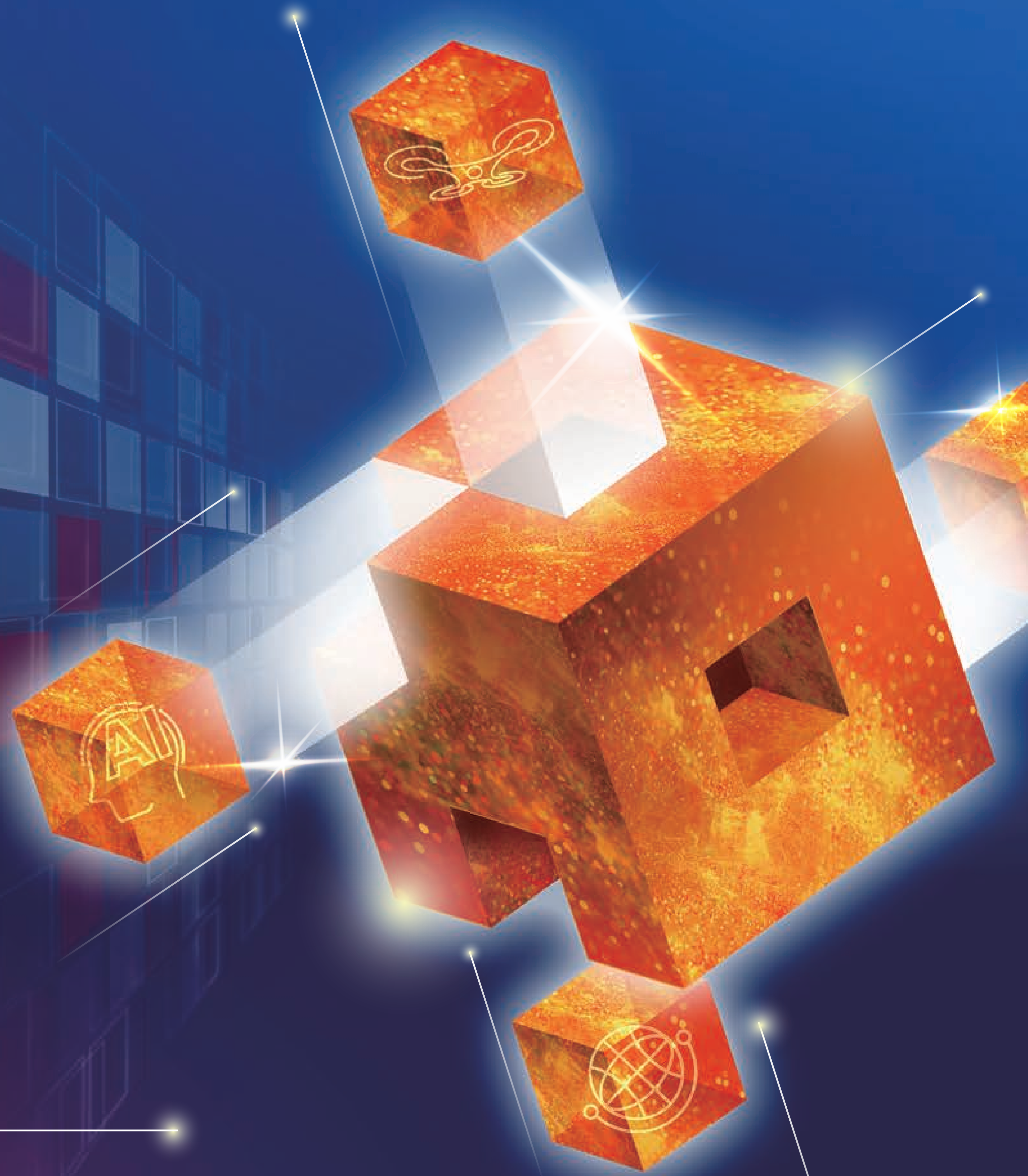
CONTENTS

The cover design centers on the Company logo, with three-dimensional cubes highlighting the new fields that the Company is pioneering. By strengthening technological innovation, accelerating business deployment and solidly advancing high-quality development, the Company ensures steady and sustainable development.

INNOVATION

新

High-quality Development

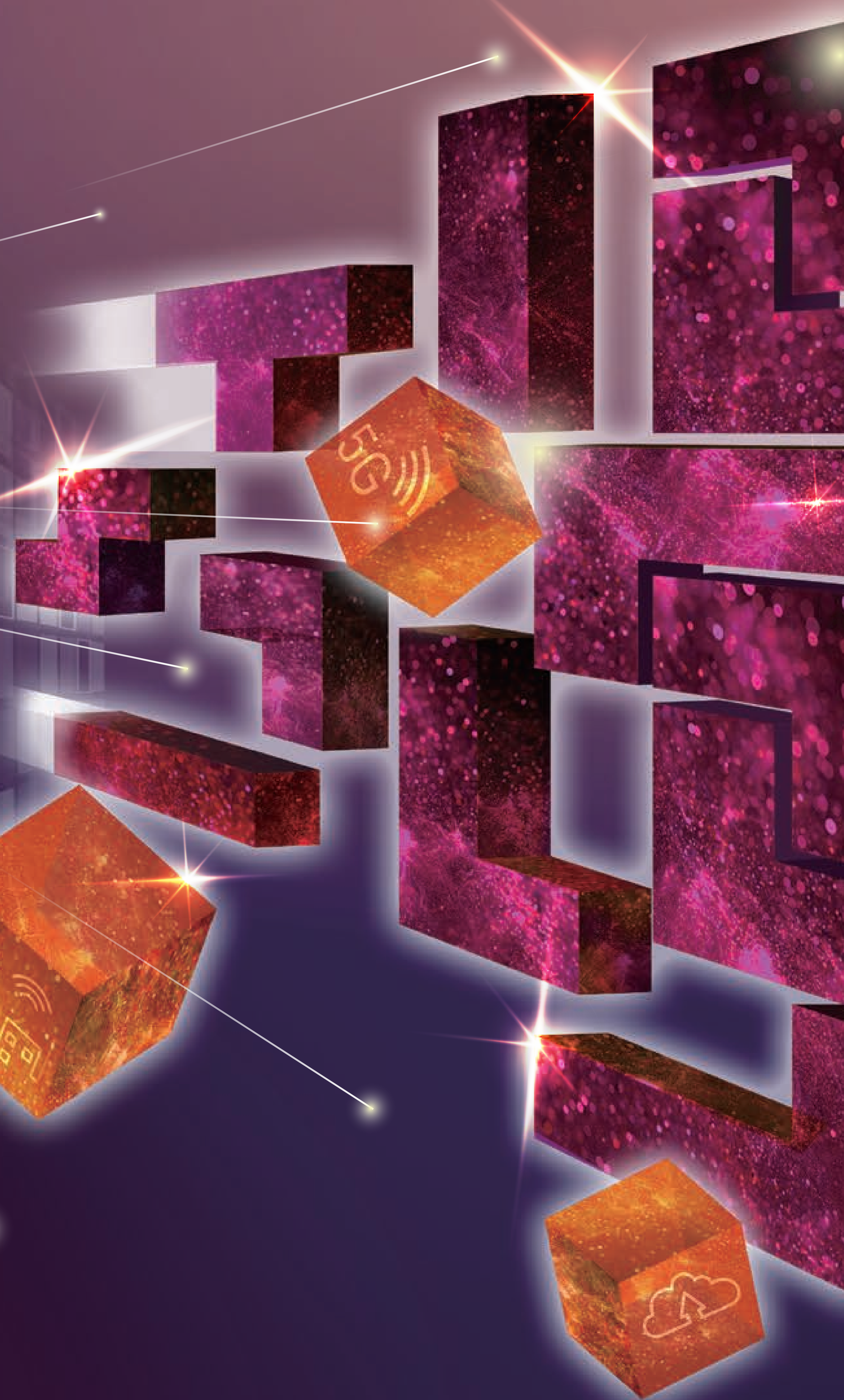


Focusing on the new industries, new models, and new momentum brought by the deepening of the new wave of technological revolution and industrial transformation, we will advance corporate transformation and steadily promote high-quality development

INTEGRATION

融

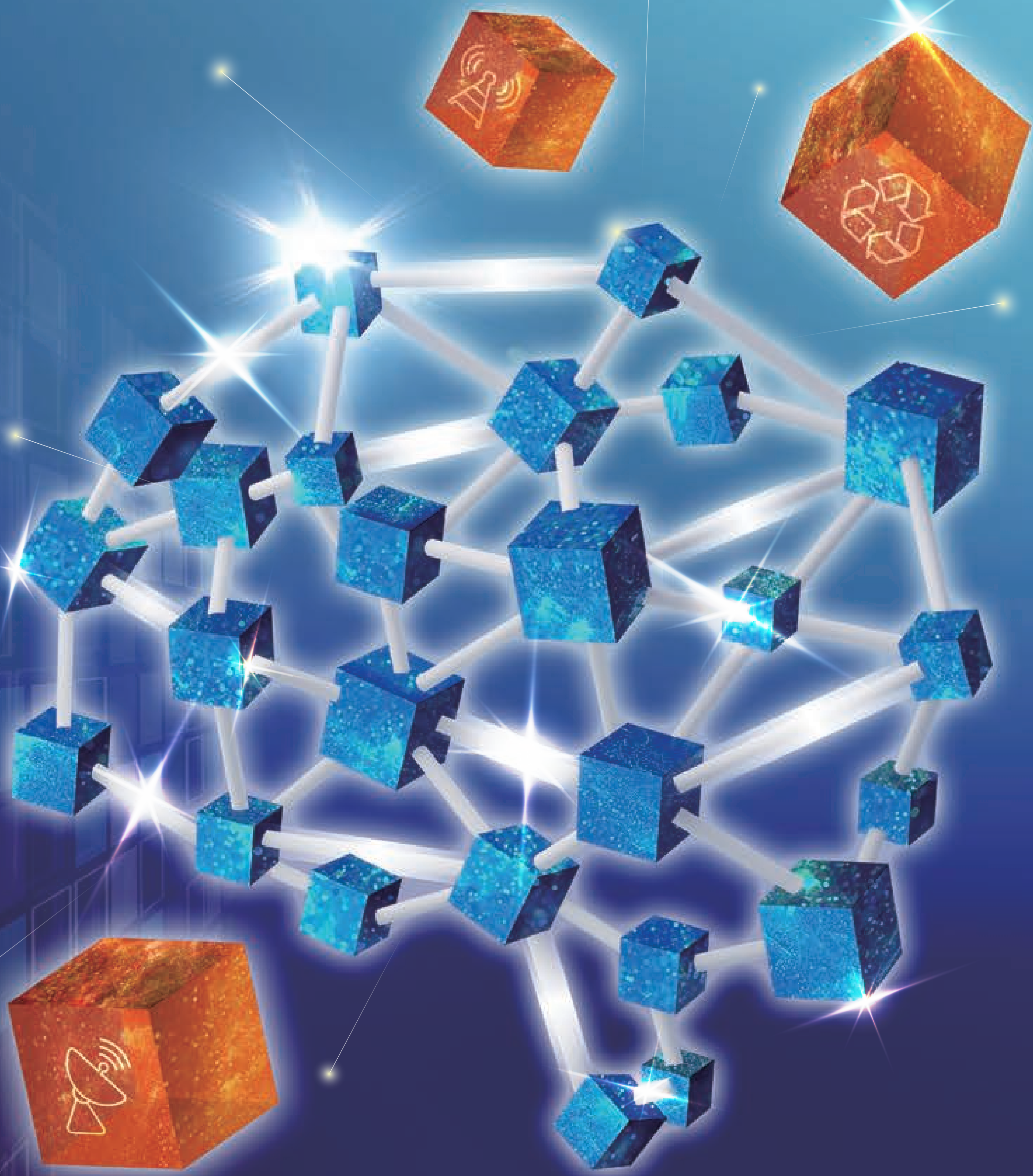
Ecosystem Collaboration



By demonstrating its integrated service capabilities through business collaboration and regional collaboration, as well as partnering with domestic and international partners in the ecosystem, we provide comprehensive, full-process solutions across all sectors that integrate cloud computing, artificial intelligence, security, and platform technologies

INTELLIGENCE

智 Technological Innovation



Focusing on cutting-edge technological breakthroughs, we are advancing innovations in 5G-A, blockchain, AI+, satellite communications, and the low-altitude economy to build a high-quality technology enterprise

EXCELLENCE

優

Building Better Life Together

By fulfilling our corporate mission of "Building Smart Society, Boosting Digital Economy, Serving a Good Life", we adhere to green and low-carbon operations and promote sustainable development

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.

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 for the first time.

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.

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.

MILESTONES

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.

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.

JUNE

The Company has been awarded the "Most Honored Company" in the "2024 Asia Pacific (Ex-Japan) Executive Team" rankings by *Institutional Investor* for the third consecutive year.

OCTOBER

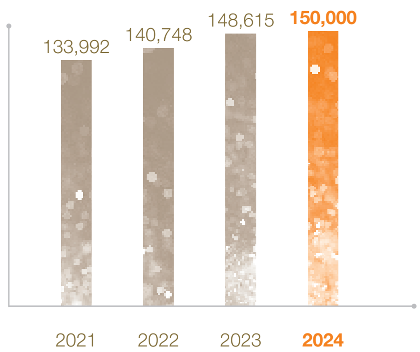
The Company ranked fourth in the "100 Most Competitive Software & IT Service Enterprises" hosted by the China Federation of Electronics and Information Industry for four consecutive years.

Mr. Yan Dong resigned from his position as the President and an Executive Director of the Company. Mr. Cui Zhanwei 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 December 2024.

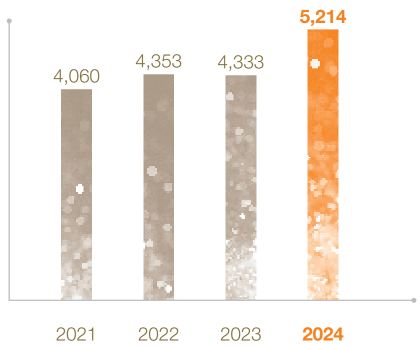
FINANCIAL HIGHLIGHTS

	2024	2023	Change
Revenues (RMB million)	150,000	148,615	0.9%
Profit attributable to equity shareholders of the Company (RMB million)	3,607	3,584	0.6%
Free cash flow[1] (RMB million)	5,214	4,333	20.4%
Basic earnings per share (RMB)	0.521	0.518	0.6%
Dividend per share (RMB)	0.2187	0.2174	0.6%

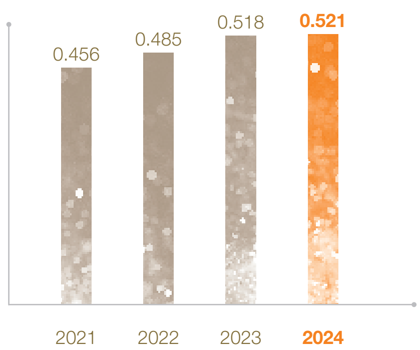
Revenues
(RMB million)



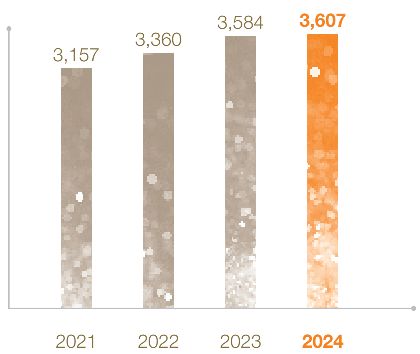
Free Cash Flow
(RMB million)



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 2024, the total issued share capital of the Company was 6,926,018,400, of which 2,391,420,240 were H shares.

The Company has received many awards in the capital market over the past decade since its listing. In 2024, the Company received various awards, including: in *Institutional Investor*’s “2024 Asia Pacific (Ex-Japan) Executive Team” ranking, the Company was named as “Most Honored Company” and also won the accolades of “Best CEO”, “Best CFO” and “Best ESG”. In “14th 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 “Sustainable Asia Award”. In the “14th China Securities Golden Bauhinia Awards” organized by Hong Kong Ta Kung Wen Wei Media Group, the Company received the “Excellence in High-Quality Development of Listed Company” award. In addition, the Company ranked 1,429th in the “2024 Forbes Global 2000” by *Forbes*, up 70 places from the previous year.

The Company’s industry influence has improved notably in recent years, and it has received over 30 important science and technology awards at national-level, provincial and ministerial-level, as well as industry association-level. The Company has ranked 4th in “100 Most Competitive Software & IT Service Enterprises” by China Federation of Electronics and Information Industry for four consecutive years.

BOARD OF DIRECTORS

Executive Directors

Mr. Luan Xiaowei
Mr. Cui Zhanwei
Mr. Shen Aqiang

Non-executive Directors

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. Cui Zhanwei
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. Cui Zhanwei

COMPANY SECRETARY

Mr. Chung Wai Cheung, Terence

INTERNATIONAL AUDITOR

KPMG
(Public Interest Entity Auditor Registered in accordance with the Accounting and Financial Reporting Council Ordinance)

LEGAL ADVISORS

Freshfields
King & Wood Mallesons

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Hong Kong

LISTING PLACE

The Stock Exchange of Hong Kong Limited

STOCK CODE

00552

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www.chinaccs.com.hk

CHAIRMAN'S STATEMENT

In 2024, the Group, positioning itself as a "New Generation Integrated Smart Service Provider", persisted in upholding technological innovation as its guiding principle, continued to cultivate strategic emerging businesses, accelerated the formation of new quality productive forces, thereby achieving "Effective Improvement in Quality" as well as "Reasonable Growth in Quantity", and firmly driving high-quality development.

Luan Xiaowei
Executive Director and Chairman

Dear Shareholders,

In 2024, the global and domestic landscapes became increasingly complex and multifaceted, and the new wave of technological revolution and industrial transformation continued to deepen, with frontier technologies such as new-generation information technology and artificial intelligence constantly giving rise to new industries, new models and new momentum. Faced with operational challenges brought by the slowing revenue growth in the domestic telecommunications industry and increasingly fierce competition in the industrial digitalization market, the Group, positioning itself as a "New Generation Integrated Smart Service Provider" and fully leveraging its roles as the "Builder of Digital Infrastructure", "Provider of Smart Products and Platforms", "Provider of Industrial Digitalization Services", and "Guard of Smart Operation" (collectively referred to as the "Four Roles"), persisted in upholding technological innovation as its guiding principle, accelerated the expansion of strategic emerging businesses, developed new quality productive forces tailored to local conditions, thereby achieving "Effective Improvement in Quality" as well as "Reasonable Growth in Quantity", and firmly driving sustainable and high-quality development.

I. Steady Yet Improving Operating Results with Resilience in Quality Enhancement and Efficiency Improvement

Adhering to its overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development" and practicing the principle of "revenue with reasonable profits and profits with matching cash flow", the Group achieved steady yet improving operating results, with efficiency indicators trending positively. During the year, the Group achieved total revenues of RMB150,000 million, representing a year-on-year increase of 0.9%. Among this, service revenue[1] amounted to RMB146,212 million, representing a year-on-year increase of 1.9%. Gross profit reached RMB17,596 million, representing a year-on-year increase of 2.0%. The gross profit margin was 11.7%, up by 0.1 percentage point year-on-year, marking a steady improvement for three consecutive years. Net profit[2] was RMB3,607 million, representing a year-on-year increase of 0.6%. The net profit margin remained largely stable at 2.4%. Free cash flow amounted to RMB5,214 million, showing favorable growth. Return on equity (ROE) was 8.2%. Basic earnings per share were RMB0.521, representing a year-on-year increase of 0.6%. In light of the Group's stable operating performance and sound cash flow for the year, the Board has proposed a final dividend of RMB0.2187 per share for the financial year ended 31 December 2024, representing a dividend payout ratio of 42%.

1. Focusing on Value Creation, the Three Major Business Segments Remained Stable with Enhanced Quality

During the year, revenue from the Group's telecommunications infrastructure ("TIS") services amounted to RMB75,172 million, representing a year-on-year decrease of 1.3% and accounting for 50.1% of total revenues. The decline was mainly due to certain customers' cautious investment and the Group's proactive control of low-value projects. While supporting domestic customers in the construction for computing power infrastructure, the Group leveraged its industry-leading TIS capabilities to actively expand into overseas market, achieving a year-on-year increase of 17.5% in relevant revenue from overseas customers. Revenue from business process outsourcing ("BPO") services amounted to RMB43,459 million, representing a year-on-year decrease of 0.2% and accounting for 29.0% of total revenues. Among this, revenue from low-margin products distribution business continued to be effectively controlled, decreasing by 18.9% year-on-year, further optimizing the revenue structure of this segment. Persisting in upholding technological innovation as its guiding principle, the Group continuously strengthened its software development capabilities and digital service standards. Revenue from applications, content, and other ("ACO") services maintained a favorable growth momentum, reaching RMB31,369 million, representing a year-on-year increase of 8.4%. Its proportion of total revenues exceeded 20%, reaching 20.9%, and revenue from ACO services remained as the primary driver of revenue growth for three consecutive years.

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

[2] Net profit refers to profit attributable to the equity shareholders of the Company.

2. Adapting to Changing Demands, the Three Major Customer Markets Were Deeply and Meticulously Developed

(A) **Leveraging differentiated advantages, the domestic telecommunications operator market remained stable while achieving growth.** Adhering to its "CAPEX + OPEX + Smart Applications"[3] development strategy, the Group effectively addressed the challenges posed by the decline in CAPEX investment from domestic telecommunications operators. Guided by customers' needs, the Group improved the delivery quality of traditional businesses through digital means and closely followed operators' new transformation demands such as construction of computing power infrastructure and industrial digitalization. By fully leveraging its differentiated advantages in digital infrastructure, green and low-carbon, consultation and design, software applications, operation and maintenance, as well as deepening ecosystem cooperation, the Group achieved win-win collaboration. Despite the overall decline in CAPEX investment in this market, revenue from this market reached RMB83,603 million during the year, representing a year-on-year increase of 2.3%.

(B) **Adhering to value-oriented approach, the quality in the domestic non-operator market was enhanced.** The Group focused on high-value industries and businesses with significant strategic importance, high economic benefits, and close ties to people's livelihoods. It accelerated the development of industrial digitalization businesses and actively explored areas such as low-altitude economy, artificial intelligence, and intelligent computing and supercomputing. Leveraging its advantages of unique "Consultant + Staff + Housekeeper"[4] service model and "Platform + Software + Service"[5] capabilities, the Group provided customers with integrated, full-process services that incorporate cloud, artificial intelligence, security, and platform. The Group strictly controlled project risks and expanded its business while ensuring project quality and mitigating operational risks, maintaining stable gross profit margin in this customer market. Revenue from the domestic non-telecom operator ("domestic non-operator") market amounted to RMB62,169 million during the year, representing a year-on-year decrease of 2.0%.

(C) **Deploying in key regions, overseas market achieved rapid growth.** Centering on key regions along the "Belt and Road", the Group actively responded to the demand for digital infrastructure overseas by replicating its domestic capabilities in fundamental network and computing power infrastructure construction. Meanwhile, the Group steadily expanded into new businesses such as industrial digitalization and new energy, continuously optimized its overseas operating models, strengthened comprehensive risk management, and enhanced collaborative cooperation with "Go Abroad" Chinese enterprises. The Group successfully secured several high-quality and large-scale projects, achieving safe, compliant, and efficient development. Revenue from the overseas market grew rapidly during the year, reaching RMB4,228 million, representing a year-on-year increase of 22.3%.

3 "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.

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 that 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, and 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.

II. Focusing on Key Industry Customers, Continuously Deepening Expansion of Strategic Emerging Businesses

In 2024, the country vigorously developed new quality productive forces and promoted the deep integration of the real economy and the digital economy, with accelerated progress in digitalization, intelligentization, green development and security enhancement. The Group focused on key industry customers in government, emergency management, energy, transportation, education, and healthcare, and continued to deepen its development in strategic emerging businesses in digital infrastructure, green and low-carbon, smart city as well as emergency management and security. The total value of new contracts signed from strategic emerging businesses during the year increased by over 30% year-on-year, accounting for 37% of the total value of new contracts signed, representing an increase of approximately 7 percentage points from the previous year, creating a new growth engine for high-quality development.

1. The Field of Digital Infrastructure

The Group actively implemented the national strategies of building China into a cyberpower and Digital China. Keeping pace with the computing power demand driven by the iteration of artificial intelligence large models, the Group accelerated the intelligent and green upgrading of digital information infrastructure. Leveraging innovative AI energy efficiency optimization technologies and the leading capabilities in green and low-carbon, consultation and design as well as solution, the Group accumulated rich project experience in data centers, cloud services, and 5G+ businesses. It undertook intelligent computing and supercomputing center projects in industries such as telecommunications, finance, Internet and manufacturing, contributing to the construction of a national integrated computing power network and empowering the high-quality development of the digital economy, thereby solidifying the digital foundation for Chinese modernization. The Group undertook approximately 20 large-scale projects with contract values of more than RMB100 million each, and the value of new contracts signed in this field grew by over 30% during the year.

2. The Field of Green and Low-Carbon

With the advancement of the national "Dual Carbon" goals, the Group engaged in the coordinated development of computing power and green energy, supporting the comprehensive green transformation of economic and social development. Focusing on energy and electricity, industrial manufacturing, transportation, real estate and construction, as well as information and communications, the Group provided customers with upgraded services such as electricity infrastructure and ancillary facilities, new energy construction, energy usage services and carbon management. The Group tracked and developed cutting-edge, energy-saving and carbon-reduction technologies, leveraging its integrated capabilities in "Consultation-Driven + Digital Empowerment + Product Innovation + Engineering Construction + Operation and Maintenance" to create comprehensive and customized green and low-carbon solutions. The Group secured several EPC general contracting projects with contract values exceeding RMB100 million each. The value of new contracts signed in this field grew by over 25% during the year.

3. The Field of Smart City

The Group focused on urban renewal and the digital transformation needs of all industries and continuously deepened its efforts in developing key industries and regions. Leveraging its advantages in consultation and design as the lead, software development support, and general contracting delivery, the Group explored innovative applications of new technologies such as artificial intelligence, the Internet of Things, and big data in related industries. Relying on its professional local teams at the provincial, municipal, and county levels, the Group continuously strengthened its products and solutions capabilities, securing several projects with contract values exceeding RMB100 million each in areas such as social governance, digital government, smart transportation, smart education, smart healthcare, and enterprise digital transformation, comprehensively empowering the digital transformation of the economy and society. The value of new contracts signed in this field grew by over 40% during the year.

4. The Field of Emergency Management and Security

The Group strictly adhered to the bottom line of safe development and continuously enhanced public safety governance and network information security capabilities. In emergency management, the Group used digital means to assist in disaster prevention, mitigation, and relief, as well as the handling of urgent, difficult, dangerous and major public emergencies. It promoted the implementation of proprietary products such as emergency command information systems, production safety risk monitoring and early warning systems, as well as natural disaster monitoring and early warning platforms, participating in the building of emergency management capabilities in multiple provinces and cities across the country. The Group participated in the national key research and development program "Prevention and Control of Major Natural Disasters and Public Safety" under the Ministry of Emergency Management, specifically the key project of "Key Technologies for Intelligent Generated Decision-Making Knowledge Base in Disaster and Accident Emergency Management Situations", achieving dynamic and efficient integration of spatiotemporal information at disaster sites, intelligent analysis, and emergency management and rescue decision-making support. In terms of network and information security, the Group actively responded to the cybersecurity operations and data security needs of customers in industries such as information and communications, finance, energy, and transportation, developing over 40 proprietary and controllable network and information security products and one-stop integrated solutions. The "Intelligent Video Surveillance Application System", which the Group participated in research and development, was successfully selected into the "2024 Cybersecurity Technology Application Exemplary Cases"[6]. The value of new contracts signed in the field of emergency management and security grew by over 30% during the year.

[6] The "2024 Cybersecurity Technology Application Exemplary Cases" was jointly released by 13 units, including the General Office of the Ministry of Industry and Information Technology, the Secretariat of the Cyberspace Administration of China, the General Office of the Ministry of Human Resources and Social Security. It aims to strengthen the guidance for advanced cybersecurity technology applications and promote the high-quality development of the cybersecurity industry.

III. Accelerating the Formation of New Quality Productive Forces, Driving High-Quality Development

1. Adhering to Technology Innovation-driven Development, Building a High-Quality Technology Enterprise

The Group continued to leverage technological innovation as a driving force, strengthening the deep integration of technological innovation and industrial innovation, building a key engine for developing new quality productive forces, and creating new momentum and advantages for high-quality development. Focusing on strategic emerging industries, the Group developed nearly 100 key industry products, such as smart photovoltaic, smart building, and smart sport, to meet customers' intelligent, secure, and scenario-based needs. It focused on key technologies in future industries, advancing in frontier areas such as 5G-A, blockchain, AI+, satellite communications, and low-altitude economy, and developed products such as the blockchain data service platform, the direct satellite connection product "Xingjitong", the network connected drone intelligent application platform, and AI product suites. The Group accelerated the commercialization and large-scale replication of technological innovation results, cultivating over 40 products with contract values exceeding RMB10 million each and implementing 12 comprehensive solutions, each deployed in more than 50% of the country's provinces, effectively enhancing enterprises' operational efficiency. The Group accumulated more than 3,900 authorized patents and 10,500 software copyrights. For the fourth consecutive year, the Group ranked fourth in the "100 Most Competitive Software & IT Service Enterprises", and several technological innovation projects received provincial and ministerial-level as well as national-level association science and technology awards. The Group was also included in the "China Cybersecurity Industry Panorama" by AQNIU[7] and the "2023–2024 Recommended Directory of Outstanding Innovative Software Products"[8], demonstrating its recognized innovation capabilities in the industry.

2. Building Core Capabilities Advantages, Providing High-Quality Smart Services

Rooted in new-generation information service technologies, the Group continuously deepened the essence of its "Four Roles", strengthening the supply of high-quality products and services, and effectively enhancing its core competitiveness. Adhering to a customer-centric approach, the Group utilized new technologies such as big data, cloud computing, artificial intelligence and quantum communications, combined with its advantages in consultation and design, software, delivery, and operation and maintenance, striving to become a comprehensive service provider for new infrastructure including new-generation information and communications, general data centers, intelligent computing and supercomputing centers, offering general contracting and integrated solutions. The Group strengthened its cloud-based digital platform and software development capabilities, empowering the digital transformation of various industries, and providing operators with smart support services, including operation and maintenance, supply chain management, property management and training. By continuously focusing on strategic emerging industries, the Group capitalized on its nationwide "Industry Center + Regional Platform" matrix to enhance its core product capabilities, business value and service standards, developing new quality productive forces tailored to local conditions.

7 "AQNIU" is a highly influential third-party professional media and flagship think tank in China's cybersecurity industry.

8 The "2023–2024 Recommended Directory of Outstanding Innovative Software Products", released by the China Federation of Electronics and Information Industry (CFEII), aims to drive high-quality development in the software industry, boost proprietary innovation, accelerate new technology adoption, and promote outstanding software products in key sectors.

3. Deepening Reforms in Key Areas, Enhancing Momentum for High-Quality Development

The Group further comprehensively deepened reforms, continuously improving production relations that are more compatible with new quality productive forces, and driving high-quality development in all aspects. The Group continued to advance the professional, synergistic, and intelligent operation of its supply chain management, property management, and education and training businesses, cultivating core professional teams, strengthening business capability building, and building a technology-driven, nationwide industry-leading enterprise. The Group accelerated its digital transformation, focusing on internal production and operation needs, promoting the implementation of "AI+" internal applications, and improving corporate management efficiency. The Group fully implemented a talent-centric enterprise strategy, firmly establishing the concept that "talent is the primary resource", reforming and innovating talent management mechanisms, continuously optimizing talent recruitment, training, utilization, evaluation, incentives, services, and digital management, and building four types of expert teams in technology, marketing, skills, and comprehensive functions, injecting strong momentum for the Group's high-quality development.

IV. Fulfilling Environmental and Social Responsibilities, Maintaining High Standards of Corporate Governance

The Group thoroughly implemented the new development philosophy, practicing its corporate mission of "Building Smart Society, Boosting Digital Economy, Serving a Good Life". The Group adhered to green and low-carbon development, actively fulfilled its social responsibilities, and achieved compliant and efficient operations, with its strong governance capabilities widely recognized. For the third consecutive year, the Group has been included as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index", reflecting its outstanding performance in corporate sustainability.

In 2024, the Group actively responded to the national "Dual Carbon" strategy, formulating green and low-carbon plans and related action plans, conducting research on carbon emission peaks and pathways, and promoting the development of incentive and constraint mechanisms for energy-saving and emission-reduction to achieve green operations. The Group continued to invest in green technology research and development, leveraging its mature energy-saving and emission-reduction planning, design, and construction experience to assist governments, energy, transportation, construction, and other sectors in achieving green and sustainable development. The Group received multiple awards in the "New Green Cup" Information and Communications Industry Empowerment Carbon Peak and Carbon Neutrality Innovation Competition[9].

[9] The "New Green Cup" Information and Communications Industry Empowerment Carbon Peak and Carbon Neutrality Innovation Competition, jointly organized by the Internet Society of China and China Association of Communication Enterprises and co-hosted by institutions including the China Academy of Information and Communications Technology, aims to select innovative green and low-carbon technology achievements and application cases in the industry, and enhance the technical capabilities and product supply for enabling energy conservation and carbon reduction across society.

The Group actively gave back to society, providing disaster prevention and relief, and communications support. It successfully completed the communications support mission for the launch of the Shenzhou-19 manned spacecraft and provided communications services for major national events such as the "Boao Forum for Asia Annual Conference 2024", the "7th China International Import Expo", and the "2024 World Internet Conference Wuzhen Summit". The Group participated in emergency rescue and communications support during major disasters such as the extreme weather of cold wave and low temperature in certain regions in early spring, severe rainstorms and floods in southern regions, typhoons "Yagi" and "Bebinca", the 7.1-magnitude earthquake in Wushi County, Xinjiang, and the 6.8-magnitude earthquake in Dingri County, Tibet. The Group rushed to disaster areas immediately, fully engaging in emergency communications support, with a total of approximately 150,000 person-times contributed throughout the year, safeguarding the "lifeline" of communications.

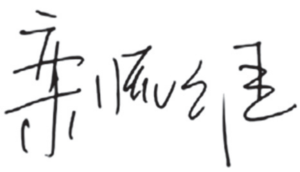
The Group leveraged its comprehensive smart service capabilities to participate in rural revitalization and livelihood improvement projects. It undertook digital village, smart agriculture, and agricultural-tourism integration projects, driving the modernization of agriculture and rural areas through informatization, promoting high-quality and efficient agriculture, and livable and workable rural areas. The Group participated in urban renewal actions in multiple regions, breaking through the "last mile" of multi-network integration. The Group's underground cable-laying project in the old residential neighborhood of Taping of Guanyinqiao, Chongqing, received unanimous recognition from local residents and was featured as a benchmark project in a CCTV special program, establishing the "Guanyinqiao Model" with sound efficiency.

The Group persisted in stable and compliant operations, continuously improving corporate governance and internal control systems. Its high standards of corporate governance were recognized by the capital market. In the "2024 Forbes Global 2000", the Group ranked 1,429th. In the "2024 Asia Pacific (Ex-Japan) Executive Team" rankings by *Institutional Investor*, the Group earned a number of accolades including "Most Honored Company", "Best CEO", "Best CFO", and "Best ESG". In the "14th Asian Excellence Award" held by the corporate governance magazine in Asia, *Corporate Governance Asia*, the Group received awards such as "Asia's Best CEO", "Asia's Best CFO", and "Best Investor Relations Company", and for the first time, the "Sustainable Asia Award". In the "The Asset ESG Corporate Awards 2024" held by the financial magazine, *The Asset*, the Group received the "Gold Award". In the 14th China Securities "Golden Bauhinia Awards" organized by *Ta Kung Wen Wei*, the Group received the "Excellence in High-Quality Development of Listed Company" award.

