

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. PRINCIPAL ACTIVITIES AND ORGANISATION

(a) Principal activities

China Communications Services Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) is a leading service provider in the People’s Republic of China (the “PRC”) that provides integrated comprehensive smart solutions in the field of informatization and digitalization. The Group offers telecommunications infrastructure services, including design, construction and project supervision and management; business process outsourcing services, including management of infrastructure for information technology, general facilities management, supply chain and products distribution; and applications, content and other services, including system integration, software development and system support, and value-added services.

(b) Organisation

The Company was established in the PRC on 30 August 2006 as a joint stock limited company under the Company Law of the PRC as part of the restructuring of China Telecommunications Corporation (“CTC”), a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 8 December 2006.

The address of the Company’s registered office is Block No.1, Compound No.1, Fenghuangzui Street, Fengtai District, Beijing, PRC 100073. At 31 December 2023, the directors of the Company consider the immediate and ultimate holding company of the Group to be CTC.

The Company established Comservice Intelligent Technology Co., Ltd. in December 2023. The registered capital is RMB50 million. The Company has not paid the contribution.

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (“IFRSs”) as issued by the International Accounting Standards Board (the “IASB”). IFRSs include all applicable individual IFRSs, International Accounting Standards (“IASs”) and related interpretations. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the material accounting policies adopted by the Group is set out below.

The IASB has issued certain revised IFRSs that are first effective or available for early adoption for the current year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior years reflected in these consolidated financial statements.

(b) Basis of preparation of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and its interests in associates and joint ventures.

For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

2. MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of consolidated financial statements (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 45.

2. MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of consolidated financial statements (continued)

Application of business combination under common control

Pursuant to the Equity Transfer Agreements entered into by one of the Company's subsidiaries, China International Telecommunications Construction Corporation ("CITCC"), and China Telecom Industrial Asset Management Co., Ltd, a subsidiary of CTC, on 28 February 2023, CITCC acquired 100% equity interests in China Post and Telecommunication Translation Service Co., LTD (the "Target Company") for a total purchase price of RMB18.45 million.

Since the Group and the Target Company are under common control of CTC, the assets and liabilities of the Target Company have been accounted for at historical costs and the consolidated financial statements of the Group prior to the acquisition of the Target Company have been restated to include the results of operations and assets and liabilities of the Target Company on a consolidated basis as if the Target Company had been consolidated at the previous end of the reporting period based on the Group's accounting policies of business combinations involving enterprises under common control. The considerations paid by the CITCC for the acquisition of the Target Company were accounted for as an equity transaction in the consolidated statement of changes in equity.

The results of operations for the year ended 31 December 2022, the financial position as at 31 December 2022 and the cash flows for year ended 31 December 2022 previously reported by the Group have been restated to include the results of the Target Company as set out below:

	The Group (as previously reported)	Target Company	Combined
	RMB'000	RMB'000	RMB'000
Results of operations for the year ended 31 December 2022			
Revenues	140,745,755	1,814	140,747,569
Gross profit	15,980,543	1,108	15,981,651
Profit for the year	3,479,281	1,406	3,480,687
Basic/diluted earnings per share (RMB)	0.485	–	0.485
Financial position as at 31 December 2022			
Total assets	110,264,105	4,493	110,268,598
Total liability	68,641,455	3,218	68,644,673
Total equity	41,622,650	1,275	41,623,925
Cash flows for the year ended 31 December 2022			
Net cash generated from operating activities	4,908,283	759	4,909,042
Net cash used in investing activities	(2,289,201)	(277)	(2,289,478)
Net cash used in financing activities	(1,743,877)	–	(1,743,877)

For the year presented, the balances and transactions between the Group and the Target Company had no significant impact on the consolidated financial statements.

The Target Company contributed revenues of RMB1,742 thousand and profit of RMB41 thousand to the Group for the year ended 31 December 2023.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to capital reserve. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before the business combination.

The acquirer, at the acquisition date, allocates the consideration of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date. The excess of the consideration over the fair value of the net identifiable assets acquired is recorded as goodwill (see note 2(d)).

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

(iii) Subsidiaries and non-controlling interests

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- a. has power over the investee;
- b. is exposed, or has rights, to variable returns from its involvement with the investee; and
- c. has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non – controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9"), or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iv) Investments in associates and joint ventures

Associates are entities in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating decisions.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(iv) Investments in associates and joint ventures (continued)

Investments in associates or joint ventures are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investments are initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the cost of the investment (if any, after reassessment) which is recognised in the consolidated statement of profit or loss. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's profit or loss and other comprehensive income. The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase after reassessment.

2. MATERIAL ACCOUNTING POLICIES (continued)

(d) Goodwill (continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination involving entities not under common control is allocated to each cash-generating unit, or group of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment (see note 2(j)).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(e) Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation.

Investment properties are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(j)). Depreciation is calculated to write off the cost less estimated residual value if applicable and is charged to profit or loss on a straight-line basis over the estimated useful lives ranging from 20 years to 30 years.

When an item of property, plant and equipment is transferred to investment property evidenced by end of owner-occupation or when an investment property commencement of owner-occupation and reclassified as property, plant and equipment, its costs at the date of reclassification becomes its cost for accounting purposes.

(f) Property, plant and equipment

Property, plant and equipment are initially recorded at cost, less subsequent accumulated depreciation and impairment losses (see note 2(j)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition and location for its intended use and the cost of borrowed funds used during the periods of construction. Expenditure incurred after the asset has been put into operation, including cost of replacing part of such an item, is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and the cost can be measured reliably. All other expenditure is expensed as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is provided to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	5-30 years
Building improvements	5-8 years
Motor vehicles	6-10 years
Furniture, fixtures and other equipment	3-10 years

The useful life of an asset and its residual value, if any, and depreciation method are reviewed annually.

2. MATERIAL ACCOUNTING POLICIES (continued)

(g) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction, capitalisation of interest charge and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. the intention to complete the intangible asset and use or sell it;
- c. the ability to use or sell the intangible asset;
- d. how the intangible asset will generate probable future economic benefits;
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss from the date they are available for use on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

2. MATERIAL ACCOUNTING POLICIES (continued)

(i) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2. MATERIAL ACCOUNTING POLICIES (continued)

(i) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Except for the practical expedient rent concessions, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

For the lessor, the Group derecognises assets held under a finance lease in balance sheet and present them as a receivable at the present value of the lease payments. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2. MATERIAL ACCOUNTING POLICIES (continued)

(j) Impairment of long-lived assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following long-lived assets may be impaired, except in the case of goodwill:

- property, plant and equipment;
- right-of-use assets;
- investment properties;
- construction in progress;
- goodwill; and
- Intangible assets with finite useful lives.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then, to reduce the carrying amount of the other assets in the unit (or group of cash-generating units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable or zero.

2. MATERIAL ACCOUNTING POLICIES (continued)

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversals occurs.

(l) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations ("IFRS 3") applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that does not meet the criteria for being measured at amortised cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets (continued)

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

The Group performs impairment assessment under expected credit losses (“ECL”) model on financial assets (including accounts and bills receivable, financial assets included in prepayments and other current assets, long term receivables, short-term bank deposits and restricted cash, cash and cash equivalents), lease receivables and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable, lease receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant risk, and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics and type of customers, such as receivables from telecommunications operators and non-telecom operators. Telecommunications operators include China Telecommunications Corporation and its subsidiaries (excluding the Group) (“CTC Group”), China Mobile Communications Group Co., Ltd. and its subsidiaries (“CM Group”), China Unicom Group and its subsidiaries, China Radio and Television Network Group Co., Ltd. and its subsidiaries (“China Broadnet Group”), and China Tower Corporation Limited, non-telecom operators refer to all of the other customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk and credit-impaired since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument’s external (if available);

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial assets (continued)

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and bills receivable, contract assets, lease receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2. MATERIAL ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at FVTPL or at amortised cost using the effective interest method.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(ii) Financial liabilities at amortised cost

Financial liabilities including interest-bearing borrowings, accounts and bills payable, financial liabilities included in accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

(iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of original maturity at acquisition.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

(iii) Share appreciation rights scheme

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period based on the estimated number of rights that are expected to vest. The liabilities are presented as employee benefit obligations and remeasured to fair value at each reporting date, with any measurement changes recognised in profit or loss as employee benefit expense. In estimating the fair value, market conditions and non-vesting conditions are taken into account. Where share appreciation rights are forfeited due to a failure by the employee to satisfy the service conditions, the liability is derecognised and expenses previously recognised are reversed. Further details of the Group's share appreciation rights scheme are set out in note 42.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial recognition for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. MATERIAL ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. MATERIAL ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities which, intend either to realise the current tax assets and settle the current tax liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a piece of goods or service (or a bundle of goods or services) that is distinct or a series of a piece of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

As such, revenues from contracts with customers of major telecommunications support services, including construction (included in the revenue from telecommunications infrastructure services described in note 4), management of infrastructure for information technology (included in the revenue from business process outsourcing services described in note 4) are generally recognised over time during which the services are provided to customers.

Otherwise, revenue is recognised at a point in time when the customer obtains control of a piece of distinct goods or services.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 (see note 2(l)). In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis.

