

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. 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.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated financial statements and notes thereof do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards (“IFRSs”). IFRSs include all applicable IFRSs, International Accounting Standards (“IASs”) and related interpretations.

This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and IAS 34, Interim Financial Reporting.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the consolidated financial statements of the Group for the year ended 31 December 2023, except as described below.

In the current interim period, the Group has applied the following amendments to IFRSs, for the first time:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of above amendments in the current period has had no material effect on the Group’s condensed consolidated interim financial information.

4. 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 5.

5. REVENUES

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

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue from telecommunications infrastructure services	37,666,188	37,687,865
Revenue from business process outsourcing services	22,162,474	21,728,657
Revenue from applications, content and other services	14,583,291	13,753,031
	74,411,953	73,169,553

The Group's major customers are telecommunications operators which include China Telecommunications Corporation and its subsidiaries (excluding the Group) ("CTC Group") and China Mobile Communications Group Co., Ltd. and its subsidiaries ("CM Group"). Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the six months ended 30 June 2024 amounted to RMB27,082 million and RMB7,025 million, respectively (six months ended 30 June 2023: RMB25,823 million and RMB8,301 million, respectively), being 36.4% and 9.4% of the Group's total revenues, respectively (six months ended 30 June 2023: 35.3% and 11.3%, respectively). The revenues derived from areas outside Mainland China for the six months ended 30 June 2024 amounted to RMB1,979 million (six months ended 30 June 2023: RMB1,570 million).

For the six months ended 30 June 2024, 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 derived from which amounted to RMB30,576 million, RMB9,359 million and RMB9,151 million, respectively (six months ended 30 June 2023: the Group's top three businesses 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 derived from which amounted to RMB30,417 million, RMB9,086 million and RMB8,696 million, respectively). Revenues from non-telecom operators for construction amounted to RMB15,421 million (six months ended 30 June 2023: RMB15,582 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Subcontracting charges	41,233,277	40,303,014
Materials costs	12,336,999	11,885,948
Direct personnel costs	3,807,665	3,871,293
Direct costs of products distribution	1,098,458	1,682,870
Expense relating to short-term leases and leases of low-value assets	604,986	581,799
Depreciation and amortisation	505,257	482,139
Others	6,709,732	6,528,844
	66,296,374	65,335,907

7. OTHER INCOME

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest income	325,641	317,534
Dividend income from equity instruments	191,435	176,610
Management fee income	165,747	149,716
Government grants	87,807	111,838
Input tax credits	29,241	94,655
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	7,688	3,391
Penalty income	5,550	1,698
Others	66,738	80,382
	879,847	935,824

8. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	31,503	28,402
Interest on lease liabilities	27,523	26,992
	59,026	55,394

For the six months ended 30 June 2024, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2023: nil).

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	7,308,835	7,179,537
Contributions to defined contribution retirement schemes	1,108,808	1,059,917
	8,417,643	8,239,454
(b) Other items:		
Amortisation	98,587	98,229
Depreciation	729,391	714,914
Auditors' remuneration	–	7,009
Materials costs	12,336,999	11,885,948
Direct costs of products distribution	1,098,458	1,682,870
Inventory write-down and losses, net of reversals	18,604	19,296
Impairment losses recognised and reversed on accounts receivable, other receivables, contract assets and others, net	118,914	165,852
Expense relating to short-term leases and leases of low-value assets	696,621	665,716

The selling expenses, general and administrative expenses, research and development costs and others of the Group are RMB1,168 million, RMB2,711 million, RMB2,314 million and RMB349 million (six months ended 30 June 2023: RMB1,180 million, RMB2,748 million, RMB2,082 million and RMB343 million) respectively for the six months ended 30 June 2024.

10. INCOME TAX

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current tax	296,994	252,167
Deferred tax	(89,839)	(25,830)
Total income tax	207,155	226,337

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit before tax	2,405,105	2,338,611
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2023: 25%)	601,276	584,653
Differential/preferential tax rates on subsidiaries' income (note (i)(ii))	(100,644)	(127,406)
Non-deductible expenses (note (iii))	24,891	49,768
Non-taxable income	(66,411)	(57,904)
Tax losses and other temporary differences not recognised	56,538	43,667
Utilisation of previously unrecognised tax losses	(11,670)	(5,782)
Over provision in respect of prior years	(4,330)	(2,002)
Additional deduction of research and development expenses (note (iv))	(292,495)	(258,657)
Income tax	207,155	226,337

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 six months ended 30 June 2024 and 2023 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% (six months ended 30 June 2023: 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 the Group's PRC subsidiaries are qualified for 100% (six months ended 30 June 2023: 100%) additional deduction for tax reporting purpose.