V. Outlook

At present, cutting-edge digital technologies such as artificial intelligence, big data, and cloud computing are driving various industries into a new stage of intelligent transformation. The digital economy has become a key area and an important engine for accelerating the development of new quality productive forces. Facing both transformation and opportunities, the Group remains committed to its positioning as a "New Generation Integrated Smart Service Provider", with technological innovation at its core and deepening reforms as the driving force. The Group will continuously enhance its core functions and improve its core competitiveness. The Group will closely follow the upgrading needs of traditional businesses, continuously optimize the quality of its products and services, and promote the transformation of traditional businesses towards intelligence, green, and security. The Group will also enhance the value of strategic emerging businesses, accelerate the cultivation of digital infrastructure capabilities, green and low-carbon capabilities, smart city service capabilities, as well as emergency management and security capabilities that are aligned with the new generation of information technologies. At the same time, the Group will balance high-quality development with high-level security, prevent and mitigate operational risks, strengthen the bottom line of safe development, and ensure the steady and long-term growth of the Group, contributing to the advancement of Chinese modernization.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, customers, and all sectors of society for their long-term care and support, as well as to all our employees for their hard work and dedication. I would also like to extend my heartfelt thanks to Mr. Yan Dong, the Executive Director and President, and Mr. Gao Tongqing, the Non-executive Director, who have resigned, for their outstanding contributions to the development of the Group during their tenure. At the same time, I warmly welcome Mr. Cui Zhanwei to the Board of Directors.



Luan Xiaowei
Executive Director and Chairman

Beijing, PRC
27 March 2025

BUSINESS OVERVIEW

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

Our Services

Telecommunications Infrastructure Services
- Design
- Construction
- Supervision

Business Process Outsourcing Services
- Network Maintenance
- Property Management
- Supply Chain
- Products Distribution

Applications, Content and Other Services
- System Integration
- Software Development and System Support
- Value-added Service
- Others

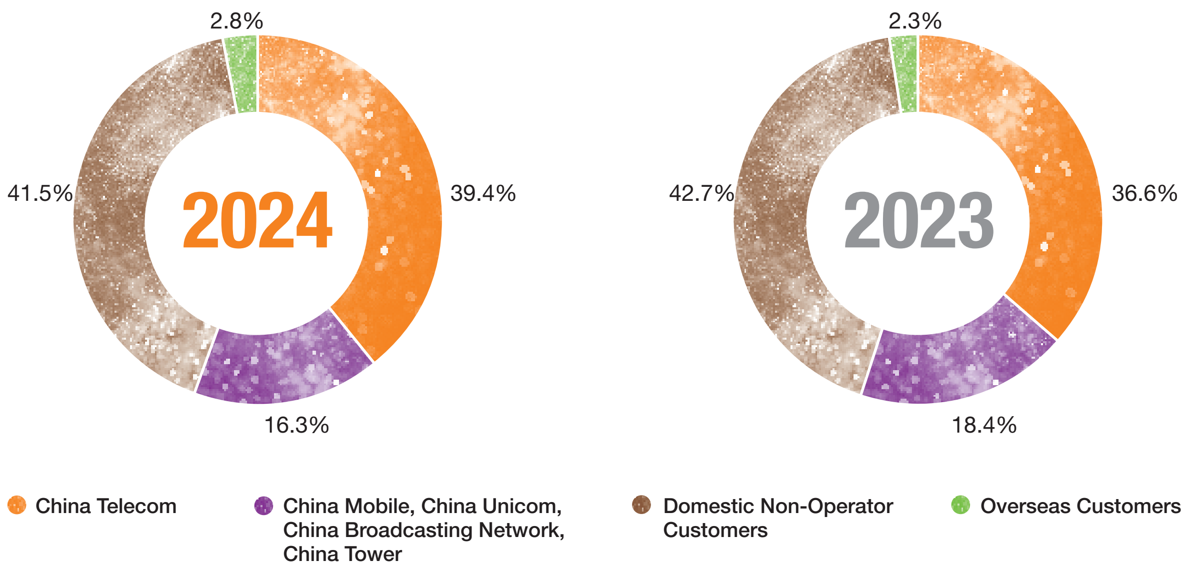
(in RMB million, except percentages)	Revenue in 2024	Revenue in 2023	Change
Domestic non-telecom operator customers ("Domestic non-operator customers")	62,169	63,433	(2.0%)
Domestic telecommunications operator customers	83,603	81,726	2.3%
Of which: China Telecom	59,134	54,399	8.7%
China Mobile, China Unicom, China Broadcasting Network, China Tower	24,469	27,327	(10.5%)
Overseas customers	4,228	3,456	22.3%
Total	150,000	148,615	0.9%

Market Expansion

In 2024, the Group continued to adhere to the overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development", actively rode the wave of the building of Digital China. With the goal of achieving high-quality development, the Group seized opportunities of the deep integration of digital technologies with the real economy, further enhanced market development, cultivated new growth areas, shifted development momentum, optimized its business structure, and improved development quality. During the year, the Group achieved total revenues of RMB150,000 million, representing a year-on-year increase of 0.9%.

In 2024, the Group focused on digital transformation of society, ensuring stable operations while striving to improve business quality. Revenue from the domestic non-operator market amounted to RMB62,169 million, representing a year-on-year decrease of 2.0%. The Group kept abreast of the investment demands of emerging businesses from domestic telecommunications operators, adhering to the development strategy of "CAPEX + OPEX + Smart Applications" to continuously enhance service quality and strengthen cooperation. Revenue from the domestic telecommunications operator market reached RMB83,603 million, representing a year-on-year increase of 2.3%. The Group overcame the impact of the overseas macro-environment, continued to promote the transformation and upgrading of its overseas business, extending its reach across the industrial chain to provide integrated services ranging from network construction to maintenance. Revenue from overseas customers amounted to RMB4,228 million, representing a year-on-year increase of 22.3%.

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



In 2024, the Group seized development opportunities in strategic emerging businesses and further optimized its deployment in strategic emerging industries such as digital infrastructure, green and low-carbon, smart city, and emergency management and security. The value of new contracts from strategic emerging industries exceeded RMB78.0 billion, representing a year-on-year increase by over 30%.

In the field of digital infrastructure, the Group capitalized on the demand for large models, data elements, and cloud computing, focusing on intelligent computing, supercomputing, and cloud services, and developing the three major fields of data centers, cloud services, and 5G+ vigorously. Leveraging its high-end consulting and design capabilities as the lead, the application of BIM digitalization technology, and products and solutions such as smart server room management, we provided customers with full-profession, integrated, and full life-cycle green and low-carbon digital infrastructure specialized services, 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" project, participated extensively in the construction of the "eight national computing hubs and ten national data center clusters".

In the field of green and low-carbon, guided by the national "Dual Carbon" strategy, the Group not only provided traditional power infrastructure and supporting services, but also seized market opportunities in new energy construction, computing power and energy coordination, circular economy in industrial parks, carbon management, and energy usage services. It offered the customers in the industries of energy and electricity, information and communications, real estate and construction, industrial manufacturing and transportation with integrated AI energy-saving and carbon reduction services for new green and low-carbon data centers, as well as new energy solutions such as photovoltaic, wind power, and hydropower. The Group also engaged in platform development and services, including the "Dual Carbon" management cloud platform, energy consumption monitoring management platform, and carbon asset digitalization management platform, along with energy management and production and manufacturing equipment disposal services.

In the field of smart city, the Group focused on new urban infrastructure construction, targeting resilient cities, urban renewal, old community renovation, and community development. Focusing on key needs in smart transportation, safe cities, smart government affairs, smart towns, smart construction sites, city brains, one platform for unified services, and digital villages, the Group provided customers with planning, design, construction, platform development, system integration, and full-process consulting services, guided by top-level smart city planning.

In the field of emergency management, the Group centered its business around eight major industries, including emergency management, fire-fighting, ecological environment, water conservancy, meteorology, natural resources, forestry and grassland, and civil air defense. It focused on disaster prevention, mitigation and relief, as well as supporting capabilities for the handling of urgent, difficult, dangerous and major public emergencies, building a comprehensive smart product portfolio and solution library for emergency management and one-stop informatization service capabilities. The Group provided consulting and design, software development, system integration, and operation and maintenance services to customers in the industries of government, chemical industrial parks, and highly hazardous enterprises. In the field of cybersecurity, the Group developed over 40 proprietary and controllable network and information security products and one-stop integrated solutions, safeguarding national key information infrastructure industries such as information and communications, finance, energy, and transportation. It catered to customer needs for compliance, digital transformation, and operational practices, offering security products, security consultation and design, security integration, project implementation, specialized security services, and security supervision in the fields of cybersecurity, data security, and information security.

The Group Has Initially Developed a Series of Industry-leading Products and Solutions to Facilitate the Development of Strategic Emerging Businesses

Smart Sport Platform

Emergency Management Core Platform

C-Station Smart Machine Room Management Platform

Smart Grain Storage Integrated Platform

Domestic Telecommunications Operator Market

In 2024, the Group further integrated itself into the ecosystem of domestic telecommunications operators, leveraging its general contracting capabilities and integrated advantages to seize the opportunities from traditional businesses and transformation. It adhered to the "CAPEX + OPEX + Smart Applications" development strategy, focusing on opportunities in AI computing power construction, industrial digitalization, 5G+, and low-altitude economy to deepen its development in traditional CAPEX businesses. The Group expanded into the markets of network maintenance, property management, and supply chain services, and strived to increase its OPEX market share. It fully supported operators' demand for industrial digitalization during their transformation by actively engaging in the expansion of 5G industrial applications, industrial digitalization, network information security, and other markets. Additionally, the Group assisted operators in achieving green development by supporting "zero carbon" data center construction, green retrofitting of old machine rooms, and "Dual Carbon" energy-saving platform construction, which ultimately stabilized the fundamentals of its business with domestic telecommunications operators. Revenue from this market amounted to RMB83,603 million, representing a year-on-year increase of 2.3%. Of which, the revenue from China Telecom amounted to RMB59,134 million, representing a year-on-year increase of 8.7%.

The Group Actively Supported the Business of Domestic Telecommunications Operators

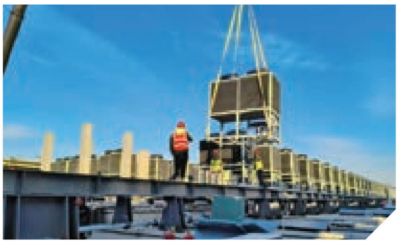
Domestic Non-Operator Market

In 2024, the Group closely monitored the trends in societal technological revolution and industrial transformation, and seized opportunities in the digital economy development and digital transformation. It focused on strategic emerging industries such as digital infrastructure, green and low-carbon, smart city, and emergency management and security. Through continuously optimizing core capabilities and platforms, leveraging its integrated service capabilities and advantages, the Group achieved high-quality business development and continued to optimize its revenue mix. Revenue from the domestic non-operator market amounted to RMB62,169 million, representing a year-on-year decrease of 2.0%.

The Group quickly responded to customer needs and provided a comprehensive smart product portfolio that could be disassembled or combined, along with full-process service capabilities from top-level design to product R&D and operation. During the year, the Group signed over 1,400 new contracts value more than RMB10 million each, undertook benchmark projects such as a Leading Insurance Company's Western Data Center Project Phase I, the Xiong'an Rural Revitalization Smart Agriculture Demonstration Park Project, "Photovoltaic-Storage-Charging" Integrated Energy Project of an Investment Group, a Leading Coal Mining Group's Smart Mine Construction Project Phase I, a Major Safety Risk Prevention and Control Project for a Vanadium-titanium Chemical Industrial Park, and the Full-Process Consulting Project for the Informatization of the 15th National Games.

By adhering to the principle of "headquarters leadership, local execution, professional construction, and cross-functional collaboration", leveraging its advantages of unique "Consultant + Staff + Housekeeper" service model and "Platform + Software + Service" capabilities, establishing an "Industry + Region" matrix marketing system, building a robust localized marketing team across the country with approximately 17,000 sales personnel deployed in key areas, the Group continuously strengthened its efforts in group-level product synergistic marketing. The Group accelerated the formation of technical expert teams for its core products, which currently comprised over 10,000 consulting and design experts and relevant software talents. By enhancing capabilities consolidation and empowerment through continuous training and informatization means such as the cloud exhibition hall, the Group continuously strengthened the teams of professional talents. Currently, the Group's annual contract value in several industries, including government, housing and construction, Internet and IT, energy, transportation, finance, and education, has exceeded RMB1 billion in each sector.

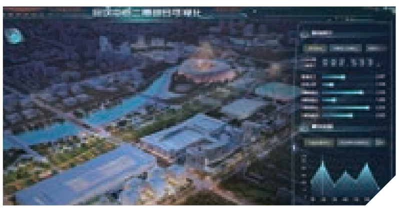
The Group Undertook Key Projects of Strategic Emerging Industries for Domestic Non-Operator Market Proactively



Cloud Computing Center Base Project for a Third-party IDC Service Provider in Ulanqab

"Photovoltaic-Storage-Charging" Integrated Energy Project of an Investment Group

IDC General Contracting Project of Smart Zero-carbon Big Data Industrial Park in a City in Western China



Smart Project Phase II of a Large Conference Center

Server Room Upgrading Project of an Intelligent Computing Center of a National-level Research Laboratory in a Province

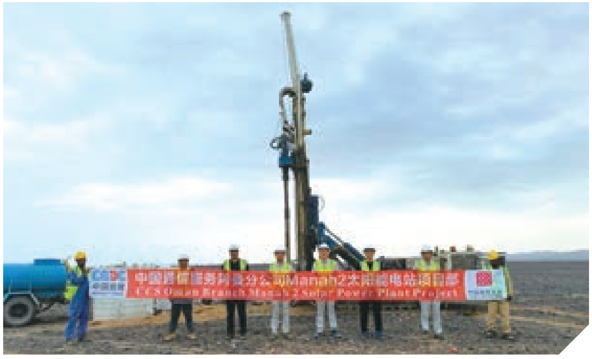
Western Data Center Project (Phase I) of a Leading Insurance Company

Overseas Market

In 2024, the Group actively integrated itself into the new development paradigm of “dual-circulation with domestic and international development reinforcing each other”, and seized important opportunities in the “Belt and Road” and overseas industrial transformation and upgrading. The Group continuously optimized its 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 types of businesses, namely digital infrastructure construction, “Dual Carbon” services, smart government services, and industrial informatization services. On the basis of high-standard safety development, the Group further enhanced its capabilities in securing high-quality and large-scale projects and deepening the cultivation and operation of overseas subsidiaries, accelerated transformation and upgrading to achieve rapid growth in overseas business. Revenue from overseas customers amounted to RMB4,228 million, representing a year-on-year increase of 22.3%.

Transformed and Upgraded the Group's Overseas Business, Enhanced Capabilities in Expansion of High-quality and Large-scale Projects

Road Monitoring Project of a Saudi Arabia Security Comprehensive Control Company



Photovoltaic Power Generation Project in a Region in Oman

Business Expansion

As a leading service provider in the informatization sector in China, the Group provides integrated comprehensive smart solutions in the fields of informatization and digitalization, including telecommunications infrastructure services, including design, construction, and supervision; business process outsourcing services, including information technology infrastructure management, 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 2024, the Group’s revenue from telecommunications infrastructure services amounted to RMB75,172 million, representing a year-on-year decrease of 1.3%.

The Group has the capabilities to provide comprehensive telecommunications infrastructure services to global telecommunications operators, including planning, design, construction, and project supervision for fixed-line, mobile, broadband networks, data centers, and operation support systems. In 2024, the Group fully supported the business needs of domestic telecommunications operator customers, contributing to the construction of domestic computing power and 5G/5G-A networks. Revenue from domestic telecommunications operator customers for telecommunications infrastructure services reached RMB41,087 million for the year, representing a year-on-year increase of 0.5%.

The Group Endeavored to Support New Infrastructure Construction

The Group also provides services such as information infrastructure construction, integrated infrastructure construction such as smart energy, 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 2024, the Group kept cultivating in the fields of data center, green and low-carbon, smart city, and emergency management and security. Revenue from domestic non-operator customers for telecommunications infrastructure services amounted to RMB31,038 million for the year, representing a year-on-year decrease of 5.0%.

As domestic telecommunications operators continue to accelerate digital transformation, increase 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, enhance its product and service capabilities, and meet the demand for integrated network construction services from domestic telecommunications operators, 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 the flourishing development of industrial digitalization, and the 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 2024, the Group's revenue from business process outsourcing services amounted to RMB43,459 million, representing a year-on-year decrease of 0.2%.

The Group Provided Operation and Maintenance Services

The Group provides information technology infrastructure management and network optimization services for telecommunications operators and other customers, covering fiber optic cables, electric cables, mobile base stations, data centers, network equipment and terminals. In 2024, the Group relied on its proprietary "Maintenance Cloud" digital transformation platform for professional maintenance to facilitate the development of information technology infrastructure management business, achieving revenue of RMB18,755 million, representing a year-on-year increase of 1.0%.

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. The Group further advances the business consolidation of its general facilities management business, improves synergistic operation capabilities, and develops smart service capabilities. In 2024, the Group's revenue from general facilities management services amounted to RMB8,122 million, representing a year-on-year increase of 3.0%.

The Group focuses on supply chain integration services in the field of digital infrastructure, and further expands its customer base from other sectors, while having operator customers as the foundation. The Group focuses on upstream and downstream customers in the industrial chain, 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 2024, the Group's revenue from supply chain services amounted to RMB13,560 million, representing a year-on-year increase of 1.4%.

The Group Provided Full-process Integrated Supply Chain Services

The products distribution business mainly involves 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 for IT devices, auxiliary machinery and equipment to domestic non-operator customers. In 2024, the Group further reduced its low-efficiency product distribution business, achieving revenue of RMB3,022 million, representing a year-on-year decrease of 18.9%.

Given the increasing scale of 5G/5G-A networks and data centers, the Group believes that the OPEX market of domestic telecommunications operators has favorable 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, and value-added services to customers, including domestic and overseas telecommunications operators, government agencies, and enterprise customers. In 2024, the relevant revenue amounted to RMB31,369 million, representing a year-on-year increase of 8.4%.

The Group continuously accelerated the improvement of scientific and technological innovation efficiency, centering on strategic emerging industries and customer needs as well as focusing on key technology applications and innovation for its "1 Positioning, 4 Roles", it further increased investment in research and development, and its research and development investment in 2024 exceeded RMB5.5 billion. The Group centralized research and development resources, strengthened the centralized and unified management of technological innovation, and refined technological innovation management with the guidance of "resources sharing, centralized research and development, collaborative promotion, and benefits sharing". Currently, the Group has established the China Comservice Technological Innovation Committee, initially forming a hierarchical and classified technical expert team of over 1,000 people for strategic emerging industries. The Group has built a technological innovation product library containing nearly 100 products targeting strategic emerging industries, and covering various industries and sectors such as smart city, digital government, cybersecurity, industrial Internet, smart sports, smart education, and intelligent building. It also possesses proprietary core platforms such as the innovation middle platform, data security, emergency management, cybersecurity, blockchain, and open IoT. The Group insisted on proprietary research and development and innovation, accelerating the commercialization of research and development results to promote rapid growth in relevant businesses. In 2024, revenue from software development and system support reached RMB6,241 million, representing a year-on-year increase of 4.4%.

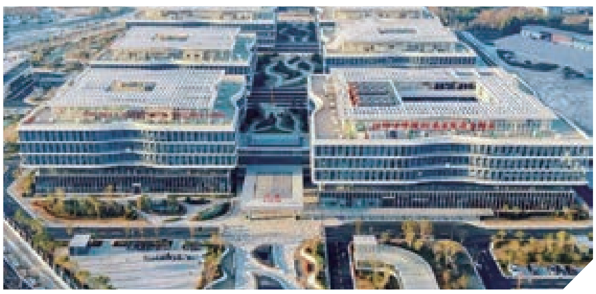
The Group Continued to Provide Various Smart Applications

Smart Water Services

Smart Port

Smart City

Smart Transportation



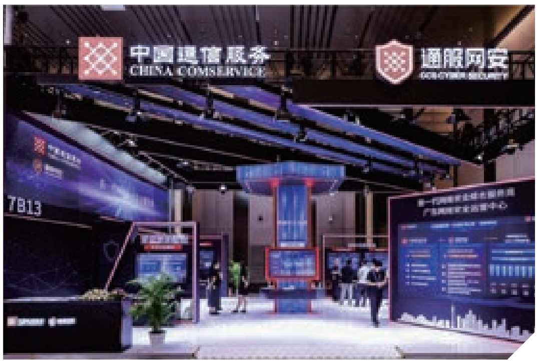
Smart Healthcare

Smart Agriculture

In 2024, the Group seized opportunities in new infrastructure construction and digital transformation in China by leveraging its integrated service advantages and capabilities in system integration and software development. Relying on its proprietary core platforms and a series of industry-leading smart products, the Group continuously expanded its ecological cooperation scope and vigorously developed markets such as 5G+, data center, smart city, green and low-carbon, emergency management and security, and low-altitude economy, to effectively satisfy the digital transformation needs of government and enterprise customers. With its rising industry influence and brand influence, the Group has ranked fourth in the "100 Most Competitive Software and IT Service Enterprises" for four consecutive years, being selected in the "Smart Safety and Emergency Industry Map" by the China Academy of Information and Communications Technology and the "China Cybersecurity Industry Panorama" by AQNIU. Over the past three years, the Group has participated in and received nearly 50 provincial and ministerial-level science and technology awards.

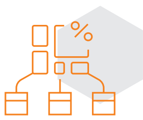
The Group will seize the opportunities arising from the rapid development of the digital economy, continuously upgrade its key products, accelerate the construction of strategic core platforms, improve software service capabilities, and develop smart products to meet customers' business demands for industrial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

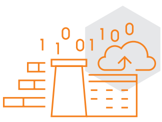
The Group Actively Organized/Participated in Various Exhibitions and Established Ecological Cooperation



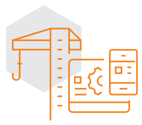
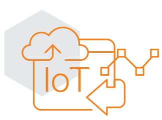
The Group Gained Increasing Industry Recognition and Brand Influence in the Area of Technological Innovation

CONTENTS OF CERTAIN KEY PRODUCTS OF THE GROUP

Number	Product Name	Product Description
1	 Smart City	Relying on emerging technologies such as 5G, IoT, big data, cloud computing, BIM/CIM, and AI, the Group provides integrated solutions for smart city, including top-level planning, consultation and design, product research and development, delivery and implementation, and operation and maintenance. These solutions encompass, but are not limited to, digital governance platforms, city operation and management platforms, city operation command centers, city portals, leadership cockpits, and urban lifeline-related regulatory applications for smart city, such thematic smart applications can be assembled and disassembled. By effectively integrating and sharing city data resources, the Group maximizes the function of data elements, enabling refined city management, intelligent city services, and modernized city governance. This activates the smart industry ecosystem, enhances the overall competitiveness of the city, and promotes the digital transformation and upgrading of the city.
2	 Digital Government	With extensive industry experience and leading expertise accumulated in technologies such as big data, cloud computing, AI, and blockchain, the Group provides comprehensive digital solutions for governments at all levels across the country. These solutions cover planning, consultation, design, integration, development and operation. Possessing fundamental capabilities in government cloud, network, data, and security, the Group offers digital government solutions such as one platform for unified management, one platform for collaboration, and one platform for unified services, supporting the construction and operation of systems and platforms in various fields such as civil affairs, emergency management, and water conservancy. The Group has developed products such as integrated government service platforms, one platform for unified management, smart government service halls, and government service hotlines, and has successfully implemented multiple projects, assisting government in digital transformation.
3	 CCS Cyber Security Product Portfolio	The Group has independently built a network and information security capability matrix with its unique advantages, offering integrated comprehensive services covering the entire lifecycle of cybersecurity, including consultation and design, integration and implementation, risk assessment, operation and maintenance reinforcement, and emergency response. The portfolio includes hardcore products such as cyberspace asset mapping, smart security operations, 5G security simulation ranges, data security monitoring, commercial cryptography application transformation, and harmful information monitoring and governance. These products provide overall network and information security solutions and comprehensive services for national critical information infrastructure in sectors such as government, communications, finance and energy.

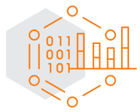
Number	Product Name	Product Description
4	 CCS Emergency Management Product Portfolio	Focusing on the safety and emergency management industry, CCS Emergency Management targets three major sectors, including industrial production safety, urban public safety, and natural ecological safety. It provides solutions for production safety, emergency command, urban safety, fire-fighting, water conservancy, forestry and grassland, and disaster prevention and mitigation. It has developed emergency management and security application products portfolio, including risk monitoring and early warning platforms for hazardous chemicals, tailings ponds, non-coal mines, coal mines, and industrial trade, as well as emergency rescue command platforms, urban emergency dispatch platforms, smart chemical park management and control platforms, industrial Internet + enterprise production safety cloud service platforms, enterprise safety training and education platforms, smart fire-fighting monitoring and early warning platforms, smart water conservancy informatization management platforms, heavy rain and flood risk monitoring and early warning platforms, and forest fire risk monitoring and early warning platforms. Guided by consultation and planning, the Group promotes digital platform software and hardware products with independent intellectual property rights and core algorithm model technology. Leveraging system integration and general contracting delivery capabilities, the Group secures projects and drives operation and maintenance services, enhancing data effectiveness, data value, integrated communications, comprehensive situational awareness, and dynamic perception capabilities, possessing integrated capabilities for multi-disaster and multi-scenario management across pre-event, during-event, and post-event phases. Through technological means, the Group promotes governance model transformation towards proactive monitoring and prevention, strengthens the foundation for production safety and disaster prevention, mitigation, and relief, and effectively enhances the capabilities for disaster prevention, mitigation and relief and the emergency management and rescue of major production safety accidents.
5	 Industrial Internet	Leveraging its expertise in the communications industry and experience in data center construction, combined with practical exploration in the industrial sector, the Group has built a comprehensive industrial Internet system covering infrastructure, networks, edge computing, platforms, security, and applications. It provides full-process professional services from planning, design, consultation and development to implementation and supervision, actively participating in digital infrastructure and industrial digitalization construction, and provides comprehensive smart solutions for informatization and digitalization. In the field of industrial Internet, the Group offers a series of professional products and solutions based on big data, AI, IoT, and 5G technologies, including CCS Intelligent Manufacturing Execution System (MES), CCS IoT Platform, CCS Data Aggregation One-Stop Big Data Governance Platform, CCS Intelligent Warehouse Management System (WMS), and cybersecurity intelligent prevention and control platforms. By integrating industrial Internet construction, industrial data collection, data governance, data analysis, data application, equipment management, production management and control, quality management, material management, energy management, operation management, and safety management, the Group deeply empowers enterprise digital transformation and intelligent manufacturing, effectively promoting the application of “5G + Industrial Internet” in the manufacturing industry and further driving the healthy development of the industrial Internet sector.

Number	Product Name	Product Description
6	Smart Sport	The Group provides leading "full-process consultation + products + integrated services" comprehensive information services in the domestic sports industry. It has developed a full-stack pan-sports solution and products, with "Han Sports" recognized as a typical case of smart sports by the Ministry of Industry and Information Technology, and sports + tourism projects recommended as one of the eight premium outdoor projects by the General Administration of Sport of China. Focusing on technological innovation in smart sports, the Group has developed a sports industry large model and created the most comprehensive youth sports platform in China. The Group successfully completed information service support for benchmark events such as the 12th National Traditional Games of Ethnic Minorities, the 1st National Youth Three-Ball Games, and the Wuhan Open, creating a new model for smart event services. In line with the national strategy of building a leading sporting nation, the Group has undertaken multiple provincial and municipal-level digital sports platforms in Hubei, Ningxia, and Shanxi and other regions, building the most comprehensive sports management and service system in China. The Group actively explores innovative operations in the sports industry, engaging in public sports service operations, venue operations, and event operations, contributing its expertise to the new landscape of sports development.
7	Smart Education	Smart Education products aim to build a new type of smart campus, comprehensively enhancing the level of education informatization through developing smart campus platform. The products deeply explore education management and teaching innovation based on big data, systematically addressing key issues such as omnidirectional interaction in teaching, comprehensive environmental perception, efficient collaborative management, and convenient personalized campus life. The ultimate goal is to achieve a technologically advanced, comprehensive, deeply applied, stable, and secure and reliable smart campus. The products focus on four core application scenarios: twin campuses, digital campuses, safe campuses, and green campuses, providing comprehensive solutions for various educational institutions. The service targets include higher education institutions, vocational schools, basic education schools, and educational authorities at all levels, meeting the digital transformation needs of different educational institutions. Through innovative application of intelligentization and digitalization, the products support the modernization of education and promote the overall improvement of education governance and teaching quality.
8	Smart Livelihood	Integrating technologies such as IoVT, IoT, big data, and AI, the Group has built an integrated smart livelihood service system, enabling full spatiotemporal monitoring, intelligent sensing, remote command, and precise management and control. This platform system has been applied 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 smart supervision and management, ensuring food safety and promoting social co-governance. In the field of transportation and postal services, it helps resolve the "last mile" distribution challenge, promoting the interconnection of urban and rural logistics.

Number	Product Name	Product Description
9	 Intelligent Building	Intelligent Building leverages an all-optical network as the foundation, creating a high-bandwidth, zero-latency, and ultra-stable communications foundation to empower the smart upgrade of buildings across all scenarios. Through the Intelligent Building Management System (CCS-iBMS), the platform seamlessly integrates subsystems such as equipment management, environmental monitoring, security warning, and energy scheduling. With "integrated design + open architecture", it breaks down data silos, enabling cross-system millisecond-level collaborative responses. Based on the dynamic data integration of people, vehicles, equipment and spaces, the platform builds a visual management cockpit, providing full control over equipment operation status, proactive report for hidden danger warnings, intelligent collaborative response for emergency events, and AI-optimized energy consumption management. It is widely adaptable to various building types, helping buildings achieve "management efficiency leap, service experience upgrade, and operational value multiplication", reshaping the intelligent transformation paradigm of the construction industry and leading the future development of construction.
10	 CCS Innovation Middle Platform	Guided by the concept of technological innovation and cloud-network integration, the Group has developed a cloud business product portfolio, including the innovation middle platform, cloud exhibition hall, iPaaS platform, and cloud-network integrated operation management platform. Relying on the integration of cloud business products, the platform provides full-process digital support for technological innovation internally, enabling efficient process and closed-loop management across various technological innovation processes, including talent, technological innovation management, research and development and production, achievements and compliance. This supports business innovation and provides cloud-native product and technical services such as container cloud and DevOps. Combined with cloud-network integrated operation management products, it achieves unified management and operation of "cloud, network, security, and terminals", helping customers build and operate a "single cloud" that is physically distributed but logically unified. This meets customers' needs for building an efficient, stable, and secure heterogeneous and polymorphic cloud service computing power ecosystem, achieving optimal allocation and maximized value of heterogeneous computing power resources.
11	 CCS IoT	CCS IoT builds an all-scenario integrated IoT platform that covers research and development and design, project construction, project operation and monitoring, and post-project services. It comprehensively empowers the pre-sales, design, development, and operation capabilities of IoT for all professional branch companies. The platform enables quick device connection and easy scenario setup, builds a component and module market to support rapid development, fully integrates equipment management and operating situation monitoring, and aggregates internal and external ecosystems to expand AI, BI, and digital twin capabilities, supporting the rapid implementation of projects. CCS IoT offers SaaS services, component-based deployment, all-in-one machines, and other product forms and derivative hardware products, continuously providing IoT project support services for the Group.

Number	Product Name	Product Description
12	 Blockchain Platform	The "China Comservice Blockchain Platform" adheres to the core principle of independence and controllability. Leveraging leading domestic blockchain technology, the platform provides a cloud-chain integrated base platform that supports unified management of multiple chains, providing secure and reliable technical support for digital transformation. Through restructuring the data value system, the platform deeply empowers business in key areas such as agriculture and rural areas (such as traceability of agricultural products), government services (one platform for unified services), judicial services (electronic evidence preservation), healthcare (Trusted Data Sharing), "Dual Carbon" governance (carbon emissions tracking), and electronic tax receipts (on-chain circulation), promoting the implementation of cross-industry scenarios. Leveraging a series of key products such as blockchain as a service (BaaS) and distributed identity authentication, the platform supports customers in transforming virtual data into transferrable and verifiable data elements, breaking through traditional business boundaries, and promoting the deep integration of "blockchain+" with the real economy, accelerating business model innovation and high-quality industry development. It provides innovative practice paths for national strategic goals such as governance modernization and green and low-carbon transformation.
13	 Maintenance Cloud	Maintenance Cloud is a platform that supports the centralized management of maintenance service resources and the digital operation of maintenance services. Leveraging the nationwide maintenance service capabilities of China Comservice, the platform reshapes traditional maintenance business through digitalization capabilities. Maintenance Cloud integrates maintenance resource management, maintenance personnel training, maintenance business matching, maintenance service dispatch, maintenance standard formulation, maintenance process management and control, and maintenance quality evaluation, covering three major processes of maintenance business digitalization, maintenance business transaction matching, and maintenance service execution, providing full-process digital support for maintenance business.
14	 Carbon Neutral Data Management Platform	The Carbon Neutral Data Management Platform is a comprehensive energy-saving and carbon-reducing capability management platform for buildings and parks. By building a ubiquitous IoT network and integrating AI carbon emission calculation model, the platform achieves all-round intelligent monitoring and precise measurement of energy and carbon data. The platform can formulate and implement intelligent energy-saving strategies based on key dimensions such as personnel flow, light intensity, air conditioning, lighting, and socket usage in the park, ensuring that energy consumption operations are always maintained at an optimized carbon emission state. Through high-precision digital twin models, the platform can conduct refined management of the carbon savings of each device, building a complete and accurate carbon neutral system.

Number	Product Name	Product Description
15	C-Cooling Energy-saving Cloud Platform	The C-Cooling Energy-saving Cloud Platform is an AI-powered energy-saving intelligent control product specifically designed for data center air conditioning systems. Based on "expert algorithms", the platform integrates high-performance models such as "equipment mechanism models + weather prediction models + load prediction models" to analyze and process air conditioning system operation data. By applying "AI global optimization algorithms", the platform performs real-time global AI optimization, identifying the optimal energy-saving parameters and maximizing energy-saving potential, achieving global energy efficiency optimization for data center air conditioning systems.
16	Cloud-Network Resource Management Platform	The Cloud-Network Resource Management Platform has established a comprehensive resource full lifecycle management system, business service support system, and network operation and maintenance system. It supports the management of cloud, network, edge, and terminal resources across all professional domains, enabling agile support for non-operators, and strategic emerging businesses, which can serve as the foundation for enterprises' network-wide resource management. The platform has been widely applied in the telecommunications operator, government and enterprise markets, significantly improving the centralized management of customer resources and the effectiveness of production and operation and maintenance. It completes the construction of a resource application ecosystem, empowers business development, promotes industrial digitalization, and drives digital transformation of enterprises.
17	Smart Grain Storage Integrated Platform	The Smart Grain Storage Integrated Platform, based on the concept of "three unifications" of unified processes, unified software, and unified data standards, achieves the full lifecycle digital management of national grain reserves. The platform innovatively adopts a cloud-edge collaborative architecture concept, focusing on building a "supervision platform + grain depot operations" comprehensive solution for grain purchase, sale and reserves. It pioneers an industry IoT gateway that collects depot data in real-time through direct acquisition, enabling real-time online monitoring of key data such as grain inventory, quality and safety, and comprehensively uploading to cloud. This ensures the authenticity of quantity, high quality, security and reliability, safeguarding the security of the national grain reserves.
18	C-Station Smart Machine Room Management Platform	The C-Station Smart Machine Room Management Platform is an operator-level platform designed for centralized and unified operation and management of multiple machine rooms. The product aims to achieve production and operation informatization, intelligent security monitoring, smart green energy-saving, panoramic resource visualization, and digitalization of asset value. Through the integration of full-domain device access and data integration, the platform leverages digital twin, green energy-saving, IoT big data, and AI technologies to build a centralized management platform, comprehensively enhancing the safety operation capabilities and intelligent management standard of machine rooms.