The stand-alone selling price of a piece of distinct goods or a distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognised over time: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is mainly measured based on the output method, which is to recognise revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue from contracts with customers (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contract where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

(r) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

(s) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and the presentation currency of the Group is Renminbi ("RMB"). Foreign currency transactions during the year are translated at the applicable rates of exchange quoted by the People's Bank of China prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the applicable rates ruling at the end of the reporting period. Foreign currency differences, other than those capitalised as construction in progress (see note 2(g)), are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2. MATERIAL ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities of foreign operations are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Upon the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

(t) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of qualifying assets, which are asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and development activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provide regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group principally has one operating segment and hence no segment information is provided (see note 47).

(v) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the period in which they are declared.

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

2. MATERIAL ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is controlled or jointly controlled by a person identified in (a);
 - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are mandatorily effective for the current year:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12 (note (i))	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the above amendments to IFRSs in the current year has had no material effect on the Group's consolidated financial statements.

Note:

- (i) The Group has applied IFRS 16 since 1 January 2019 and recognised deferred tax related to temporary differences arising from lease liabilities and right-of-use assets on a net basis. Starting from 1 January 2023, the Group has applied Amendments to IAS 12. The initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. For the equal amounts of deductible and taxable temporary differences arising from the above transactions, the Group has recognised deferred tax assets and deferred tax liabilities separately and disclosed in note 24. The relevant notes as at 31 December 2022 has been restated. The application of Amendments to IAS 12 has had no material effect on retained earnings and other related reporting items as at 1 January 2022 and 31 December 2022.

4. REVENUES

Revenues are derived from the provision of integrated comprehensive smart solutions.

The Group's revenues by business nature can be summarised as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Revenue from telecommunications infrastructure services	76,136,756	72,906,517
Revenue from business process outsourcing services	43,550,614	43,073,150
Revenue from applications, content and other services	28,927,306	24,767,902
	148,614,676	140,747,569

The Group's major customers are telecommunications operators mainly including CTC Group and CM Group. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the year ended 31 December 2023 amounted to RMB54,399 million and RMB15,804 million, respectively (2022: RMB50,268 million (restated) and RMB17,415 million, respectively) being 36.6% and 10.6% of the Group's total revenues, respectively (2022: 35.7% (restated) and 12.4% (restated), respectively). The revenues derived from areas outside Mainland China for the year ended 31 December 2023 amounted to RMB3,456 million (2022: RMB2,998 million).

For the year ended 31 December 2023, the Group's top three business lines that contributed to the overall revenues were construction included in telecommunications infrastructure services, management of infrastructure for information technology included in business process outsourcing services and system integration included in applications, content and other services, the revenues from which amounted to RMB61,188 million, RMB18,568 million and RMB17,528 million, respectively (2022: The Group's top three business lines that contributed to the overall revenues were construction, management of infrastructure for information technology and system integration, the revenues from which amounted to RMB59,231 million, RMB18,158 million and RMB15,211 million, respectively).

From 1 January 2023, the Group has reclassified China Broadnet Group from non-telecom operator to telecommunications operator, the comparative information has been reclassified. Revenues from non-telecom operators for construction amounted to RMB31,062 million (2022: RMB29,291 million (restated)).

4. REVENUES (continued)

The Group generally accounts for major telecommunications support services, including construction, management of infrastructure for information technology, logistics and warehousing in supply chain, as performance obligations satisfied over time, when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, or the Group's performance creates or enhances an asset that the customer controls as the Groups performs, revenue is recognised for these services by measuring the progress towards complete satisfaction of each performance obligation mainly using the output method. For other goods or services, the revenue recognition method is determined based on the specific contract terms.

As of 31 December 2023, the total transaction price of RMB115,882 million (31 December 2022: RMB96,652 million) allocated to the Group's remaining performance obligations under existing contracts is expected to be recognised as revenue in 2024 and subsequent periods (31 December 2022: 2023 and subsequent periods) in accordance with the terms of the contract and the provision of services. These amounts disclosed above do not include contracts with an original expected duration of one year or less.

5. COST OF REVENUES

	2023 RMB'000	2022 RMB'000 (Restated)
Subcontracting charges	80,233,245	76,546,469
Materials costs	24,670,341	21,657,339
Direct personnel costs	8,644,005	8,558,400
Direct costs of products distribution	3,517,360	4,065,197
Expense relating to short-term leases and leases of low-value assets	1,255,813	1,184,887
Depreciation and amortisation	1,017,154	961,218
Others	12,019,508	11,792,408
	131,357,426	124,765,918

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000 (Restated)
Interest income	693,001	590,894
Management fee income	393,803	386,733
Input tax credits	200,156	313,019
Government grants	264,214	280,781
Dividend income from equity instruments at FVTOCI	177,746	178,234
Write-back of non-payable liabilities	51,078	50,581
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	22,151	26,936
Others	130,074	127,138
	1,932,223	1,954,316

7. OTHER EXPENSES

	2023 RMB'000	2022 RMB'000 (Restated)
Bank handling fees	93,687	81,899
Penalty charge and compensation	31,730	23,976
Net foreign exchange loss	15,734	158
Loss on disposal of property, plant and equipment, construction in progress and intangible assets	7,429	6,821
Donations	2,040	2,779
Others	18,929	25,325
	169,549	140,958

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000 (Restated)
Interest on bank and other borrowings	59,250	33,402
Interest on lease liabilities	54,484	57,644
	113,734	91,046

For the year ended 31 December 2023, no borrowing costs were capitalised in relation to construction in progress (2022: Nil).

9. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	RMB'000 (Restated)
(a) Staff costs:		
Salaries, wages and other benefits	16,586,383	15,848,428
Contributions to defined contribution retirement schemes	2,184,492	2,134,966
	18,770,875	17,983,394
(b) Other items:		
Depreciation		
– Property, plant and equipment (note 16)	767,292	745,029
– Right-of-use assets (note 17)	614,504	583,559
– Investment properties (note 18)	88,787	87,539
Amortisation		
– Intangible assets (note 21)	201,598	181,571
Auditors' remuneration	30,008	28,499
Materials costs	24,670,341	21,657,339
Direct costs of products distribution	3,517,360	4,065,197
Write-down of inventories, net	48,978	26,835
Impairment losses recognised and reversed on accounts receivable, other receivables, contract assets and others, net	416,880	333,085
Expense relating to short-term leases and leases of low-value assets	1,492,871	1,403,579

The selling expenses, general and administrative expenses, research and development costs and others of the Group are RMB2,672 million, RMB5,848 million, RMB5,552 million and RMB841 million (2022: RMB2,654 million, RMB5,623 million (restated), RMB4,952 million and RMB731 million (restated)), respectively for the year ended 31 December 2023.

10. INCOME TAX

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

	2023 RMB'000	2022 RMB'000 (Restated)
Current tax	448,135	566,817
Deferred tax (note 24)	(70,330)	(210,720)
Total income tax	377,805	356,097

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

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before tax	4,109,482	3,836,784
Expected income tax expense at a statutory tax rate of 25% (2022: 25%)	1,027,371	959,196
Differential/preferential tax rates on subsidiaries' income (note (i)(ii))	(156,305)	(176,342)
Non-deductible expenses (note (iii))	182,619	239,494
Non-taxable income	(88,876)	(107,391)
Tax losses and other temporary differences not recognised	174,047	63,692
Utilisation of previously unrecognised tax losses	(21,784)	(13,089)
Adjustments in respect of current income tax of previous years	14,465	(3,964)
Additional deduction of research and development expenses (note (iv))	(753,732)	(605,499)
Income tax	377,805	356,097

Notes:

- (i) The provision for income tax of the Group is calculated based on a statutory tax rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2023 (2022: 25%), except for certain domestic subsidiaries of the Group, which are taxed at preferential rates (refer to note (ii) below), where applicable; and for certain overseas subsidiaries of the Group, which are taxed at their respective statutory rates.
- (ii) According to the PRC enterprise income tax law and its relevant regulations, certain subsidiaries that are qualified as High and New Technology Enterprise, enterprises under the Western Region Development Program, and Small and Micro enterprises as defined under the tax law are entitled to a preferential income tax rate of 15%, 15% and 20% (2022: 15%, 15%, 20%).
- (iii) The amounts represent staff costs in excess of the statutory deductible limits for tax reporting purposes and other non-deductible expenses.
- (iv) According to the PRC enterprise income tax law and its relevant regulations, certain research and development expenses of Group's PRC subsidiaries are qualified for an additional deduction of 100% for tax reporting purposes (2022: 75% and 100% for tax reporting purposes, from 1 January, 2022 to 30 September, 2022, and from 1 October, 2022 to 31 December, 2022 respectively).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2023 of RMB3,584,391 thousand (2022: RMB3,359,555 thousand (restated)) and number of shares in issue during the year ended 31 December 2023 of 6,926,018 thousand shares (2022: 6,926,018 thousand shares).