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 six months ended 30 June 2024 of RMB2,125 million (six months ended 30 June 2023: RMB2,034 million) and the number of shares in issue during the six months ended 30 June 2024 of 6,926,018 thousand shares (six months ended 30 June 2023: 6,926,018 thousand shares).

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

12. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Changes in fair value of equity instruments at fair value through other comprehensive income recognised during the period	670,820	498,426
Net deferred tax charged to other comprehensive income	(168,823)	(126,265)
Exchange differences on translation of financial statements	(14,030)	10,770
Other comprehensive income for the period	487,967	382,931

13. DIVIDENDS

(a) Dividends attributable to the period

The Board of Directors did not propose the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved during the period of RMB0.2174 per share (2023: RMB0.1939 per share)	1,505,716	1,342,955

No final dividend or special dividend was paid during the six months ended 30 June 2024 and 2023.

14. OTHER NON-CURRENT ASSETS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Long-term receivables	625,908	622,357
Others	350,465	386,612
	976,373	1,008,969

15. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bills receivable	696,133	465,039
Accounts receivable	29,221,437	25,769,168
	29,917,570	26,234,207
Less: allowance for credit losses	(2,430,286)	(2,312,949)
	27,487,284	23,921,258

- (a) The amounts due from CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 26) are unsecured, interest-free and are expected to be recovered within one year.
- (b) The ageing analysis of accounts and bills receivable (net of allowance for credit losses) based on credit terms is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current	1,418,127	1,892,584
Within 1 year	22,346,869	18,452,197
After 1 year but less than 2 years	2,795,019	2,707,336
After 2 years but less than 3 years	678,884	649,456
After 3 years but less than 4 years	164,298	136,651
After 4 years but less than 5 years	35,613	34,560
Over 5 years	48,474	48,474
	27,487,284	23,921,258

16. CONTRACT ASSETS, NET

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Telecommunications infrastructure services	28,201,565	23,874,832
Business process outsourcing services	1,526,546	1,223,662
Applications, content and other services	4,053,456	3,798,145
	33,781,567	28,896,639
Less: allowance for credit losses	(307,777)	(312,493)
	33,473,790	28,584,146

The contract assets relate to the rights of the Group to considerations receivable for work completed and not billed because the rights are conditional upon the Group's future performance in achieving specified milestones on construction, design and other service contracts. The contract assets are transferred to accounts 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.

17. CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at bank and in hand	10,121,942	18,475,393
Cash at China Telecom Group Finance Co., Ltd ("China Telecom Finance")	3,685,229	4,439,472
Cash and cash equivalents	13,807,171	22,914,865

18. INTEREST-BEARING BORROWINGS

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
RMB denominated		
Borrowings from banks – unsecured	127,500	131,630
Other RMB denominated borrowings – unsecured	N/A	395
USD denominated		
Borrowings from banks – unsecured – secured (note)	177,457 37,775	176,359 20,558
Other denominated		
Borrowings from banks – unsecured	528,673	472,898
Interest payable	7,413	5,659
	878,818	807,499

Note:

As at 30 June 2024, the amount of secured USD denominated borrowings from banks, RMB37,775 thousand (31 December 2023: RMB20,558 thousand), was the current portion of long-term borrowings.

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
RMB denominated		
Borrowings from banks – unsecured	2.95%-3.4%	1.50%-3.80%
Other RMB denominated borrowings – unsecured	N/A	4.00%-4.50%
USD denominated		
Borrowings from banks – unsecured (floating interest rate)	Secured Overnight Financing Rate ("SOFR") +1.08%-1.10%.p.a	SOFR +1.08%-1.10%.p.a
Other denominated		
Borrowings from banks – unsecured – unsecured (floating interest rate)	5.26%~8.11% Hong Kong Interbank Offered Rate ("HIBOR") +0.95%-1.00%	5.61%-9.92% HIBOR +0.95%-1.00%