Number	Product Name	Product Description
19	 Adaptive DC Data Center Overall Machine Room Construction Solution	The Adaptive DC Data Center Overall Machine Room Construction Solution is a comprehensive infrastructure solution for DC machine room in the era of computing power. The Group pioneers the concept of adaptive infrastructure construction in the industry, building an energy pool for DC machine room infrastructure to meet the future demand for DC machine rooms amid multi-form computing power evolution. With professional innovation of structure as the foundation, the solution decouples the power supply, cooling systems, and IT equipment cabinets within the machine room, allowing flexible and dynamic adjustment of single cabinet power during later operations. The integrated design of various disciplines provides systematic technical solutions for power supply, energy-saving air conditioning, liquid cooling, and operation management, matching the existing equipment building infrastructure of different customers and achieving dual optimization of space, energy and management. With prefabricated design and delivery, the solution offers the best-fit plan according to different customer needs, enabling rapid on-site deployment, integrated delivery, and flexible expansion, helping customers build a flexible, energy-saving operation, and multi-form computing power-compatible DC machine room infrastructure in the era of computing power.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

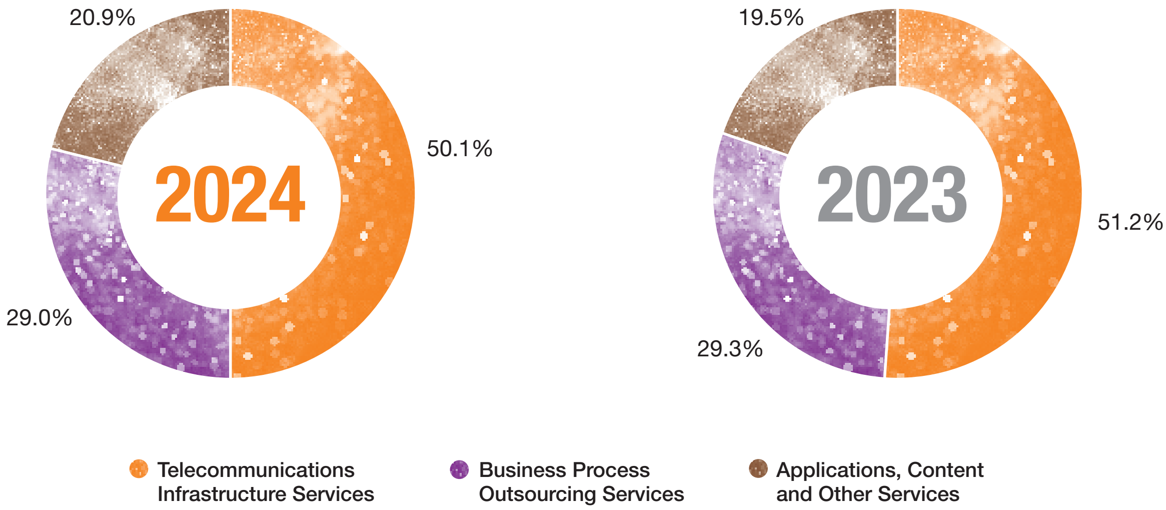
In 2024, by adhering to its overall roadmap of "value-driven, seeking steady yet progressive growth and high-quality development", and positioning itself as a "New Generation Integrated Smart Service Provider", the Group leveraged its strengths as "Builder of Digital Infrastructure", "Provider of Smart Products and Platforms", "Provider of Industrial Digitalization Services" and "Guard of Smart Operation", united hearts and efforts, overcame difficulties, and firmly grasped the opportunities presented by the development of digital economy. By upholding technological innovation as its guiding principle, the Group accelerated the expansion of strategic emerging businesses, developed new quality productive forces tailored to local conditions, and achieved "Effective Improvement in Quality" and "Reasonable Growth in Quantity", thereby solidly propelling the sustainable and high-quality development of the enterprise and maintaining steady growth in operating performance. Total revenues for the year amounted to RMB150,000 million, representing an increase of 0.9% compared to 2023. Profit attributable to equity shareholders of the Company was RMB3,607 million, representing an increase of 0.6% compared to 2023. Basic earnings per share were RMB0.521. Free cash flow was RMB5,214 million, with cash conversion ratio of 172.5%, continuing to remain at a healthy level.

Total Revenues

In 2024, the Group's total revenues amounted to RMB150,000 million, representing an increase of 0.9% compared to 2023. From a business perspective, revenue from telecommunications infrastructure ("TIS") services was RMB75,172 million, representing a year-on-year decrease of 1.3%; revenue from business process outsourcing ("BPO") services was RMB43,459 million, remaining largely unchanged year-on-year; and revenue from applications, content, and other ("ACO") services was RMB31,369 million, representing a year-on-year increase of 8.4%. The decline in revenue from the Group's TIS services was primarily due to the reduced capital expenditure (CAPEX) by domestic telecommunications operators, the conservative investment by domestic non-operator customers, as well as the proactive control and reduction of low-value projects by the Group. With the deepened implementation of the Digital China strategy and the accelerated pace of digital information infrastructure construction, competition in the digital construction sector has evolved towards a higher level and greater refinement. During the year, facing a complex external environment and intense market competition, the Group seized opportunities in the construction of domestic computing power networks, data centers, and intelligent computing centers, enhanced its comprehensive integrated smart service capabilities, and strived to overcome the impact of the decline in CAPEX from domestic telecommunications operators and the investment from domestic non-operator customers, thereby maintaining relatively stable revenue from TIS services. The Group further consolidated its resources and promoted specialized operations, ensuring stable revenue from BPO services, which possess attributes such as strong customer loyalty and short cash conversion cycles. At the same time, with technological innovation as the lead, the Group aggregated its capabilities in research and development as well as product development, and focused on the business opportunities in informatization construction such as smart city upgrades, enterprise digital transformation, and emergency management. As a result, the Group effectively met customer needs for digitalization, driving the development of its businesses such as system integration and software development, and sustaining robust growth in revenue from ACO services.

From a market perspective, revenue from the domestic telecommunications operator market was RMB83,603 million, representing a year-on-year increase of 2.3%; revenue from the domestic non-operator market reached RMB62,169 million, representing a year-on-year decrease of 2.0%; and revenue from the overseas market was RMB4,228 million, representing a year-on-year increase of 22.3%. In the domestic telecommunications operator market, with the effective implementation of its "CAPEX + OPEX + Smart Applications" development strategy, the Group actively addressed challenges posed by the reduced CAPEX investments from domestic operator customers. The Group focused on opportunities in computing power infrastructure construction, industrial digitalization, 5G+, and low-altitude economy, further developing the traditional CAPEX businesses. The Group also explored market opportunities in maintenance, property management and supply chain services, striving to increase its OPEX market share. The Group fully supported operators' transformation needs in industrial digitalization, actively participating in the market expansion such as 5G industrial applications, industrial digitalization and network information security. Besides, the Group supported operators to achieve green development initiatives, contributing to the construction of "zero-carbon" data centers, green retrofit of machine rooms and the development of "dual carbon" energy-saving platforms, thereby stabilizing the fundamentals of the Group's businesses from the domestic telecommunications operators. In the domestic non-operator market, the Group kept abreast of the trends in social technological revolutions and industrial transformations, seizing opportunities in digital economy development and digital transformation. It focused on strategic emerging industries such as digital infrastructure, smart city, green and low-carbon, and emergency management and security. Through continuously forging core capabilities and platforms as well as leveraging its advantages of integrated service capabilities, proactively reducing low-value businesses and strictly controlling project risks, the Group expanded its businesses with due consideration of project quality and the prevention of operational risks, thereby realizing high-quality development and continuous optimization of the revenue structure in the domestic non-operator market. The Group actively integrated itself into the new development paradigm of "dual-circulation with domestic and international development reinforcing each other", seizing important opportunities presented by the "Belt and Road" and overseas industrial transformation and upgrading. It provided digital infrastructure construction, "dual carbon" services, smart government services and industrial informatization services to key regions and customers overseas, achieving rapid growth in revenue from the overseas market.

Business Revenue Mix



The following table sets forth a breakdown of the Group's total revenues for 2023 and 2024, together with their respective changes:

	2024 RMB'000	2023 RMB'000	Change
Telecommunications Infrastructure Services			
Design services	9,917,391	10,550,076	(6.0%)
Construction services	60,673,388	61,188,251	(0.8%)
Project supervision and management services	4,581,458	4,398,429	4.2%
	75,172,237	76,136,756	(1.3%)
Business Process Outsourcing Services			
Management of infrastructure for information technology (Network Maintenance)	18,754,785	18,567,843	1.0%
General facilities management (Property Management)	8,122,502	7,884,713	3.0%
Supply chain	13,559,545	13,371,776	1.4%
Sub-total of Core BPO Services	40,436,832	39,824,332	1.5%
Products distribution	3,022,186	3,726,282	(18.9%)
	43,459,018	43,550,614	(0.2%)
Applications, Content and Other Services			
System integration	19,594,996	17,527,742	11.8%
Software development and system support	6,241,050	5,979,240	4.4%
Value added services	2,749,632	2,637,805	4.2%
Others	2,783,170	2,782,519	0.02%
	31,368,848	28,927,306	8.4%
Total	150,000,103	148,614,676	0.9%

Telecommunications Infrastructure Services

In 2024, the Group's revenue from TIS services amounted to RMB75,172 million, representing a decrease of 1.3% as compared to RMB76,137 million in 2023. TIS services was the primary source of revenue of the Group and accounted for 50.1% of the total revenues, representing a decrease of 1.1 percentage points from 51.2% in 2023. As to the customer structure, the Group's TIS revenue from domestic telecommunications operator customers amounted to RMB41,087 million and accounted for 54.7% of the total TIS revenues, representing an increase of 1.0 percentage point from 2023. The aggregate TIS revenues from domestic non-operator customers and overseas customers amounted to RMB34,085 million and accounted for 45.3% of the total TIS revenues, representing a decrease of 1.0 percentage point from 2023.

In 2024, the Group's TIS revenue from domestic telecommunications operator customers increased by 0.5% compared to 2023. While maintaining its market leading position, the Group fully supported the business demand of domestic telecommunications operator customers and supported the construction of domestic computing power and 5G/5G-A networks. As domestic telecommunications operators continued to accelerate their digital transformation and increase investments in new infrastructure, such as computing power and data centers, and accelerated their pace of transformation and upgrading, the Group further integrated itself into the operators' ecosystem and enhanced its product and service capabilities to cater to the integrated network construction service demands of domestic telecommunications operators, thereby maintaining stable business development of the domestic telecommunications operators. The aggregate TIS revenue from domestic non-operator customers and overseas customers decreased by 3.3% compared to 2023, in which, the TIS revenue from domestic non-operator customers recorded a year-on-year decrease by 5.0%, and the TIS revenue from overseas customers recorded a year-on-year increase by 17.5%. The Group emphasized the business development quality in domestic non-operator market and reduced the undertaking of projects with low gross margins, high risks, and long collection cycles. Pursuant to the further implementation of the Digital China strategy, the acceleration in the pace of digital information infrastructure construction, the flourishing development of industrial digitalization, and the increasing demand for energy saving and carbon reduction, the Group will embrace new growth opportunities in the domestic non-operator market and overseas market.

Business Process Outsourcing Services

In 2024, the Group's revenue from BPO services amounted to RMB43,459 million, remaining largely unchanged as compared to RMB43,551 million in 2023, and accounted for 29.0% of our total revenues, representing a decrease of 0.3 percentage point as compared to 29.3% in 2023. In terms of customer structure, the BPO revenue from domestic telecommunications operator customers amounted to RMB28,789 million, representing an increase of 1.7% over 2023, and accounting for 66.2% of the total BPO revenues, representing an increase of 1.2 percentage points from 2023. The aggregate BPO revenues from the domestic non-operator customers and overseas customers amounted to RMB14,670 million, representing a decrease of 3.8% over 2023, and accounting for 33.8% of the total BPO revenues, representing a decrease of 1.2 percentage points over 2023.

In 2024, among each of the businesses under the Group's BPO services, revenue from network maintenance amounted to RMB18,755 million, representing an increase of 1.0% as compared to 2023. The Group further optimized and integrated its business of property management, enhancing its synergistic operational capabilities and building smart service capabilities, resulting in revenue from property management of RMB8,122 million, representing an increase of 3.0% as compared to 2023. Revenue from the supply chain business reached RMB13,560 million, representing an increase of 1.4% as compared to 2023. The Group focused on the upstream and downstream customers, continuously leveraged its advantages in full-process and network-wide synergistic operation in the supply chain, providing integrated and full life cycle supply chain services to domestic telecommunications operators, government, and enterprise customers. Besides, revenue from products distribution business amounted to RMB3,022 million, representing a decrease of 18.9% as compared to 2023, which was mainly due to the Group's commitment to high-quality development and proactive control of the products distribution businesses with low efficiency.

Applications, Content and Other Services

In 2024, the Group's revenue from ACO services amounted to RMB31,369 million, representing an increase of 8.4% as compared to RMB28,927 million in 2023, and remaining 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 20.9% of total revenues, representing an increase of 1.4 percentage points from 19.5% in 2023, and this proportion has been increasing for several years. Among which, the system integration business recorded revenue of RMB19,595 million, representing an increase of 11.8% as compared to 2023, being the largest contributor to the growth of the total revenues. In terms of the customer mix, the Group's ACO revenue from domestic telecommunications operator customers amounted to RMB13,727 million and accounted for 43.8% of the total ACO revenues, representing an increase of 0.4 percentage point as compared to 2023. Aggregate ACO revenues from domestic non-operator customers and overseas customers amounted to RMB17,642 million, accounting for 56.2% of the total ACO revenues, representing a decrease of 0.4 percentage point over 2023.

In 2024, the Group's ACO revenue from both domestic telecommunications operator customers and domestic non-operator customers grew relatively fast and increased by 9.4% and 6.6% respectively as compared to 2023. The growth was mainly attributed to the Group's efforts in leveraging its capabilities and strengths in integrated services, system integration and software development to further expand the scope of ecological cooperation and seize domestic opportunities in new infrastructure construction and digital transformation, etc. By utilizing its proprietary core platforms and industry-leading smart product series, the Group effectively satisfied digitalization demand of its customers through vigorous expansion in markets such as 5G+, data center, smart city, green and low-carbon, emergency management and security, and low-altitude economy.

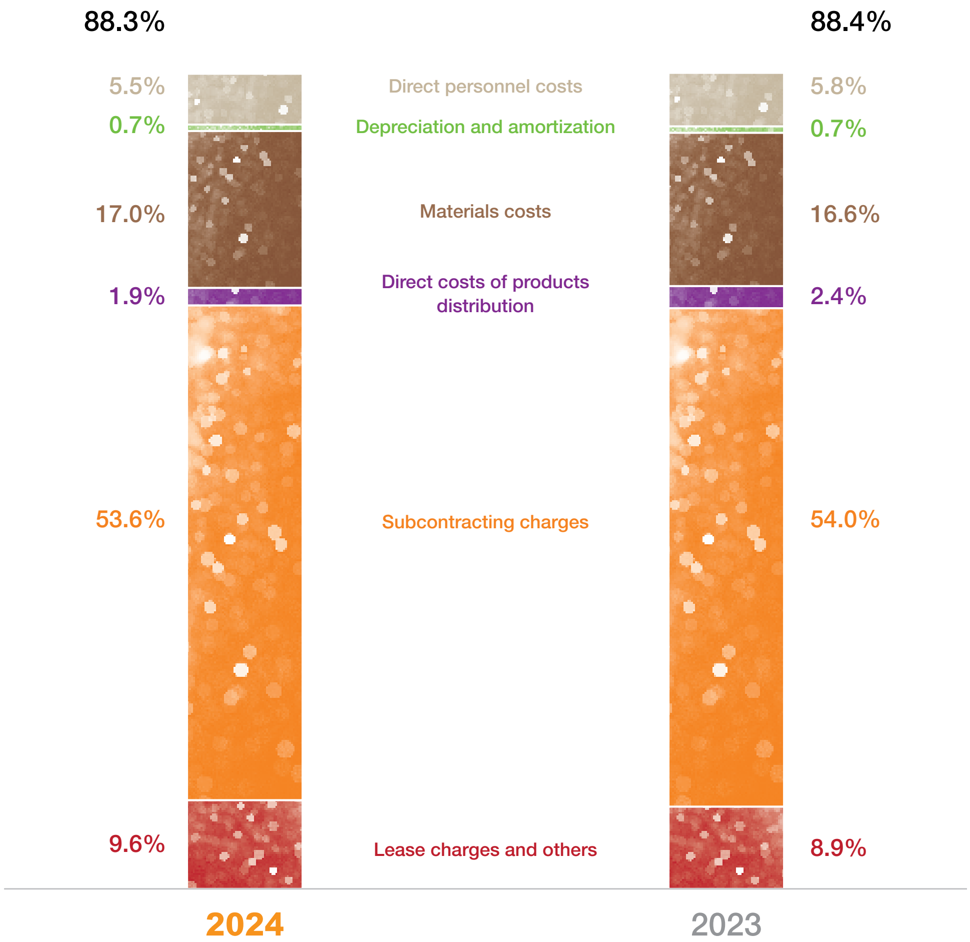
Cost of Revenues

The Group's cost of revenues in 2024 amounted to RMB132,404 million, representing an increase of 0.8% from 2023 and accounting for 88.3% of the total revenues.

The following table sets out a breakdown of the Group's cost of revenues in 2023 and 2024 and their respective changes:

	2024 RMB'000	2023 RMB'000	Change
Direct personnel costs	**8,208,384**	8,644,005	(5.0%)
Depreciation and amortization	**1,025,761**	1,017,154	0.8%
Materials costs	**25,579,237**	24,670,341	3.7%
Direct costs of products distribution	**2,815,082**	3,517,360	(20.0%)
Subcontracting charges	**80,405,717**	80,233,245	0.2%
Lease charges and others	**14,369,701**	13,275,321	8.2%
Total cost of revenues	**132,403,882**	131,357,426	0.8%

Cost of Revenues as a % of Total Revenues



Direct Personnel Costs

In 2024, direct personnel costs amounted to RMB8,208 million, representing a decrease of 5.0% from RMB8,644 million in 2023. Direct personnel costs accounted for 5.5% of our total revenues, representing a decrease of 0.3 percentage point from 2023. 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. In terms of the Company's overall employee remuneration, remuneration per capita increased by 3.2%, 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 2024, depreciation and amortisation amounted to RMB1,026 million, representing an increase of 0.8% from RMB1,017 million in 2023. Depreciation and amortisation cost accounted for 0.7% of our total revenues.

Materials Costs

In 2024, materials costs amounted to RMB25,579 million, representing an increase of 3.7% from RMB24,671 million in 2023. Materials costs accounted for 17.0% of our total revenues, representing an increase of 0.4 percentage point from 2023. 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 2024, direct costs of products distribution amounted to RMB2,815 million, representing a decrease of 20.0% from RMB3,518 million in 2023. Direct costs of products distribution accounted for 1.9% of our total revenues, representing a decrease of 0.5 percentage point from 2023. 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 2024, subcontracting charges amounted to RMB80,406 million, representing an increase of 0.2% from RMB80,233 million in 2023. Subcontracting charges accounted for 53.6% of our total revenues, representing a decrease of 0.4 percentage point from 2023. 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 charges, with the proportion of subcontracting charges costs to total revenues declined and the growth rate of subcontracting charges being lower than the growth rate of total revenues by 0.7 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 2024, lease charges and others were RMB14,370 million, representing an increase of 8.2% from RMB13,275 million in 2023. Lease charges and others accounted for 9.6% of our total revenues, representing an increase of 0.7 percentage point from 2023. The increase was mainly due to the increase in leasing costs arising from the rapid growth of the Group's logistics, transportation and warehousing services among its supply chain business.

Gross Profit

In 2024, the Group recorded gross profit of RMB17,596 million, representing an increase of 2.0% from RMB17,257 million in 2023. The Group's gross profit margin in 2024 was 11.7%, representing an increase of 0.1 percentage point from 11.6% in 2023, and the gross profit margin has continued to increase steadily. During the year, while catering for the scale of its development, the Group focused more on improving quality and efficiency, guided its subsidiaries through appraisal to strictly select and develop high-margin projects and increased the proportion of high-value businesses. 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 steadily. With the Group's deepening deployment in digital economy, new infrastructure construction 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 2024, the selling, general and administrative expenses of the Group were RMB15,054 million, representing an increase of 0.9% from RMB14,913 million in 2023. The selling, general and administrative expenses accounted for 10.0% of our total revenues, remaining largely unchanged from 2023. Among them, the research and development expenses were RMB5,568 million, representing an increase of 0.3% from RMB5,552 million in 2023, and accounted for 3.7% of our total revenues, remaining largely unchanged as compared to 2023.

Finance Costs

In 2024, the finance costs of the Group were RMB106 million, representing a decrease of 7.2% from RMB114 million in 2023. The majority of the Group's borrowings were in Hong Kong dollar and US dollar, and the decrease in finance cost was mainly due to the impact of the end of interest rate hike cycle of the US Federal Reserve and the stabilization and slight decrease in the cost of funds in international capital market.

Income Tax

In 2024, the income tax of the Group was RMB357 million and its effective tax rate was 8.7%, representing a decrease of 0.5 percentage point from 9.2% in 2023. The decrease in the Group's effective tax rate and the difference between such effective tax rate and the statutory tax rate was mainly attributable to the Group's investment in research and development being maintained at a relatively large scale. In accordance with the relevant national policies, the Group enjoyed 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 2024, 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 2024, profit attributable to equity shareholders of the Company was RMB3,607 million, representing an increase of 0.6% over RMB3,584 million in 2023. Profit attributable to equity shareholders of the Company accounted for 2.4% of our total revenues, remaining largely unchanged from 2023. Basic earnings per share of the Company were RMB0.521 (2023: RMB0.518).

Capital Expenditure

The Group implements stringent budget management over capital expenditure and makes adjustment according to changes in market condition. In 2024, capital expenditure of the Group amounted to RMB1,082 million, representing a decrease of 13.1% from RMB1,245 million in 2023. The capital expenditure in 2024 accounted for 0.7% of the total revenues, representing a decrease of 0.1 percentage point from 2023. The Group's capital expenditure included the purchase of production equipment and tools, instrumentation, manufacture and office buildings, intangible assets and other operating assets.

Cash Flow

In 2024, the Group recorded a net cash outflow of RMB3,286 million, representing a decrease of RMB4,124 million from a net cash inflow of RMB838 million in 2023. As at the end of 2024, the balance of cash and cash equivalents of the Group amounted to RMB19,638 million, of which 96.3% was denominated in Renminbi.

The following table sets out our cash flow positions in 2023 and 2024, respectively:

	2024 **RMB'000**	2023 RMB'000
Net cash generated from operating activities	**6,220,990**	5,356,247
Net cash used in investing activities	**(7,165,349)**	(2,115,504)
Net cash used in financing activities	**(2,341,786)**	(2,402,308)
Net (decrease)/increase in cash and cash equivalents	**(3,286,145)**	838,435

In 2024, net cash generated from operating activities of the Group was RMB6,221 million, representing an increase of RMB865 million from RMB5,356 million in 2023. The increase in operating cash flow was mainly due to the Group's persistence in value-driven approach and the strengthening of its coordination and management of cash flow. While pursuing business development, the Group carried out effective measures in clearing and settling accounts receivables.

In 2024, net cash used in investing activities of the Group was RMB7,165 million, representing an increase of RMB5,049 million from RMB2,116 million in 2023. The increase was mainly due to the Group's strengthening of cash management as well as the coordination and arrangement of its funds.

In 2024, net cash used in financing activities of the Group was RMB2,342 million, representing a decrease of RMB60 million from RMB2,402 million in 2023.

Working Capital

As at the end of 2024, the Group's working capital (i.e. current assets net of current liabilities) was RMB16,718 million, representing a decrease of RMB3,990 million from RMB20,708 million as at the end of 2023. The decrease in working capital was mainly due to the Group's strengthening of cash management as well as the coordination and arrangement of its funds.

Assets and Liabilities

The Group continued to maintain its solid financial position. As at the end of 2024, the Group's total assets was RMB136,618 million, representing an increase of RMB14,828 million from RMB121,790 million as at the end of 2023. Total liabilities was RMB90,004 million, representing an increase of RMB11,882 million from RMB78,122 million as at the end of 2023. The liabilities-to-assets ratio was 65.9%, representing an increase of 1.8 percentage points from 64.1% as at the end of 2023.

Indebtedness

As at the end of 2024, total indebtedness of the Group was RMB706 million, representing a decrease of RMB155 million from RMB861 million as at the end of 2023. Indebtedness of the Group was mainly denominated in Hong Kong dollar, of which Renminbi loan accounted for 11.6%, US dollar loan accounted for 25.4% and Hong Kong dollar loan accounted for 55.1%; and of which 1.1% was the loans with a fixed interest rate and 98.9% was those with a floating interest rate.

As at the end of 2024, our gearing ratio[10] was 1.5%, representing a decrease of 0.5 percentage point from the end of 2023.

Contractual Obligations

The following table sets out our contractual commitments as at 31 December 2024:

	Total RMB'000	**2025** RMB'000	**2026** RMB'000	**2027** RMB'000	**2028** RMB'000	**2029 and after** RMB'000
Short-term debt	706,249	706,249	—	—	—	—
Lease commitments	90,482	36,553	20,490	14,150	10,819	8,470
Contracted for but not provided capital commitments	54,189	54,189	—	—	—	—
Total of contractual obligations	850,920	796,991	20,490	14,150	10,819	8,470

Exchange Rate

Most of the Group's revenues and expenses are denominated in Renminbi. As at the end of 2024, the balance of the Group's cash and cash equivalents in foreign currencies accounted for 3.7% of the balance of its total cash and cash equivalents, and 1.5% 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 borrowings divided by the sum of equity attributable to equity shareholders of the Company and interest-bearing borrowings at the end of the financial year.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LUAN Xiaowei

aged 52, 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 30 years of operation and management experience in the telecommunications industry.

Mr. CUI Zhanwei

aged 54, is the President and Executive Director of the Company. Mr. Cui also currently holds position as the Chairman of China Communications Services International Limited, a subsidiary of the Group. Mr. Cui obtained a bachelor's degree in 1993 from the Physics Department of Northern Jiaotong University, majoring in physics. Prior to joining the Company, Mr. Cui was the General Manager of China Telecom Guangdong Branch. Prior to that, Mr. Cui also served as the General Manager of Shijiazhuang Branch of Hebei Telecom, a Director of the Market Development Department of Hebei Telecom, a Divisional Director of Northern Division of the Marketing Department of China Telecommunications Corporation, a Deputy General Manager of China Telecom Inner Mongolia Branch, a Deputy General Manager and the General Manager of China Telecom Hebei Branch. Mr. Cui has over 30 years of operation and management experience in the telecommunications industry.

Mr. SHEN Aqiang

aged 47, is the Executive Director, Executive Vice President and Chief Financial Officer of the Company. Mr. Shen is a senior accountant and obtained a bachelor's degree in accounting computerization and economic law in 1999 from Jiangxi University of Finance and Economics and a master's degree in business administration from University of Science and Technology of China in 2008. Prior to joining the Company, Mr. Shen was a Deputy General Manager of China Telecom Hunan Branch. Prior to that, Mr. Shen also successively served as the Deputy Manager of the Finance Department of Anhui Branch of China Telecom Corporation Limited, the General Manager of Suzhou Branch of China Telecom Corporation Limited, the General Manager of the Government and Enterprise Customers Department of Anhui Branch of China Telecom Corporation Limited, the General Manager of Anhui Branch of China Telecom System Integration Co., Limited, and the General Manager of the Cloud Intelligence Department of Anhui Branch of China Telecom Corporation Limited. Mr. Shen has over 20 years of management experience in telecommunications industry.

Non-Executive Directors

Mr. TANG Yongbo

aged 51, 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 47, 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 71, is an Independent Non-Executive Director of our Company. Mr. Siu is currently an Independent Non-Executive Director of CITIC Limited 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, China International Capital Corporation Limited and BHG Retail Trust Management Pte. Ltd. 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 70, 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 67, 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 68, 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., 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 55, 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 also 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 Chairman and General Manager of China Telecom Leasing Corporation Limited, the General Manager of China Telecom Group Finance Co., Ltd. She has more than 30 years of finance and audit management experience in the telecommunications industry.

Ms. CAI Manli

aged 51, 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, obtained a master's degree in management from Central University of Finance and Economics in 2006 and obtained a doctorate degree in finance from Southwestern University of Finance and Economics in 2023. Ms. Cai is currently a Senior Advisor at Beijing King & Wood Mallesons, an Independent Director of Shanghai Flyco Electrical Appliance Co., Ltd., New Hope Liuhe Co., Ltd., Allmed Medical Products Co., Ltd., and Lian Chu Securities Co., Ltd,. 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., Megvii Technology Limited, Guangzhou Xaircraft Technology Co., Ltd. and Beijing Yadi Media Information Group Co., Ltd., an Independent Non-Executive Director of ZTE Corporation, 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 50, is an Employee Representative Supervisor of the Company. Ms. Liu is a Deputy Director of the General Affairs Department and the Deputy Chairman of the Labor Union 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, 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. CUI Zhanwei

(Please refer to the "Executive Directors" section)

Mr. SHEN Aqiang

(Please refer to the "Executive Directors" section)

Mr. XU Shiguang

aged 45, 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 over 20 years of management experience in the telecommunications industry.

Mr. ZHAO Xu

aged 50, 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 45, 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 53, 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 51, 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 2024.

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 2024 and the financial position of the Group as at that date are set out in the audited financial statements on page 187 to page 266 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 2024, 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 RMB0.2187 per share (pre-tax) for the year ended 31 December 2024. The dividend proposal will be submitted for consideration at the annual general meeting to be held on 29 May 2025 (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, 15 August 2025 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 225 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
Cui Zhanwei	Executive Director President	10 December 2024 16 October 2024
Shen Aqiang	Executive Director Chief Financial Officer Executive Vice President	20 June 2024 31 May 2024 31 May 2024
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 30 January 2024, Mr. Liu Guiqing resigned as an Executive Director and Chairman of the Company, Mr. Huang Zhen resigned as a Non-executive Director of the Company; and on the same day, Mr. Luan Xiaowei was appointed as an Executive Director of the Company and was elected as the Chairman by the Board, and Mr. Liu Aihua was appointed as a Non-executive Director of the Company.

- On 31 May 2024, Ms. Zhang Xu resigned as an Executive Director, Executive Vice President and Chief Financial Officer of the Company; and on the same day, Mr. Shen Aqiang was appointed as the Executive Vice President and Chief Financial Officer of the Company, and was appointed as an Executive Director of the Company on 20 June 2024.

- Mr. Yan Dong resigned as President of the Company on 16 October 2024 and resigned as an Executive Director of the Company on 10 December 2024. Mr. Cui Zhanwei was appointed as the President of the Company on 16 October 2024 and an Executive Director of the Company on 10 December 2024.

- On 23 December 2024, Mr. Gao Tongqing resigned as a Non-executive Director of the Company.

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 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 2024, 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 2024, 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	167,007,326 (L)	6.98	2.41

Note: (L) — Long Position

Save as stated above, as at 31 December 2024, 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 2024, 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 2024, 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 2024 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 2024.

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 2024.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company ((including sales of treasury shares (as defined under the Listing Rules)) during the reporting period.

As at 31 December 2024, the Company did not have any treasury shares.

SUMMARY OF FINANCIAL INFORMATION

Please refer to pages 267 to 268 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 2024.

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 2024.

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 2024.

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 2024.

DONATIONS

For the year ended 31 December 2024, the Group made charitable and other donations of a total amount of RMB3.7 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 2024.

CHANGES IN EQUITY

Please refer to the consolidated statement of changes in equity contained in the audited financial statements (page 191 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 55.7% of the total revenues of the Group; of which, the revenue from the largest customer of the Group represented 39.4% of the total revenues of the Group. The purchases from the five largest suppliers of the Group accounted for less than 8.8% 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 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 "Initial Agreements"). The Initial Agreements had an initial term expired on 31 December 2018 and, subject to approval from the shareholders (if applicable), the Initial Agreements would be automatically renewed for a further period of no more than three years. Subsequently, the Company entered into the 2018 Supplemental Agreement with China Telecom on 28 September 2018, to extend the term of the Initial Agreements to 31 December 2021, and on 22 October 2021, it entered into the 2021 Supplemental Agreement with China Telecom to extend the term of the Initial Agreements to 31 December 2024. All the above renewals of continuing connected transactions have been approved by the independent shareholders of the Company (if applicable) at the extraordinary general meeting, where applicable.

On 16 October 2024, the Company entered into the 2024 Supplemental Agreements (the "2024 Supplemental Agreements") with China Telecom to extend the term of the Initial Agreement for a term of three years from 1 January 2025 to 31 December 2027. The 2024 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 10 December 2024.

The Board considers that it is in the interest of the Company to enter into the 2024 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, including 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 departments 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, which are primarily obtained from public bidding websites and bidding result announcements; (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 including 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 departments 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, which are primarily obtained from public bidding websites and bidding result announcements; (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 departments 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 management services covering property management, facility maintenance and intelligent control maintenance of communication buildings, instrument and tool management, labor management, and logistics business management, real estate agency services, automotive services, purchasing agent services, advertisement, housing and building maintenance, contracted repairs, leasing of equipment, conferencing services, food and beverages, medical care, education and training. China Telecom Group also agreed to provide operation support services, including logistics services, medical care, food and beverages, daycare, education and training, hotel and travelling services, labor services and materials rental 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 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 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 above-mentioned 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 departments 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: (1) cost of property depreciation; (2) 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; (3) 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 (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 procurement services provided by China Telecom Group to the Company primarily cover the specific products or terminals manufactured or purchased by China Telecom Group.

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, which is determined based on the common market practices;

(b) 3% of the contract value at the maximum for procurement services relating to domestic telecommunications supplies and other domestic non-telecommunications materials, which is determined based on the common market practices;

(c) for other services:

(i) market price. In determining the market price, the business and financial departments 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, which are primarily obtained from public bidding websites and bidding result announcements; (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 departments 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 National Financial Regulatory Administration (the former China Banking and Insurance Regulatory Committee). 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.

The 2019 Financial Services Framework Agreement had expired on 31 December 2021, and the Company entered into the 2021 Financial Services Framework Agreement ("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.

As the 2021 Financial Services Framework Agreement had expired on 31 December 2024, the Company entered into the 2024 Financial Services Framework Agreement ("2024 Financial Services Framework Agreement") with China Telecom Finance on 12 July 2024 to extend the term of 2021 Financial Services Framework Agreement for three years from 1 January 2025 to 31 December 2027. The deposit services under the 2024 Financial Services Framework Agreement and the annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 10 December 2024.

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

FINANCIAL SERVICES FRAMEWORK AGREEMENT

Pursuant to the 2024 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

China Telecom Finance will provide other financial services, including settlement, collection and payment of funds, provision of entrusted loans, bonds underwriting, non-financing guarantees, financial advice, credit authentication, consulting and agency services, bill acceptance, provision of product buyer credit and consumer credit and other services approved by the NFRA under the 2024 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 NFRA (if applicable), and be 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 2024 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 2024 Financial Services Framework Agreement. Prior to entering into any specific agreements with China Telecom Finance in respect of the transactions under the 2024 Financial Services Framework Agreement, the Group will compare the rates or fees and the other relevant transaction terms offered by China Telecom Finance with the terms of three comparable transactions 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 (e.g. transaction approval conditions, procedures or time limit) 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 for the year ended 31 December 2024, and the annual caps for the year of 2025 to 2027:

Unit: RMB million

	Year ended 31 December 2024		Year ending 31 December		
			2025	2026	2027
	Annual Cap	Actual Amounts	Annual Cap	Annual Cap	Annual Cap
Transactions with China Telecom Group					
Engineering related services provided to China Telecom Group	28,000	23,185	30,000	32,000	34,000
Ancillary telecommunications services provided to China Telecom Group	28,000	19,396	29,000	30,000	31,000
Operation support services provided to/by China Telecom Group					
Revenue	6,000	4,911	6,500	7,000	7,500
Expenditure	1,200	755	1,200	1,200	1,200
IT application services provided to/by China Telecom Group					
Revenue	9,500	7,976	13,000	15,500	18,000
Expenditure	2,000	940	1,800	2,000	2,200
Centralized services provided to China Telecom Group	550	394	550	550	550
Property leasing provided to/by China Telecom Group					
Revenue	370	190	300	310	320
Expenditure					
Right-of-use Assets	650	228	300	300	300
Leasing Charges	350	136	250	250	250
Supplies procurement services provided to/by China Telecom Group					
Revenue	8,500	3,475	6,000	7,000	8,000
Expenditure	6,000	3,510	7,000	8,000	9,000
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	8,476	12,500	12,500	12,500

The independent non-executive directors of the Company have confirmed that all the continuing connected transactions for the year ended 31 December 2024 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 2024, 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.