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

12. OTHER COMPREHENSIVE INCOME/(EXPENSE)

	2023 RMB'000	2022 RMB'000 (Restated)
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense) recognised during the year	140,013	(326,391)
Net deferred tax (charged)/credited to other comprehensive income/(expense)	(36,094)	83,908
Remeasurements of defined benefit plans	(90)	51
Exchange differences on translation of financial statements	(4,202)	26,141
Other comprehensive income/(expense) for the year	99,627	(216,291)

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The names of the directors and the supervisors of the Company and their remuneration for the year ended 31 December 2023 are as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000 (note)	Pension scheme contributions RMB'000	Expenses related to share appreciation rights RMB'000	2023 Total RMB'000
Executive Directors						
Liu Guiqing	-	-	-	-	-	-
Yan Dong (appointed on 10 February 2023)	-	180	615	138	42	975
Huang Xiaoqing (resigned on 10 February 2023)	-	27	27	12	50	116
Zhang Xu	-	189	573	148	42	952
	-	396	1,215	298	134	2,043
Non-Executive Directors						
Gao Tongqing	-	-	-	-	-	-
Huang Zhen	-	-	-	-	-	-
Tang Yongbo (appointed on 16 June 2023)	-	-	-	-	-	-
	-	-	-	-	-	-
Independent Non-Executive Directors						
Siu Wai Keung, Francis	330	-	-	-	-	330
Lv Tingjie	200	-	-	-	-	200
Wang Qi	170	-	-	-	-	170
Wang Chungue	170	-	-	-	-	170
	870	-	-	-	-	870
Supervisors						
Cai Manli	170	-	-	-	-	170
Ye Lichun (resigned on 5 December 2023)	-	-	-	-	-	-
Liu Lian	-	90	331	57	16	494
	170	90	331	57	16	664
Total directors' and supervisors' emoluments						3,577

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

The names of the directors and the supervisors of the Company and their remuneration for the year ended 31 December 2022 are as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000 (note)	Pension scheme contributions RMB'000	Expenses related to share appreciation rights RMB'000	2022 Total RMB'000
Executive Directors						
Liu Guiqing	-	-	-	-	-	-
Huang Xiaoqing	-	242	997	132	4	1,375
Zhang Xu	-	184	882	128	3	1,197
	-	426	1,879	260	7	2,572
Non-Executive Directors						
Gao Tongqing	-	-	-	-	-	-
Mai Yanzhou (resigned on 30 May 2022)	-	-	-	-	-	-
Huang Zhen	-	-	-	-	-	-
	-	-	-	-	-	-
Independent Non-Executive Directors						
Siu Wai Keung, Francis	328	-	-	-	-	328
Lv Tingjie	193	-	-	-	-	193
Wang Qi	92	-	-	-	-	92
Wang Chungue	92	-	-	-	-	92
Wu Taishi (resigned on 17 June 2022)	85	-	-	-	-	85
Liu Linfei (resigned on 17 June 2022)	85	-	-	-	-	85
	875	-	-	-	-	875
Supervisors						
Cai Manli	92	-	-	-	-	92
Ye Lichun	-	-	-	-	-	-
Liu Lian	-	59	151	36	1	247
Si Jianfei (resigned on 17 June 2022)	-	100	336	56	-	492
Hai Liancheng (resigned on 17 June 2022)	42	-	-	-	-	42
	134	159	487	92	1	873
Total directors' and supervisors' emoluments						4,320

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Note:

The discretionary bonus is determined based on the individual performance of the directors and supervisors and the Group's overall operating results.

The emoluments of certain executive director or supervisor, and non-executive directors were not borne by the Group and they received remunerations from the parent company and/or from other shareholders. The directors of the Company are of the opinion that the services provided to the Group only occupy an insignificant amount of their time and therefore it is concluded that those directors or supervisors are not remunerated for such services.

The emoluments of executive directors were for their services rendered in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were in connection with their services rendered as directors of the Company.

The emoluments of supervisors were in connection with their services rendered as a supervisor of the Company or as an employee of the Group.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S REMUNERATION

(a) The five highest paid employees of the Group

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

	2023	2022
Directors and supervisors	–	1
Non-director and non-supervisor employees	5	4
	5	5

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

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits in kind	2,327	2,017
Discretionary bonuses	5,151	5,129
Pension scheme contributions	586	533
	8,064	7,679

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

	2023	2022
RMB equivalent		
1,000,001 to 1,500,000	3	3
1,500,001 to 2,000,000	2	2

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S REMUNERATION (continued)

(b) Senior management's remuneration

The number of the senior management (excluding non-director and non-supervisor employees presented in note 14 (a)) whose remuneration fell within the following bands:

	2023	2022
RMB equivalent		
Nil to 1,000,000	19	11
1,000,001 to 2,000,000	2	10

15. DIVIDENDS

(a) Dividends attributable to the year

	2023 RMB'000	2022 RMB'000
Final dividend proposed after the end of reporting period of RMB0.2174 per share (2022: RMB0.1939 per share)	1,505,716	1,342,955

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

	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.1939 per share (2022: RMB0.1732 per share, including final dividend RMB0.1641 per share and special dividend RMB0.0091 per share)	1,342,955	1,199,587

16. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings RMB'000	Building improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Total RMB'000
Cost					
As at 1 January 2023 (Restated)	6,097,513	934,366	1,515,419	4,467,302	13,014,600
Transfer to investment properties (note 18)	(68,225)	–	–	–	(68,225)
Transfer from investment properties (note 18)	4,236	–	–	–	4,236
Transfer from construction in progress (note 19)	46,589	38,478	346	185,818	271,231
Additions	18,552	41,983	126,413	215,522	402,470
Disposals	(13,146)	(6,381)	(118,538)	(228,947)	(367,012)
As at 31 December 2023	6,085,519	1,008,446	1,523,640	4,639,695	13,257,300
Accumulated depreciation and impairment losses					
As at 1 January 2023 (Restated)	2,027,208	779,564	1,024,056	2,913,811	6,744,639
Transfer to investment properties (note 18)	(5,601)	–	–	–	(5,601)
Transfer from investment properties (note 18)	3,578	–	–	–	3,578
Depreciation charge	205,675	83,126	114,110	364,381	767,292
Depreciation written back on disposals	(7,500)	(6,381)	(111,867)	(208,633)	(334,381)
Impairment loss	(171)	–	–	(316)	(487)
As at 31 December 2023	2,223,189	856,309	1,026,299	3,069,243	7,175,040
Net carrying value					
As at 31 December 2023	3,862,330	152,137	497,341	1,570,452	6,082,260
As at 1 January 2023 (Restated)	4,070,305	154,802	491,363	1,553,491	6,269,961

16. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

	Buildings RMB'000	Building improvements RMB'000	Motor vehicles RMB'000 (Restated)	Furniture, fixtures and other equipment RMB'000 (Restated)	Total RMB'000 (Restated)
Cost					
As at 1 January 2022	6,083,646	858,030	1,530,260	4,095,860	12,567,796
Transfer to investment properties (note 18)	(80,186)	–	–	–	(80,186)
Transfer from investment properties (note 18)	356	–	–	–	356
Transfer from construction in progress (note 19)	86,830	21,155	997	310,989	419,971
Additions	7,438	57,925	125,101	275,956	466,420
Disposals	(571)	(2,744)	(140,939)	(215,503)	(359,757)
As at 31 December 2022	6,097,513	934,366	1,515,419	4,467,302	13,014,600
Accumulated depreciation and impairment losses					
As at 1 January 2022	1,841,453	718,317	1,039,949	2,754,605	6,354,324
Transfer to investment properties (note 18)	(22,436)	–	–	–	(22,436)
Transfer from investment properties (note 18)	181	–	–	–	181
Depreciation charge	208,174	63,234	113,460	360,161	745,029
Depreciation written back on disposals	(164)	(1,987)	(129,353)	(200,907)	(332,411)
Impairment loss	–	–	–	(48)	(48)
As at 31 December 2022	2,027,208	779,564	1,024,056	2,913,811	6,744,639
Net carrying value					
As at 31 December 2022	4,070,305	154,802	491,363	1,553,491	6,269,961
As at 1 January 2022	4,242,193	139,713	490,311	1,341,255	6,213,472

All the Group's buildings are located in the PRC.

Up to the date of issuance of these consolidated financial statements, the Group was still in the process of applying for or changing the registration of the title certificates of certain of its properties with an aggregate carrying value of approximately RMB67 million as at 31 December 2023 (2022: RMB103 million) to its name. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Total RMB'000
As at 31 December 2023					
Net carrying value	848,998	1,312,679	7,734	75,724	2,245,135
As at 31 December 2022					
Net carrying value	882,005	1,434,953	6,613	78,988	2,402,559
For the year ended 31 December 2023					
Depreciation charge	26,004	526,641	4,977	56,882	614,504
Impairment loss	-	-	-	2,264	2,264
For the year ended 31 December 2022					
Depreciation charge	25,852	506,303	2,772	48,632	583,559
Impairment loss	-	-	-	-	-
				2023	2022
				RMB'000	RMB'000
Expense relating to short-term leases				1,437,755	1,377,202
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets				55,116	26,377
Total cash outflow for leases				2,145,735	1,910,919
Additions to right-of-use assets				673,826	697,216

The Group leases leasehold lands, buildings, motor vehicles and other equipment for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of the terms under the contract and determines the period for which the contract is enforceable.

The Group entered into short-term leases mainly for buildings, motor vehicles and other equipment. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2023, the Group entered into new leases for buildings, motor vehicles and other equipment that had not yet commenced, the total future undiscounted cash flows over the non-cancellable period amounted to RMB82 million (2022: RMB137 million).

18. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000 (Restated)
Cost		
As at 1 January	2,625,943	2,530,944
Additions	3,820	15,169
Transfer from property, plant and equipment (note 16)	68,225	80,186
Transfer from right-of-use assets	12,437	–
Transfer to property, plant and equipment (note 16)	(4,236)	(356)
As at 31 December	2,706,189	2,625,943
Accumulated depreciation		
As at 1 January	909,716	799,922
Transfer from property, plant and equipment (note 16)	5,601	22,436
Transfer from right-of-use assets	5,433	–
Transfer to property, plant and equipment (note 16)	(3,578)	(181)
Depreciation charge	88,787	87,539
As at 31 December	1,005,959	909,716
Net carrying value		
As at 31 December	1,700,230	1,716,227
As at 1 January	1,716,227	1,731,022
Fair value (as at 31 December)	6,122,748	6,265,977

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

The fair value measurement of the Group's investment properties is categorised as Level 3 of fair value measurement. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by making reference to the rentals achieved in the lettable units of the properties, as well as lettings of other similar properties in the neighbourhood. The discount rate is determined by making reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted by taking into account the market expectation from property investors which reflect factors specific to the Group's investment properties.