18. INTEREST-BEARING BORROWINGS (continued)

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
USD denominated		
Borrowings from banks – secured	37,775	74,115
Less: Current portion	(37,775)	(20,558)
	–	53,557

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
USD denominated		
Borrowings from banks – secured (floating interest rate)	SOFR+2.45%	SOFR+2.45%

The Group's borrowings were repayable as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	878,818	807,499
After 1 year but within 2 years	–	20,398
After 2 years but within 5 years	–	33,159
	878,818	861,056

19. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Accounts payable	54,434,367	48,655,930
Bills payable	4,625,735	4,770,468
	59,060,102	53,426,398

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	55,821,566	50,406,385
After 1 year but less than 2 years	2,004,052	1,594,073
After 2 years but less than 3 years	524,949	688,155
Over 3 years	709,535	737,785
	59,060,102	53,426,398

The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 26) are unsecured, interest-free and are expected to be settled within one year.

20. CONTRACT LIABILITIES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Telecommunications infrastructure services	5,148,210	6,931,722
Other services	2,437,136	2,595,569
	7,585,346	9,527,291

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

21. ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Wages and welfare payable	2,385,423	1,585,103
Output VAT payable	1,294,657	1,436,712
Amounts due to CTC Group, associates and joint ventures of CTC Group, associates and joint ventures of the Group, and other related parties (note (i))	1,212,549	421,503
Dividend payable (note (ii))	773,865	5,866
Other taxes payable	568,959	784,310
Advance lease payments received	32,235	33,043
Payables for construction and purchase of property, plant and equipment	67,785	2,098
Others (note (iii))	6,630,829	7,373,369
	12,966,302	11,642,004

Notes:

- (i) The amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (see note 26) are unsecured, interest-free and are expected to be settled within one year, among which dividend payable balance is RMB757 million (31 December 2023: RMB19 million).
- (ii) No final dividend or special dividend was paid during the six months ended 30 June 2024 and 2023.
- (iii) The amounts mainly include payables to suppliers for purchases on behalf of CTC Group, deposits received from subcontractors and others.

22. OTHER NON-CURRENT LIABILITIES

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

23. SHARE CAPITAL

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2023: 4,534,598,160) Domestic shares of RMB1.00 each	4,534,598	4,534,598
2,391,420,240 (31 December 2023: 2,391,420,240) H shares of RMB1.00 each	2,391,420	2,391,420
	6,926,018	6,926,018

24. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 30 June 2024, the Group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for but not provided	131,315	160,072

(b) Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities and financial guarantees issued.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(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. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 30 June 2024			
	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	4,131,889	–	12,511	4,144,400
Financial assets at fair value through profit or loss				
– Structured deposits (note (i))	–	–	700,000	700,000
– Equity instruments at fair value through profit or loss	6,996	–	370,500	377,496

	At 31 December 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	3,461,069	–	12,511	3,473,580
Financial assets at fair value through profit or loss				
– Equity instruments at fair value through profit or loss	10,429	–	342,301	352,730

Note:

- (i) At the end of each reporting period, the Group determined the fair value of the structured deposits by estimating the discounted cash flow derived from them. The future cash flows had been estimated based on expected returns, and discounted at a rate that reflects the credit risk of various counterparties.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(ii) Reconciliation of level 3 fair value measurement

	Equity instruments at fair value through other comprehensive income RMB'000	Structured deposits RMB'000	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2024	12,511	–	342,301
Purchases	–	700,000	14,540
Total gains – in profit or loss	–	–	13,659
As at 30 June 2024	12,511	700,000	370,500
	Equity instruments at fair value through other comprehensive income RMB'000	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 (note(ii))	(3,389,425)	–	(19,538)
Total gains/(losses) – in profit or loss – in other comprehensive income	– 464,862	– –	12,222 –
As at 31 December 2023	12,511	–	342,301

Note:

- (i) The shares of entities invested by the Group were classified as level 3 when they were within restriction period, and were transferred to level 1 when the restriction had been unlocked.

(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.