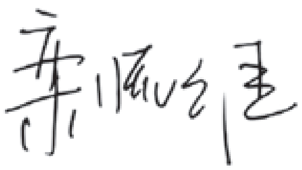
AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP was the international and domestic auditors of the Company respectively for the year ended 31 December 2022 and 31 December 2023.

Reference was made to the announcement dated 27 August 2024 in relation to the proposed appointment of a new auditor and the announcement dated 10 December 2024 in relation to poll results of the extraordinary general meeting and the appointment of auditors, and the appointments of KPMG and KPMG Huazhen LLP as the Company's international auditor and domestic auditor, respectively, for the year of 2024 were approved by the shareholders of the Company at the extraordinary general meeting held on 10 December 2024. KPMG has audited the accompanying financial statements, which were prepared in accordance with IFRS Accounting Standards.

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 KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Company for the year ending 31 December 2025, and a resolution for their re-appointments will be proposed at the Company's upcoming 2024 AGM.

By order of the Board



Luan Xiaowei
Executive Director and Chairman

Beijing, PRC
27 March 2025

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 sixth meeting of the sixth session of the Supervisory Committee convened on 30 January 2024, we reviewed and approved the proposal on electing Ms. Huang Xudan as the Chairperson of the Supervisory Committee of the Company and a resolution was formed. At the seventh meeting of the sixth session of the Supervisory Committee convened on 21 March 2024, we reviewed and approved proposals such as the Company's 2023 financial report, 2023 auditors' report issued by the external auditors, profit allocation and dividend distribution plan for 2023, the Company's work report on risk management and internal control for 2023, the report of the Supervisory Committee for 2023, the work plan of the Supervisory Committee for 2024 and formed resolutions. Such meeting made relevant management suggestions to the enhancement of internal management and risk prevention of the Company. At the eighth meeting of the sixth session of the Supervisory Committee convened on 22 August 2024, we reviewed and approved proposals such as the Interim Financial Report for 2024 and the Company's work report on risk management and internal control for the first half of 2024 and formed resolutions. During the reporting period, the members of the Supervisory Committee attended the board meetings and general meetings of the Company for 2024. 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 2024, the Company's total revenues maintained a positive growth and amounted to RMB150,000 million and net profit amounted to RMB3,607 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 2024, 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 2024 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 2025, 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 2025

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.

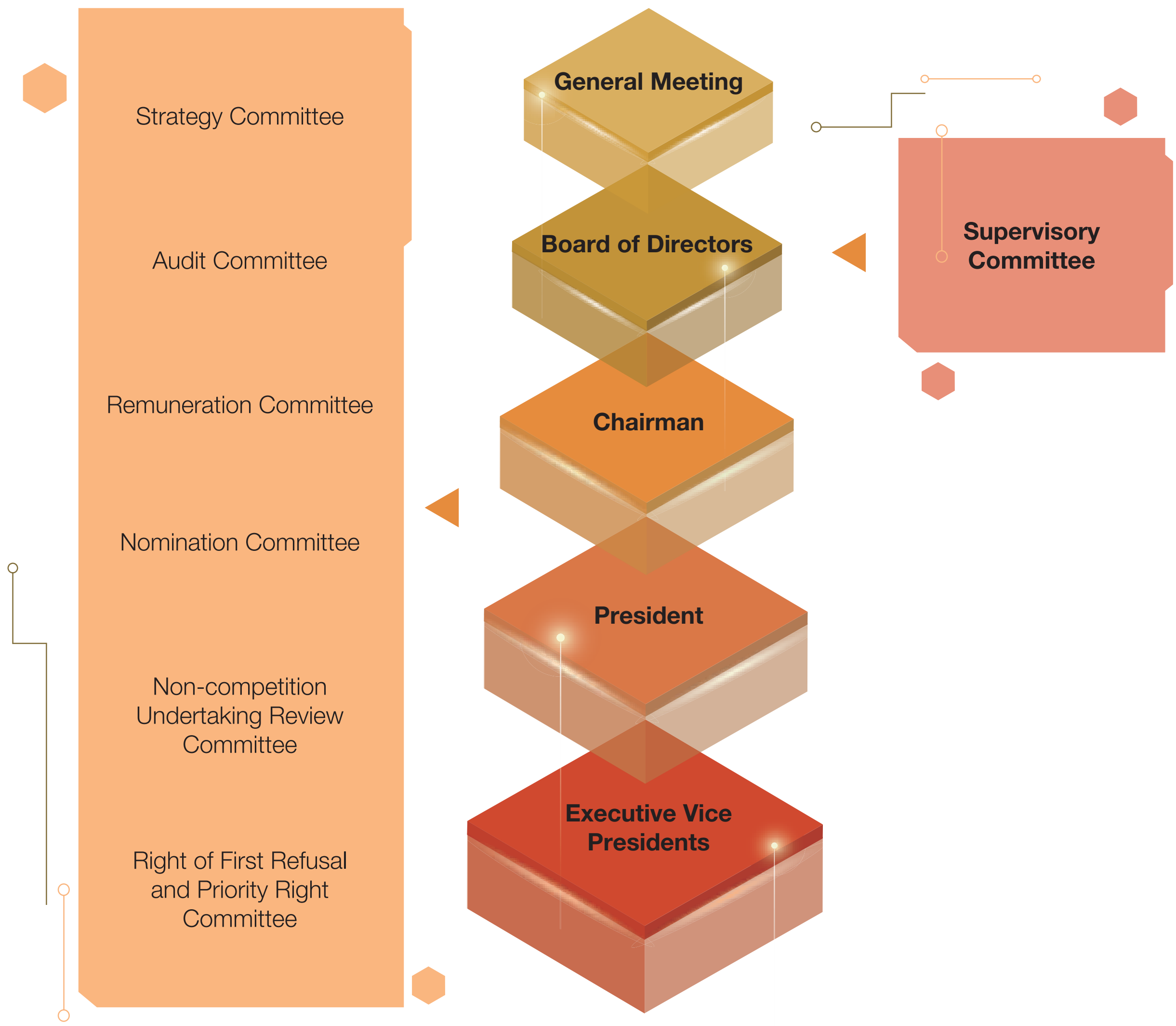
The Company has been recognized by the capital market for its sound corporate governance over the years. In 2024, the Company continued to receive accolades in respect of its corporate management and ESG performance by international institutions such as *The Asset* and *Corporate Governance Asia*.

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 2024.

In response to the requirement of diversity on the Board under Rule 13.92 of the Listing Rules, the Board has already been proactively identifying a suitable candidate for a female director since the resignation of the former executive director, Ms. Zhang Xu. As stated in the announcement dated 27 March 2025, the Board has approved the nomination of Ms. Chiu Mun Wai as an independent non executive director of the Company and will submit the proposal on such proposed appointment to the 2024 AGM for consideration and approval by the shareholders of the Company.

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 2024.

For the 2024 first EGM, a physical meeting was held in Beijing on 30 January 2024, at which the resolutions, including the appointments of directors and supervisor were considered and approved. Shareholders and authorized proxies representing 81.58% of the total voting shares of the Company were present at the EGM.

For the 2023 AGM, a physical meeting was held in Beijing on 20 June 2024, at which the resolutions, including the 2023 financial statements, profit distribution and dividend declaration proposal, report of the directors, report of the supervisory committee and appointment of an executive director, were considered and approved. Shareholders and authorized proxies representing 82.03% of the total voting shares of the Company were present at the AGM.

For the 2024 second EGM, a physical meeting was held in Beijing on 10 December 2024, at which the resolutions, including the renewal of the non-exempt continuing connected transactions and proposed new annual caps between the Company and China Telecommunications Corporation, the non-exempt continuing connected transactions and proposed new annual caps under the 2024 Financial Services Framework Agreement entered into between the Company and China Telecom Group Finance Co., Ltd., the appointment of auditors and the appointment of executive director were considered and approved. Pursuant to Chapter 14A of the Listing Rules, China Telecommunications Corporation, being a connected person to the Company, abstained from voting on the resolutions related to the connected transactions. Related to the resolutions of connected transactions, shareholders and authorized proxies representing 65.95% of the total voting shares of the Company in relation to such resolutions were present at the EGM. On other resolutions, shareholders and authorized proxies representing 82.63% of the total voting shares of the Company in relation to such resolutions were present at the EGM

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. In addition, the Company's executive directors (including the Chairman, the President and the Chief Financial Officer) communicate with shareholders on a regular basis and meet directly with them to listen to their views and suggestions through channels such as the results briefing and roadshows twice a year. 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.

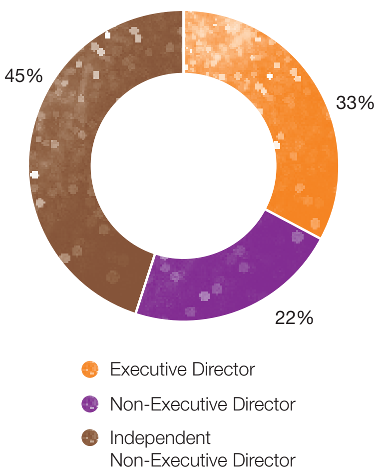
CHAIRMAN AND PRESIDENT

As of the date of this report, Mr. Luan Xiaowei and Mr. Cui Zhanwei 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. Cui Zhanwei, our President, is responsible for the Company's daily operation and management.

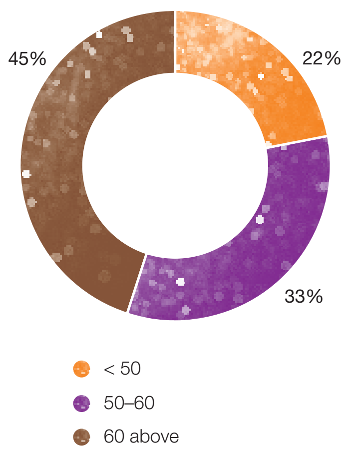
COMPOSITION OF THE BOARD AND DIVERSITY POLICY

As of the date of this report, the Board comprised nine directors, including three executive directors (Mr. Luan Xiaowei, Mr. Cui Zhanwei and Mr. Shen Aqiang), two non-executive directors (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). The term of office and date of appointment of each Director is set out in the section of "Report of the Directors" of this annual report.

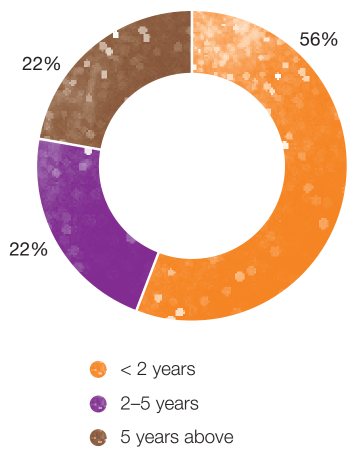
Composition



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 is committed to promoting board diversity 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 review and discussion 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 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 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 2024 is set out in the "Environmental, Social 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 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 of the date of this report, among the board members, except for Mr. Tang Yongbo, Mr. Luan Xiaowei, Mr. Liu Aihua, Mr. Shen Aqiang and Mr. Cui Zhanwei, 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. 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 from 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 term of office of Mr. Shen Aqiang commenced from 20 June 2024 (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. Cui Zhanwei commenced from 10 December 2024 (the date of the EGM approving his appointment) 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 2024, the Board held six 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 changes in the senior management, recommendations of executive directors, non-executive director and as well as supervisor, reviewing of the structure and composition of the Board, the Management Performance Report for 2023, the implementation of the remuneration of the senior management and the overall payroll of the Company for 2023, the equity investment plan for 2024, the revision of Guidelines on Information Disclosure Management of the Company, the optimization of the organizational structure of the headquarters, reviewing of the management's performance targets of the operating results of 2024, appointment of new auditors, the Implementation Measures for the Decision-making of Major Matters of China Communications Services Corporation Limited, continuing connected transactions and major transactions, and the work progress on the environmental, social and governance (ESG) in the first half of 2024, etc. Meanwhile, each director has abstained from voting on the relevant resolutions in which they have conflict of interest.

In 2024, 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 2024 were as follows:

	Attendance in 2024/Meeting convened during period of appointment							
	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Non-competition Undertaking Review Committee	Independent Board Committee	AGM	EGM
Executive Directors								
LUAN Xiaowei[(1)]	6/6	–	–	1/1	–	–	1/1	1/1
CUI Zhanwei[(2)]	–	–	–	–	–	–	–	–
SHEN Aqiang[(3)]	3/3	–	–	–	–	–	–	1/1
Non-executive Directors								
TANG Yongbo	6/6[(4)]	–	–	–	–	–	0/1	0/2
LIU Aihua[(5)]	6/6[(5)]	–	–	–	–	–	1/1	0/1
Independent Non-executive Directors								
SIU Wai Keung, Francis	6/6	2/2	2/2	–	2/2	2/2	1/1	2/2
LV Tingjie	6/6	2/2	2/2	1/1	2/2	2/2	0/1	2/2
WANG Qi	6/6	–	2/2	1/1	–	2/2	1/1	2/2
WANG Chunge	6/6	2/2	–	–	2/2	2/2	1/1	2/2
Resigned Directors								
LIU Guiqing[(6)]	–	–	–	–	–	–	–	0/1
YAN Dong[(7)]	6/6[(7)]	–	–	–	–	–	1/1	1/2
ZHANG Xu[(8)]	3/3	–	–	–	–	–	–	1/1
GAO Tongqing[(9)]	6/6[(9)]	–	–	–	–	–	1/1	1/2
HUANG Zhen[(10)]	–	–	–	–	–	–	–	0/1

Notes:

1. Mr. Luan Xiaowei was appointed 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. Cui Zhanwei was appointed as an executive director of the Company and a member of the Strategy Committee on 10 December 2024.

3. Mr. Shen Aqiang was appointed as an executive director of the Company on 20 June 2024.

4. Mr. Tang Yongbo appointed another director to attend six meetings.

5. Mr. Liu Aihua was appointed as a non-executive Director and a member of the Strategy Committee of the Company on 30 January 2024, he appointed another director to attend one meeting.

6. 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.

7. Mr. Yan Dong resigned as an executive director and a member of the Strategy Committee on 10 December 2024, he appointed another director to attend one meeting.

8. Ms. Zhang Xu resigned as an executive director of the Company on 31 May 2024.

9. Mr. Gao Tongqing resigned as a non-executive director and a member of the Strategy Committee of the Company on 23 December 2024, he appointed another director to attend five meetings.

10. Mr. Huang Zhen resigned as a non-executive director and a member of the Strategy Committee of the Company on 30 January 2024.

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 October 2024, 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 2024, 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		
LUAN Xiaowei	✓	✓
CUI Zhanwei	✓	✓
SHEN Aqiang	✓	✓
Non-executive Directors		
TANG Yongbo	✓	✓
LIU Aihua	✓	✓
Independent Non-executive Directors		
SIU Wai Keung, Francis	✓	✓
LV Tingjie	✓	✓
WANG Qi	✓	✓
WANG Chunge	✓	✓

Note: Mr. Luan Xiaowei, Mr. Cui Zhanwei, Mr. Shen Aqiang 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, 28 November 2024, 11 June 2024 and 18 January 2024, respectively. Each of them confirmed that they understood their 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 currently consists of six directors, including Mr. Luan Xiaowei (appointed on 30 January 2024) and Mr. Cui Zhanwei (appointed on 10 December 2024), the executive directors, 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 2024, 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 2024, the Audit Committee held two meetings, and mainly reviewed the resolutions of the audited financial report of the Company of 2023, interim report of 2024, report on connected transactions, report on internal control and risk management and appointment of independent auditors, as well as the work progress on the environmental, social and governance (ESG) in the first half of 2024.

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 2024, the Remuneration Committee held two meetings, and mainly reviewed the resolutions regarding the implementation of the remuneration of the senior management and the overall payroll of the Company for 2023 and reviewing of the management's performance targets for the operating results of 2024.

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 2024, the Nomination Committee held one meeting and passed one written resolution, and mainly reviewed the resolutions regarding the recommendation of the appointments of executive directors, President and executive vice president 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 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 2024, 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 2024. 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 2024, 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 2024, the Independent Board Committee held two meetings and passed one written resolution, at which all independent non-executive directors of the Company attended. The Independent Board Committee mainly reviewed the resolutions regarding the non-exempt continuing connected transactions under the 2024 Financial Services Framework Agreement entered into between the Company and China Telecom Group Finance Co., Ltd. and proposed new annual caps, the renewal of non-exempt continuing connected transactions with China Telecommunications Corporation and proposed new annual caps, and made its recommendations to the independent shareholders. Details of such resolutions and the Independent Board Committee's recommendation were contained in the circular dispatched to shareholders on dated 16 August 2024 and 21 November 2024, respectively.

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 2024, the Supervisory Committee held three 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 2024.

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 2024.

REMUNERATION OF THE AUDITORS

The current international and domestic auditors of the Company are KPMG and KPMG Huazhen LLP, respectively (collectively "KPMG"). During the year, the total remuneration (including VAT) for audit firms, including KPMG, in respect of the Group's audit services amounted to RMB27.37 million.

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 KPMG, our external auditor, regarding its Independent Auditor's Report on the financial statements of the Group is set out on pages 181 to 186 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 2024, 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 2025, 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 2024 and the assessment of material risks and the control plan for 2025. 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 2024, 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 revised the business processes such as budget management, cost management, fixed asset management, information disclosure, and products distribution business management, as well as improved the management practices for information system control, products distribution business risk management, and safety production business to ensure that the Company's internal control manual meets the Company's management needs.

The Company has established the Legal Department (Compliance Management Department) and the Audit Department, of which the Legal Department (Compliance Management Department) is responsible for overall risk management and establishes and improves the risk management system, while the Audit Department is responsible for internal control evaluation. The Legal Department (Compliance Management Department) reports to the Audit Committee and the Board 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 2024, 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. Through the treasury platform, the Company monitors connected transactions of deposits in real-time to ensure that the total deposits at China Telecom Group Finance Co., Ltd. do not exceed the connected transactions limit. 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 major internal control and risk management measures of the Company in 2024 are summarized as below:

In 2024, the Internal Audit Department 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.

For the internal control self-assessment during the year, it 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 Department, 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 2024, 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 as well as transformation and development. Upon the request of the management of the Company and in light of the needs of relevant business departments, the Internal Audit Department 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 2024, 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 2024, the Company not only completed the planned economic accountability audit but also commenced special audit on the network information security, business outsourcing management, and overseas funding to promote the implementation of the Company's strategic control across 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 2024. The review covered all significant aspects of controls, including financial controls, operational controls and compliance controls. After receiving the report from the Legal Department (Compliance Management Department) 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 2024 to 31 December 2024. 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 2023 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 2024.

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

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

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

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

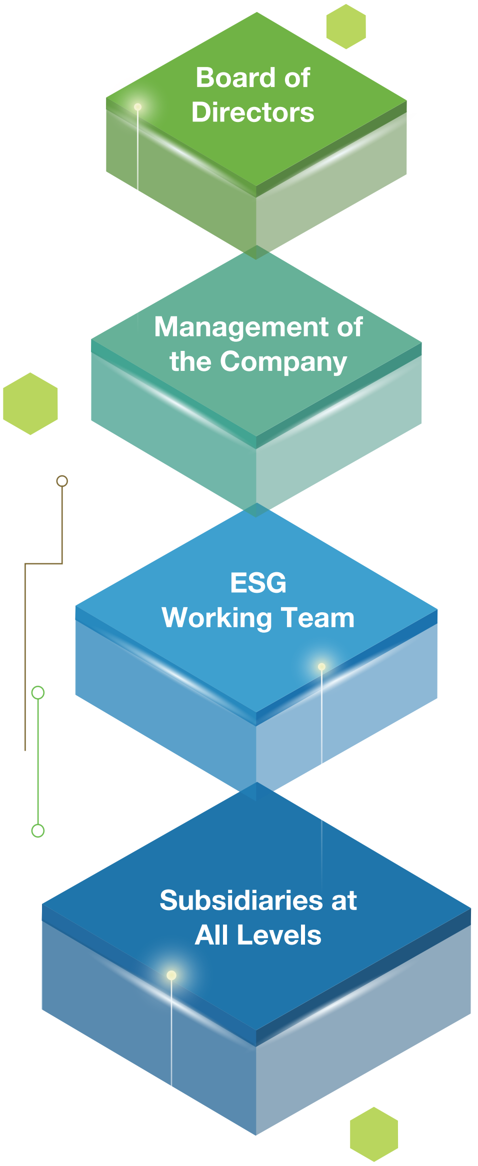
Board Statement

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 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 of Hong Kong and the "International Financial Reporting Sustainability Disclosure Standard No.1—General Requirements for Disclosure of Sustainability-related Financial Information" and "International Financial Reporting Sustainability Disclosure Standard No.2—Climate-related Disclosures" issued by the International Sustainability Standards Board (ISSB).

ESG Governance Structure



- Responsible for formulating the overall ESG strategy
- 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
- Hold meetings regularly to review and evaluate the achievement of ESG objectives

- Implement the work arrangement of the Board
- Manage the ESG Working Team
- Hold meetings at least twice a year to assess the achievement of various ESG indicators
- Review the ESG Report and submit it as an independent resolution to the Board for their consideration

- 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
- Responsible for the execution and monitoring of daily ESG activities to ensure the implementation of relevant policies and projects
- Manage ESG-related issues and provide analysis, suggestions and updates, maintain communication with the management to ensure the intercommunication of ESG information and the prompt resolution of problems

- Execute ESG work tasks, and refine both work methods and capabilities to satisfy the demands of the ESG team
- 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.

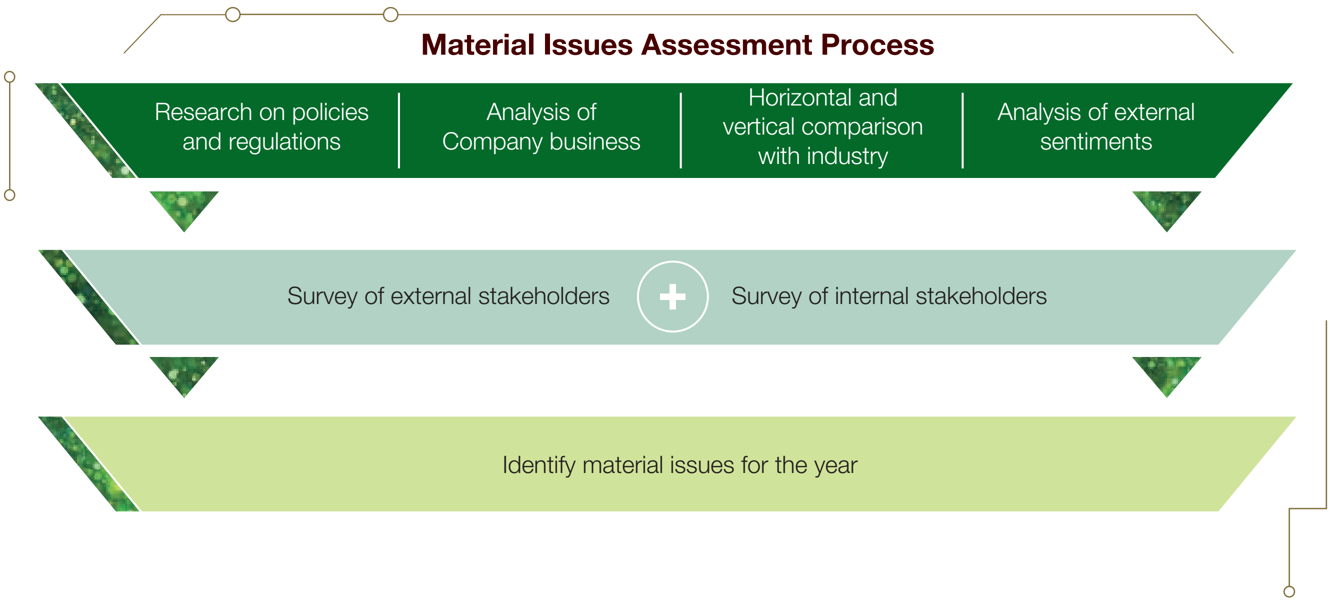
Stakeholders	Mechanism and Means of Communication	Expectations on the Company	Responses of the Company
Government and Regulatory Authorities	Meeting	Compliance with laws and regulations	Comply with laws and operate with integrity
	Reports or statements	Implement government regulatory requirements	Pay 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
	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 continuously optimize procurement management system
	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
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

In order to gain a more in-depth and objective understanding of the ESG issues that stakeholders are concerned about, during the preparation period of this report, the Group carried out a materiality assessment of these issues, summarized and categorized the material ESG issues of our company, and used this as the basis for the preparation of this report.

Identify ESG Issues

Based on the 2023 materiality assessment results, the Group conducted a comprehensive analysis of stakeholder concerns with reference to its overall business development in 2024, advanced ESG management practices within the industry, the 12 levels of ESG issues outlined in the Guide, its own business and industry characteristics, as well as the engagements with external stakeholders — such as shareholders, investors, and capital markets through investor meetings and active participation in ESG rating agency questionnaires. Meanwhile, aligning with its corporate strategy, the Group conducted internal interviews and surveys with employees on sustainability-related topics. With a combination of the above internal and external analysis, the Group determined 21 ESG issues for the year.



Formulate and Implement the Stakeholder Communication Plan

During the ESG issue assessment process, the Group attached great importance to the interaction and communication with various stakeholders. The Group formulated a detailed stakeholder communication plan and collected the concerns and expectations of various stakeholders (including investors, employees, customers, suppliers, the community, etc.) regarding ESG issues through various means (such as regular surveys, questionnaires, discussion sessions, etc.).

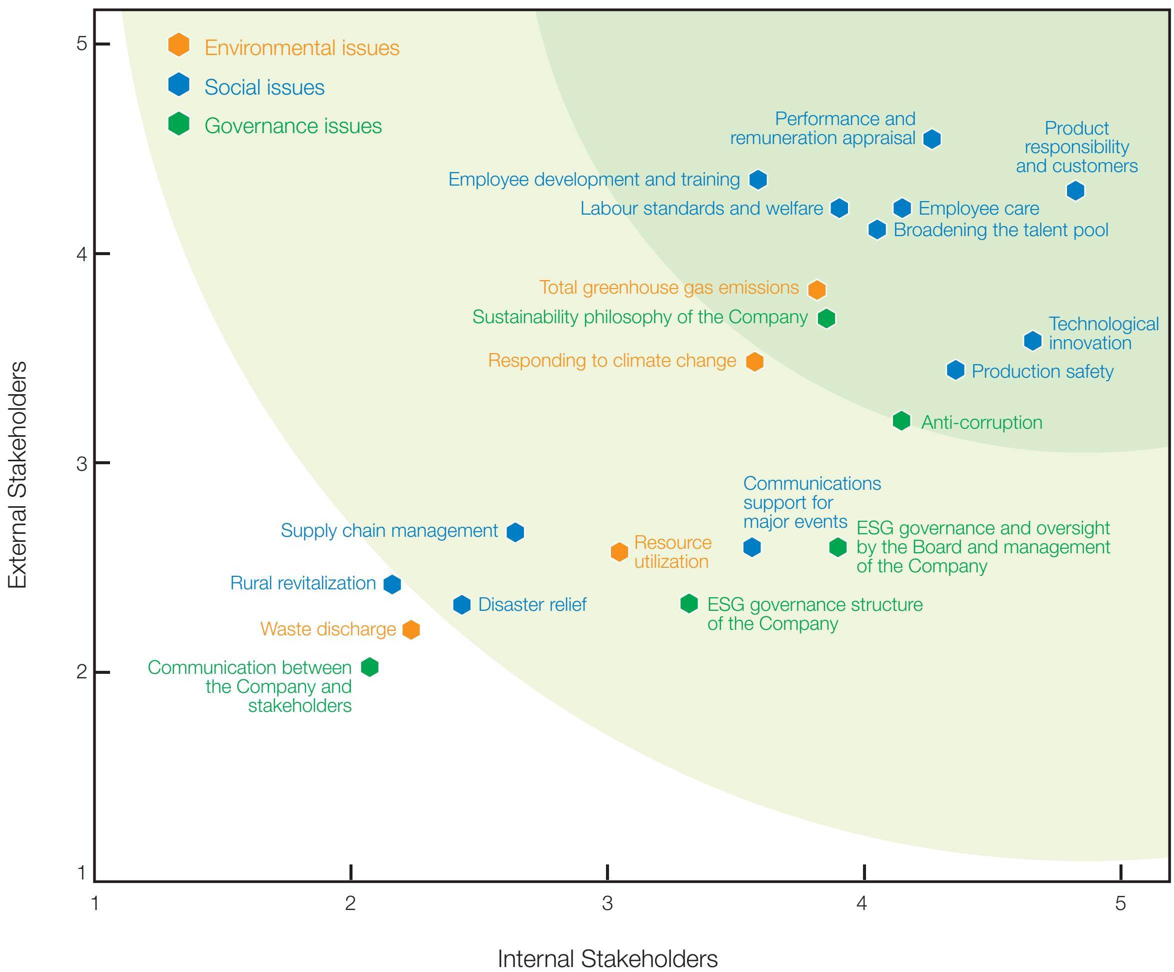
Quantitative Assessment of Material ESG Issues

The Group carried out an online questionnaire survey, inviting various stakeholders to rate the importance of the company's ESG issues in 2024. The ratings were scored from 1 to 5, with the materiality increasing successively.

A total of 2,448 stakeholders participated in this survey, covering various types of stakeholders such as corporate directors, management, employees, investors, suppliers, industry associations, and the community.

The Group analyzed the results filled in by various stakeholders, evaluated the importance of each issue from two dimensions of "internal materiality" and "external materiality", identified 11 extremely material issues, 7 material issues, and 3 relevant issues, and derived the Company's ESG issue materiality analysis matrix for this year.

The results of this assessment of material issues have been reviewed and confirmed by the Board.



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 organized 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-related Disclosures

The Group has been disclosing climate change related information in terms of governance, strategy, risk management, metrics and targets, taking into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since the financial year 2022, and continues to enhance the relevant disclosures. During the reporting period, the Group made further disclosures with reference to the Climate-related Disclosures from IFRS S2 and the requirements of Consultation Conclusions "Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework" published by The Stock Exchange of Hong Kong Limited.

Governance

The Board of the Group serves as the supreme decision-making body for sustainable governance (see "ESG Governance Structure" section for details), reviewing progress on sustainability initiatives, including climate action on a biannual basis. The Board's Audit Committee is mandated to support the Board in evaluating risk management and opportunity identification, formulating climate strategies and dual carbon target, defining response measures and mitigation roadmaps for emission reduction.

In addition, the Group has set up a "Carbon Peak and Carbon Neutrality" management organization headed by the President of the Company, which is responsible for the coordination and management of the related work. The Group issued the "Assessment and Evaluation Rules for Green Development Work" to define the "Dual Carbon" management indicators and specific implementation rules of the Group's subsidiaries, to promote the reinforcement of the main responsibilities of all parties, to objectively evaluate the implementation and effectiveness of the various tasks, and to promote the effective implementation of the "Dual Carbon" work and the green and low-carbon development of the entire business field. The Group also issued annual energy-saving and emission reduction budget targets to its provincial companies and strictly implement the energy-saving and emission reduction assessment, reward and punishment mechanism to ensure the successful completion of the annual energy-saving tasks.

Strategy

The Group places high priority on the potential risks and opportunities arising from climate change, integrating climate-related risks as a critical component of its long-term corporate strategy. The Company systematically assesses climate-related risks and opportunities , and implements proactive measures to address them.

The Group has analyzed the following potential impacts of climate change on the Company's strategy and finances through three time periods, namely short-term (occurring within the next one year), medium-term (occurring from the next one year to 2030) and long-term (occurring from 2031 to 2050), through engagements with cross-functional business departments and industry experts:

Risks/ Opportunities	Type	Risks/Opportunities description	Potential impact pathways	Short-term	Mid-term	Long-term
Physical risks	Acute	Extreme precipitation or severe weather events such as cyclones/ typhoons and hail	• Extreme precipitation and flooding may cause delays in construction, increase construction costs and affect project delivery schedules • Obstruction of transportation links in the core supply chain, such as communications equipment and fibre-optic cables, affects equipment procurement and project implementation	√	√	
	Acute	Events of extreme heat and sudden droughts	• High temperatures may lead to increased health risks for outdoor construction workers, such as heat stroke, which in turn affects work efficiency • Increased intensity of operation of air-conditioning and other cooling equipment at the operating sites	√	√	
	Chronic	Global warming trend	• Global warming causes critical facilities such as communications base stations and data centers to face higher temperature pressures, accelerating aging and increasing failure rates			√
Transition risks	Policy and legal risk	Legal and regulatory policies on environmental protection, carbon emissions and information security, etc.	• Restrictions on data center and infrastructure construction. The government may restrict high energy consumption projects through data center energy consumption standards, which may affect China Comservice's business expansion across the country	√	√	√
	Technology risk	Changing business scenarios as a result of low-carbon technology transformation	• The communications industry is moving towards green transformation and low-carbon technology upgrades to better meet customer demand	√	√	√
	Market risk	Changing customer behaviour	• Corporate customers are increasingly emphasizing their own carbon management, and the demand for green integrated solutions has increased	√	√	√
	Reputational risk	Stakeholder requirements for climate risk disclosure	• Regulatory requirements for public disclosure of climate risks are becoming increasingly stringent, and non-compliant disclosures and inappropriate climate performance can damage corporate reputation		√	√
Opportunities	Energy sources	Low-carbon energy use	• Installation of distributed photovoltaic and replacement of new energy vehicles will increase the proportion of new energy consumption and reduce its own greenhouse gas emissions		√	√
	Products and Services	Low-carbon digital services	• Accelerating digital transformation across industries and the need to reduce carbon emissions are driving demand for smart energy management, green cloud computing, and low-carbon IoT solutions	√	√	√

Potential financial impact	Response
• Loss of revenue: delays of projects may lead to delays in client payments, affecting the stability of revenues • Rising supply chain costs: bad weather affects the stability of the supply chain, leading to an increase in the price of core equipment and increase in procurement costs	• Implement contingency plans and form a rapid response team to react quickly in the event of extreme weather to minimize the impact of the weather and safeguard project delivery • Establishing a diversified supply chain system to ensure that key equipment and materials are sourced from multiple sources to minimize the risk of supply chain disruption caused by extreme weather events
• Rising operating costs: increase in demand for refrigeration leads to a significant rise in electricity consumption	• Provide adequate health protection measures, such as regular breaks, hydration, and heat-prevention and cooling equipment, for outdoor workers and those working in high-temperature environments, so as to reduce the risk of heat stroke and health problems • Optimize energy management programs and adopt energy saving and consumption reduction measures, such as using green energy and improving energy efficiency
• Rising operating costs: equipment durability is decreasing, maintenance frequency is increasing, and the company may need to increase investment to maintain operations	• Development and application of high-temperature-resistant, low-energy-consumption communications equipment to cope with environmental changes due to global warming
• Business expansion is constrained, affecting revenue growth: if the new policies limit high energy consumption projects, the company's business expansion in some regions may be affected, which in turn affects revenue growth expectation	• Through active participation in government-led establishment of standards on environmental protection, low-carbon and industry, the company obtains timely information on policies and regulations, which helps the company to plan in advance, and through cooperation with industry associations, promotes the deployment and implementation of relevant policies to ensure that the company is in a favorable position in the changing policy environment
• R&D expenditures are on the rise: the transformation of low-carbon technologies usually requires large R&D investment, which requires a large amount of capital in short term	• Cooperate with leading low-carbon technology companies and research institutions to accelerate the process of technology transformation. Through cooperation, the company can reduce the cost of R&D, improve the maturity of technology and its market adaptability, and reduce the risk of technology introduction
• Increase in R&D expenditures: in response to changing customer demand for low-carbon, green communications services, the company adjusts its existing product and service portfolio to introduce green solutions that meet market demand	• Conduct regular market research to gain a deeper understanding of the changing needs of customers in terms of low-carbon and green services to ensure that the company can accurately grasp market dynamics and customer expectations
• Decrease in brand value: lags in corporate climate action and disclosure may lead to doubt on corporate sustainability commitments by the publics and customers, affecting brand value and customer loyalty	• Regularly publish environmental, social and governance reports to enhance communication with investors, customers and regulators, and positively demonstrate the company's actions and effectiveness in addressing climate change
• Reduced operating costs: Savings in purchased electricity expenses, carbon compliance transaction costs, etc.	• Ensure a stable supply of green electricity by investing directly in renewable energy facilities or partnering with renewable energy providers. While ensuring a stable supply of energy and controlling costs, the company can also ensure that its business meets green energy requirements by cooperation or purchasing green electricity certificates
• Increase in revenue: Low-carbon digitalization services can expand into new markets and improve the company's overall business revenue	• Form a dedicated low carbon services team to enrich the current digitalization products and solutions

Scenario analysis

In order to accurately identify and measure the impacts of climate disasters on enterprises under climate change, the Group conducted a physical risk analysis based on the SSP2-4.5 medium greenhouse gas emissions scenario and SSP5-8.5 high greenhouse gas emissions scenario in the Shared Socio-economic Pathways (SSPs) proposed by the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC AR6), based on the underlying data of domestic climate disasters and geographic distribution.