18. INVESTMENT PROPERTIES (continued)

The Group leases out its properties under operating leases. The leases typically run for period of one year to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. At the end of the reporting period, the total future minimum lease payments receivable under non-cancellable period were as follows:

	2023 RMB'000	2022 RMB'000
Within one year	129,412	176,613
In the second year	117,996	104,630
In the third year	123,140	90,802
In the fourth year	100,293	81,856
In the fifth year	84,378	65,982
After five years	136,601	143,933
As at 31 December	691,820	663,816

During the year ended 31 December 2023, RMB164 million (2022: RMB179 million) had been recognised as rental income in the consolidated statement of profit or loss and RMB17 million (2022: RMB28 million) in respect of direct operating costs relating to investment properties had been recognised as costs in the consolidated statement of profit or loss.

Up to the date of issuance of these consolidated financial statements, the Group was still in the process of applying for or changing the registration of the title certificates of certain of its properties with an aggregate carrying value of approximately RMB39 million as at 31 December 2023 (2022: RMB44 million) to its name. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

19. CONSTRUCTION IN PROGRESS

	2023 RMB'000	2022 RMB'000
Cost		
As at 1 January	427,691	576,405
Additions	768,831	320,259
Disposals	(8,402)	(4,063)
Transfer to intangible assets (note 21)	(33,424)	(44,939)
Transfer to property, plant and equipment (note 16)	(271,231)	(419,971)
As at 31 December	883,465	427,691

20. GOODWILL

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cost and carrying amount	103,005	103,005
	2023 RMB'000	2022 RMB'000
Impairment testing for group of cash-generating units containing goodwill CITCC	103,005	103,005

The recoverable amount of group of cash-generating units relates to goodwill arising from the acquisition of CITCC which was determined based on value in use calculation. The calculation uses cash flow projection based on financial budget approved by management covering a five-year period and pre-tax discount rate adopted is 10.81% (2022: 11.01%). The financial budgets and discount rate had been assessed by the Group as at 31 December 2023, taking into consideration a higher degree of estimation uncertainties in the current year due to uncertainty of volatility in the financial markets.

Cash flows beyond the five years period are extrapolated using zero growth rate.

Key assumptions used for the value in use calculations are the gross margin and revenue growth rate. Management determined the budgeted gross margin based on the gross margin achieved in the period immediately before the budget period and its expectation of the trend of major telecommunication operators' capital expenditure. Revenue growth was budgeted based on the actual revenue achieved in the period immediately before the budget period. Management believes any reasonably possible change in the key assumptions would not cause the group of cash-generating units' carrying amount to exceed its recoverable amount.

21. INTANGIBLE ASSETS

	2023 RMB'000	2022 RMB'000
Cost		
As at 1 January	1,897,867	1,694,034
Additions	190,692	191,075
Transfer from construction in progress (note 19)	33,424	44,939
Disposals	(25,502)	(32,181)
As at 31 December	2,096,481	1,897,867
Accumulated amortisation		
As at 1 January	1,173,854	1,010,557
Amortisation charge	201,598	181,571
Written back on disposals	(24,801)	(18,274)
As at 31 December	1,350,651	1,173,854
Net carrying value		
As at 31 December	745,830	724,013
As at 1 January	724,013	683,477

Intangible assets mainly represent computer software.

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Share of associates	1,232,444	1,204,430
Share of joint ventures	111,352	103,515
	1,343,796	1,307,945

The Group's associates and joint ventures are established and operated in the PRC. The Group's interests in associates and joint ventures are individually and in aggregate not material to the Group's financial condition or results of operation for the year.

Aggregate financial information of the Group's associates and joint ventures that are not individually material is disclosed below:

	2023 RMB'000	2022 RMB'000
The Group's share of profit of associates	112,767	84,569
The Group's share of total comprehensive income of associates	112,767	84,569
The Group's share of profit of joint ventures	3,571	8,178
The Group's share of total comprehensive income of joint ventures	3,571	8,178

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The equity instruments mainly represent ordinary shares of entities listed in stock exchanges of Mainland China. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potentials in the long run.

24. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Impairment losses, primarily for receivables and inventories	437,434	388,401	–	–
Tax losses	50,867	42,580	–	–
Changes in fair values of FVTPL and FVTOCI	–	195	(682,261)	(641,114)
Accrued expenses	553,707	530,321	–	–
Right-of-use assets and lease liabilities	262,638	268,931	(248,777)	(258,773)
Others	–	–	(30,240)	(21,409)
	1,304,646	1,230,428	(961,278)	(921,296)
Offsetting	(284,910)	(288,549)	284,910	288,549
Deferred tax assets/(liabilities)	1,019,736	941,879	(676,368)	(632,747)

Movements in deferred tax assets and liabilities for the year ended 31 December 2023 are as follows:

	As at	Recognised in			As at
	1 January 2023 RMB'000	Recognised in profit or loss RMB'000 (note 10(a))	other comprehensive income RMB'000 (note 12)	Others RMB'000	31 December 2023 RMB'000
Impairment losses, primarily for receivables and inventories	388,401	49,033	–	–	437,434
Tax losses	42,580	8,287	–	–	50,867
Changes in fair value of FVTPL and FVTOCI	(640,919)	(5,248)	(36,094)	–	(682,261)
Accrued expenses	530,321	23,386	–	–	553,707
Right-of-use assets and lease liabilities	10,158	3,703	–	–	13,861
Others	(21,409)	(8,831)	–	–	(30,240)
	309,132	70,330	(36,094)	–	343,368

24. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	As at 1 January 2022 RMB'000 (Restated)	Recognised in profit or loss RMB'000 (note 10(a)) (Restated)	Recognised in other comprehensive income RMB'000 (note 12)	Others RMB'000	As at 31 December 2022 RMB'000 (Restated)
Impairment losses, primarily for receivables and inventories	347,306	41,095	–	–	388,401
Tax losses	58,802	(16,222)	–	–	42,580
Changes in fair value of FVTPL and FVTOCI	(739,944)	13,849	83,908	1,268	(640,919)
Accrued expenses	346,883	183,438	–	–	530,321
Right-of-use assets and lease liabilities	9,832	326	–	–	10,158
Others	(9,643)	(11,766)	–	–	(21,409)
	13,236	210,720	83,908	1,268	309,132

Note:

As at 31 December 2023, the Group had not recognised deferred tax assets in respect of tax losses of RMB1,923 million (2022: RMB1,686 million) as it is not probable that future taxable profits, against which the losses can be utilized, will be available. According to the PRC enterprise income tax law and its relevant regulations, the tax losses of certain subsidiaries that are qualified as High and New Technology Enterprise can be carried forward for ten years from the year they are incurred. As for other subsidiaries, the tax losses can be carried forward for five years from the year they are incurred.

25. DEPOSITS AT FINANCIAL INSTITUTIONS WITH ORIGINAL MATURITY MORE THAN ONE YEAR

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total deposits at financial institutions with original maturity more than one year	9,387,156	7,873,054
Less: Current portion	3,498,709	221,188
	5,888,447	7,651,866

26. OTHER NON-CURRENT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Long-term receivables	622,357	586,620
Others	386,612	321,396
	1,008,969	908,016

27. INVENTORIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Goods for resale	595,469	713,013
Construction materials	462,604	572,673
Spare parts and consumables	138,872	81,625
	1,196,945	1,367,311

28. ACCOUNTS AND BILLS RECEIVABLE, NET

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Bills receivable	465,039	508,294
Accounts receivable	25,769,168	21,748,457
	26,234,207	22,256,751
Less: allowance for credit losses	(2,312,949)	(1,946,486)
	23,921,258	20,310,265

- (a) The amounts due from CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 46) are unsecured, interest-free and are expected to be recovered within one year.

28. ACCOUNTS AND BILLS RECEIVABLE, NET (continued)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Current	1,892,584	1,897,638
Within 1 year	18,452,197	15,651,051
After 1 year but less than 2 years	2,707,336	2,026,546
After 2 years but less than 3 years	649,456	513,913
After 3 years but less than 4 years	136,651	139,131
After 4 years but less than 5 years	34,560	33,512
Over 5 years	48,474	48,474
	23,921,258	20,310,265

(c) Credit losses of accounts and bills receivable

Credit losses in respect of accounts and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the credit loss is written off against accounts and bills receivable directly (see note 2(l)).

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

29. CONTRACT ASSETS, NET

	31 December 2023 RMB'000	31 December 2022 RMB'000
Telecommunications infrastructure services	23,874,832	21,099,704
Business process outsourcing services	1,223,662	1,114,789
Applications, content and other services	3,798,145	3,337,797
	28,896,639	25,552,290
Less: allowance for credit losses	(312,493)	(283,469)
	28,584,146	25,268,821

The contract assets relate to the rights of the Group to considerations receivable for work completed and not billed because the rights are conditional upon the Group's future performance in achieving specified milestones on construction, design and other service contracts. The contract assets are transferred to accounts receivable when the rights become unconditional. The Group typically transfers the contract assets to accounts receivable within one year when the specific milestones are met.

30. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments in connection with construction work and equipment purchases	6,083,479	6,115,312
Other receivables	5,373,777	4,504,116
Input VAT deductible	826,047	834,169
Long-term receivables due within 1 year	535,395	718,425
Others	850,166	545,610
	13,668,864	12,717,632

Included in other receivables are mainly deposits. The amounts due from CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 46) are unsecured, interest-free and are expected to be recovered within one year.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Equity instruments	352,730	337,360
Analysed for reporting purpose as:		
Current assets	10,429	61,556
Non-current assets	342,301	275,804
	352,730	337,360

32. SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

Short-term bank deposits and restricted cash represent cash in bank pledged as deposits for bills payable and cash held in dedicated bank accounts for certain construction projects, and deposits with original maturity over three months and within one year. Short-term bank deposits and restricted cash carry interest at prevailing market interest rates.

33. CASH AND CASH EQUIVALENTS

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Cash at bank and in hand	18,475,393	17,072,252
Cash at China Telecom Group Finance Co., Ltd. ("China Telecom Finance")	4,439,472	5,013,633
Deposits at bank with original maturity less than three months	—	1,776
Cash and cash equivalents	22,914,865	22,087,661

Bank balances carry interest at prevailing market interest rates.

34. INTEREST-BEARING BORROWINGS

The Group's short-term and the current portion of long-term interest-bearing borrowings comprise:

	31 December 2023 RMB'000	31 December 2022 RMB'000
RMB denominated		
Borrowings from banks		
– unsecured	131,630	77,017
– secured	–	8,055
Other RMB denominated borrowings		
– unsecured	395	8,634
USD denominated		
Borrowings from banks		
– unsecured	176,359	548,810
– secured (note)	20,558	20,058
Other denominated		
Borrowings from banks		
– unsecured	472,898	84,906
Interest payable	5,659	4,521
	807,499	752,001

Note:

As at 31 December 2023, the amount of secured USD denominated borrowings from banks, RMB20,558 thousand (31 December 2022: RMB20,058 thousand), was the current portion of long-term interest-bearing borrowings.

34. INTEREST-BEARING BORROWINGS (continued)

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

	31 December 2023	31 December 2022
RMB denominated		
Borrowings from banks		
– unsecured	1.50%-3.80%	1.50%-3.80%
– secured	NA	3.50%-3.90%
Other RMB denominated borrowings		
– unsecured	4.00%-4.50%	8.50%
USD denominated		
Borrowings from banks		
– unsecured	NA	4.53%
– secured	NA	3.50%
– unsecured (floating interest rate)	Secured Overnight Financing Rate ("SOFR") +1.08%- 1.10%.p.a	SOFR +1.10%.p.a AND London Interbank Offered Rate ("LIBOR") +1.00%- 1.35%
Other denominated		
Borrowings from banks		
– unsecured	5.61%-9.92%	7.88%
– unsecured (floating interest rate)	Hong Kong Interbank Offered Rate ("HIBOR") +0.95%-1.00%	Base Rate of Nepal Rastra Bank +3.00%

34. INTEREST-BEARING BORROWINGS (continued)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
USD denominated		
Borrowings from banks		
– secured	74,115	149,178
Less: Current portion	(20,558)	(20,058)
	53,557	129,120

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

	31 December 2023	31 December 2022
USD denominated		
Borrowings from banks		
– secured	NA	3.50%
– secured (floating interest rate)	SOFR+2.45%	NA

The Group's borrowings were repayable as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	807,499	752,001
After 1 year but within 2 years	20,398	20,058
After 2 years but within 5 years	33,159	109,062
	861,056	881,121

35. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accounts payable	48,655,930	40,985,965
Bills payable	4,770,468	3,625,330
	53,426,398	44,611,295

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	50,406,385	42,062,776
After 1 year but less than 2 years	1,594,073	1,414,963
After 2 years but less than 3 years	688,155	450,309
After 3 years	737,785	683,247
	53,426,398	44,611,295

The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 46) are unsecured, interest-free and are expected to be settled within one year.

36. LEASE LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Lease liabilities payable:		
Within 1 year	487,758	513,223
After 1 year but within 2 years	381,651	393,882
After 2 years but within 5 years	465,345	450,084
After 5 years	181,876	222,926
	1,516,630	1,580,115
Less: Amount due for settlement within 12 months shown under current liabilities	487,758	513,223
Amount due for settlement after 12 months shown under non-current liabilities	1,028,872	1,066,892

The weighted average lessee's incremental borrowing rate applied to lease liabilities is 3.6% (2022: 3.6%).

37. CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Telecommunications infrastructure services	6,931,722	8,526,663
Other services	2,595,569	2,341,312
	9,527,291	10,867,975

When the Group receives advance payments from customers before the performance obligation is satisfied, the amounts will give rise to contract liabilities, until the performance obligation is satisfied.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Telecommunications infrastructure services RMB'000	Other services RMB'000
For the year ended 31 December 2023		
Revenue recognised that was included in the contract liability balance at the beginning of the year	8,269,624	2,194,728
For the year ended 31 December 2022		
Revenue recognised that was included in the contract liability balance at the beginning of the year	7,960,808	2,524,162

38. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Wages and welfare payable	1,585,103	1,551,118
Output VAT payable	1,436,712	1,441,097
Other taxes payable	784,310	710,543
Amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group (note (i))	421,503	373,530
Advance lease payments received	33,043	34,733
Dividend payable	5,866	7,156
Payables for construction and purchase of property, plant and equipment	2,098	4,244
Others (note (ii))	7,373,369	5,378,437
	11,642,004	9,500,858

Notes:

- (i) The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group (see note 46) are unsecured, interest-free and are expected to be settled within one year.
- (ii) The amounts mainly include payables to suppliers for purchases on behalf of CTC Group, deposits received from subcontractors and others.

39. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent the deferred income arising from government grants and termination benefits.

40. SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2022: 4,534,598,160) domestic shares of RMB1.00 each	4,534,598	4,534,598
2,391,420,240 (31 December 2022: 2,391,420,240) H shares of RMB1.00 each	2,391,420	2,391,420
	6,926,018	6,926,018
	2023 Thousand shares	2022 Thousand shares
At 1 January and 31 December	6,926,018	6,926,018

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally in all material respects.

(a) Capital management

The Group's primary objectives of managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by strengthening their leading position as an integrated service provider to the telecommunications industry and achieving economies of scale in the market.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings, and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital using a gearing ratio which is defined as total debts divided by the sum of total debts and equity attributable to equity shareholders of the Company. For this purpose, the Group defines total debts as the sum of short-term interest-bearing borrowings and long-term interest-bearing borrowings. The Group aims to maintain the gearing ratio at a reasonable level. The Group's ratio as at 31 December 2023 was 2.0% (2022: 2.1% (restated)). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce the gearing ratio.

41. RETIREMENT BENEFIT OBLIGATIONS

In accordance with the labour regulations of the PRC, the Group participates in various defined contribution retirement schemes organised by the municipal and provincial governments for its employees. The Group is required to make contributions to the retirement schemes at rates ranging from 8% to 20% (2022: 8% to 20%) of the salaries, bonuses and certain allowances of the employees.

The Group has no other material obligations for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

42. SHARE APPRECIATION RIGHTS SCHEME

The Group implemented a share appreciation rights scheme for members of its eligible employees to provide incentives to them. Under this plan, share appreciation rights are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights scheme. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the share appreciation rights over the applicable vesting period.

On 22 December 2021 (note (i)), the Company's remuneration Committee approved the granting of 207 million share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of 5 years from the date of grant and the exercise price is HKD3.68 per unit. Participants can only vest if certain performance standards are met.

A recipient of share appreciation rights cannot exercise the rights in the first 24 months after the date of grant. As at each of the third, fourth and fifth anniversary of the date of grant, the total number of share appreciation rights exercisable cannot in aggregate exceed one-third, two-thirds and 100%, respectively, of the total share appreciation rights granted to such person.

The fair value of the accretive rights was determined using the Black-Scholes model using the following inputs as at 31 December 2023:

	31 December 2023
Share price at measurement date	HKD3.24
Expected volatility	34.48%
Dividend yield	–
Risk-free interest rate	3.92%

Movements in the number of share appreciation rights for the years presented are as follows:

	2023	2022
As at 1 January	207,270,000	–
Granted	–	207,270,000
Forfeited	(1,140,000)	–
As at 31 December	206,130,000	207,270,000

For the years ended 31 December 2023 and 2022, no share appreciation right units were exercised.

42. SHARE APPRECIATION RIGHTS SCHEME (continued)

The expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2023 was RMB11,020 thousand (2022: RMB827 thousand).

As at 31 December 2023, the carrying amount of the liability arising from share appreciation rights was RMB11,847 thousand (31 December 2022: RMB827 thousand).

Note:

- (i) The actual grant date of the share appreciation rights was 23 December 2022, because eligible employees signed an agreement with the Company on this day. The actual granted number of share appreciation rights was 207,270 thousand.

43. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 31 December 2023, the Group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	2023 RMB'000	2022 RMB'000
Contracted for but not provided	160,072	217,583

(b) Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities and no financial guarantees issued.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to accounts receivable and contract assets arising from contracts with customers and other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis. Normally, the Group does not obtain collateral from customers.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk and impairment assessment (continued)

The Group's major customers are CTC Group and CM Group. The Group has a certain concentration of credit risk as the Group's major customers accounted for 45% of the total accounts and bills receivable as at 31 December 2023 (2022: 47% (restated)). The Group has no significant credit risk with any of these customers since they are large state-owned companies in the telecommunications industry.