26. 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 the 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:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Engineering related services revenue (note (i))	10,859,686	9,530,040
IT application services revenue (note (ii))	3,318,436	3,463,451
Provision of ancillary telecommunications services revenue (note (iii))	9,193,971	9,197,037
Provision of operation support services revenue (note (iv))	2,074,889	1,963,350
Supplies procurement services revenue (note (v))	1,553,999	1,584,354
Property leasing revenue (note (vi))	80,548	84,623
Management fee income (note (vii))	165,747	149,716
Property leasing charges (note (viii))	46,579	37,994
IT application services charges (note (ix))	162,913	166,245
Operation support services charges (note (x))	703,312	612,971
Supplies procurement services charges (note (xi))	1,704,146	1,647,882
Interest expenses (note (xii))	11,663	12,625
Net deposits/(withdrawal) placed with China Telecom Finance (note (xiii))	245,757	(4,429,762)
Interest income of deposits placed with China Telecom Finance (note (xiv))	67,583	30,132
Interest income of lending funds(note (xv))	–	4,074

26. 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 content 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/(withdrawal) 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 interest income arising from lending funds to CTC Group.

26. RELATED PARTIES (continued)

(a) Transactions with CTC Group (continued)

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash and cash equivalents	3,685,229	4,439,472
Short-term bank deposits and restricted cash	7,731	7,304
Accounts and bills receivable, net	10,388,519	9,190,845
Contract assets, net	15,042,349	13,194,503
Current portion of deposits at financial institutions with original maturity more than one year	1,217,179	995,055
Prepayments and other current assets	2,267,665	2,299,125
Deposits at financial institutions with original maturity more than one year	3,456,082	2,614,243
Other non-current assets	84,951	214,189
Total amounts due from CTC Group	36,149,705	32,954,736
Accounts and bills payable	1,273,456	622,558
Contract liabilities	496,700	505,848
Accrued expenses and other payables	1,115,125	338,686
Current portion of lease liabilities	163,031	174,492
Lease liabilities	530,320	524,870
Total amounts due to CTC Group	3,578,632	2,166,454

As at 30 June 2024, the credit losses balance in respect of amounts due from CTC Group is of RMB421 million (31 December 2023: RMB404 million).

For the six months ended 30 June 2024, additional amount of RMB93 million of right-of-use assets had been recognised under new lease contracts entered into with CTC Group (six months ended 30 June 2023: RMB58 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.

26. 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:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Engineering related service revenue (note (i))	2,216,278	2,074,011
IT application service revenue (note (ii))	135,145	194,115
Provision of ancillary telecommunications service revenue (note (iii))	990,514	893,895
Provision of operation support service revenue (note (iv))	59,370	49,421
Supplies procurement service revenue (note (v))	108,762	101,630
Property leasing service revenue (note (vi))	1,982	1,394
Property leasing service charges (note (vii))	949	759
IT application service charges (note (viii))	1,073,331	505,927
Operation support service charges (note (ix))	992,065	1,538,539
Supplies procurement service charges (note (x))	193,477	96,035
Interest expenses (note (xi))	5	–

Notes:

- (i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to associates and joint ventures of the Group and associates and joint ventures of CTC Group.
- (ii) The amount represents 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 ventures 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 content and information services provided to associates and joint ventures of the Group and 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 and 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 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 and associates and joint ventures CTC Group.

26. 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)

Notes: (continued)

- (vii) The amount represents rentals from short-term leases in respect of business premises paid and payable to associates and joint ventures of the Group and 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 ventures of CTC Group and other related parties for basic telecommunications services, value-added services and information application services.
- (ix) The amount represents the charges paid and payable to associates and joint ventures of the Group and associates and joint ventures of CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.
- (x) The amount represents the charges paid and payable to associates and joint ventures of the Group and associates and joint ventures of CTC Group 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 due to associates and joint ventures of CTC Group.

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:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Accounts and bills receivable, net	700,234	423,773
Contract assets, net	570,698	393,375
Prepayments and other current assets	1,218,634	1,376,449
Total	2,489,566	2,193,597
Accounts and bills payable	2,590,506	2,302,545
Contract liabilities	206,128	373,369
Lease liabilities	254	–
Current portion of lease liabilities	124	–
Accrued expenses and other payables	97,424	82,817
Total	2,894,436	2,758,731

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

26. RELATED PARTIES (continued)

(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 26(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

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.

(d) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Salaries and other emoluments	3,806	3,542
Stock Appreciation Rights	3,434	2,981
Retirement benefits	1,590	1,504
Discretionary bonuses	5,678	5,746
	14,508	13,773

Total remuneration is included in “Staff costs” in note 9(a).