Scenario	Scenario description	Predicted end-of-century temperature rise	Boundary of analysis	Scenario assumptions	Scenario source
Medium greenhouse gas emissions scenario	Under this scenario, global socioeconomic development progresses at a moderate pace, accompanied by intermediate-intensity climate policies and mitigation measures. Greenhouse gas emissions stabilize at current levels before commencing a gradual decline by mid-century	＜3°C	Basic office and major operational business segments. This covers the Group's headquarters and 22 provincial companies (excluding overseas)	Assuming no change in internal factors such as main business, asset size, risk response measures, etc., and analyzing only the specific climate risk to which the assets are held under the disaster levels of each scenario	IPCC
High greenhouse gas emissions scenario	Under this scenario, the global economy grows rapidly, but relies mainly on the extraction of fossil fuels and energy-intensive industries, with little or no climate policy management, and climate change pressures intensify, with greenhouse gas emissions increasing rapidly during this century and reaching roughly double that level by 2050	＞4°C			

According to the company's asset main operating address, industry information and relevant data sets, in the SSP2-4.5 and SSP5-8.5 scenarios, the entity-specific risk levels of extreme heat, sudden drought and sea level rise all show an upward trend, of which the upward trend in the risk levels of extreme precipitation and extreme heat is more significant than that of the other entity-specific risks. In addition, in the SSP5-8.5 scenario, the frequency and intensity of extreme heat and precipitation events will increase significantly. Combined with these changes, the company is more susceptible to the threat of extreme precipitation and high temperatures to its operations in future based on the assessment. In future, the Group will continue to review the scenarios and increase the number of different scenarios in order to pay attention to temperature changes and climate risks in a timely manner, and to enhance the Company's risk response capability, and to better cope with the challenges posed by climate change.

Risk Management

The Group is actively addressing the potential significant financial or strategic impacts of climate change in the short, medium or long term, integrating climate change risk management into the Company's existing overall risk assessment and management system, and improving the internal control processes relating to environmental, social and governance, in order to continuously strengthen the Company's risk management in relation to 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.

The Group has continued to promote the carbon inventory work of its subsidiaries so as to further strengthen the foundation of energy conservation and emission reduction work of the enterprises by mapping out the overall level of greenhouse gas emissions of the enterprises.

Target

By **2025**, the greenhouse gas emissions intensity per RMB10,000 revenue (comprehensive energy consumption) will achieve a reduction rate of **no less than 15%** compared to the 2020 baseline

Energy Consumption

In 2024, the Group's total energy consumption amounted to approximately 165,000 tonnes of standard coal and 11.00 kilograms of standard coal per ten thousand RMB of revenue (2023: approximately 162,000 tonnes of standard coal and 10.96 kilograms of standard coal per ten thousand RMB of revenue).

According to the Group's energy statement, the total greenhouse gas emissions from the Group's energy consumption in 2024 was approximately 421,000 tonnes (2023: approximately 416,500 tonnes*), which was calculated in accordance with the Greenhouse Gas Protocol.

Greenhouse Gas Emissions
(10,000 tonnes)
2024: 42.10
2023: 41.65*

=

Direct Emissions (Scope 1)
(10,000 tonnes)
2024: 26.32
2023: 26.44*

+

Indirect Emissions (Scope 2)
(10,000 tonnes)
2024: 15.78
2023: 15.21*

Notes:

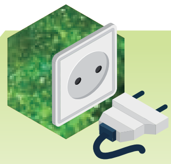
1. Total GHG emissions comprise Scope 1 direct GHG emissions and Scope 2 indirect GHG emissions.

2. Scope 1 direct GHG emissions include GHG emissions from the consumption of natural gas, coal, gasoline, and diesel fuel.

3. Scope 2 indirect GHG emissions include GHG emissions from purchased electricity and purchased heat.

* The Group previously accounted for greenhouse gas emissions including carbon dioxide , methane, and nitrous oxide. The calculation of Scope 1 and Scope 2, were with reference to the "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)". This year, in alignment with "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (2015)" issued by the National Development and Reform Commission and "Announcement on the Publication of CO_2 Emission Factors for Electricity in 2022" (Announcement No. 33 of 2024) jointly released by the Ministry of Ecology and Environment and the National Bureau of Statistics, the Group has updated GHG accounting methodology to focus solely on CO_2 emissions, incorporating revised emission factors. Accordingly, the Group has restated our 2023 emissions data to reflect these methodological changes.

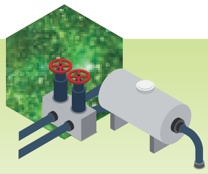
Direct/Indirect Energies by Type



Electricity (GWh)
2024: 294.10
2023: 283.41

Gasoline (Million L)
2024: 83.79
2023: 84.49

Diesel (Million L)
2024: 20.75
2023: 20.61



Natural Gas (Million standard cubic meters)
2024: 9.72
2023: 9.14

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"

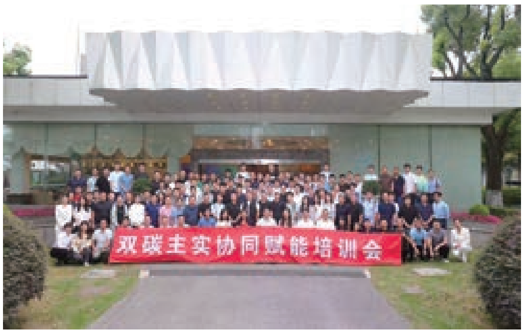
Office of the Leading Group

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

Subsidiaries at All Levels

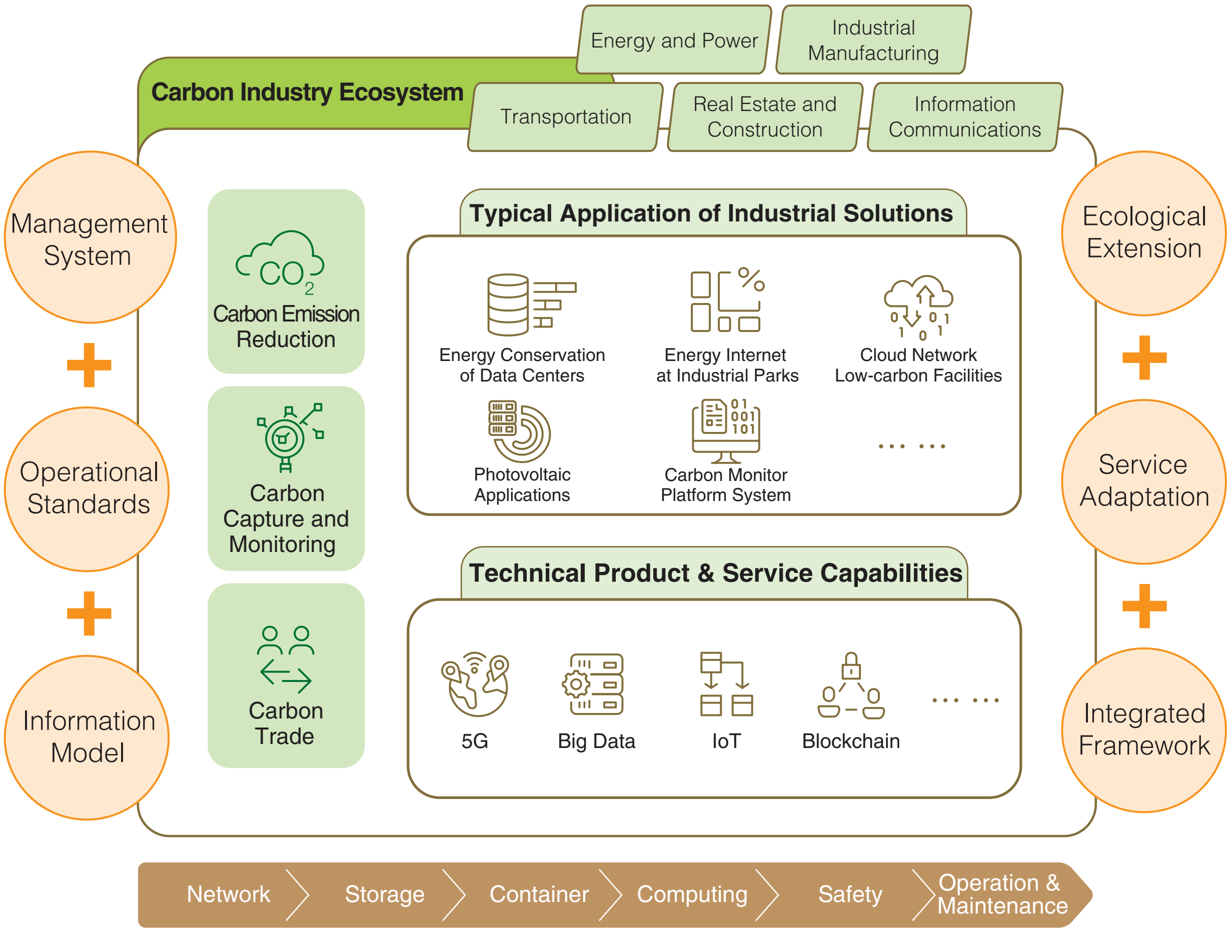
Implement the Group's "Dual Carbon" planning objectives, promote and implement targets for "Dual Carbon" projects during the Dual Carbon Rolling Development Plan Period

In 2024, the Group held the "China Comservice Dual Carbon Multi-Party Collaboration and Empowerment Training Conference", in which the dual-carbon experts, backbone of the Group and the industry's experts focused on the development of the "Dual Carbon" strategy, shared their views on the theme from the three aspects of macro-policy, industry analysis and the application. At the training session, the Dual Carbon Construction Professional Committee of New Era Craftsmen Institute was formally established.



Action 2

The Group prepared "the Green Development Rolling Plan for 2025–2027", 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.



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 green data center PUE simulation platform, photovoltaic intelligent management platform, photovoltaic storage cloud green energy management platform, C-Cooling energy-saving cloud platform, 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

Shaoguan Integrated Data Center

China Comservice Construction Co., Ltd., a subsidiary of the Group, has been contracted as the electromechanical general contractor for Phase I of the Guangdong-Hong Kong-Macao Greater Bay Area Integrated Data Center project. The project adopts a modular design philosophy of "Two Resiliencies and One Optimization" (resilient power supply, resilient cooling, and airflow optimization) and is constructed with National Class-A standards, featuring two cutting-edge facilities. Building A1 is a next-generation high-efficiency data center (PUE 1.25) equipped with over 2,000 adaptive wide-range racks, while Building A2 serves as a fully liquid-cooled intelligent computing center (PUE 1.15) capable of supporting 40,000-card intelligent computing cluster with approximately 15,000 PetaFLOPS of total computing power through its 38 liquid-cooled pods, each delivering around 385 PetaFLOPS. This advanced liquid cooling technology achieves a 60% reduction in cooling energy consumption compared to traditional machine room.

Inner Mongolia Ordos Forest and Grassland Carbon Sinks

The "Inner Mongolia Ordos Forest and Grassland Carbon Sink" project constructed by China International Telecommunication Construction Corporation, a subsidiary of the Group, aims to protect forest resources, accurately measure biological carbon sequestration indicators and promote coordinated and stable economic and social development. Upon project completion, the system will accomplish the function of "fire prevention, security, emergency response, remote sensing monitoring of forest and grassland carbon indicators", and meet the requirements of all-weather and real-time monitoring of the entire region's forest and grassland resources and remote sensing monitoring of carbon indicators.

A Low-carbon Park in Guizhou

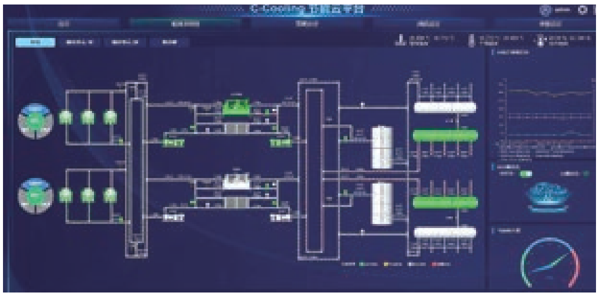
Guizhou Company, a subsidiary of the Group, is responsible for the construction of low-carbon park in Guiyang City and a green energy-efficiency retrofit pilot project, focusing on the core needs of carbon emission reduction and carbon management, making breakthroughs in the original traditional air-cooling system of the server room, comprehensively applying new green energy-saving technologies, constructing magnetic levitation water-cooling system, deploying AI group control system. The comprehensive solution also incorporates an IoT platform, data middle platform, and a digital twin smart park, establishing a service system of carbon knowledge, carbon research and carbon reduction, which analyzes and intelligently controls carbon emissions in the park that effectively reduce the park's overall carbon emissions and help to achieve the dual-carbon goal.

Zhongkai Hi-tech Zone Environmental Ecological Park

The Zhongkai Hi-tech Zone Environmental Ecological Park project participated by Gongcheng Management Consulting Co., Ltd., a subsidiary of the Group, is a large-scale intelligent eco-environmental park, which integrates waste sorting and recycling, harmless landfill, incineration and power generation, biochemical treatment, comprehensive utilization and other functions, and has become a circular economy demonstration park. After the completion of the project, it is expected to process 365,000 tonnes primary waste and 43,800 tonnes kitchen waste annually. The annual power supply will reach 140 million kilowatt-hours, which can be used by 25,000 families every day, and it is equivalent to saving of about 40,000 tonnes of standard coal for the society and greatly reducing the emission of carbon dioxide.

C-Cooling Energy Saving Cloud Platform

The C-Cooling energy-saving cloud platform independently developed by China Information Consulting & Designing Institute Co., Ltd., a subsidiary of the Group, is an AI energy-saving intelligent control product tailored for data center air conditioning systems. The platform is based on “expert algorithms” and integrates high-performance models such as “equipment mechanism + weather prediction + load prediction”, analyzes and processes air conditioning system operation data, and overlays the “AI global tuning model” to carry out system-level and real-time global AI search, calculates the optimal energy-saving parameters, and fully taps into the energy-saving potential, so that the data center air conditioning system has the optimal global energy-efficiency. The platform is applied in many data center construction and operation and maintenance projects, and the average energy saving of the air conditioning system is about 12%.



Water Saving Renovation Informatization (Digital Twin) Project

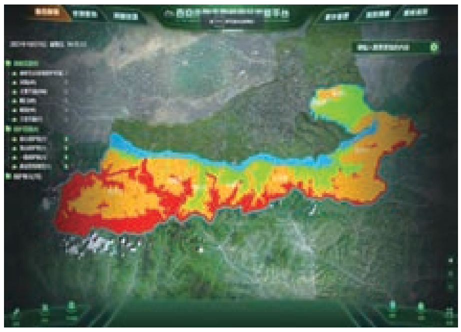
China Information Consulting & Designing Institute Co., Ltd., a subsidiary of the Group, undertakes a city irrigation district water conservation and renovation informatization (digital twin) project. Based on the characteristics of the physical irrigation area of the river and the actual requirements of the irrigation area, it introduced advanced IoT sensing technology, data analysis, model coupling as well as intelligent irrigation equipments to boost agricultural productivity through water resources scheduling, and to achieve flood and drought prevention through monitoring and sensing in the whole area. The project features 13 integrated subsystems including a Unified Irrigation District Management System, Data Collection and Processing System, Water Measurement Management System, Water Fee Accounting and Collection System, and Early Warning Mobile APP, collectively forming a full-spectrum decision support platform. It comprehensively improves the irrigation district management level and water supply security capacity and becomes a model of modernized irrigation district in the southern multi water source plains and hills.

Yibin Hi-tech Zone Carbon Neutral Green Energy Distributed Photovoltaic Power Generation Demonstration Application and User-Side Energy Storage Project

Zhejiang Post Telecommunication Construction Co., Ltd., a subsidiary of the Group, undertakes Yibin High-tech Zone Carbon Neutral Green Energy Distributed Photovoltaic Power Generation Demonstration Application and User-Side Energy Storage Project, with planned PV installed capacity of 60MW and user-side energy storage capacity of 10MWH. The project promotes the integrated development of PV industry and related industries by actively exploring new modes of "PV+Building", "PV+Slope", "PV+Storage" and "PV+Microgrid". The project helps to establish an integrated "generation-grid-load-storage" application scenario that will extend its influence across southern Sichuan and serve as a regional benchmark for the entire Western region.

Xi'an City Qinling Ecological Environment Protection Integrated Restoration Monitoring Project

Shaanxi Communication Planning Design Institute Co., Ltd., a subsidiary of the Group, undertook the Xi'an Qinling ecological environment protection integrated restoration and monitoring project, which focuses on the improvement of forest ecological monitoring and early warning capability by taking the construction control zones, general protection zones and key protection zones of the Qinling northern foothills in Xi'an as the core to build an integrated monitoring system of "space-air-ground" that covers the protection areas at multiple levels.



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.

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 (10,000 tonnes)

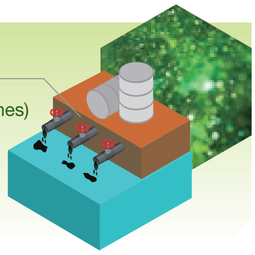
2024: 2.1

2023: 2.3[2]

Sewage Emissions (10,000 tonnes)

2024: 134.7

2023: 119.4[2]



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. Certain companies under the Group upgraded and optimized their accounting system, adjusted the accounting and collection methods of garbage disposal fees and expanded the scope of companies for sewage discharge, therefore, the corresponding data of domestic garbage discharge and sewage emissions in 2023 was adjusted.

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 2024, the Group's total water consumption was approximately 4.63 million tonnes (2023: approximately 4.59 million tonnes).

In respect of office paper, 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, and requires its subsidiaries at all levels to use accounting electronic vouchers and e-tendering and procurement. In 2024, the Group's use of office paper amounted to approximately 1,423 tonnes (2023: approximately 1,521 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 100 professional companies with ISO 9001 certification and 87 professional companies with ISO 14001 certification. Besides, Jiangsu Telecom Real Estate Management Co., Ltd. and Hunan Kang Pu Communication Technology Co., which are subsidiaries of the Group, have 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

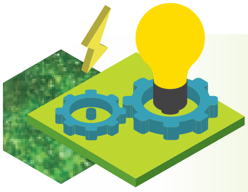
Actively adopt advanced technical means to refine the layout of base stations and ensure that the electromagnetic radiation indicators meet the national standards; monitor and assess the electromagnetic environment around base stations; strictly control the quality of equipment connecting to the network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

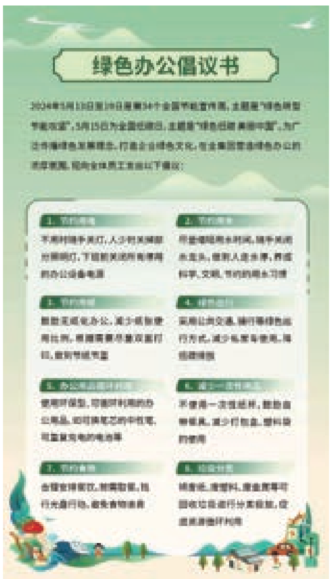


Strengthen Power Saving Management for Lighting

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



Green Office Initiative Announcement

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 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 RMB1.35 billion in 2024. Since 2009, they have disposed of assets with a total amount of nearly RMB8.35 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. This system provides end-to-end integrated services, fulfilling clients’ needs for full-process control from asset disposal to material handover, while addressing challenges such as prolonged asset disposal cycles, safety risks, and high warehousing costs.

HUMAN RESOURCES MANAGEMENT

Employment

The Group had approximately 77,000 employees as at 31 December 2024. 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

2024 **76,686**

2023 80,372

Indicator	2024	2023
By type		
Contract employees	74,910	77,998
Dispatched employees	1,613	2,161
Part-time employees	5	38
Others	158	175
By region		
Mainland China	97.1%	96.6%
Hong Kong, Macao, Taiwan and overseas	2.9%	3.4%

Total number of newly hired employees
2024: 3,317
2023: 3,806

Total number of resigned employees
2024: 5,363
2023: 5,003

Proportion of resigned male employees
2024: 73.4%
2023: 72.8%

Proportion of resigned female employees
2024: 26.6%
2023: 27.2%

2024 Employee Turnover Rate

Male employees 5.1%

Female employees 1.9%

Age

aged 30 and under	2.1%
aged 31-40	3.0%
aged 41-50	1.4%
aged 51 and above	0.5%

In mainland China 6.9%

In Hong Kong, Macao, Taiwan and overseas 0.1%

Employee Structure (Contract + Dispatched Employees)

2024 | 2023

By Gender

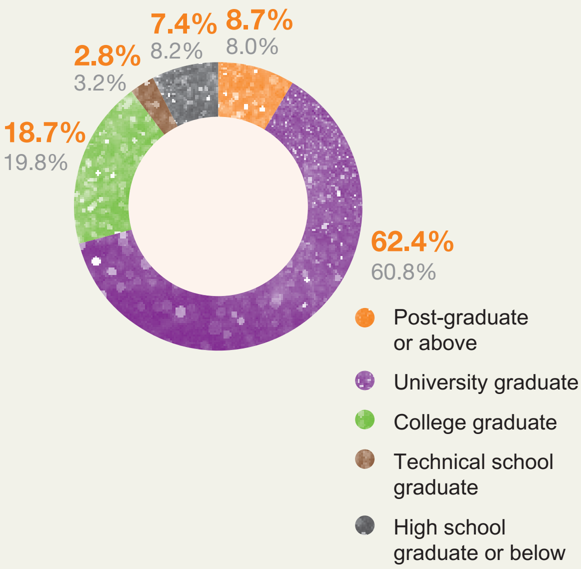
	2024	2023
Male employees	73.2%	73.3%
Female employees	26.8%	26.7%

By Age

	2024	2023
aged 30 and under	11.3%	12.6%
aged 31–40	33.8%	35.9%
aged 41–50	37.7%	35.3%
aged 51 and above	17.2%	16.2%

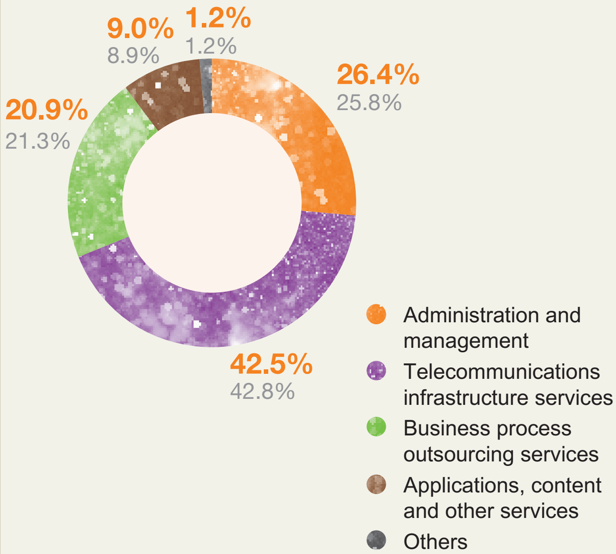
By Education Level

2024 | 2023



By Nature

2024 | 2023



Contract Employees

2024 | 2023

	Employees joining the trade union (%)	Female management (%)	Employees of ethnic minority (%)
2024	100	1.4	3.3
2023	100	1.4	4.2

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.

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 2024. 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 49 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. In addition, we have taken the initiative to take measures to promote a higher level of human rights protection and labor rights protection in accordance with the fundamental conventions of the International Labour Organization, the 10 principles of the United Nations Global Compact, the Convention on the Elimination of All Forms of Discrimination against Women and the Convention on the Rights of Persons with Disabilities.

- 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 2024.

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 Company Law of the PRC, the Trade Union Law of the PRC, the Labor Contract Law of the PRC, and the Regulations on Workers' Congress of Industrial Enterprises Owned by the Whole People and other laws and regulations.

Safeguarding the Rights and Interests of Female Employees

The Group attaches great importance to the care of female employees, endeavors to build a platform for female employees to grow and excel, strengthens the protection of the legal rights and interests of female employees, strictly implements the protection of female employees during the "four periods" (menstruation, pregnancy, maternity and breastfeeding), and cares and supports female employees who are "single mothers" or have difficulties in their families. At the same time, enterprises at all levels are urged to protect the legal rights and interests of female employees, and to strengthen humanistic care and psychological counselling for female employees.

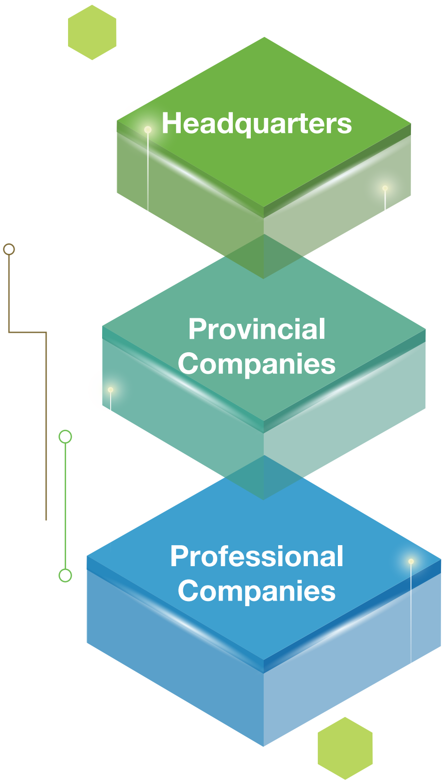
The Group formulated and published the Guiding Opinions on Further Strengthening the Work of Female Employees in China Comservice, and implemented the PRC Law on the Protection of Women's Rights and Interests, the Outline of Women's Development in China (2021–2030), the Special Provisions on the Labor 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.



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

Responsible for providing training for leaders of professional companies, middle-level 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

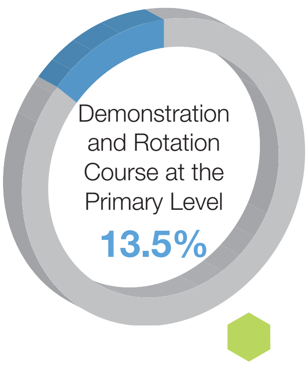
Responsible for conducting all kinds of daily skill improvement training for employees under management

In 2024, the Group formulated and issued the "China Comservice 2024 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 order to meet the online learning needs of employees, the Group has opened up a channel for all employees to participate in training and learning at online university, which provides online courses, live lectures, interactive seminars and other diversified learning pathways to provide new employees with comprehensive career enlightenment and help them quickly integrate into the work environment. The Group provides professional and technical personnel and managers with cutting-edge professional knowledge and management concepts, helping them to continuously improve their professional skills and management capabilities to cope with the complex and changing market challenges.

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, the Group is 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 carrier to train for practice, combine training with practice, and devote efforts to cultivate a team of professional backbone talents on each line.



The Group pays 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 key technologies and industry applications, project management, marketing, etc., so as to build a frontline employee team with core competitiveness and cohesion.

Training Course for Young and Middle-aged Cadres of China Comservice

The Group held the "Training Course for Young and Middle-aged Cadres of China Comservice". Industry senior experts were invited. Through courses such as industry research, U-shaped thinking, and assessment interpretation, combined with activities such as unled group interviews, leadership assessment, and TED talks, the industry insight ability and strategic analysis ability of the trainees were comprehensively enhanced. The self-awareness was continuously strengthened to continuously provide solid talents and intellectual support for the high-quality development of China's communications service industry.

China Comservice Financial Elite Training Camp

The training camp for financial elites of China Comservice was successfully started, with 55 financial elites participating. This training camp focused on the theme of "promoting development, improving ability and preventing risks", centering on the business development and key tasks of the enterprise. Through various ways such as theoretical teaching, themed seminars, case discussions, review lectures, cross-criticisms, lectures and evaluation, the training camp finally delivered 11 subject results and lecture videos.

"Innovator Pioneer" Product Training Camp and CCS Senior Technical Expert Training Course

The Group held the "Innovator Pioneer" Product Training Camp and CCS Senior Technical Expert Training Course, which was attended by more than 750 people from the Group's headquarters, its provincial companies and professional companies both online and offline. The training course centered on the four principles of combination of competition and training, full empowerment of full-stack production, research and marketing team, full coverage of products, and high-intensity learning and exchange, and delivered "end-to-end" standardized management system for the whole life cycle from product planning, design and R&D to sales promotion.

The Sixth "CCS Craftsman" Cup Data Center Green and Low-carbon Integrated Construction and Maintenance Skills Competition

The Group held the Sixth "CCS Craftsman" Cup Data Center Green and Low-Carbon Integrated Construction and Maintenance Skills Competition, with the theme of "Scientific and Technological Innovation, Green and Low-Carbon", to steadily improve China Comservice service capability in the green and low-carbon field based on the promotion and inheritance of the craftsmanship spirit.

Total Training Expense
(RMB million)
2024: 172
2023: 171

Total Number of Trainings
(Person-time)
2024: 734,418
2023: 692,353

Total Training Hours
(Hour)
2024: 15,363,445
2023: 14,338,150

Per Capita Training Expense
(RMB/person)
2024: 2,247
2023: 2,122

Per Capita Training Expense
(RMB/person-time)
2024: 235
2023: 246

Per Capita Training Hours
(Hour/person)
2024: 200
2023: 179

Per Capita Training Hours
(Hour/person-time)
2024: 21
2023: 21

Indicator	Unit	2024	2023
Types of Training			
Production safety training	No. of trainings	5,224	4,702
	Person-time	192,770	199,901
Anti-corruption and integrity promotion training and activities	No. of trainings	1,965	1,426
	Person-time	65,316	46,322
Operation management training	No. of trainings	2,814	2,256
	Person-time	52,725	42,587
Technical expertise training	No. of trainings	10,565	13,261
	Person-time	251,281	232,598
Other training	No. of trainings	4,961	5,730
	Person-time	172,326	170,945
Training by Position/Gender			
Senior management	Ratio	2.2%	2.2%
Middle management	Ratio	36.2%	36.2%
General employees	Ratio	61.6%	61.6%
Male employees	Ratio	70.5%	73.9%
Female employees	Ratio	29.5%	26.1%
Average Training Hours by Position/Gender			
Senior management	Hour/person-time	55	56
Middle management	Hour/person-time	24	25
General employees	Hour/person-time	18	16
Male employees	Hour/person-time	20	20
Female employees	Hour/person-time	22	24

OPERATION MANAGEMENT

Health and Safety

The Group has always upheld a high sense of responsibility, strictly and voluntarily complied with relevant national laws and regulations. It firmly implements laws and regulations such as the PRC Labor Law, the PRC Work Safety Law, the PRC Fire Protection Law, and the Administrative Regulations on the Work Safety of Construction Projects. In addition, it comprehensively aligns with industry-related regulatory requirements such as the Provisions on the Administration of Work Safety in Telecommunication Construction Projects, the Management Rules for Labor Protection Supplies of Employers, and implements compliant operation in every business process.

The Group fully implements the overall philosophy of national safety and persists in the principle of coordinating 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 preprevention 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 dedicated 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 allocate 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 2024, the Group formulated and fully implemented the "Three-Year Action Implementation Plan for Fundamental Improvement of Work Safety". Throughout the year, a total of 1,305 production safety inspections were carried out. A total of 21,938 hidden dangers were identified, and all of them have been rectified, with a rectification completion rate of 100%. The Group organized public lectures by the primary responsible persons for production safety, covering 32,451 people. It carried out 2,538 education and training sessions on internal and external typical accident cases, with a cumulative coverage of 101,330 person-times. The Group also carried out the Accident Shocking Warning Day activities, which covered as many as 87,839 person-times.

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, and 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 2024, the Group carried out the three-year action for fundamental improvement of production safety in an orderly manner in light of the actual situation. It promoted China Comservice to deepen three key tasks, namely tackling hidden dangers, strengthening the foundation, and enhancing efficiency. It firmly established the concept of safety and coordinated the promotion of eight special tackling tasks, five tasks for infrastructure construction, and five tasks for capability enhancement. The Group organized provincial-level companies to carry out hidden danger investigation and rectification work involving all employees in five scenarios, including office buildings, engineering construction, maintenance services and customer service centers, warehouses, and other business premises. The rectification completion rate of major hidden dangers reached 100%.

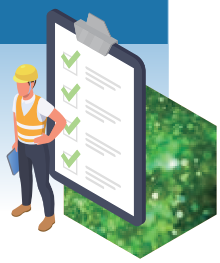
Building a Culture of Safety

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 2024, 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

2024	
No. of trainings	Person-times
5,224	**192,770**
2023: 4,702	2023: 199,901



The Group published the Guide for Safe Construction of Information and Communications Engineering" (ISBN 978-7-115-61752-1), summarizing the excellent experience in production safety in the field of communications construction, and promoted the dissemination of the experience in production safety in the field of communications construction to the front line through the provision of training to all subcontractors at each level.

The Group published the Guide for Information and Intelligent Terminal Installation and Maintenance Safety (ISBN 978-7-115-65390-1), which summarized the basic knowledge of production safety, the key processes of safety management and theoretical knowledge of installation and maintenance work.

Hunan Company Held the 2024 Production Safety Emergency Drill

The Hunan company, a subsidiary of the Group, centered around the theme of "Everyone Emphasizes Safety, Everyone Can Respond to Emergencies — Keep the Lifeline Clear". With hands-on drills of emergency evacuation, the use of gas masks, and the firefighting of oil pan fires and electric vehicle fires as the core segments, it organized production safety emergency drills, distributed safety publicity materials, and carried out activities such as random questions competition for safety knowledge and firefighting knowledge.

2024 Production Safety (Firefighting Skills) Labor Competition of Guangdong Company

In order to further create a production safety atmosphere of "Everyone Emphasizes Safety, Everyone Can Respond to Emergencies", enhance employees' safety awareness, and improve the company's emergency response and handling capabilities in terms of fire safety, the Guangdong company, a subsidiary of the Group, held the 2024 Production Safety (Firefighting Skills) Labor Competition. A total of 120 participants from 15 representative teams of its subordinate professional companies took part in the competition. The hands-on operation items consisted of five segments, including the 50-meter relay fire extinguishing, earthquake escape and rescue, crossing the fire line, stretcher making, and fire hose splicing.

2024 "Jian'an Cup" Information and Communications Construction Industry Safety Competition

The Group actively organized its subsidiaries to participate in the "Jian'an Cup" Information and Communications Construction Industry Safety Competition in 2024. After a fierce competition, the subsidiaries, employees and works of China Comservice won excellent results: 1 enterprise won the second prize of the team award, 2 enterprises won the third prize of the team award, 5 enterprises won the excellent organization award, 1 employee won the first prize of the individual award, 4 employees won the second prize of the individual award, 8 employees won the third prize of the individual award. In addition, 5 entries received the best safety operation video award, 9 entries received the excellent safety operation video award, 1 case was selected as the Best Safety Management Case, 6 cases were selected as the Excellent Safety Management Case.

Valuing Expert Talents

The Group formulated the Management Measures for Invited Experts of Production Safety of China Comservice, and engaged multiple 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, and responds to the requirements of the Healthy China Initiative (2019-2030). It 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 2024, more than 110 subsidiaries of the Group have obtained the international OHSAS 18001 certification, ISO 45001 certification or relevant domestic certifications, etc.