The credit risk on bank deposits is limited because the counterparties are financial institutions with high credit rankings, mainly the four large state-owned banks in the PRC, China Telecom Finance and other reputable commercial banks.

The amounts of cash and cash equivalents, short-term bank deposits and restricted cash, accounts and bills receivable, contract assets, other receivables and long-term receivables in the consolidated statement of financial position after deducting impairment allowance represent the Group's maximum exposure to the credit risk in relation to financial assets and contract assets.

The Group recognises a loss allowance for ECL on financial assets and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Assessment is performed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions as at the reporting date, as well as the forecasted future economic conditions.

Accounts receivable and contract assets arising from contracts with customers

The Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable and contract assets. To measure the ECL, accounts receivable and contract assets have been grouped together based on their shared credit risk characteristics.

The contract assets relate to unbilled revenues due to the same group of customers reported as accounts receivable and have substantially the same risk characteristics as the accounts receivable for the same type of contracts. The Group has therefore concluded that the expected loss rates for the accounts receivable are a reasonable approximation of the loss rates for the contract assets.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk and impairment assessment (continued)

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

The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on a provision matrix within lifetime ECL. Debtors with significant risk with gross carrying amounts of RMB1,008 million as at 31 December 2023 were assessed individually (31 December 2022: RMB811 million), the loss allowance provision was RMB794 million (31 December 2022: RMB734 million).

	2023			2022 (Restated)		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Telecommunications operators						
Within 1 year	0.2%	10,502,131	(21,004)	0.2%	9,622,557	(19,246)
After 1 year but within 2 years	5.6%	1,638,392	(91,750)	5.9%	948,956	(55,988)
After 2 years but within 3 years	16.9%	405,847	(68,588)	17.7%	305,456	(54,066)
After 3 years but within 4 years	40.6%	150,235	(60,995)	46.1%	160,310	(73,903)
After 4 years but within 5 years	69.3%	67,610	(46,854)	71.3%	73,902	(52,692)
Over 5 years	100.0%	175,951	(175,951)	100.0%	183,813	(183,813)
		12,940,166	(465,142)		11,294,994	(439,708)
Non-telecom operators						
Within 1 year	0.6%	9,309,284	(55,856)	0.5%	7,449,971	(37,250)
After 1 year but within 2 years	20.3%	1,437,201	(291,752)	14.1%	1,317,107	(185,712)
After 2 years but within 3 years	45.2%	567,601	(256,556)	36.3%	411,818	(149,490)
After 3 years but within 4 years	72.8%	159,499	(116,115)	63.0%	141,191	(88,950)
After 4 years but within 5 years	84.6%	86,467	(73,151)	73.6%	46,601	(34,298)
Over 5 years	100.0%	260,510	(260,510)	100.0%	275,915	(275,915)
		11,820,562	(1,053,940)		9,642,603	(771,615)

Expected loss rates were assessed based on actual loss experienced over the past 1 to 5 years. These rates had been adjusted to reflect differences between economic conditions during the period over which the historic data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivable balances.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk and impairment assessment (continued)

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

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

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

	2023 RMB'000	2022 RMB'000 (Restated)
As at 1 January	1,945,664	1,693,286
Changes due to financial assets recognised during the year		
– Impairment loss recognised	583,212	434,749
– Impairment loss reversed	(203,361)	(175,720)
– Uncollectible amounts written off	(12,633)	(6,651)
As at 31 December	2,312,882	1,945,664

The Group writes off an accounts receivable when there is information indicating that the specific debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy process.

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

	2023 RMB'000	2022 RMB'000
As at 1 January	283,469	239,748
Changes due to financial assets recognised during the year		
– Impairment loss recognised	71,647	70,967
– Impairment loss reversed	(42,623)	(27,150)
– Uncollectible amounts written off	–	(96)
As at 31 December	312,493	283,469

(b) Interest rate risk

The Group is exposed to fair value interest rate risk primarily from its short-term and long-term borrowings carrying interests at fixed rates. The Group manages its exposure to fair value interest rate risk by maintaining high proportion of fixed rate borrowings with maturity within one year. Details of the interest rates of interest-bearing borrowings are disclosed in note 34.

The Group is also exposed to cash flow interest rate risk in relation to short-term and long-term borrowings carrying interests at variable rates. The Group manages its exposure to interest rate risk by closely monitoring the change in the market interest rates.

The management of the Group considers the fluctuation in interest rates on short-term and long-term borrowings carrying interests at variable rates is insignificant. Therefore, no sensitivity analysis is presented.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on interest rates at the end of the reporting period) and the earliest date the Group would be required to repay:

	31 December 2023					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but within 5 years RMB'000	More than 5 years RMB'000
Short-term and the current portion of long-term interest-bearing borrowings (notes 34)	807,499	818,257	818,257	-	-	-
Long-term interest-bearing borrowings (notes 34)	53,557	58,011	-	23,367	34,644	-
Accounts and bills payable (notes 35)	53,426,398	53,426,398	53,426,398	-	-	-
Lease liabilities (notes 36)	1,516,630	1,648,705	556,901	406,838	498,307	186,659
Accrued expenses and other payables	7,752,156	7,752,156	7,752,156	-	-	-
	63,556,240	63,703,527	62,553,712	430,205	532,951	186,659
	31 December 2022 (Restated)					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but within 5 years RMB'000	More than 5 years RMB'000
Short-term and the current portion of long-term interest-bearing borrowings (notes 34)	752,001	758,761	758,761	-	-	-
Long-term interest-bearing borrowings (notes 34)	129,120	142,049	-	23,713	66,926	51,410
Accounts and bills payable (notes 35)	44,611,295	44,611,295	44,611,295	-	-	-
Lease liabilities (notes 36)	1,580,115	1,709,303	565,121	419,942	491,272	232,968
Accrued expenses and other payables	5,747,880	5,747,880	5,747,880	-	-	-
	52,820,411	52,969,288	51,683,057	443,655	558,198	284,378

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

Foreign currency exchange rate risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. As at 31 December 2023, the Group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in USD, the aggregate net assets are RMB95 million. To manage the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to foreign currency risks, and a portion of those risks is hedged by using derivative financial instruments, when management considers it necessary. The Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

(e) Price risk

The Group is exposed to equity price changes arising from equity investments at FVTPL and designated as at FVTOCI.

The Group's listed investments are listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange. Listed investments held in the investment portfolio have been chosen based on their longer term growth potentials and are monitored regularly for performance against expectations.

At 31 December 2023, it is estimated that an increase/(decrease) of 5% (2022: 5%) in the relevant share price (for listed investments) as applicable, with all other variables held constant, would have increased/(decreased) the Group's other components of consolidated equity as follows:

	2023		2022	
	Increase/ (decrease) in equity price	Effect on other components of equity RMB'000	Increase/ (decrease) in equity price	Effect on other components of equity RMB'000
Changes in the relevant equity price risk variable:				
Increase	5%	130,439	5%	126,368
Decrease	(5%)	(130,439)	(5%)	(126,368)

The above sensitivity analysis indicates the instantaneous change in the Group's other components of consolidated equity that would result, assuming that the changes in the share price had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair value

(i) Financial instruments carried at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period.

	2023			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets				
Equity instruments at fair value through other comprehensive income (note (i))	3,461,069	–	12,511	3,473,580
Equity instruments at fair value through profit or loss (note (ii))	10,429	–	342,301	352,730
	2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets				
Equity instruments at fair value through other comprehensive income (note (i))	395,680	–	2,940,723	3,336,403
Equity instruments at fair value through profit or loss (note (ii))	42,018	–	295,342	337,360

Notes:

- (i) One of the invested entities was listed on Shanghai Stock Exchange in 2018 and the Group is contractually prevented from selling the shares held immediately following the initial public offering for a period of 5 years. At the end of 31 December 2023, the relevant restricted shares have all been lifted, so they have been transferred from Level 3 to Level 1.
- (ii) The invested entities in Level 3 were private companies. At the end of 31 December 2023, the Group appointed an external valuer to determine the fair value of the invested entity in Level 3 based on discounted cash flows. The future cash flows had been estimated based on long-term revenue growth rates, taking into management's experience and knowledge of market conditions.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair value (continued)

(ii) Reconciliation of level 3 fair value measurement

	Equity instruments at fair value through other comprehensive income RMB'000	Wealth management products and structured deposits RMB'000	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2023	2,940,723	–	295,342
Purchases	1,053	–	54,275
Disposals/settlements	(4,702)	–	–
Transferred to level 1	(3,389,425)	–	(19,538)
Total gains/(losses)			
– in profit or loss	–	–	12,222
– in other comprehensive income	464,862	–	–
As at 31 December 2023	12,511	–	342,301

	Equity instruments at fair value through other comprehensive income RMB'000	Wealth management products and structured deposits RMB'000	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2022	3,236,509	3,303,941	171,943
Purchases	–	–	147,390
Disposals/settlements	(409)	(3,355,829)	–
Transferred to level 1	–	–	(35,880)
Total gains/(losses)			
– in profit or loss	–	51,888	11,889
– in other comprehensive income	(295,377)	–	–
As at 31 December 2022	2,940,723	–	295,342

(iii) Fair values of financial instruments carried at other than fair value

The fair values of financial assets and financial liabilities recorded at amortised cost are not materially different from their carrying amounts, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

45. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In addition to those disclosed in note 20, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition of system integration services

The Group assesses the contracts for system integration services to identify each performance obligation contained in the contracts. Identifying the performance obligations requires judgment in some situations to determine whether multiple promised goods or services in a contract should be accounted for separately or as a group. For the contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price is the price of selling a piece of distinct goods or service underlying each performance obligation. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

(b) Provision of ECL for accounts receivable and contract assets

Accounts receivable and contract assets with significant risk are assessed for ECL individually. In addition, the Group uses a provision matrix to calculate ECL for the accounts receivable and contract assets by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical loss rates, taking into consideration reasonable and supportable forward-looking information that is available without undue costs or efforts. At every reporting date, the historical loss rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The Group has considered the uncertainty under different macroeconomics scenarios and the risk of increased credit default rates appropriately. The information about the ECL and the Group's accounts receivable and contract assets are disclosed in notes 44(a), 28 and 29 respectively.