Continuous Improvement of Production Safety Mechanisms

In 2024, the Group revised and issued three production safety management measures, namely, the Work Safety Management Measures of China Comservice, the Implementation Rules for the Assessment and Accountability of Work Safety Accidents of China Comservice (Trial), and the Work Guidelines for the Assessment of Responsibilities in Preventing Work Safety Accidents of China Comservice (Trial). These measures further improved the enterprise's safe production responsibility system, clearly defined the production safety responsibilities of key position personnel such as technician in-charge and building wardens, supplemented and refined the specific production safety requirements of business departments and functional departments, and established a production safety evaluation and assessment mechanism.

The Group issued the Notice on Regular Work Safety Interview and the Notice on Regular Special Inspections of Work Safety Performance, further improving the long-lasting working mechanisms such as interviews and safety work reports.

The Group organized experts to compile the Several Measures for Further Strengthening Work Safety Management, fully implementing the regulatory responsibilities of each functional department. The Group improved specific work measures in terms of safety performance assessment, accident liability investigation and accountability, construction process control and management, and incentives for expert talents, etc., and endeavored to enhance China Comservice's production safety management.

The Group established and implemented an accident reporting system and conducted quarterly surveys. In 2024, no major production safety liability accidents occurred in the Group. In the past three years (including the reporting year), there were no work-related injuries and deaths, or serious injuries to employees due to work responsibilities[1], and there were no lost workdays due to work-related injuries.

1 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.

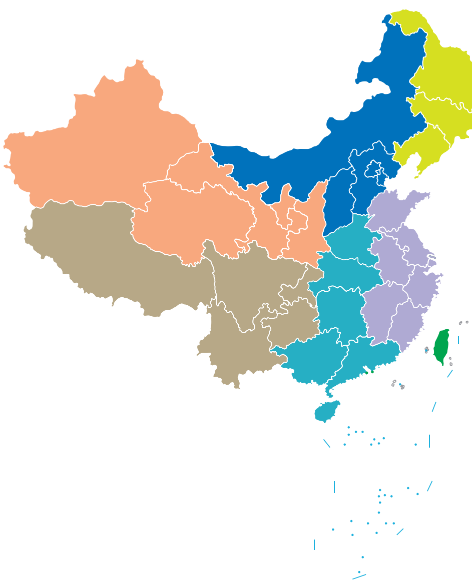
Supply Chain Management

The Group deeply integrates ESG into supply chain management and works with suppliers to implement ESG principles in business contracts and practices. We actively guide suppliers to practice the concept of green development and attach great importance to the protection of labor rights and interests within the supply chain, covering aspects such as the prohibition of child labor and forced labor, the protection of labor rights and interests, ensuring occupational health and safety, emphasizing environmental protection, protecting information security and privacy, adhering to business ethics, and managing sanctions, etc. We have established a comprehensive supplier management system with strict standards and processes from supplier entry, audit, selection, evaluation to withdrawal, and introduced a fair, just and transparent supplier selection mechanism.

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	241	118
Northwest region	1,452	833
Mid-South region	2,147	1,891
Southwest region	1,114	1,562
Northern China region	937	915
Eastern China region	3,846	4,200
Hong Kong, Macao and Taiwan	1	0
Overseas	94	1
Total	9,832	9,520

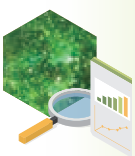
Note: Each supplier is counted only once according to the area of principal use; some suppliers supplying services and goods at the same time are counted separately on both sides.



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 standard 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 after the expiration 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 2024, a total of 11,276 suppliers were rated.

- **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.

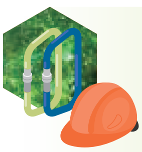
Integrity Efficiency Quality Stability Reliability

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 to 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, and a comprehensive evaluation of suppliers' performance in energy management system construction, green emission reduction actions, carbon emission information disclosure, and other aspects is also conducted.
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" (GB/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 473 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 this year, no supplier of the Group was included in the negative list due to salary dispute incidents.

For subcontractors that cause mass incidents due to violations of laws and regulations such as child labor, 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 conducted a themed training course on production safety management for the installation and maintenance of China Communications Services, which explicitly covered the personnel of outsourcing (subcontracting) units. All levels of the company's installation and maintenance business management and frontline employees (including employees of outsourcing and subcontracting) were required to learn the basics of production safety, the "three principles of non-violation"* and the "four principles of non-injury"* of production safety, the introduction and wearing standards of protective gears, the safety of electric vehicles, the safety and first aid of fall from height and electric shock, and the first aid of cardiopulmonary resuscitation, and to complete the tests.

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.

In 2024, the Group issued the Notice on the Requirements for Strengthening Customer Service Quality Management and the Notice on the Establishment of a Special Team for Supervision of Customer Service Quality Management of China Comservice to further strengthen the management of customer service quality, standardize and improve the three-tier supervision and management system of customer service quality, improve the channels for customers' complaints and feedback, and promote the enhancement of service awareness of its subsidiaries at all levels to improve management standard and service quality, enhance customer satisfaction, shape the company's good image, build a service quality "moat" and construct a service golden signboard.

In order to improve the management and supervision system of overseas customer service quality of China Comservice and establish a complaint and feedback channel and processing mechanism of customer service quality, the Group has issued the Notice on the Establishment of Overseas Customer Service Quality Complaint and Feedback Mailbox, which is exclusively for the purpose of receiving and processing the opinions, suggestions and complaints on the service and quality of operation contracts by overseas customers.

* Three principles of non-violation: commands with non-violation, operations with non-violation, and labor discipline with non-violation
Four principles of non-injury: non-injury on yourself, non-injury on others, non-injury by others, and non-injury by protecting others

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

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

Awards

This year, the Group consistently enhanced its project management capabilities and customer service quality for construction projects. Subsidiaries of the Group participated in the 2024 Information and Communications Engineering Construction Project Quality Evaluation, organized by the Communication Engineering Construction Branch of the China Association of Communication Enterprises (CACE).

Type	Rating	Number of Awards	Proportion
Quality Evaluation of Information and Communications Engineering Construction Projects	★★★★★ ★★★★	7 29	100% 93%
Quality Evaluation of Green Design Achievements in Information and Communications	★★★★★ ★★★★	15 22	50% 45%
Quality Evaluation of Exemplary Cases in Green and Low-Carbon Design for Information and Communications	★★★★★ ★★★★	6 9	60% 25%

Responding to Customer Complaints/Customer Satisfaction Management

Adhering to the "customer-centric" development philosophy, the Group pays great attention to customer perception, establishing a three-tier customer service quality management and supervision system, and each provincial company has set up a dedicated team for customer service quality management supervision. Catering to the characteristics of government and enterprise customers, we establish service departments targeting different customer groups and apply "Smart Marketing System", to build direct and efficient communication channels with customers, and timely follow up on customer needs through customer visits, technical exchanges, delivery implementation, maintenance services, after-sales follow-up, satisfaction surveys, and other methods in pre-sales, during-sales, and after-sales stages. The Group's subsidiaries have actively conducted satisfaction surveys this year to listen to customer feedback.

In 2024, the Group opened up a complaint channel, added a feedback channel of "customer service and quality" in the "report area" of the Company's website, configured special mailboxes for complaints and feedback on the quality of customer service in each province, incorporated the complaint channel into the text of contracts or attachments, and comprehensively disclosed the channel to customers. The Group set up a response mechanism for customer complaints, and formulated different response processes for serious complaints and general complaints. The Group implemented closed-loop management of customer complaints handling, recorded the handling process in written form and filed it. The Group organized service quality meetings from time to time, collected and handled customers' service opinions and suggestions, carried out service quality analysis, actively explored the deep-level causes of customer complaints, formulated specific rectification measures, and formed an effective enhancement mechanism.

In 2024, customers were generally satisfied with the quality of the Group's services and there were no material complaints or disputes. The Group is in 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 continuously strengthens its trademark management, standardizes the use of registered trademarks, focuses on brand protection while promoting its brands and enhancing its own brand value, and carries out intellectual property research on the Company's emerging businesses.

The Group has formulated the Measures for the Management of Research and Development Projects of the Headquarters of China Comservice, which stipulate the contents of research and development results, the responsibilities of the management department, the registration and archiving of results, the protection and confidentiality of results, and the application and promotion of results, so as to promote the improvement of the management of technological results and accelerate the promotion and application of technological results. The Group issued the Notice on Further Strengthening the Management of Cooperative R&D and Intellectual Property Rights Compliance and carried out many publicity programs to establish a long-term mechanism to ensure that the intellectual property rights protection work is legal and compliant. 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.

The Group emphasizes the protection of intellectual property rights in the process of product research and development, and has applied corresponding patents or software copyrights.

2024

The Group obtained **619** new authorized patents,

1,096 new patents accepted,

1,387 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. More than 50 companies under the Group have ISO27001 information security management system certification, 17 companies have information security service qualifications, 11 companies have GB/T 22080-2016 information security management system requirements, and the relevant employees hold qualification certificates such as CISP, CISSP, CISA and CISP-DSG.

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 2024, 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 36,000 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 received the silver award in the points competition and the gold award in the instructor competition of the "Shuxin Cup" Data Security Competition 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 and organizes 7 x 24 hrs round-the-clock security monitoring relying on the cybersecurity operation centre, 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 2024, 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.

Cybersecurity Capabilities

The Group actively responds to the national strategy of building China into a cyberpower. 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 national key 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 ministerial-level "Pilot Demonstration of Cybersecurity Technology Application". Its own core products and services have been selected in the "China Cybersecurity Industry Panorama" published by "AQNIU", a think tank in the cybersecurity industry, for many times. 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 information infrastructure 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 information infrastructure 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 information infrastructure, 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.

Selected as a Typical Case of Cybersecurity Technology Application at the Ministerial Level

The "Video Surveillance Intelligent Application System" jointly developed by the Group's subsidiaries, including Guangdong company, Tisson Regaltec Communications Technologies Co., Ltd. and Guangdong Electronic Certification Authority Co., Ltd. has been successfully selected as one of the "Typical Cases of Cybersecurity Technology Application in 2024" assessed and announced by the General Offices of thirteen ministries including the Ministry of Industry and Information Technology and others.

The Group is the first enterprise in China to put forward an innovative comprehensive solution of "based on localized foundation + security gateway + video security + large model visual application", creating a video data element security circulation system from the bottom to the application, effectively solving the problem of hidden security hazards in urban governance, and promoting the efficient convergence, safe sharing and artificial intelligence application of multi-sectoral video surveillance resources in the city.

Contribution to Cybersecurity Talent Cultivation and Evaluation

As one of the core units 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-Security Testing and Evaluation.

The white paper focuses on the theme of "security testing and evaluation" for the first time, combines theory and practice, and puts forward a set of three-dimensional comprehensive evaluation method for security testing and evaluation of talent's capability (GPE method), including the three aspects of General Ability, Professional Ability and Evaluation Level, providing a feasible solution for the cultivation and evaluation of security testing and assessment talents in the construction of Digital China, and bridging the gap in the research on the current situation of cybersecurity talent assessment in China.

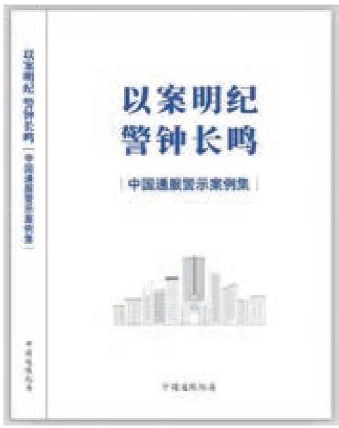
Strategic Cooperation in the Field of Cybersecurity

The Group's subsidiary Guangdong company, Guangdong E-commerce Company signed a strategic cooperation agreement with Guang Dong Medicine Exchange Co. Ltd. to jointly establish the "Health Digital Intelligence Laboratory". After the signing of the strategic agreement, the three parties will work hand in hand on the construction of the Health Digital Intelligence Laboratory, jointly explore the application scenarios and modes of data in the health industry, develop software products related to the health industry, promote the laboratory's R&D results and technological advances, and continue to promote industrial upgrading.

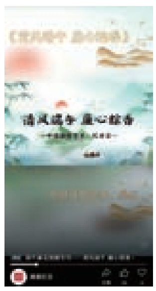
Anti-corruption

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. It studies and formulates documents such as the Notice of China Comservice on Further Strengthening Integrity Education 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 2024, the Group held a total of 633 warning education conferences, reported a total of 3,665 typical cases through various channels, and intensified deterrence and fostered a strict atmosphere at every level. Carrying out integrity propaganda, all levels of enterprises launched discipline propaganda a total of 2,276 times, continued to build a strong ideological line of defence of integrity and self-discipline. Promoting the culture of integrity, the Group has been actively building a brand of integrity culture through the self-produced “Discipline Defined by Cases, Long-lasting Alarm Bell” warning case collection, “Insatiable Greed in Transactions” warning education film, as well as the integrity culture educational short video, infographics, etc. The Group released “Welcome National Day, Celebrate Mid-Autumn Festival”, “Integrity Atmosphere during Double Festivals” and other integrity propaganda short videos and integrity infographics on “China Comservice Hongyun” official Wechat account, with a total of 21 pieces. The Group established integrity culture corner and columns in the digital intelligent supervision system and published 903 pieces of short videos, photography, calligraphy and painting works and other types of educational materials, which formed “source of fresh water” of integrity culture educational materials, and created a regular and long-term effect, solid cultivation of integrity culture missionary mechanism.



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 2024, 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 6,108 active interviews, and conducted 3,802 on-site supervisions and inspections at major festivals and nodes. The Group integrated all kinds of supervision efforts from human resources, audit, risk management, business and finance, etc. and established 4 major supervision systems and 8 collaborative mechanisms, optimizing a synergistic and efficient enterprise general supervision system, and promoting 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 strictly implements the Working Rules of Discipline Inspection and Supervision Agencies for Handling Reports and Complaints, handles reports and complaints in accordance with regulations, disciplines and laws, strictly implements the confidentiality requirements, and effectively protect the rights of the whistleblowers.

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

Education Activities for Anti-corruption and Integrity Promotion

2024	
No. of trainings	Person-times
1,965	**65,316**
2023: 1,426	2023: 46,322

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, formulate an annual monitoring plan checklist to 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 implementation measures to further strengthen work style construction, and persevere in alleviating and reducing the burdens on the grassroots. Extraordinarily promote the special rectification of unhealthy work styles and corruption issues around the masses, resolved 145 issues that the masses are "urgently concerned about, have difficulty to solve, worry about, and eagerly hope for", and enhance the sense of gain, happiness, and security of grassroots employees.

Warning Education Enhancement

By conducting warning education meetings level by level, we compiled a collection of cautionary cases titled "Discipline Defined by Cases, Long-lasting Alarm Bell" 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 to strive to give back to society and contribute to the building of a harmonious society.

Communications Support for Major Events

Supporting Shenzhou-19

One week before the launch of "Shenzhou-19" manned spacecraft, Gansu company of the Group formally activated the emergency communications support plan, determined the supporting personnel and organized the supporting materials to set up the emergency support vanguard team. 24 hours before the launch of "Shenzhou-19" manned spacecraft, the emergency support vanguard team stationed at the site, inspected the base stations involved in the supporting zone one by one, eliminated the faults such as the dynamic ring being offline, and checked the power supply situation at all times to ensure the smooth operation of the regional network.

Support for the China International Import Expo (CIIE) for Seven Consecutive Years

1. **Wireless network coverage**

   Shanghai Posts and Telecommunications Designing Consulting Institute Co., Ltd, a subsidiary of the Group, tested and optimized the networks of the venues related to the event. It organized a communications design service team for the event, docked with operators and construction parties, completed the design plan, guided the construction unit in on-site installation and construction, laid, fused and activated fiber optic cables, and ensured the stable coverage of wireless network signals at the site of the event and the relevant key scenarios.

2. **Live broadcast optical cable project**

   Shanghai Telecom Science & Technology Development Co., Ltd., a subsidiary of the Group, undertook the optical cable project for the live video broadcast of China Central Television (CCTV) and the task of activating network in the new media broadcasting hall. It focused on safeguarding the "Beijing-Shanghai" dedicated lines and broadband services. At the same time, it strengthened the comprehensive inspection of communications resources related to live broadcast venues, broadcast vehicles, etc., to ensure that the optical cable lines were always in good working condition.

3. **Communications maintenance of 2,200 kilometers**

   The support team from Shanghai Gonglian Communication Information Development Co., Ltd., a subsidiary of the Group, was on duty for 24 hours a day. The long-distance trunk line inspection team collaborated with partner units to conduct inspections on the long-distance lines and optical cables across the city, covering a distance of approximately 2,200 kilometers.

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 2024, the Group contributed resources including a total of over 147,600 person-times and 53,800 vehicle-times, repaired more than 157,500 communications facilities and participated in disaster relief for more than 282,400 hours, while actively participating in post-disaster pandemic prevention and disinfection as well as environmental clean-up.

Low-temperature, Snowy and Icy Disasters in Southern Regions

A wide range of low-temperature, snowy, and icy weather conditions occurred in Hunan Province. Affected by the low-temperature, snowy, and icy weather, the communications infrastructure in many places suffered from numerous fallen and broken poles due to the snow disaster.

The Hunan company, a subsidiary of the Group, took up the challenge in the cold weather. It traveled through the icy roads, carried out emergency repairs on base stations and optical cables, and endeavored to ensure smooth communication. A total of 12,414 person-times of construction workers and 3,951 vehicle-times of production vehicles were contributed. A total of 13,801 faulty sites (ODN and base stations) were restored.

Earthquake in Aksu Region, Xinjiang

A 7.1 magnitude earthquake occurred in Wushi County, Aksu Region, Xinjiang Uygur Autonomous Region. After the earthquake, the Xinjiang company, a subsidiary of the Group, promptly activated the emergency response mechanism and formed a rescue team to rush to the earthquake-affected areas immediately to carry out emergency communications supporting work.

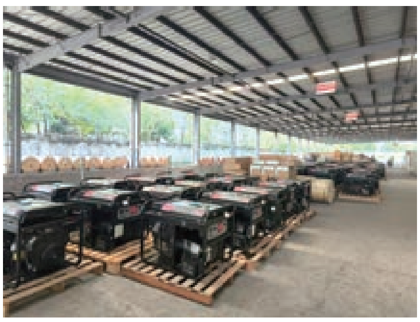
Large-scale Mountain Fire in Yajiang Area, Sichuan Province

A large-scale mountain fire broke out suddenly in Yajiang County and Shade Town of Garze Tibetan Autonomous Prefecture, resulting in a large-scale power outage in Garze Prefecture. Communications services in many areas such as Jiulong County, Shade in Kangding City, and Xinduqiao were hindered. The Sichuan company, a subsidiary of the Group, activated the emergency response plan for unexpected incidents immediately, dispatched emergency repair vehicles overnight, and urgently headed to the front line of the disaster-stricken area to carry out communications emergency repair work.

Fighting against Typhoon "Yagi" and Supporting the Communications Lines in Hainan

The super typhoon Yagi landed in Wenchang City, Hainan Province, causing serious losses to the communications facilities and services across the whole province of Hainan, including flooding in a large number of machine rooms, power outage in groups of base stations, and damage in countless pieces of equipment.

The emergency command and dispatching team for Typhoon Yagi at the headquarters of the Group coordinated the forces of multiple parties immediately, urgently assembled 342 teams from 11 provincial companies including Guangdong, Hunan, Jiangxi, Hubei, Guangxi, Guizhou, and China Comservice Construction Co., Ltd. These teams rushed to Hainan overnight to carry out communication repair work. A total of more than 14,000 person-times of communications support personnel were contributed, more than 4,500 vehicle-times were deployed, and more than 2,500 machine-times of various instruments, meters, and generators were dispatched.



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 2024", 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 monthly basis, and established a monthly report account to supervise and guide all provincial companies to complete various work arrangements for rural revitalization on a monthly basis to ensure that annual task targets are fully completed.

Targeted Assistance

The Group actively cooperated with the China Charity Federation, a third-party organization. In 2024, it introduced RMB1.2 million of gratuitous assistance funds from a third party for the targeted assistance in Shufu County, Xinjiang. The total amount of funds continued to grow, effectively facilitating the implementation of rural revitalization work at the targeted assistance areas.

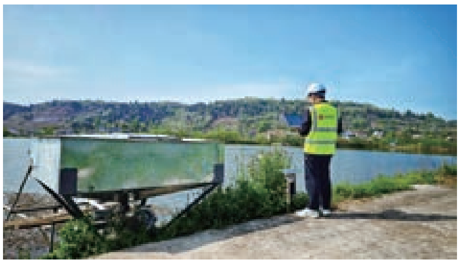
Consumption-based Assistance

In 2024, the Group actively carried out consumption-based assistance work, effectively fulfilled its social responsibilities and the duties as a state-owned enterprise. It organized the labor unions of its subordinate provincial-level companies to purchase agricultural and sideline products from 4 targeted assistance counties through the Tianhu Yunshang platform and the Comservice Express platform. A total of RMB38.99 million was spent on purchasing products for consumption-based assistance, with a per capita purchase amount of RMB350, exceeding the target set by the Group and made contributions to the increment of the Group's performance.

Empowering Rural Revitalization with Technology

1. **"Smart Fisheries"**

   The "Smart Fisheries" project of the Sichuan company, a subsidiary of the Group, further integrates digital technology into the field of agricultural production. It has created a "smart Cloud Aquaculture Management System", which, together with detection sensors, sensing and control devices, and automatic execution terminal devices, realizes the automated management of the entire process of single aquatic product aquaculture. This makes the aquaculture process entirely visible, and the management of the digital and intelligent aquaculture system can be achieved with just a few taps of the finger.



2. **Rectification of Rural Pole and Line Assets**

   The rural pole and line asset rectification project carried out by the Zhejiang company, a subsidiary of the Group, is an intelligent measure to solidly promote the improvement of the rural living environment. Supported by technologies such as the Internet of Things and big data, it realizes the digital management of rural pole and line assets, improves management efficiency, and reduces maintenance costs. The project also promotes the practice of "integration of multiple poles and integration of multiple boxes", eliminating phenomena such as "multiple poles standing in disorder" and "dense lines", reducing the costs of urban management, and improving the intensity of rural infrastructure.

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, utilize platforms such as the "Digital Union" to timely understand employees' needs, thoughts, and expectation, and find ways and means to solve the urgent, difficult and worrying problems of employees, in order 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

The First Employee Badminton Competition of China Comservice

The labor union of the Group sponsored, and the labor unions of Fujian company and Hainan company, subsidiaries of the Group, undertook the "First Employee Badminton Competition of China Comservice". A total of 210 employees from 25 participating teams of various provincial-level subsidiaries of the Group took part in the competition.


Singing Competition Organized by Guangdong Company

On the occasion of the 75th anniversary of the founding of the People's Republic of China, the Guangdong company, a subsidiary of the Group, held a singing competition with the theme of "Hundreds, Thousands and Ten Thousands".


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.

Reunion under Full Moon during Mid-Autumn Festival

Each overseas company of the Group held Mid-Autumn Festival celebration activities to celebrate the Mid-Autumn Festival for overseas employees.

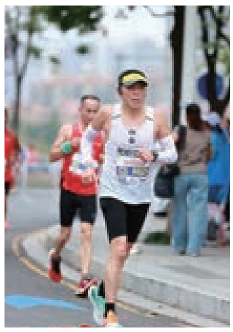
Employee Marathon

Hunan Comservice bravely participated in the event in Zhangjiajie, "sped ahead" on the marathon track and won the championship

The labor union of the Hunan Company, a subsidiary of the Group, organized 7 employees from the company's "running team" to participate in the "2024 Zhangjiajie Marathon". Eventually, they won the team championship with a total marathon time of 11 hours 35 minutes and 27 seconds.

The "Horse Gang" of Comservice running in Spring

The Zhejiang company, a subsidiary of the Group, organized its employees to participate in the "2024 Zhejiang Marathon Relay Race" and won the third place in the category of Communications Industry.



Visiting Grassroots Units during the Spring Festival to Give Warm to the Strivers

On the occasion of the Spring Festival in 2024, the Guangdong company, a subsidiary of the Group, and its labor union carried out a Spring Festival caring and consolation activity. They visited representatives of front-line employees, model workers and craftsmen, science and technology experts, outstanding young persons, employees in need, and employees on long-term business trips, sending them best wishes and regards for the Spring Festival.

"Digital Transformation, Youth Takes the Lead", Digital Application Promotion Seminar

In order to accelerate the pace of the enterprise's digital transform
communications platform, enhance the digital thinking ability of young e
the Guangxi company, a subsidiary of the Group, held a digital application
Transformation, Youth Takes the Lead".

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 2024, the Company further strengthened its investor relations' initiatives under the principles of high transparency, accuracy, timeliness, fairness and effectiveness.

INVESTOR RELATIONS WORK OVERVIEW

In 2024, digital economy developed rapidly, which has become an important support and key driver to the development of new quality productive forces. By seizing the opportunities arising from the deep integration of digital technology with the real economy, as well as digitalization and intelligentization, taking technological innovation as the lead, the Company continued to deeply expand into the strategic emerging industries, and achieved stable revenue during the year. Coupled with the effective implementation of quality and efficiency enhancing measures, the Company's operating efficiency continued to improve steadily. While striving to enhance its operating results and shareholders' returns, the Company was also devoted to improving information disclosure, enhancing transparency and elaborating on its development strategies, initiatives and results. Meanwhile, 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 in the Company's value and future prospects. As a result of the above efforts, the Company's investor relations still achieved positive results during the year despite the challenges in the macroeconomy and the volatility of the stock market. Among which, the Company's share price significantly outperformed the market for the second consecutive year in 2024, with an increase in the number of securities firms covering the Company, as well as further diversification of shareholder mix. Moreover, the Company received a number of awards related to investor relations in the capital market.

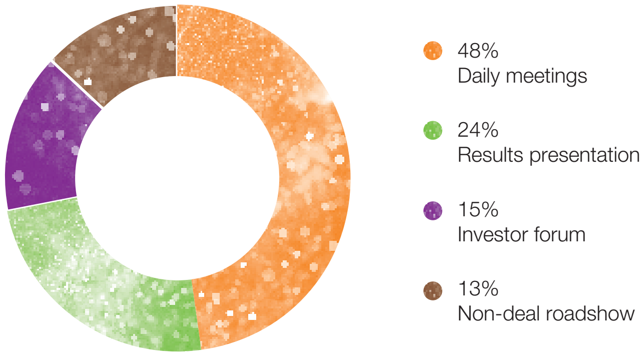
INVESTOR RELATIONS ACTIVITIES

In 2024, 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 brokerage firms, so as to continually enhance the communication with the capital market. During the year, the Company's chairman, president and other relevant management participated in the results briefings in person and had in-depth communication with investors; the Company's independent non-executive directors also joined the results briefing to better understand investors' concern about the Company. In addition to the on-site meetings for investors to participate in the results briefing in person, the Company also provided various access channels such as telephone and online platform, so that investors in different regions had the opportunity to communicate with management in real-time through online means. During the year, the Company held approximately 110 meetings through the above channels, and communicated with analysts and investors for approximately 600 person-times, representing a significant increase as compared to last year. Meanwhile, we also strengthened the use of website and social media to release information related to the Company's latest business development. During the year, we newly added strategic emerging businesses and relevant key cases library of the four strategic emerging areas to the Company's website for its information disclosure. We also published the key messages of our 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 fully understand the 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 for the Company's management to stay attuned to market dynamics and proactively respond to market concerns, formulate operation, management and development strategies, to facilitate the sustainable development of the Company and enhance its long-term value.

2024 Annual Results Presentation

Attendance Analysis of Investor Relations Activities in 2024



List of Investor Relations Activities of the Company in 2024

Date	Event
1/2024	Citi 2024 China Technology and Telecom Corporate Day
3/2024	2023 Annual Results Announcement
	— Analyst Briefing
	— Press Conference
3/2024	Non-deal Roadshow
5/2024	Zhongtai Securities Spring Listed Company Conference 2024
5/2024	Non-deal Roadshow
5/2024	CITICS "Artificial Intelligence and Technology Manufacturing" Forum and Listed Company Conference
6/2024	Nomura Investment Forum Asia 2024
6/2024	Morgan Stanley China TMT Conference
6/2024	CICC Investment Strategy Conference 2H24
8/2024	2024 Interim Results Announcement
	— Analyst Briefing
	— Press Conference
8/2024	Non-deal Roadshow
9/2024	Everbright Securities Autumn Listed Company Conference 2024
9/2024	Nomura China Investor Forum 2024
11/2024	Everbright Securities Investor Conference 2025
11/2024	China Merchants Securities Annual Listed Company Conference
11/2024	Non-deal Roadshow
11/2024	Daiwa Investment Conference Hong Kong 2024
12/2024	Zhitong Finance Spring Strategy Conference

SHAREHOLDING STRUCTURE

In 2024, 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. By referencing to the above information, the Company compiled a target list of major investors and actively approached shareholders as well as potential investors, which focused 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 2024, 16.1% 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 by more than double compared with 7.2% at the end of 2023, 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 2024

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.

2.41%
FMR LLC

32.12%
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

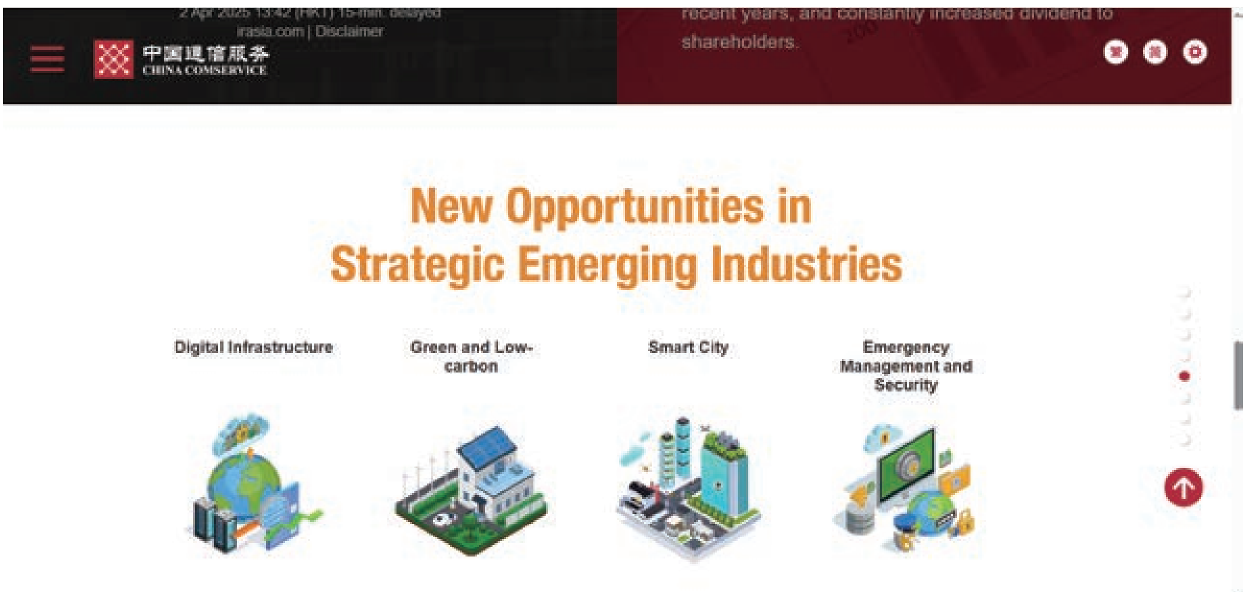
The Company has strictly complied with the information disclosure requirements for listed companies and has considered information disclosure as the responsibility and obligation that must be discharged for the protection of investors' interest. We have made information disclosure with consistent adherence to the principles of accuracy, timeliness, openness and fairness and dedicate to improving the overall quality of the Company's 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 2024, in accordance with the Listing Rules, the Company published approximately 38 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:

05/01/2024	Circular of Proposed Appointment of Directors and Supervisor and Notice of the EGM
05/01/2024	Notice of the Extraordinary General Meeting
30/01/2024	Announcement of Poll Results of the Extraordinary General Meeting held on 30 January 2024 and Appointment of Directors and Supervisor
30/01/2024	Announcement of Appointment of Chairman
30/01/2024	Announcement of List of Directors and their Role and Function
14/03/2024	Announcement of Date of Board Meeting to Approve 2023 Annual Results
27/03/2024	Announcement of Annual Results for the Year Ended 31 December 2023
26/04/2024	Annual Report 2023
26/04/2024	Notice of Annual General Meeting
29/05/2024	Notification Letter and Reply Form to Registered Shareholders/Non-Registered Shareholders – Arrangement of Electronic Dissemination of Corporate Communications
31/05/2024	Announcement of Resignation of Director, Proposed Appointment of Director and Change of Important Executive Positions
31/05/2024	Announcement of List of Directors and their Role and Function
03/06/2024	Circular of Proposed Appointment of Executive Director and Supplemental Notice of the AGM
03/06/2024	Supplemental Notice of the Annual General Meeting
18/06/2024	Announcement of Change of Principal Place of Business in Hong Kong
18/06/2024	Announcement in Relation to the Withdrawal of a Resolution at the Annual General Meeting
20/06/2024	Announcement of Poll Results of the 2023 Annual General Meeting, Payment of Dividend and Appointment of Executive Director
20/06/2024	Announcement of List of Directors and their Role and Function
12/07/2024	Announcement of Renewal of Continuing Connected Transactions and Major Transactions under the Financial Services Framework Agreement
01/08/2024	Announcement of Delay in Despatch of Circular
13/08/2024	Announcement of Date of Board Meeting to Approve 2024 Interim Results
16/08/2024	Circular of Renewal of Continuing Connected Transactions and Major Transactions under the Financial Services Framework Agreement and Notice of the EGM
16/08/2024	Notice of the Extraordinary General Meeting
27/08/2024	Announcement of Proposed Appointment of New Auditors
27/08/2024	Announcement of Interim Results for the Six Months Ended 30 June 2024

13/09/2024	Interim Report 2024
16/10/2024	Announcement on Postponement of the Extraordinary General Meeting and Change of Book Closure Period
16/10/2024	Announcement of Resignation of Director, Proposed Appointment of Director and Change of Important Executive Positions
16/10/2024	Announcement of List of Directors and their Role and Function
16/10/2024	Announcement of Renewal of Continuing Connected Transactions and Proposed New Annual Caps
05/11/2024	Announcement of Delay in Despatch of Circular
21/11/2024	Circular of Renewal of Continuing Connected Transactions, Proposed Appointment of New Auditors, Proposed Appointment of Executive Director and Supplemental Notice of the EGM
21/11/2024	Supplemental Notice of the Extraordinary General Meeting
10/12/2024	Announcement of Poll Results of the Extraordinary General Meeting Held on 10 December 2024, Appointment of Auditors and Appointment of Executive Director
10/12/2024	Announcement of List of Directors and their Role and Function
23/12/2024	Announcement of Resignation of Non-Executive Director
23/12/2024	Announcement of List of Directors and their Role and Function
27/12/2024	Announcement on Matter Relating to Rule 13.92 of the Listing Rule

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 responsibility 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 updates the content of the website in a timely manner to keep the capital market abreast of the Company's latest development.