(c) Fair value measurement of financial instruments

Certain of the Group's equity investments are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 44(f) for further disclosures.

46. RELATED PARTIES

The Group has undertaken significant transactions and maintained relationships with members of CTC Group, the material related party transactions are as below:

(a) Transactions with CTC Group

Because of the relationship between the Group and CTC Group, the terms of these transactions were negotiated between the Group with GTC Group.

The principal transactions with CTC Group which were carried out in the ordinary course of business are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Engineering related services revenue (note (i))	20,743,062	18,933,546
IT application services revenue (note (ii))	7,027,463	5,822,815
Provision of ancillary telecommunications services revenue (note (iii))	18,222,068	17,825,467
Provision of operation support services revenue (note (iv))	4,703,200	4,378,069
Supplies procurement services revenue (note (v))	3,506,856	3,121,815
Property leasing services revenue (note (vi))	196,005	186,758
Management fee income (note (vii))	393,803	386,733
Property leasing services charges (note (viii))	91,419	155,223
IT application services charges (note (ix))	1,005,638	331,278
Operation support services charges (note (x))	819,140	969,922
Supplies procurement services charges (note (xi))	3,707,388	2,636,383
Interest expenses (note (xii))	29,139	30,577
Net deposits placed with China Telecom Finance (note (xiii))	892,338	1,004,094
Interest income of deposits placed with China Telecom Finance (note (xiv))	88,874	56,098
Net lending funds (note (xv))	(67,000)	–
Interest income of lending funds (note (xvi))	2,158	2,366

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

Notes:

- (i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to CTC Group.
- (ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group.
- (iii) The amount represents ancillary telecommunications services such as maintenance of network facilities (including optical ducts and cables, exchange buildings and base stations), operation of distribution channels, fixed line and wireless value-added service, internet contents and information services provided to CTC Group.
- (iv) The amount represents the facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group.
- (v) The amount represents supplies procurement service such as warehousing, transportation and installation and other related services provided to CTC Group.
- (vi) The amount represents rentals from operating leases in respect of business premises leased to CTC Group.
- (vii) The amount represents management fee in respect of headquarters management function services ("Centralised Services") provided to CTC Group.
- (viii) The amount represents rentals from short-term leases in respect of business premises paid and payable to CTC Group.
- (ix) The amount represents the charge paid and payable to CTC Group for basic telecommunications service, value-added service and information application service.
- (x) The amount represents the charge paid and payable to CTC Group for logistics, labor resources, cultural, educational, hygiene and other supporting services.
- (xi) The amount represents the charge paid and payable to CTC Group for supplies procurement services, warehousing, transportation and installation services.
- (xii) The amount represents the interest paid and payable to CTC Group in respect of the loans and lease liabilities from CTC Group.
- (xiii) The amount represents net deposit under deposit services provided by China Telecom Finance.
- (xiv) The amount represents the interest income from deposit services provided by China Telecom Finance.
- (xv) The amount represents the net lending of funds to CTC Group.
- (xvi) The amount represents the interest income arising from lending funds to CTC Group.

46. RELATED PARTIES (continued)**(a) Transactions with CTC Group (continued)**

Amounts due from/to CTC Group included in respective balances are summarised as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Cash and cash equivalents	4,439,472	5,013,633
Short-term bank deposits and restricted cash	7,304	–
Accounts and bills receivable, net	9,190,845	7,562,052
Contract assets, net	13,194,503	11,549,415
Current portion of deposits at financial institutions with original maturity more than one year	995,055	–
Prepayments and other current assets	2,299,125	1,670,309
Deposits at financial institutions with original maturity more than one year	2,614,243	2,066,259
Other non-current assets	214,189	192,063
Total amounts due from CTC Group	32,954,736	28,053,731
Accounts and bills payable	622,558	500,729
Contract liabilities	505,848	595,613
Accrued expenses and other payables	338,686	288,931
Current portion of lease liabilities	174,492	172,001
Lease liabilities	524,870	614,489
Total amounts due to CTC Group	2,166,454	2,171,763

As at 31 December 2023, the Group had recognised credit losses of RMB404 million (2022: RMB399 million) in respect of amounts due from CTC Group.

For the year ended 31 December 2023, additional amount of RMB145 million of right-of-use assets had been recognised under new lease contracts entered into with CTC Group (2022: RMB119 million).

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are reasonable so far as the shareholders of the Company are concerned.

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

The terms of the principal agreements agreed with CTC impacting the results of operations of the Group are summarised as follows:

- (1) The Group has entered into agreements with CTC pursuant to which the Group provides CTC Group with construction, design and project supervision and management for telecommunications infrastructure projects. In addition, the Group has entered into information technology service agreements with CTC pursuant to which the Group provides CTC Group with telecommunications network support services, software and hardware development and other IT related services. The amounts charged for these services are determined by reference to market rates as reflected in prices obtained through tender processes.
- (2) The Group has entered into facilities leasing agreements with CTC pursuant to which the Group leases certain premises and other facilities to CTC Group, and vice versa. The rental charges are negotiated based on market rates.
- (3) The Group has entered into operation support services agreements for facilities management, advertising, conferencing, logistics, cultural, educational, hygiene and other community services with CTC. In addition, the Group has entered into ancillary services agreements with CTC. The ancillary services provided to CTC Group include repairs and maintenance of telecommunications equipment and facilities and provision of certain customer services. Pursuant to these agreements, the Group charges CTC Group, and vice versa, for these services in accordance with the following terms:
 - market price. In determining the market price, the Group primarily considers the following factors: (i) cost of services; (ii) prices of the same or similar type of services provided to CTC Group by other service providers in the market; (iii) prices of the same or similar type of services provided to CTC Group and independent third parties previously by the Group.
 - in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the relevant taxes in sales and reasonable profits. “Reasonable costs” means the costs confirmed by both parties after negotiations, and “reasonable profit” means a profit ratio confirmed by both parties during the course of normal commercial negotiation, taking into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor costs, local commodity prices and economic development levels.
- (4) The Group has entered into agreement with CTC pursuant to which the Group takes up the role of providing headquarter management functions to manage assets of the telecommunications support businesses of provinces, municipalities and autonomous regions (“Centralised Services”). The aggregate administrative costs incurred by the Group for the provision of the Centralised Services are apportioned pro rata between the Group and CTC Group according to the net asset ratio of each of the relevant parties.

46. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

- (5) The Group has entered into Supplies Procurement Services Framework agreement for procurement of telecommunication and non-telecommunication supplies, provision of agency services of supplies procurement, sales of telecommunication supplies and management of biddings, verification of technical specifications, warehousing transportation and installation services. Pursuant to the agreement, the Group charges CTC Group for these services in accordance with the following terms:
- maximum 1% of the contract value for procurement services on imported telecommunication supplies;
 - maximum 3% of the contract value for procurement services on domestic telecommunication and non-telecommunication supplies and materials;
 - market price. In determining the market price, the Group primarily considers the following factors: (i) cost of services; (ii) prices of the same or similar type of services provided to CTC Group or the Group by other service providers in the market; (iii) prices of the same or similar type of services provided to CTC Group and independent third parties by the Group, or prices of the same or similar type of services provided to the Group by CTC Group and independent third parties;
 - in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the taxes on sales and reasonable profits. "Reasonable costs" means the costs confirmed by both parties after negotiations, and "reasonable profit" means a profit ratio confirmed by both parties during the course of normal commercial negotiation, taking into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor costs, local commodity prices and economic development levels.

The Group and China Telecom Finance entered into the Financial Services Framework Agreement, pursuant to which China Telecom Finance has agreed to provide financial services to the Group, including deposit services, loan services and other financial services.