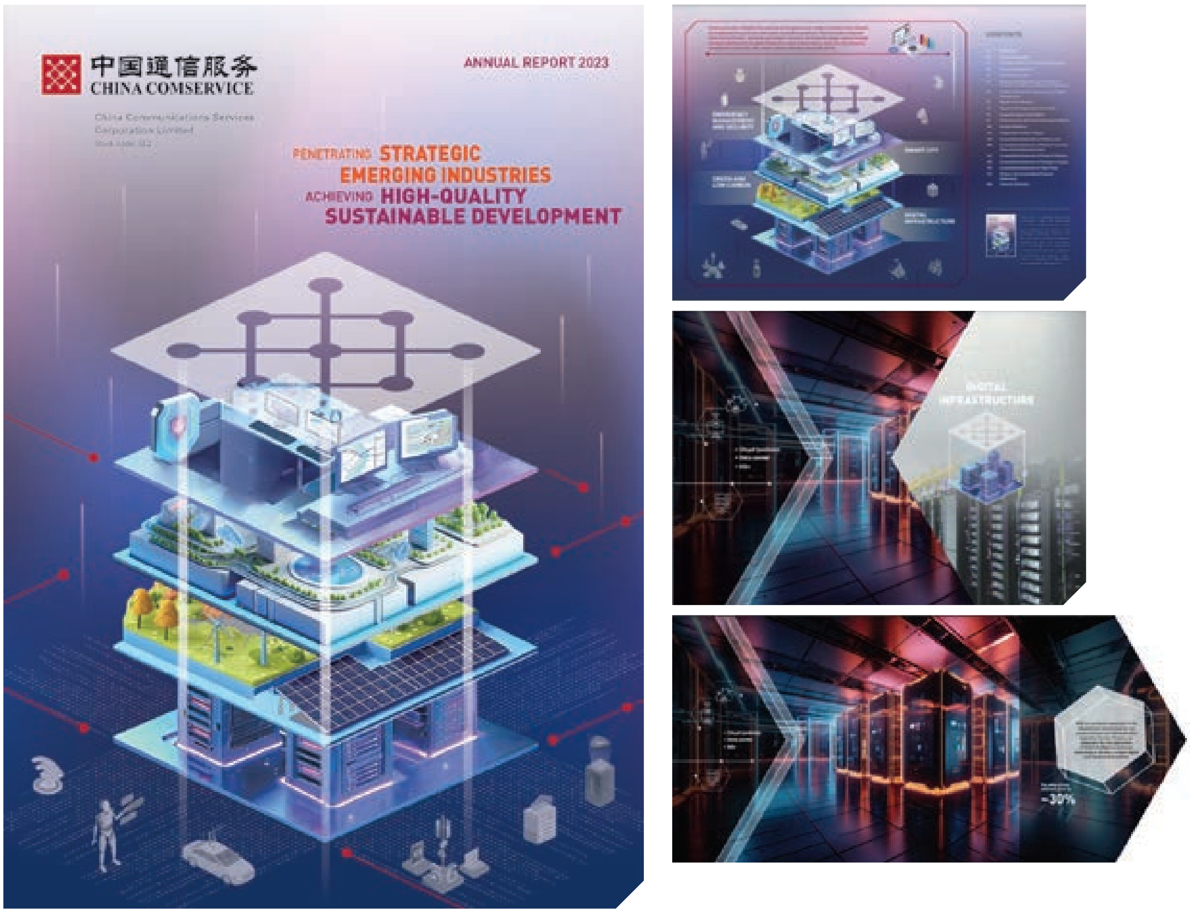
In 2024, in order to present the Company's latest developments and business highlights more clearly, the Company updated the design of investor relations website, adding a new section on the homepage to showcase the Company's new opportunities in strategic emerging industries. We also added new webpages to provide detailed presentation of the development of the four major sectors, including "Digital Infrastructure", "Green and Low-carbon", "Smart City", and "Emergency Management and Security", showcasing the key cases in graphics and text to enable investors to have a more comprehensive understanding of the Company's latest business development. The redesign of the website has been highly recognized by investors and the industry, and received a silver award in "2024 iNOVA Awards", a prestigious international award.

In addition, annual report plays a significant role in information disclosure. It 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 2024, the Company published its 2023 annual report with the design theme of "Penetrating Strategic Emerging Industries, Achieving High-quality Sustainable Development". The cover is centered around the Company's logo and presented in a three-dimensional way. Each layer represents a sector in the strategic emerging industry that the Company strives to develop, reflecting that the Company leverages its integrated comprehensive service capabilities to penetrate key sectors, with a view to achieving its high-quality and sustainable development.

The production and design of the 2023 annual report of the Company were recognized by a number of international award organizations. In 2024, the Company received “Platinum Award”, “Best Report Cover” and ranked 38th in the Top 100 Reports Worldwide of the “Vision Awards” by “The League of American Communications Professionals” (LACP), and also received multiple awards in “International ARC Awards”, including 3 Gold Awards of “Cover Photo & Design”, “Interior Design” and “Printing & Production”.

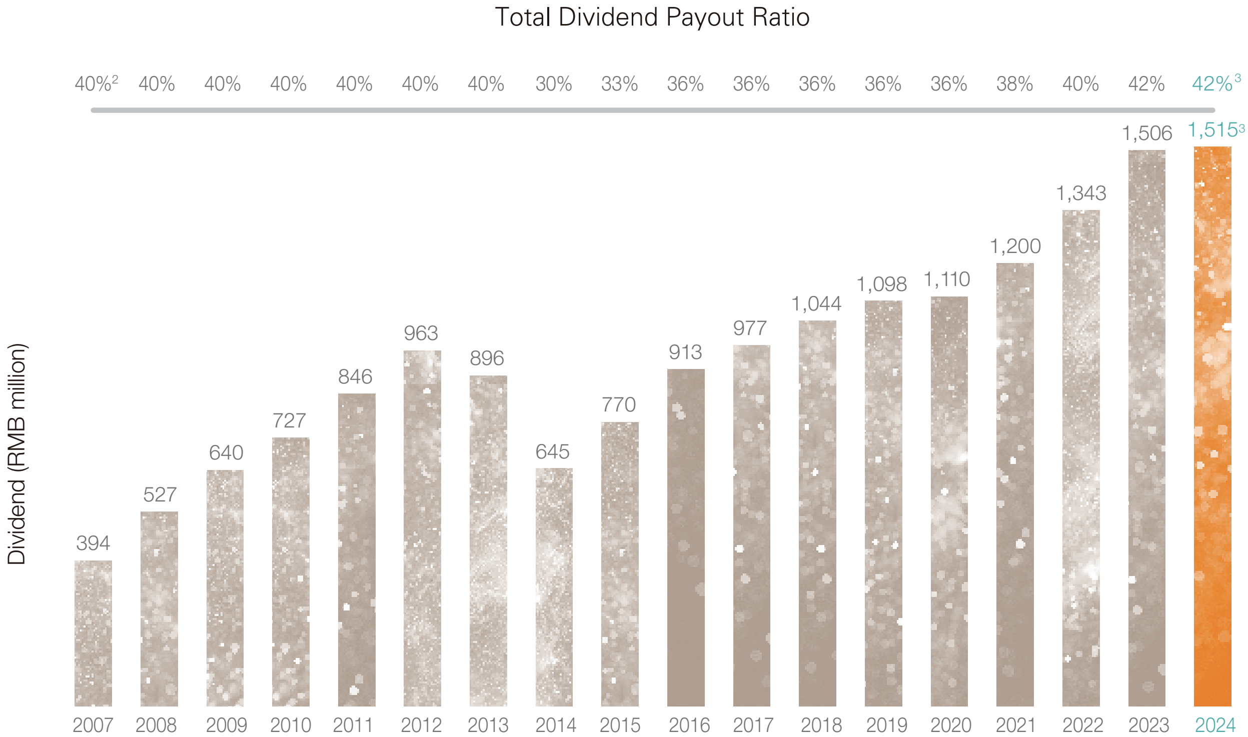
The Company’s 2023 Annual Report Design



DIVIDEND

The Company has always valued the interests and returns to shareholders since its listing in 2006. The Company determines the dividend for the year after considering factors such as the Company's results performance, financial position, cash flow, long-term development and business needs and other investment opportunities, as well as capital market expectation. In 2024, the Board has proposed a final dividend of RMB0.2187 per share[3], representing a dividend payout ratio of 42%.

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 2024 annual general meeting to be held on 29 May 2025.

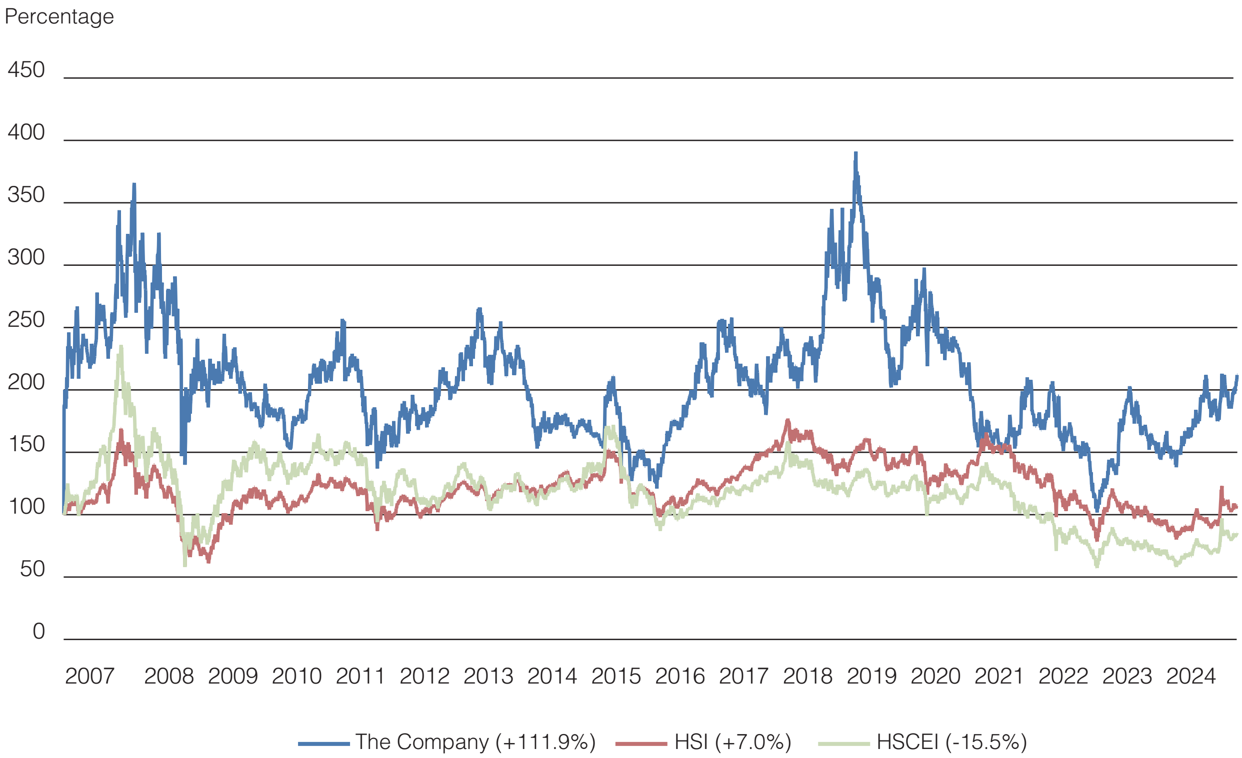
SHARE PRICE PERFORMANCE

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 has 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 2024



In 2024, amid the impact from the news of the resumption of the interest rate reduction cycle and the presidential election in the United States, as well as China's macroeconomic situation, the Hong Kong stock market experienced certain fluctuations during the year. However, driven by positive news such as a series of stimulus policies on economy and capital market launched by the Chinese government during the year, the Hong Kong stock market reversed the downward trend for four consecutive years in 2024, with Hang Seng Index rising by 3,012 points, representing an increase of 17.7% for the whole year. Among which, Chinese enterprises with low valuation, solid operating results and high dividend were particularly favoured by investors, and the Company also benefited. In 2024, the Company continued to capitalize on the opportunities from the digital economy, proactively deployed in strategic emerging industries and continuously promoted quality and efficiency improvement, thereby achieving solid results and improvement in operating efficiency while increasing dividend returns to shareholders during the year. As a result of these measures and achievements, the Company's share price increased by 40.7% year-on-year, significantly outperforming the market in 2024.

2024	Highest	Lowest	Closing
Price per H share of the Company (HK$)	4.65	2.92	4.56

Share Price Performance of the Company in 2024

(Performance relative to indexes)

From 1 January 2024 to 31 December 2024

As at 31 December 2024, 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$4.56 as of 31 December 2024, the Company's total market capitalization was about HK$31.6 billion.

MAJOR AWARDS AND RECOGNITIONS FROM THE CAPITAL MARKET IN 2024

Institutional Investor

"2024 Asia Pacific (Ex-Japan) Executive Team"

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

The Asset

"The Asset ESG Corporate Awards 2024"

- Gold Award
- Best Investor Relations Team Award

RoadshowChina and Excellence IR

"8th China IR Annual Awards"

- Best Value Creation Award
- Best Capital Market Communication Award

MerComm Inc

"2024 iNOVA Awards"

- Silver Award in "Redesign/Relaunch — Investor Relations Website"

LACP

"Vision Awards"

- Platinum Award
- Best Report Cover
- Rank 38th in the Top 100 Annual Reports Worldwide

Corporate Governance Asia

"14th Asian Excellence Award"

- Asia's Best CEO
- Asia's Best CFO
- Best Investor Relations Company
- Sustainable Asia Award

Forbes

"2024 Forbes Global 2000"

- Rank the 1,429th

Hong Kong Ta Kung Wen Wei Media Group

The 14th China Securities "Golden Bauhinia Awards"

- Excellence in High-quality Development of Listed Company

Zhitong Finance and Xinzhi Fund Network

"9th Zhitong Finance Listed Company Awards"

- Best TMT Company

MerComm Inc

"International ARC Awards"

- Gold Award in "Cover Photo & Design"
- Gold Award in "Interior Design"
- Gold Award in "Printing & Production"

RECOGNITIONS AND HONOURS IN THE CAPITAL MARKET

The Company has always been 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", "Hang Seng China Central SOEs Index", "Hang Seng SCHK Central SOEs Value Index" and others. The Company emphasizes shareholder returns, and it has been newly included in "Hang Seng SCHK China Central SOEs High Dividend Yield Index" in 2024. The Company has been optimizing its ESG performance. In 2024, it continued to be a constituent of "Hang Seng Corporate Sustainability Benchmark Index", "Hang Seng SCHK China Central SOEs ESG Leaders Index" and others.

The Company has been also recognized by a number of major brokerage firms with favorable ratings. In 2024, three mainland China's brokerage firms initiated in-depth research reports on the Company and one international brokerage firm upgraded the Company's investment rating. During the year, about ten international and mainland brokerage firms 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 2024, international and authoritative institutions such as *Institutional Investor*, *Corporate Governance Asia*, *The Asset* and *Forbes*, offered recognitions and awards to the Company in respect of its corporate management, ESG and investor relations. Among which, the Company received the "Most Honored Company", "Best CEO", "Best CFO", "Best IR Program", "Best ESG" and other awards in the "2024 Asia Pacific (Ex-Japan) Executive Team" rankings by *Institutional Investor*; the "Asia's Best CEO", "Asia's Best CFO", "Best Investor Relations Company" and "Sustainable Asia Award" in the "14th Asian Excellence Award" held by *Corporate Governance Asia*, a corporate governance magazine in Asia; the "Gold Award" and "Best Investor Relations Team Award" in "The Asset ESG Corporate Awards 2024" organized by *The Asset*. The Company was honored with the award of "Excellence in High-quality Development of Listed Company" in the 14th China Securities "Golden Bauhinia Awards"; "Best TMT Company" award in the "9th Zhitong Finance Listed Company Awards"; the "Best Value Creation Award" and "Best Capital Market Communication Award" in the "8th China IR Annual Awards". Meanwhile, the Company's ESG performance has also been well recognized, it has been admitted to "Hang Seng Corporate Sustainability Benchmark Index" for three consecutive years. In addition, the Company was ranked the 1,429th in the "2024 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 2801 & 09–10, 28/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Telephone: (852) 3699 0000
Email: ir@chinaccs.com.hk

To the Shareholders of
China Communications Services Corporation Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Communications Services Corporation Limited (the "company") and its subsidiaries (the "group") set out on pages 187 to 266, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB") 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 are independent of the group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 (continued)

Revenue recognition of construction services

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(q).

The Key Audit Matter	How the matter was addressed in our audit
The group's revenue derived from construction services amounted to RMB60,673 million in 2024, which accounted for 40.4% of the group's total revenue during the year. Such revenue is provided to a large number of customers in different industries. The group generally recognises revenue over a period of time according to the progress towards completion agreed with the customers based on the output method. We identified the revenue recognition of construction services as a key audit matter because of its significance to the consolidated financial statements.	Our audit procedures in relation to revenue recognition of construction services included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition of construction services; • inspecting construction service contracts with customers, on a sample basis, to understand the major terms agreed with respective customers to assess the appropriateness of the group's revenue recognition policies with reference to the requirements of the prevailing accounting standard; • comparing, on a sample basis, revenue recorded during the financial reporting period with certificates of the progress towards completion, project settlement statements or other relevant underlying documents which contained evidence of progress towards completion agreed with the customers, and assessing if the related revenue was properly recognised based on the progress towards completion; and • assessing, on a sample basis, whether specific revenue transactions recorded before and after the end of reporting date had been recognised in the appropriate financial period by inspecting certificates of the progress towards completion, project settlement statements and other relevant underlying documents which contained evidence of progress towards completion agreed with the customers.

Key Audit Matters (continued)

Expected credit losses of accounts receivables and contract assets

Refer to Note 28, 29, 44(a) and 45 to the consolidated financial statements and the accounting policies in Note 2(l).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024 the gross carrying amounts of accounts receivables and contract assets amounted to RMB26,510 million and RMB38,294 million, respectively, with loss allowances for expected credit losses ("ECL") amounted to RMB2,624 million and RMB526 million, respectively. Management measures the ECL allowances at an amount equal to lifetime ECLs of accounts receivables and contract assets. Management assesses the ECL of accounts receivables and contract assets individually for debtors with significant risks. The ECLs for the remaining accounts receivable and contract assets are assessed collectively using a provision matrix. When measuring ECL, management considers credit losses incurred in the past and adjusts it by taking into consideration of the present conditions and forward-looking information. In assessing forward-looking information, management considers factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. Such assessment involves a significant degree of management judgement.	Our audit procedures to assess the ECL allowances of accounts receivables and contract assets included the following: • assessing the design and implementation of key internal control relating to management assessment of ECL of accounts receivables and contract assets; • evaluating the group's accounting policies and methods for estimating the ECL allowances with reference to the requirements of the applicable accounting standard; • assessing the appropriateness of management's estimation of loss allowances for ECL of accounts receivables and contract assets of individual debtors with significant risks by inspecting, 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; • obtaining an understanding of the key data and assumptions of the ECL model adopted by management on debtors assessed collectively, including the basis of segmentation of accounts receivables based on credit risk characteristics, historical default data used in management's estimation of loss rate and forward-looking information;

Key Audit Matters (continued)

Expected credit losses of accounts receivables and contract assets (continued)

Refer to Note 28, 29, 44(a) and 45 to the consolidated financial statements and the accounting policies in Note 2(l).

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment for the ECL allowance of accounts receivables and contract assets as a key audit matter because the balances of accounts receivables and contract assets are material to the group's consolidated financial statements and determining the level of the loss allowance for ECL requires the exercise of management judgement.	• assessing the appropriateness of management's estimation of ECL allowances of accounts receivables and contract assets on debtors assessed collectively by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • assessing, with the assistance of our internal valuation specialists, the basis adopted by management in determining the adjustment for forward-looking information; • assessing, on a sample basis, whether items in the accounts receivables and contract assets ageing report were categorised in the appropriate ageing bands; and • re-performing the calculation of the ECL allowances as at 31 December 2024, on a sample basis, based on the group's loss allowance policies.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all 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 the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Audit Committee, 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 Chu Man Wai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenues	4	**150,000,103**	148,614,676
Cost of revenues	5	**(132,403,882)**	(131,357,426)
Gross profit		**17,596,221**	17,257,250
Other income	6	**1,712,204**	1,932,223
Selling, general and administrative expenses		**(15,054,014)**	(14,913,046)
Other expenses	7	**(187,212)**	(169,549)
Finance costs	8	**(105,515)**	(113,734)
Share of profits of associates and joint ventures	22	**149,149**	116,338
Profit before tax	9	**4,110,833**	4,109,482
Income tax	10	**(357,436)**	(377,805)
Profit for the year		**3,753,397**	3,731,677
Attributable to:			
Equity shareholders of the company		**3,606,861**	3,584,391
Non-controlling interests		**146,536**	147,286
		3,753,397	3,731,677
Basic/diluted earnings per share (RMB)	11	**0.521**	0.518

The notes on pages 194 to 266 from part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 15(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Profit for the year		**3,753,397**	3,731,677
Other comprehensive income 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		**775,411**	103,919
Remeasurements of defined benefit plans		**(150)**	(90)
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		**(18,023)**	(4,202)
		757,238	99,627
Total comprehensive income for the year		**4,510,635**	3,831,304
Attributable to:			
Equity shareholders of the company		**4,364,828**	3,683,969
Non-controlling interests		**145,807**	147,335
		4,510,635	3,831,304

The notes on pages 194 to 266 from part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment, net	16	5,910,252	6,082,260
Right-of-use assets	17	2,020,473	2,245,135
Investment properties	18	1,730,368	1,700,230
Construction in progress	19	1,074,572	883,465
Goodwill	20	103,005	103,005
Intangible assets	21	794,529	745,830
Interests in associates and joint ventures	22	1,377,552	1,343,796
Financial assets at fair value through profit or loss	31	385,070	342,301
Equity instruments at fair value through other comprehensive income	23	4,500,818	3,473,580
Deferred tax assets	24	1,037,039	1,019,736
Deposits at financial institutions with original maturity more than one year	25	12,170,901	5,888,447
Other non-current assets	26	840,012	1,008,969
Total non-current assets		31,944,591	24,836,754
Current assets			
Inventories	27	1,183,231	1,196,945
Accounts and bills receivables, net	28	25,296,205	23,921,258
Contract assets, net	29	37,767,809	28,584,146
Current portion of deposits at financial institutions with original maturity more than one year	25	3,603,728	3,498,709
Prepayments and other current assets	30	14,486,725	13,668,864
Financial assets at fair value through profit or loss	31	–	10,429
Short-term bank deposits and restricted cash	32	2,697,251	3,157,780
Cash and cash equivalents	33	19,638,036	22,914,865
Total current assets		104,672,985	96,952,996
Total assets		136,617,576	121,789,750
Current liabilities			
Interest-bearing borrowings	34	706,249	807,499
Accounts and bills payables	35	65,894,889	53,426,398
Current portion of lease liabilities	36	454,967	487,758
Contract liabilities	37	9,190,050	9,527,291
Accrued expenses and other payables	38	11,420,957	11,642,004
Income tax payable		287,567	354,095
Total current liabilities		87,954,679	76,245,045
Net current assets		16,718,306	20,707,951
Total assets less current liabilities		48,662,897	45,544,705

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current liabilities			
Interest-bearing borrowings	34	–	53,557
Lease liabilities	36	868,286	1,028,872
Other non-current liabilities	39	242,025	118,207
Deferred tax liabilities	24	939,434	676,368
Total non-current liabilities		2,049,745	1,877,004
Total liabilities		90,004,424	78,122,049
Equity			
Share capital	40	6,926,018	6,926,018
Reserves		38,509,853	35,650,741
Equity attributable to equity shareholders of the company		45,435,871	42,576,759
Non-controlling interests		1,177,281	1,090,942
Total equity		46,613,152	43,667,701
Total liabilities and equity		136,617,576	121,789,750

The consolidated financial statements on pages 187 to 266 were approved and authorised for issue by the board of directors on 27 March 2025 and are signed on its behalf by:

Luan Xiaowei
Chairman and Executive Director

Shen Aqiang
Executive Vice President and
Chief Financial Officer, Executive Director

The notes on pages 194 to 266 from part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

		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 2024		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
Changes in equity for the year ended 31 December 2024													
Profit for the year		–	–	–	–	–	–	–	–	3,606,861	3,606,861	146,536	3,753,397
Other comprehensive income for the year		–	–	–	–	–	776,210	(18,093)	(150)	–	757,967	(729)	757,238
Total comprehensive income for the year		–	–	–	–	–	776,210	(18,093)	(150)	3,606,861	4,364,828	145,807	4,510,635
Dividend declared	15(b)	–	–	–	–	–	–	–	–	(1,505,716)	(1,505,716)	–	(1,505,716)
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(59,468)	(59,468)
Appropriation		–	–	–	205,976	–	–	–	–	(205,976)	–	–	–
Appropriation of specific reserve		–	–	–	–	42,008	–	–	–	(42,008)	–	–	–
Others		–	–	–	–	–	2,145	–	–	(2,145)	–	–	–
Balance as at 31 December 2024		6,926,018	4,529,310	1,926,511	2,243,247	483,532	2,780,663	(44,447)	(68,550)	26,659,587	45,435,871	1,177,281	46,613,152
Balance as at 1 January 2023		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 for the year		–	–	–	–	–	103,919	(4,251)	(90)	–	99,578	49	99,627
Total comprehensive income 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		–	–	(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

The notes on pages 194 to 266 from part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Profit before tax	**4,110,833**	4,109,482
Adjustments for:		
Depreciation and amortisation	**1,675,378**	1,672,181
Impairment losses on accounts receivables, other receivables, contract assets and others, net	**514,792**	416,880
Impairment loss on right-of-use assets	**4**	2,264
Write-down of inventories, net	**11,839**	48,978
Interest income	**(665,373)**	(693,001)
Finance costs	**105,515**	113,734
Share of profits of associates and joint ventures	**(149,149)**	(116,338)
Dividend income	**(192,751)**	(177,746)
Investment income and fair value gains of financial instruments at fair value through profit or loss	**(25,091)**	(17,159)
Gain on disposal of an associate and other investments	**(49)**	(33,495)
Gain on disposal of property, plant and equipment, intangible assets, construction in progress and termination of lease, net	**(5,714)**	(14,722)
Foreign exchange (gain)/loss, net	**(8,449)**	15,734
Write-back of non-payable liabilities	**(64,612)**	(51,078)
Operating profit before changes in working capital	**5,307,173**	5,275,714
(Increase)/decrease in inventories	**(135,669)**	121,388
Increase in accounts and bills receivables	**(2,801,114)**	(3,990,766)
Increase in contract assets	**(9,394,874)**	(3,347,986)
Decrease/(increase) in prepayments and other current assets	**42,917**	(1,759,824)
Increase in accounts and bills payables	**13,607,063**	8,837,066
Decrease in contract liabilities	**(337,240)**	(1,340,684)
(Decrease)/increase in accrued expenses and other payables	**(113,220)**	1,654,858
Net cash inflow from operations	**6,175,036**	5,449,766
Interest paid	**(105,781)**	(115,730)
Interest received	**623,160**	441,343
Income tax paid	**(471,425)**	(419,132)
Net cash generated from operating activities	**6,220,990**	5,356,247

	Note	2024 RMB'000	2023 RMB'000
Investing activities			
Payments for purchase of property, plant and equipment, construction in progress and intangible assets		**(1,160,888)**	(1,218,388)
Proceeds from disposal of property, plant and equipment, construction in progress and intangible assets		**25,231**	27,111
Short-term bank deposits received/(paid)		**12,270**	(5,909)
Dividends received		**283,135**	265,272
Proceeds from disposal of equity instruments		**38,645**	88,417
Payments for acquisition of equity investments		**(14,540)**	(54,275)
Payments for acquisition of associates and joint ventures		**(8,354)**	(6,730)
Payments for acquisition of deposits at financial institutions with original maturity more than one year		**(9,600,300)**	(1,466,500)
Proceeds from deposits at financial institutions with original maturity more than one year		**3,259,452**	200,000
Payments for acquisition of a subsidiary		**–**	(18,453)
Others		**–**	73,951
Net cash used in investing activities		**(7,165,349)**	(2,115,504)
Financing activities			
Proceeds from bank and other loans		**403,904**	643,917
Payments for acquisition of equity interest held by the non-controlling interests		**–**	(369,925)
Repayments of bank and other loans		**(538,656)**	(657,843)
Repayments of lease liabilities		**(634,472)**	(613,206)
Dividends paid		**(1,572,562)**	(1,405,251)
Net cash used in financing activities		**(2,341,786)**	(2,402,308)
Net (decrease)/increase in cash and cash equivalents		**(3,286,145)**	838,435
Cash and cash equivalents at the beginning of year		**22,914,865**	22,087,661
Effect of foreign exchange rate changes		**9,316**	(11,231)
Cash and cash equivalents at the end of year	33	**19,638,036**	22,914,865

The notes on pages 194 to 266 from part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 informatisation and digitalisation. 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 2024, the directors of the company consider the immediate and ultimate holding company of the group to be CTC.

2. Material Accounting Policies

(a) Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). 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 IFRS Accounting Standards 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 2024 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 IFRS Accounting Standards 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 IFRS Accounting Standards 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)

(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.

2. Material Accounting Policies (continued)

(c) Basis of consolidation (continued)

(iii) Subsidiaries and non-controlling interests (continued)

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.

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.

2. Material Accounting Policies (continued)

(c) Basis of consolidation (continued)

(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.

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.

2. Material Accounting Policies (continued)

(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.

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.

2. Material Accounting Policies (continued)

(f) Property, plant and equipment (continued)

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.

(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.

2. Material Accounting Policies (continued)

(h) Intangible assets (other than goodwill) (continued)

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.

The estimated useful lives for the current and comparative periods are as follows:

Computer software and others	2–10 years

Both the period and method of amortisation are reviewed annually.

(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 receivables,
- 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.

2. Material Accounting Policies (continued)

(i) Leases (continued)

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.

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.

2. Material Accounting Policies (continued)

(i) Leases (continued)

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.

(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.

2. Material Accounting Policies (continued)

(j) Impairment of long-lived assets (continued)

– 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.

– 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.

2. Material Accounting Policies (continued)

(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 receivables 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.

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.

2. Material Accounting Policies (continued)

(l) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(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 do 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.

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 receivables, 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 is 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.

2. Material Accounting Policies (continued)

(l) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

The group always recognises lifetime ECL for accounts receivables, 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.

(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);
- 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).

2. Material Accounting Policies (continued)

(l) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(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.

(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 receivables 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.

2. Material Accounting Policies (continued)

(l) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) *Measurement and recognition of ECL (continued)*

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 receivables, 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.

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.

2. Material Accounting Policies (continued)

(l) Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities (continued)

(ii) Financial liabilities at amortised cost

Financial liabilities including interest-bearing borrowings, accounts and bills payables, 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.

(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.

2. Material Accounting Policies (continued)

(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.

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.

(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;

2. Material Accounting Policies (continued)

(q) Revenue from contracts with customers (continued)

- 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.

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.

2. Material Accounting Policies (continued)

(q) Revenue from contracts with customers (continued)

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.

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.

2. Material Accounting Policies (continued)

(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.

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.

2. Material Accounting Policies (continued)

(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.

(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 a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) 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);

2. Material Accounting Policies (continued)

(w) Related parties (continued)

(b) (continued)

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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 IFRS Accounting Standards issued by the IASB that are mandatorily effective for the current year:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* ("2020 amendments") and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* ("2022 amendments")
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The application of the above amendments to IFRS Accounting Standards in the current year has had no material effect on the group's consolidated financial statements.

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:

	2024 RMB'000	2023 RMB'000
Revenue from telecommunications infrastructure services	**75,172,237**	76,136,756
Revenue from business process outsourcing services	**43,459,018**	43,550,614
Revenue from applications, content and other services	**31,368,848**	28,927,306
	150,000,103	148,614,676

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 2024 amounted to RMB59,134 million and RMB13,041 million, respectively (2023: RMB54,399 million and RMB15,804 million, respectively) being 39.4% and 8.7% of the group's total revenues, respectively (2023: 36.6% and 10.6%, respectively). The revenues derived from areas outside Mainland China for the year ended 31 December 2024 amounted to RMB4,228 million (2023: RMB3,456 million).

4. Revenues (continued)

For the year ended 31 December 2024, the group's top three business lines that contributed to the overall revenues were construction included in telecommunications infrastructure services, system integration included in applications, content and other services and management of infrastructure for information technology included in business process outsourcing services, the revenues from which amounted to RMB60,673 million, RMB19,595 million and RMB18,755 million, respectively (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).

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 2024, the total transaction price of RMB124,459 million (31 December 2023: RMB115,882 million) allocated to the group's remaining performance obligations under existing contracts is expected to be recognised as revenue in 2025 and subsequent periods (31 December 2023: 2024 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

	2024 RMB'000	2023 RMB'000
Subcontracting charges	**80,405,717**	80,233,245
Materials costs	**25,579,237**	24,670,341
Direct personnel costs	**8,208,384**	8,644,005
Direct costs of products distribution	**2,815,082**	3,517,360
Expense relating to short-term leases and leases of low-value assets	**1,244,655**	1,255,813
Depreciation and amortisation	**1,025,761**	1,017,154
Others	**13,125,046**	12,019,508
	132,403,882	131,357,426

6. Other Income

	2024 RMB'000	2023 RMB'000
Interest income	**665,373**	693,001
Management fee income	**394,394**	393,803
Input tax credits	**31,865**	200,156
Government grants	**192,701**	264,214
Dividend income from equity instruments at FVTOCI	**192,751**	177,746
Write-back of non-payable liabilities	**64,612**	51,078
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	**20,909**	22,151
Net foreign exchange gain	**8,449**	–
Others	**141,150**	130,074
	1,712,204	1,932,223

7. Other Expenses

	2024 RMB'000	2023 RMB'000
Bank charges	**107,913**	93,687
Penalty charge and compensation	**40,075**	31,730
Net foreign exchange loss	**–**	15,734
Loss on disposal of property, plant and equipment, intangible assets	**15,196**	7,429
Donations	**3,700**	2,040
Others	**20,328**	18,929
	187,212	169,549

8. Finance Costs

	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	**55,911**	59,250
Interest on lease liabilities	**49,604**	54,484
	105,515	113,734

For the year ended 31 December 2024, no borrowing costs were capitalised in relation to construction in progress (2023: Nil).

9. Profit Before Tax

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

	2024 RMB'000	2023 RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	**16,243,716**	16,586,383
Contributions to defined contribution retirement schemes	**2,321,759**	2,184,492
	18,565,475	18,770,875
(b) Other items:		
Depreciation		
– Property, plant and equipment (note 16)	**779,272**	767,292
– Right-of-use assets (note 17)	**608,218**	614,504
– Investment properties (note 18)	**93,447**	88,787
Amortisation		
– Intangible assets (note 21)	**194,441**	201,598
Auditors' remuneration	**25,823**	30,008
Write-down of inventories, net	**11,839**	48,978
Impairment losses recognised and reversed on accounts receivables, other receivables, contract assets and others, net	**514,792**	416,880

The selling expenses, general and administrative expenses, research and development costs and others of the group are RMB2,661 million, RMB5,806 million, RMB5,568 million and RMB1,019 million (2023: RMB2,672 million, RMB5,848 million, RMB5,552 million and RMB841 million), respectively for the year ended 31 December 2024.

10. Income Tax

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

	2024 RMB'000	2023 RMB'000
Current tax	**371,135**	448,135
Deferred tax (note 24)	**(13,699)**	(70,330)
Total income tax	**357,436**	377,805

10. Income Tax (continued)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2024 RMB'000	2023 RMB'000
Profit before tax	**4,110,833**	4,109,482
Expected income tax expense at a statutory tax rate of 25% (2023: 25%)	**1,027,708**	1,027,371
Differential/preferential tax rates on subsidiaries' income (notes (i)(ii))	**(152,832)**	(156,305)
Non-deductible expenses	**200,385**	182,619
Non-taxable income	**(87,078)**	(88,876)
Tax losses and other temporary differences not recognised	**117,219**	174,047
Utilisation of previously unrecognised tax losses	**(16,562)**	(21,784)
Adjustments in respect of current income tax of previous years	**14,108**	14,465
Additional deduction of research and development expenses (note (iii))	**(745,512)**	(753,732)
Income tax	**357,436**	377,805

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 2024 (2023: 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% (2023: 15%, 15%, 20%).

(iii) 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 (2023: 100% for tax reporting purposes).