46. RELATED PARTIES (continued)

(b) Transactions with associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties

The Group has entered into transactions with associates and joint ventures of the group, associates and joint ventures of CTC Group, and other related parties can exercise significant influence. The transactions entered into by the Group and above related parties are as follows:

	2023 RMB'000	2022 RMB'000
Engineering related service revenue (note (i))	4,132,208	3,592,264
IT application service revenue (note (ii))	244,334	274,224
Provision of ancillary telecommunications service revenue (note (iii))	1,805,949	1,685,313
Provision of operation support service revenue (note (iv))	110,857	123,892
Supplies procurement service revenue (note (v))	202,292	180,319
Property leasing service revenue (note (vi))	5,334	5,864
Property leasing service charges (note (vii))	14,802	384
IT application service charges (note (viii))	1,998,645	857,144
Operation support service charges (note (ix))	3,509,544	2,871,019
Supplies procurement service charges (note (x))	150,269	127,469
Interest expenses (note (xi))	–	6

Notes:

- (i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to associates and joint ventures of the Group, associates and joint ventures of CTC Group.
- (ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to associates and joint ventures of the Group, associates and joint venture of CTC Group, and other related parties.
- (iii) The amount represents ancillary telecommunications services such as maintenance of network facilities (including optical ducts and cables, exchange buildings and base stations); operation of distribution channels; fixed line and wireless value-added services; internet contents and information services provided to associates and joint ventures of the Group, associates and joint ventures of CTC Group.
- (iv) The amount represents facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to associates and joint ventures of the Group, associates and joint ventures of CTC Group.
- (v) The amount represents supplies procurement services such as warehousing, transportation and installation and other related services provided to associates and joint ventures of the Group, associates and joint venture of CTC Group.
- (vi) The amount represents rental received/receivable from operating leases in respect of business premises entered into with associates and joint ventures of the Group, associates and joint ventures of CTC Group.
- (vii) The amount represents rentals from short-term lease in respect of business premises paid and payable to associate and joint ventures of the Group, associates and joint ventures of CTC Group.
- (viii) The amount represents charges paid and payable to associates and joint ventures of the Group, associates and joint venture of CTC Group, and other related parties for basic telecommunications services, value-added services and information application services.
- (ix) The amount represents charges paid and payable to associates and joint ventures of the Group, associates and joint venture of CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.
- (x) The amount represents the charge paid and payable to associates and joint ventures of the Group, associates and joint venture of CTC Group, and other related parties for supplies procurement services, warehousing, transportation and installation services.
- (xi) The amount represents interest paid and payable to associates and joint ventures of CTC Group in respect of lease liabilities from associates and joint ventures of CTC Group.

46. RELATED PARTIES (continued)**(b) Transactions with associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (continued)**

Amounts due from/to associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties included in respective account balances are summarised as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accounts and bills receivable, net	423,773	282,770
Contract assets, net	393,375	375,710
Prepayments and other current assets	1,376,449	1,083,392
Other non-current assets	–	6
Total	2,193,597	1,741,878
Accounts and bills payable	2,302,545	1,451,956
Contract liabilities	373,369	343,193
Current portion of lease liabilities	–	85
Accrued expenses and other payables	82,817	84,599
Total	2,758,731	1,879,833

The directors of the Company are of the opinion that the above transactions undertaken with related parties were conducted on normal commercial terms in the ordinary course of business.

(c) Transactions with other government-related entities in the PRC

The Company is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC through government authorities, agencies, affiliations and other organisations (collectively referred to as “government-related entities”).

Apart from transactions with parent company and its affiliates (note 46(a)), the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services, including but not limited to telecommunications services
- Sales and purchases of goods, properties and other assets
- Leasing of assets
- Depositing and borrowing money
- Use of public utilities

46. RELATED PARTIES (continued)

(c) Transactions with other government-related entities in the PRC (continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services rendered and products sold based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors of the Company believe the above information provides meaningful disclosure of related party transactions.

(d) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors as disclosed in note 13 and certain of the highest paid employees as disclosed in note 14, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	7,239	6,836
Share appreciation rights	826	–
Retirement benefits	3,051	2,755
Discretionary bonuses	17,682	19,557
	28,798	29,148

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions with CTC Group disclosed in note 46(a) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. SEGMENT REPORTING

The Group principally has one operating segment, which is the provision of integrated comprehensive smart solutions in the field of informatization and digitalization. Therefore, no additional segment information has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 4.

48. SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2023 which principally affected the results of operations, assets or liabilities of the Group.

Name of company	Type of legal entity	Place of incorporation/ establishment	Proportion of ownership interest and voting rights held by the Company		Issued and paid up capital	Principal activities
			31 December 2023 Directly %	31 December 2022 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 2023	31 December 2022		
			Directly %	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 2023	31 December 2022		
			Directly %	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. (note (i))	Limited Liability Company	The PRC	100	51	RMB327 million	Provision of submarine cable installation and other related services
Hainan Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB141 million	Provision of integrated telecommunications support services through its subsidiaries in Hainan Province
China Comservice Supply Chain Co., Ltd.	Limited Liability Company	The PRC	73.99	73.99	RMB1,256 million	Provision of integrated telecommunications support services
Inner Mongolia Autonomous Region Communications Services Company Limited	Limited Liability Company	The PRC	100	100	RMB10 million	Provision of integrated telecommunications support services in Inner Mongolia Autonomous Region
Comservice Capital Holding Company Limited	Limited Liability Company	The PRC	100	100	RMB500 million	Management of Group capital
China Comservice Smart Property Development Co., Ltd.	Limited Liability Company	The PRC	100	100	RMB50 million	Provision of property services
Comservice Intelligent Technology Co., Ltd.	Limited Liability Company	The PRC	100	NA	–	Provision of integrated telecommunications support services

Note:

- (i) In December 2023, the Company acquired 49% equity interests of Sino-British Submarine System Co., Ltd. held by the non-controlling interests.

China Comservice Supply Chain Co., Ltd., China Comservice Software Tech. Co., Ltd., and Zhongshutong Information Co., Ltd. are non-wholly owned subsidiaries of the Group. The cumulative carrying amount of the Group's non-controlling interests was RMB1,091 million as at 31 December 2023 (2022: RMB1,263 million). The non-controlling interests were individually and in aggregate not material to the Group's financial conditions or results of operations for both 2022 and 2023.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment, net	1,390,340	1,585,933
Investment properties	1,618,985	1,542,924
Construction in progress	8,539	158
Other intangible assets	69,081	98,794
Investments in subsidiaries	14,695,834	14,237,534
Interests in associates and joint ventures	851,025	816,159
Deposits at financial institutions with original maturity more than one year	4,581,609	5,249,225
Total non-current assets	23,215,413	23,530,727
Current assets		
Inventories	309	310
Accounts and bills receivable, net	50,467	4,226
Current portion of deposits at financial institutions with original maturity more than one year	2,251,999	110,587
Prepayments and other current assets	2,002,764	2,018,186
Short-term bank deposits and restricted cash	374,781	185
Cash and cash equivalents	14,875,868	14,135,829
Total current assets	19,556,188	16,269,323
Total assets	42,771,601	39,800,050
Current liabilities		
Contract liabilities	481	481
Accrued expenses and other payables	23,440,284	20,894,588
Income tax payable	1,530	2,936
Total current liabilities	23,442,295	20,898,005
Net current assets (note (i))	(3,886,107)	(4,628,682)
Total assets less current liabilities	19,329,306	18,902,045
Total liabilities	23,442,295	20,898,005
Equity		
Share capital	6,926,018	6,926,018
Reserves	12,403,288	11,976,027
Total equity	19,329,306	18,902,045
Total liabilities and equity	42,771,601	39,800,050

Note:

- (i) The current assets of the Company were less than the current liabilities as at December 31, 2023. The current liabilities of RMB23,021 million were debts arising from amounts due to the subsidiaries of the Group, the Company will be able to decide the repayment plans at its own discretion to enable the Company to meet the liabilities as they fall due and carry on the business without a significant curtailment of operations.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movements of equity of the Company are as follows:

	Share capital	Share premium	Capital reserve	Statutory Surplus reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 40)					
At 1 January 2022	6,926,018	4,529,310	1,966,293	1,706,073	3,432,174	18,559,868
Profit for the year	–	–	–	–	1,541,764	1,541,764
Distribution of dividends (note 15(b))	–	–	–	–	(1,199,587)	(1,199,587)
Appropriation	–	–	–	154,176	(154,176)	–
At 31 December 2022	6,926,018	4,529,310	1,966,293	1,860,249	3,620,175	18,902,045
Profit for the year	–	–	–	–	1,770,216	1,770,216
Distribution of dividends (note 15(b))	–	–	–	–	(1,342,955)	(1,342,955)
Appropriation	–	–	–	177,022	(177,022)	–
At 31 December 2023	6,926,018	4,529,310	1,966,293	2,037,271	3,870,414	19,329,306

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with IFRSs after the appropriation made to statutory surplus reserve as detailed in notes to the consolidated statement of changes in equity.

50. POSSIBLE IMPACT OF AMENDMENTS TO STANDARDS AND NEW STANDARD ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these consolidated financial statements, the IASB has issued the following amendments to standards and new standard which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IFRS 21	Lack of Exchangeability ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact that will result from adopting the amendments to standards and new standard issued by the IASB which are not yet effective for the accounting period ended on 31 December 2023. Up to the date of approval of these financial statements, the Group believes that the adoption of these amendments to standards and new standard is unlikely to have a significant impact on its financial position and the results of operations.

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below includes changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	As at 1 January 2023 RMB'000	Accruals RMB'000	Financing cash flows RMB'000	Foreign exchange translation RMB'000	Lease modified RMB'000	As at 31 December 2023 RMB'000
Borrowings (note 34)	881,121	–	(13,926)	(6,139)	–	861,056
Dividends payable	26,456	1,395,795	(1,405,251)	8,166	–	25,166
Lease liabilities (note 36)	1,580,115	721,914	(613,206)	–	(172,193)	1,516,630
	2,487,692	2,117,709	(2,032,383)	2,027	(172,193)	2,402,852

	As at 1 January 2022 RMB'000	Accruals RMB'000	Financing cash flows RMB'000	Foreign exchange translation RMB'000	Lease modified RMB'000	As at 31 December 2022 RMB'000
Borrowings (note 34)	812,832	–	43,061	25,228	–	881,121
Dividends payable	31,016	1,251,559	(1,257,596)	1,477	–	26,456
Lease liabilities (note 36)	1,562,803	672,516	(529,557)	–	(125,647)	1,580,115
	2,406,651	1,924,075	(1,744,092)	26,705	(125,647)	2,487,692