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 2024 of RMB3,606,861 thousand (2023: RMB3,584,391 thousand) and number of shares in issue during the year ended 31 December 2024 of 6,926,018 thousand shares (2023: 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

	2024 RMB'000	2023 RMB'000
Changes in fair value of equity instruments at fair value through other comprehensive income recognised during the year	**1,034,873**	140,013
Net deferred tax charged to other comprehensive income	**(259,462)**	(36,094)
Remeasurements of defined benefit plans	**(150)**	(90)
Exchange differences on translation of financial statements	**(18,023)**	(4,202)
Other comprehensive income for the year	**757,238**	99,627

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 2024 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	Total RMB'000
Executive Directors						
Luan Xiaowei (appointed on 30 January 2024)	–	–	–	–	–	–
Liu Guiqing (resigned on 30 January 2024)	–	–	–	–	–	–
Cui Zhanwei (appointed on 10 December 2024)	–	61	82	43	–	186
Yan Dong (resigned on 10 December 2024)	–	154	679	116	(46)	903
Shen Aqiang (appointed on 20 June 2024)	–	117	160	100	–	377
Zhang Xu (resigned on 31 May 2024)	–	76	490	63	(46)	583
	–	408	1,411	322	(92)	2,049
Non-Executive Directors						
Gao Tongqing	–	–	–	–	–	–
Tang Yongbo	–	–	–	–	–	–
Liu Aihua (appointed on 30 January 2024)	–	–	–	–	–	–
Huang Zhen (resigned on 30 January 2024)	–	–	–	–	–	–
	–	–	–	–	–	–
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						
Huang Xudan (appointed on 30 January 2024)	–	–	–	–	–	–
Cai Manli	170	–	–	–	–	170
Liu Lian	–	115	445	72	(17)	615
	170	115	445	72	(17)	785
Total directors' and supervisors' emoluments						3,704

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 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	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)

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

The five highest paid employees of the group are as follows:

	2024	2023
Directors and supervisors	**–**	–
Non-director and non-supervisor employees	**5**	5
	5	5

The remuneration paid to the above highest paid employees are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and other benefits in kind	**2,255**	2,327
Discretionary bonuses	**4,810**	5,151
Pension scheme contributions	**551**	586
	7,616	8,064

The number of these highest paid employees whose remuneration fell within the following bands:

	2024	2023
HKD equivalent		
1,000,001 to 1,500,000	**2**	1
1,500,001 to 2,000,000	**2**	2
2,000,001 to 2,500,000	**1**	2

15. Dividends

(a) Dividends attributable to the year

	2024 RMB'000	2023 RMB'000
Final dividend proposed after the end of reporting period of RMB0.2187 per share (2023: RMB0.2174 per share)	**1,514,720**	1,505,716

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.2174 per share (2023: RMB0.1939 per share)	**1,505,716**	1,342,955

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 2024	6,085,519	1,008,446	1,523,640	4,639,695	13,257,300
Transfer to investment properties (note 18)	(123,705)	–	–	–	(123,705)
Transfer from investment properties (note 18)	17,478	–	–	–	17,478
Transfer from construction in progress (note 19)	82,325	50,753	66	47,662	180,806
Additions	119,871	37,376	118,002	269,440	544,689
Disposals	(12,920)	(5,276)	(143,722)	(231,774)	(393,692)
As at 31 December 2024	6,168,568	1,091,299	1,497,986	4,725,023	13,482,876
Accumulated depreciation and impairment losses					
As at 1 January 2024	2,223,189	856,309	1,026,299	3,069,243	7,175,040
Transfer to investment properties (note 18)	(16,571)	–	–	–	(16,571)
Transfer from investment properties (note 18)	1,030	–	–	–	1,030
Depreciation charge	231,168	64,704	114,102	369,298	779,272
Depreciation written back on disposals	(9,900)	(5,276)	(134,590)	(214,686)	(364,452)
Impairment loss	–	–	(107)	(1,588)	(1,695)
As at 31 December 2024	2,428,916	915,737	1,005,704	3,222,267	7,572,624
Net carrying value					
As at 31 December 2024	3,739,652	175,562	492,282	1,502,756	5,910,252
As at 1 January 2024	3,862,330	152,137	497,341	1,570,452	6,082,260

16. Property, Plant and Equipment, Net (continued)

	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	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	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	4,070,305	154,802	491,363	1,553,491	6,269,961

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 RMB64 million as at 31 December 2024 (2023: RMB67 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 2024					
Net carrying value	**830,487**	**1,098,712**	**2,403**	**88,871**	**2,020,473**
As at 31 December 2023					
Net carrying value	848,998	1,312,679	7,734	75,724	2,245,135
For the year ended 31 December 2024					
Depreciation charge	**25,955**	**512,603**	**6,847**	**62,813**	**608,218**
Impairment loss	**–**	**4**	**–**	**–**	**4**
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

	2024 RMB'000	2023 RMB'000
Expense relating to short-term leases	**1,418,550**	1,437,755
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**55,262**	55,116
Total cash outflow for leases	**2,148,260**	2,145,735
Additions to right-of-use assets	**487,976**	673,826

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 2024 and 2023, 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 2024, 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 RMB90 million (2023: RMB82 million).

18. Investment Properties

	2024 RMB'000	2023 RMB'000
Cost		
As at 1 January	**2,706,189**	2,625,943
Additions	**32,899**	3,820
Transfer from property, plant and equipment (note 16)	**123,705**	68,225
Transfer from right-of-use assets	**–**	12,437
Transfer to property, plant and equipment (note 16)	**(17,478)**	(4,236)
Disposals	**(10,496)**	–
As at 31 December	**2,834,819**	2,706,189
Accumulated depreciation		
As at 1 January	**1,005,959**	909,716
Transfer from property, plant and equipment (note 16)	**16,571**	5,601
Transfer from right-of-use assets	**–**	5,433
Transfer to property, plant and equipment (note 16)	**(1,030)**	(3,578)
Depreciation charge	**93,447**	88,787
Written back on disposals	**(10,496)**	–
As at 31 December	**1,104,451**	1,005,959
Net carrying value		
As at 31 December	**1,730,368**	1,700,230
As at 1 January	**1,700,230**	1,716,227
Fair value (as at 31 December) (note)	**6,557,665**	6,122,748

All the group's investment properties are located in the PRC.

Note:

The fair value of the group's investment properties was determined based on management's estimation.

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:

	2024 RMB'000	2023 RMB'000
Within one year	**140,126**	129,412
In the second year	**117,645**	117,996
In the third year	**118,461**	123,140
In the fourth year	**82,795**	100,293
In the fifth year	**68,069**	84,378
After five years	**127,540**	136,601
As at 31 December	**654,636**	691,820

During the year ended 31 December 2024, RMB244 million (2023: RMB164 million) had been recognised as rental income in the consolidated statement of profit or loss and RMB19 million (2023: RMB17 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 RMB52 million as at 31 December 2024 (2023: RMB39 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

	2024 RMB'000	2023 RMB'000
Cost		
As at 1 January	**883,465**	427,691
Additions	**423,162**	768,831
Disposals	**(6,191)**	(8,402)
Transfer to intangible assets (note 21)	**(45,058)**	(33,424)
Transfer to property, plant and equipment (note 16)	**(180,806)**	(271,231)
As at 31 December	**1,074,572**	883,465

20. Goodwill

	31 December 2024 RMB'000	31 December 2023 RMB'000
Cost and carrying amount	**103,005**	103,005

	2024 RMB'000	2023 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 12.35% (2023: 10.81%). The financial budgets and discount rate had been assessed by the group as at 31 December 2024, 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

	2024 RMB'000	2023 RMB'000
Cost		
As at 1 January	**2,096,481**	1,897,867
Additions	**202,595**	190,692
Transfer from construction in progress (note 19)	**45,058**	33,424
Disposals	**(51,451)**	(25,502)
As at 31 December	**2,292,683**	2,096,481
Accumulated amortisation		
As at 1 January	**1,350,651**	1,173,854
Amortisation charge	**194,441**	201,598
Written back on disposals	**(46,938)**	(24,801)
As at 31 December	**1,498,154**	1,350,651
Net carrying value		
As at 31 December	**794,529**	745,830
As at 1 January	**745,830**	724,013

Intangible assets mainly represent computer software.

22. Interests in Associates and Joint Ventures

	31 December 2024 RMB'000	31 December 2023 RMB'000
Share of associates	1,277,844	1,232,444
Share of joint ventures	99,708	111,352
	1,377,552	1,343,796

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:

	2024 RMB'000	2023 RMB'000
The group's share of profit of associates	137,732	112,767
The group's share of total comprehensive income of associates	137,732	112,767
The group's share of profit of joint ventures	11,417	3,571
The group's share of total comprehensive income of joint ventures	11,417	3,571

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 recognising 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 realising 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 2024 RMB'000	31 December 2023 RMB'000	**31 December 2024 RMB'000**	31 December 2023 RMB'000
Impairment losses, primarily for receivables and inventories	**501,803**	437,434	**–**	–
Tax losses	**52,909**	50,867	**–**	–
Changes in fair values of FVTPL and FVTOCI	**–**	–	**(948,905)**	(682,261)
Accrued expenses	**507,707**	553,707	**–**	–
Right-of-use assets and lease liabilities	**229,735**	262,638	**(210,473)**	(248,777)
Others	**–**	–	**(35,171)**	(30,240)
	1,292,154	1,304,646	**(1,194,549)**	(961,278)
Offsetting	**(255,115)**	(284,910)	**255,115**	284,910
Deferred tax assets/(liabilities)	**1,037,039**	1,019,736	**(939,434)**	(676,368)

Movements in deferred tax assets and liabilities are as follows:

	As at 1 January 2024 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 2024 RMB'000**
Impairment losses, primarily for receivables and inventories	**437,434**	**64,369**	**–**	**–**	**501,803**
Tax losses	**50,867**	**2,042**	**–**	**–**	**52,909**
Changes in fair value of FVTPL and FVTOCI	**(682,261)**	**(7,182)**	**(259,462)**	**–**	**(948,905)**
Accrued expenses	**553,707**	**(46,000)**	**–**	**–**	**507,707**
Right-of-use assets and lease liabilities	**13,861**	**5,401**	**–**	**–**	**19,262**
Others	**(30,240)**	**(4,931)**	**–**	**–**	**(35,171)**
	343,368	**13,699**	**(259,462)**	**–**	**97,605**

24. Deferred Tax Assets and Liabilities (continued)

	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

Note:

As at 31 December 2024, the group had not recognised deferred tax assets in respect of tax losses of RMB1,856 million (2023: RMB1,923 million) as it is not probable that future taxable profits, against which the losses can be utilised, 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 2024 RMB'000	31 December 2023 RMB'000
Total deposits at financial institutions with original maturity more than one year	**15,774,629**	9,387,156
Less: Current portion	**3,603,728**	3,498,709
	12,170,901	5,888,447

26. Other Non-current Assets

	31 December 2024 RMB'000	31 December 2023 RMB'000
Long-term receivables	**521,668**	622,357
Others	**318,344**	386,612
	840,012	1,008,969

27. Inventories

	31 December 2024 RMB'000	31 December 2023 RMB'000
Goods for resale	**598,665**	595,469
Construction materials	**381,616**	462,604
Others	**202,950**	138,872
	1,183,231	1,196,945

28. Accounts and Bills Receivables, Net

	31 December 2024 RMB'000	31 December 2023 RMB'000
Bills receivables	**1,410,736**	465,039
Accounts receivables	**26,509,784**	25,769,168
	27,920,520	26,234,207
Less: allowance for credit losses	**(2,624,315)**	(2,312,949)
	25,296,205	23,921,258

(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 Receivables, Net (continued)

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Current	**2,089,253**	1,892,584
Within 1 year	**19,334,238**	18,452,197
After 1 year but less than 2 years	**2,900,914**	2,707,336
After 2 years but less than 3 years	**718,462**	649,456
After 3 years but less than 4 years	**161,188**	136,651
After 4 years but less than 5 years	**43,676**	34,560
Over 5 years	**48,474**	48,474
	25,296,205	23,921,258

(c) Credit losses of accounts and bills receivables

Credit losses in respect of accounts and bills receivables 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 receivables directly (see note 2(l)).

Details of impairment assessment of accounts receivables are set out in note 44(a).

29. Contract Assets, Net

	31 December 2024 RMB'000	31 December 2023 RMB'000
Telecommunications infrastructure services	**32,552,493**	23,874,832
Business process outsourcing services	**1,469,655**	1,223,662
Applications, content and other services	**4,271,528**	3,798,145
	38,293,676	28,896,639
Less: allowance for credit losses	**(525,867)**	(312,493)
	37,767,809	28,584,146

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 receivables when the rights become unconditional. The group typically transfers the contract assets to accounts receivables within one year when the specific milestones are met.

30. Prepayments and Other Current Assets

	31 December 2024 RMB'000	31 December 2023 RMB'000
Prepayments in connection with construction work and equipment purchases	**6,040,123**	6,083,479
Other receivables	**6,051,545**	5,373,777
Input VAT deductible	**957,175**	826,047
Long-term receivables due within 1 year	**534,822**	535,395
Others	**903,060**	850,166
	14,486,725	13,668,864

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 2024 RMB'000	31 December 2023 RMB'000
Equity instruments	**385,070**	352,730
Analysed for reporting purpose as:		
Current assets	**–**	10,429
Non-current assets	**385,070**	342,301
	385,070	352,730

32. Short-term Bank Deposits and Restricted Cash

Short-term bank deposits and restricted cash represent cash in bank pledged as deposits for bills payables 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 2024 RMB'000	31 December 2023 RMB'000
Cash at bank and in hand	**15,634,788**	18,475,393
Cash at China Telecom Group Finance Co., Ltd. ("China Telecom Finance")	**4,003,248**	4,439,472
Cash and cash equivalents	**19,638,036**	22,914,865

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 2024 RMB'000	31 December 2023 RMB'000
RMB denominated		
Borrowings from banks		
– unsecured	82,050	131,630
Other RMB denominated borrowings		
– unsecured	–	395
USD denominated		
Borrowings from banks		
– unsecured	178,991	176,359
– secured	–	20,558
Other denominated		
Borrowings from banks		
– unsecured	437,046	472,898
Interest payables on short-term loans	8,162	5,659
	706,249	807,499

34. Interest-bearing Borrowings (continued)

The group's short-term borrowings bearing interest rate per annum are as follows:

	31 December 2024	31 December 2023
RMB denominated		
Borrowings from banks		
– unsecured	**3.40%–3.70%**	1.50%–3.80%
Other RMB denominated borrowings		
– unsecured	**NA**	4.00%–4.50%
USD denominated		
Borrowings from banks		
– unsecured (floating interest rate)	**Secured Overnight Financing Rate ("SOFR") +0.90%–1.08%.p.a**	Secured Overnight Financing Rate ("SOFR") +1.08%–1.10%.p.a
Other denominated		
Borrowings from banks		
– unsecured	**6.91%–7.12%**	5.61%–9.92%
– unsecured (floating interest rate)	**Hong Kong Interbank Offered Rate ("HIBOR") + 0.95% AND Saudi Arabia Interbank Offered Rate ("SAIBOR") +1.50%**	Hong Kong Interbank Offered Rate ("HIBOR") +0.95%–1.00%

34. Interest-bearing Borrowings (continued)

The group's long-term interest-bearing borrowings comprise:

	31 December 2024 RMB'000	31 December 2023 RMB'000
USD denominated		
Borrowings from banks		
– secured	–	74,115
Less: Current portion	–	(20,558)
	–	53,557

The group's long-term borrowings bearing interest rate per annum are as follows:

	31 December 2024	31 December 2023
USD denominated		
Borrowings from banks		
– secured (floating interest rate)	NA	SOFR+2.45%

The group's borrowings were repayable as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	706,249	807,499
After 1 year but within 2 years	–	20,398
After 2 years but within 5 years	–	33,159
	706,249	861,056

35. Accounts and Bills Payables

Accounts and bills payables comprise:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Accounts payables	**59,837,140**	48,655,930
Bills payables	**6,057,749**	4,770,468
	65,894,889	53,426,398

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	**63,309,727**	50,406,385
After 1 year but less than 2 years	**1,319,642**	1,594,073
After 2 years but less than 3 years	**492,037**	688,155
After 3 years	**773,483**	737,785
	65,894,889	53,426,398

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 2024 RMB'000	31 December 2023 RMB'000
Lease liabilities payable:		
Within 1 year	**454,967**	487,758
After 1 year but within 2 years	**305,874**	381,651
After 2 years but within 5 years	**400,074**	465,345
After 5 years	**162,338**	181,876
	1,323,253	1,516,630
Less: Amount due for settlement within 12 months shown under current liabilities	**454,967**	487,758
Amount due for settlement after 12 months shown under non-current liabilities	**868,286**	1,028,872

The weighted average lessee's incremental borrowing rate applied to lease liabilities is 3.6% (2023: 3.6%).

37. Contract Liabilities

	31 December 2024 RMB'000	31 December 2023 RMB'000
Telecommunications infrastructure services	**6,700,059**	6,931,722
Other services	**2,489,991**	2,595,569
	9,190,050	9,527,291

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 2024		
Revenue recognised that was included in the contract liability balance at the beginning of the year	**6,538,482**	**2,458,926**
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

38. Accrued Expenses and Other Payables

	31 December 2024 RMB'000	31 December 2023 RMB'000
Deposits received from subcontractors	**2,559,838**	3,054,962
Wages and welfare payables	**1,648,393**	1,585,103
Output VAT payables	**1,335,552**	1,436,712
Other taxes payables	**897,915**	784,310
Amounts due to CTC Group, associates and joint ventures of the group, associates and joint ventures of CTC Group (note i)	**563,047**	421,503
Advance lease payments received	**35,740**	33,043
Dividend payables	**4,761**	5,866
Payables for construction and purchase of property, plant and equipment	**2,756**	2,098
Others (note (ii))	**4,372,955**	4,318,407
	11,420,957	11,642,004

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 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

	2024 RMB'000	2023 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2023: 4,534,598,160) domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2023: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

	2024 Thousand shares	2023 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 2024 was 1.5% (2023: 2.0%). 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% (2023: 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 share price HKD4.56 per unit as at 31 December 2024.

As at 31 December 2024, the number of the first batch share appreciation rights was 63 million while the second batch and the third batch share appreciation rights were forfeited.

For the years ended 31 December 2024 and 2023, 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 2024 was RMB39,819 thousand (2023: RMB11,020 thousand).

As at 31 December 2024, the carrying amount of the liability arising from share appreciation rights was RMB51,666 thousand (31 December 2023: RMB11,847 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 2024, the group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	2024 **RMB'000**	2023 RMB'000
Contracted for but not provided	**54,189**	160,072

(b) Contingent liabilities

As at 31 December 2024, the group had no material contingent liabilities and no financial guarantees issued thousand (31 December 2023: Nil).

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 receivables 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 53% of the total accounts and bills receivables as at 31 December 2024 (2023: 45%). 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 receivables, 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 receivables 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 receivables and contract assets. To measure the ECL, accounts receivables 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 receivables and have substantially the same risk characteristics as the accounts receivables for the same type of contracts. The group has therefore concluded that the expected loss rates for the accounts receivables 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 receivables and contract assets arising from contracts with customers (continued)

The following table provides information about the exposure to credit risk for accounts receivables which are assessed based on a provision matrix within lifetime ECL. Debtors with significant risk with gross carrying amounts of RMB1,030 million as at 31 December 2024 were assessed individually (31 December 2023: RMB1,008 million), the loss allowance provision was RMB958 million (31 December 2023: RMB794 million).

	2024			2023		
	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%	12,873,403	(25,747)	0.2%	10,502,131	(21,004)
After 1 year but within 2 years	5.1%	1,639,953	(83,638)	5.6%	1,638,392	(91,750)
After 2 years but within 3 years	15.4%	456,156	(70,248)	16.9%	405,847	(68,588)
After 3 years but within 4 years	38.6%	166,876	(64,414)	40.6%	150,235	(60,995)
After 4 years but within 5 years	66.5%	89,935	(59,807)	69.3%	67,610	(46,854)
Over 5 years	100.0%	178,899	(178,899)	100.0%	175,951	(175,951)
		15,405,222	(482,753)		12,940,166	(465,142)
Non-telecom operators						
Within 1 year	0.8%	7,207,464	(57,661)	0.6%	9,309,284	(55,856)
After 1 year but within 2 years	20.5%	1,687,923	(346,024)	20.3%	1,437,201	(291,752)
After 2 years but within 3 years	45.5%	602,339	(274,064)	45.2%	567,601	(256,556)
After 3 years but within 4 years	72.9%	216,302	(157,684)	72.8%	159,499	(116,115)
After 4 years but within 5 years	84.8%	82,607	(70,051)	84.6%	86,467	(73,151)
Over 5 years	100.0%	277,790	(277,790)	100.0%	260,510	(260,510)
		10,074,425	(1,183,274)		11,820,562	(1,053,940)

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 receivables balances.

The group adjusted the macro factors and weights in ECL model by taking into account the changes of the macro environment.

44. Financial Risk Management and Fair Values (continued)

(a) Credit risk and impairment assessment (continued)

Accounts receivables and contract assets arising from contracts with customers (continued)

The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	2024 RMB'000	2023 RMB'000
As at 1 January	**2,312,882**	1,945,664
Changes due to financial assets recognised during the year		
– Impairment loss recognised	**613,029**	583,212
– Impairment loss reversed	**(285,787)**	(203,361)
– Uncollectible amounts written off	**(15,840)**	(12,633)
As at 31 December	**2,624,284**	2,312,882

The group writes off an accounts receivables 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.

	2024 RMB'000	2023 RMB'000
As at 1 January	**312,493**	283,469
Changes due to financial assets recognised during the year		
– Impairment loss recognised	**265,059**	71,647
– Impairment loss reversed	**(51,670)**	(42,623)
– Uncollectible amounts written off	**(15)**	–
As at 31 December	**525,867**	312,493

(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 2024					
	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)	**706,249**	**711,131**	**711,131**	**–**	**–**	**–**
Accounts and bills payables (notes 35)	**65,894,889**	**65,894,889**	**65,894,889**	**–**	**–**	**–**
Lease liabilities (notes 36)	**1,323,253**	**1,441,863**	**508,222**	**338,963**	**429,253**	**165,425**
Accrued expenses and other payables	**7,477,132**	**7,477,132**	**7,477,132**	**–**	**–**	**–**
	75,401,523	**75,525,014**	**74,591,373**	**338,963**	**429,253**	**165,425**

	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 payables (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

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 2024, the group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in USD, the aggregate net assets are RMB209 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. Therefore, no sensitivity analysis is presented.

(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, Shenzhen Stock Exchange and National Equities Exchange and Quotations. 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 2024, it is estimated that an increase/(decrease) of 5% (2023: 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:

	2024		2023	
	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%**	**169,570**	5%	130,439
Decrease	**(5%)**	**(169,570)**	(5%)	(130,439)

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.

	2024			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Financial assets at fair value through other comprehensive income	**4,499,765**	**–**	**1,053**	**4,500,818**
Financial assets at fair value through profit or loss (note (i))	**–**	**–**	**385,070**	**385,070**

	2023			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through other comprehensive income	3,461,069	–	12,511	3,473,580
Financial assets at fair value through profit or loss (note (i))	10,429	–	342,301	352,730

Note:

(i) The invested entities in Level 3 were private companies. At the end of 31 December 2024, 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	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2024	**12,511**	**342,301**
Purchase	**–**	**14,540**
Disposals/settlements	**(11,458)**	**(500)**
Total gains		
– in profit or loss	**–**	**28,729**
– in other comprehensive income	**–**	**–**
As at 31 December 2024	**1,053**	**385,070**

	Equity instruments at fair value through other comprehensive income 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		
– in profit or loss	–	12,222
– in other comprehensive income	464,862	–
As at 31 December 2023	12,511	342,301

(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.

Provision of ECL for accounts receivables and contract assets

Accounts receivables 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 receivables 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 receivables and contract assets are disclosed in notes 44(a), 28 and 29 respectively.

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:

	2024 RMB'000	2023 RMB'000
Engineering related services revenue (note (i))	**23,185,139**	20,743,062
IT application services revenue (note (ii))	**7,975,944**	7,027,463
Provision of ancillary telecommunications services revenue (note (iii))	**19,396,021**	18,222,068
Provision of operation support services revenue (note (iv))	**4,910,827**	4,703,200
Supplies procurement services revenue (note (v))	**3,475,218**	3,506,856
Property leasing services revenue (note (vi))	**190,465**	196,005
Management fee income (note (vii))	**394,394**	393,803
Property leasing services charges (note (viii))	**136,087**	91,419
IT application services charges (note (ix))	**940,361**	1,005,638
Operation support services charges (note (x))	**755,122**	819,140
Supplies procurement services charges (note (xi))	**3,510,253**	3,707,388
Interest expenses (note (xii))	**28,086**	29,139
Net deposits placed with China Telecom Finance (note (xiii))	**(365,224)**	892,338
Interest income of deposits placed with China Telecom Finance (note (xiv))	**151,001**	88,874
Net lending funds (note (xv))	**–**	(67,000)
Interest income of lending funds (note (xvi))	**–**	2,158

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 2024 RMB'000	31 December 2023 RMB'000
Cash and cash equivalents	**4,003,248**	4,439,472
Short-term bank deposits and restricted cash	**10,065**	7,304
Accounts and bills receivables, net	**11,921,985**	9,190,845
Contract assets, net	**15,169,839**	13,194,503
Current portion of deposits at financial institutions with original maturity more than one year	**232,036**	995,055
Prepayments and other current assets	**2,310,214**	2,299,125
Deposits at financial institutions with original maturity more than one year	**3,484,891**	2,614,243
Other non-current assets	**349,900**	214,189
Total amounts due from CTC Group	**37,482,178**	32,954,736
Accounts and bills payables	**1,315,148**	622,558
Contract liabilities	**668,971**	505,848
Accrued expenses and other payables	**451,355**	338,686
Current portion of lease liabilities	**173,789**	174,492
Lease liabilities	**530,101**	524,870
Total amounts due to CTC Group	**3,139,364**	2,166,454

As at 31 December 2024, the group had recognised credit losses of RMB413 million (2023: RMB404 million) in respect of amounts due from CTC Group.

For the year ended 31 December 2024, additional amount of RMB228 million of right-of-use assets had been recognised under new lease contracts entered into with CTC Group (2023: RMB145 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:

	2024 RMB'000	2023 RMB'000
Engineering related service revenue (note (i))	**4,250,521**	4,132,208
IT application service revenue (note (ii))	**234,814**	244,334
Provision of ancillary telecommunications service revenue (note (iii))	**1,850,052**	1,805,949
Provision of operation support service revenue (note (iv))	**135,461**	110,857
Supplies procurement service revenue (note (v))	**204,053**	202,292
Property leasing service revenue (note (vi))	**5,598**	5,334
Property leasing service charges (note (vii))	**1,612**	14,802
IT application service charges (note (viii))	**1,406,822**	1,998,645
Operation support service charges (note (ix))	**3,090,542**	3,509,544
Supplies procurement service charges (note (x))	**358,539**	150,269
Interest expenses (note (xi))	**9**	–

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 receivables 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 2024 RMB'000	31 December 2023 RMB'000
Accounts and bills receivables, net	**644,618**	423,773
Contract assets, net	**664,640**	393,375
Prepayments and other current assets	**1,286,523**	1,376,449
Total	**2,595,781**	2,193,597
Accounts and bills payables	**3,091,262**	2,302,545
Contract liabilities	**219,777**	373,369
Lease liabilities	**210**	–
Current portion of lease liabilities	**79**	–
Accrued expenses and other payables	**111,692**	82,817
Total	**3,423,020**	2,758,731

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:

	2024 RMB'000	2023 RMB'000
Salaries and other emoluments	**7,685**	7,239
Share appreciation rights	**(887)**	826
Retirement benefits	**3,339**	3,051
Discretionary bonuses	**20,516**	17,682
	30,653	28,798

(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 informatisation and digitalisation. 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 2024 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		Issued and paid up capital	Principal activities
			31 December 2024 Directly %	31 December 2023 Directly %		
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		Issued and paid up capital	Principal activities
			31 December 2024 Directly %	31 December 2023 Directly %		
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		Issued and paid up capital	Principal activities
			31 December 2024 Directly %	31 December 2023 Directly %		
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.	Limited Liability Company	The PRC	**100**	100	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 Company Limited	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**	100	–	Provision of integrated telecommunications support services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

49. Statement of Financial Position and Reserves of the Company

	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets		
Property, plant and equipment, net	**1,262,711**	1,390,340
Investment properties	**1,631,572**	1,618,985
Construction in progress	**6,447**	8,539
Intangible assets	**51,595**	69,081
Investments in subsidiaries	**14,695,834**	14,695,834
Interests in associates and joint ventures	**899,640**	851,025
Deposits at financial institutions with original maturity more than one year	**11,142,511**	4,581,609
Total non-current assets	**29,690,310**	23,215,413
Current assets		
Inventories	**307**	309
Accounts and bills receivables, net	**43,564**	50,467
Current portion of deposits at financial institutions with original maturity more than one year	**3,281,692**	2,251,999
Prepayments and other current assets	**2,223,458**	2,002,764
Short-term bank deposits and restricted cash	**24,432**	374,781
Cash and cash equivalents	**12,044,756**	14,875,868
Total current assets	**17,618,209**	19,556,188
Total assets	**47,308,519**	42,771,601
Current liabilities		
Contract liabilities	**481**	481
Accrued expenses and other payables	**27,422,175**	23,440,284
Income tax payable	**2,512**	1,530
Total current liabilities	**27,425,168**	23,442,295
Net current assets (note (i))	**(9,806,959)**	(3,886,107)
Total assets less current liabilities	**19,883,351**	19,329,306
Total liabilities	**27,425,168**	23,442,295
Equity		
Share capital	**6,926,018**	6,926,018
Reserves	**12,957,333**	12,403,288
Total equity	**19,883,351**	19,329,306
Total liabilities and equity	**47,308,519**	42,771,601

Note:

(i) The current assets of the company were less than the current liabilities as at 31 December, 2024. The current liabilities of RMB27,363 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 2023	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
Profit for the year	**–**	**–**	**–**	**–**	**2,059,761**	**2,059,761**
Distribution of dividends (note 15(b))	**–**	**–**	**–**	**–**	**(1,505,716)**	**(1,505,716)**
Appropriation	**–**	**–**	**–**	**205,976**	**(205,976)**	**–**
At 31 December 2024	**6,926,018**	**4,529,310**	**1,966,293**	**2,243,247**	**4,218,483**	**19,883,351**

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 IFRS Accounting Standards 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 Standards Issued But Not Yet Effective for the Annual Accounting Year Ended 31 December 2024

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments to standards and new standards which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 2024 RMB'000	**Accruals RMB'000**	**Financing cash flows RMB'000**	**Foreign exchange translation RMB'000**	**Lease modified RMB'000**	**As at 31 December 2024 RMB'000**
Interest-bearing borrowings, net (note 34)	**861,056**	**–**	**(134,752)**	**(20,055)**	**–**	**706,249**
Dividends payable	**25,166**	**1,565,185**	**(1,572,562)**	**3,971**	**–**	**21,760**
Lease liabilities (note 36)	**1,516,630**	**587,272**	**(634,472)**	**–**	**(146,177)**	**1,323,253**
	2,402,852	**2,152,457**	**(2,341,786)**	**(16,084)**	**(146,177)**	**2,051,262**

	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
Interest-bearing borrowings, net (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

FINANCIAL SUMMARY

(Amounts in thousands, except per share data)

	2024 RMB	2023 RMB	2022 RMB (Restated)	2021 RMB (Restated)	2020 RMB (Restated)
Results					
Revenue from telecommunications infrastructure services	**75,172,237**	76,136,756	72,906,517	71,889,248	67,164,571
Revenue from business process outsourcing services	**43,459,018**	43,550,614	43,073,150	40,623,948	37,277,681
Revenue from applications, content and other services	**31,368,848**	28,927,306	24,767,902	21,479,245	18,208,529
Total Revenues	**150,000,103**	148,614,676	140,747,569	133,992,441	122,650,781
Depreciation and amortisation	**(1,025,761)**	(1,017,154)	(961,218)	(908,525)	(827,536)
Direct personnel costs	**(8,208,384)**	(8,644,005)	(8,558,400)	(8,805,077)	(8,300,760)
Materials costs	**(25,579,237)**	(24,670,341)	(21,657,339)	(19,166,225)	(15,057,234)
Direct costs of products distribution	**(2,815,082)**	(3,517,360)	(4,065,197)	(4,614,143)	(4,067,599)
Subcontracting charges	**(80,405,717)**	(80,233,245)	(76,546,469)	(71,239,853)	(67,166,028)
Lease charges and others	**(14,369,701)**	(13,275,321)	(12,977,295)	(14,473,844)	(13,492,874)
Cost of revenues	**(132,403,882)**	(131,357,426)	(124,765,918)	(119,207,667)	(108,912,031)
Gross profit	**17,596,221**	17,257,250	15,981,651	14,784,774	13,738,750
Other income	**1,712,204**	1,932,223	1,954,316	1,946,411	1,687,801
Selling, general and administrative expenses	**(15,054,014)**	(14,913,046)	(13,959,926)	(12,952,506)	(11,827,203)
Other expenses	**(187,212)**	(169,549)	(140,958)	(214,032)	(216,876)
Finance costs	**(105,515)**	(113,734)	(91,046)	(78,624)	(63,482)
Share of profits of associates and joint ventures	**149,149**	116,338	92,747	91,923	168,928
Profit before tax	**4,110,833**	4,109,482	3,836,784	3,577,946	3,487,918
Income tax	**(357,436)**	(377,805)	(356,097)	(392,673)	(398,278)
Profit for the year	**3,753,397**	3,731,677	3,480,687	3,185,273	3,089,640
Attributable to:					
Equity shareholders of the Company	**3,606,861**	3,584,391	3,359,555	3,156,946	3,081,795
Non-controlling interests	**146,536**	147,286	121,132	28,327	7,845
Profit for the year	**3,753,397**	3,731,677	3,480,687	3,185,273	3,089,640
Basic/diluted earnings per share (RMB)	**0.521**	0.518	0.485	0.456	0.445

FINANCIAL SUMMARY

(Amounts in thousands, except per share data)

	2024 RMB	2023 RMB	2022 RMB (Restated)	2021 RMB (Restated)	2020 RMB (Restated)
Financial position					
Property, plant and equipment, net	**5,910,252**	6,082,260	6,269,961	6,213,472	4,331,391
Right-of-use assets	**2,020,473**	2,245,135	2,402,559	2,422,952	2,046,005
Equity instruments at fair value through other comprehensive income	**4,500,818**	3,473,580	3,336,403	3,672,472	4,362,469
Deposits at financial institutions with original maturity more than one year	**12,170,901**	5,888,447	7,651,866	2,563,841	200,000
Other non-current assets	**7,342,147**	7,147,332	6,404,580	5,881,290	7,288,295
Inventories	**1,183,231**	1,196,945	1,367,311	1,492,011	1,676,943
Accounts and bills receivable, net	**25,296,205**	23,921,258	20,310,265	18,254,550	18,208,593
Contract assets, net	**37,767,809**	28,584,146	25,268,821	21,534,745	19,786,576
Current portion of deposits at financial institutions with original maturity more than one year	**3,603,728**	3,498,709	221,188	–	–
Prepayments and other current assets	**14,486,725**	13,668,864	12,717,632	11,102,020	9,618,532
Financial assets at fair value through profit or loss	**–**	10,429	61,556	3,364,554	3,098,634
Cash and cash equivalents	**19,638,036**	22,914,865	22,087,661	21,172,860	21,010,586
Short-term bank deposits and restricted cash	**2,697,251**	3,157,780	2,168,795	2,357,234	2,865,265
Total assets	**136,617,576**	121,789,750	110,268,598	100,032,001	94,493,289
Interest-bearing borrowings	**706,249**	807,499	752,001	723,024	704,401
Accounts and bills payable	**65,894,889**	53,426,398	44,611,295	36,319,980	33,363,786
Current portion of lease liabilities	**454,967**	487,758	513,223	490,859	400,627
Contract liabilities	**9,190,050**	9,527,291	10,867,975	11,449,171	10,977,645
Accrued expenses and other payables	**11,420,957**	11,642,004	9,500,858	9,093,109	9,501,926
Income tax payable	**287,567**	354,095	351,105	239,624	282,597
Non-current liabilities	**2,049,745**	1,877,004	2,048,216	2,106,296	2,074,929
Total liabilities	**90,004,424**	78,122,049	68,644,673	60,422,063	57,305,911
Equity attributable to equity shareholders of the Company	**45,435,871**	42,576,759	40,360,637	38,407,032	36,718,088
Non-controlling interests	**1,177,281**	1,090,942	1,263,288	1,202,906	469,290
Total equity	**46,613,152**	43,667,701	41,623,925	39,609,938	37,187,378
Total liabilities and equity	**136,617,576**	121,789,750	110,268,598	100,032,001	94,493,289

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