NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2026

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 informatisation and digitalisation. The Group offers telecommunications infrastructure services, including design, construction and project supervision and management; business process outsourcing services, including management of infrastructure for information technology, general facilities management, supply chain and products distribution; and applications, content and other services, including system integration, software development and system support, and value-added services.

2. BASIS OF PREPARATION

The interim financial report 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 2025 annual financial statements. The condensed consolidated financial statements and the accompanying notes do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and International Accounting Standards 34, *Interim Financial Reporting*.

The interim financial report 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 2025, except for the accounting policy changes that are expected to be reflected in the 2026 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*. KPMG's independent review report to the Board of Directors is included in this interim financial report.

3. CHANGES IN ACCOUNTING POLICIES

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

Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: Disclosures – Amendments to the classification and measurement of financial instruments The amendments cover three main aspects:

- The amendments clarify when a financial asset or a financial liability is recognised and derecognised. They also introduce an optional exception that permits an entity to derecognise a financial liability before the settlement date when the financial liability is settled in cash using an electronic payment system, provided that specific criteria are met.

3. CHANGES IN ACCOUNTING POLICIES (continued)

- For the assessment of whether a financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, the amendments clarify the assessment of interest and introduce an additional test for the financial assets with contingent features, for example environmental, social or governance ("ESG")-linked features. The amendments also clarify the difference between financial assets with non-recourse features and contractually linked instruments which may then change the applicable assessments.

- The amendments introduce new disclosures for disposals of investments in equity instruments designated at fair value through other comprehensive income, and for financial instruments not measured at fair value through profit or loss which contain contractual terms that could change the amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event that does not relate directly to changes in basic lending risks and costs.

Upon adoption of the amendments, the Group has elected to apply the exception for the derecognition of certain trade payables settled in cash using qualifying electronic payment systems. Under the exception, these trade payables are derecognised when the Group has initiated a payment instruction through a qualifying electronic payment system and, as a result, no longer has the practical ability to withdraw, stop or cancel the payment instruction and to access such cash to be used for settlement and the settlement risk associated with the payment system is insignificant. The Group has applied this election consistently to all settlements made through the same qualifying electronic payment system.

The Group has applied the amendments retrospectively. As permitted by transition requirements, the Group has not restated prior periods. The application of the exception does not have a material impact on the Group's consolidated financial statements for the periods presented.

The amendments would also affect the disclosures to be included in the Group's annual financial statements for the year ending 31 December 2026 in respect of investments in equity instruments designated at fair value through other comprehensive income and financial instruments not measured at fair value through profit or loss with specified contingent features. No additional disclosure has been included in this interim financial report.

4. SEGMENT REPORTING

The Group principally has one operating segment, which is the provision of integrated comprehensive smart solutions in the field of informatisation and digitalisation. Therefore, no additional segment information has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 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	
	2026	2025
	RMB'000	RMB'000
Revenue from telecommunications infrastructure services	**36,601,738**	38,272,609
Revenue from business process outsourcing services	**22,104,178**	22,382,937
Revenue from applications, content and other services	**15,774,090**	16,283,705
	74,480,006	76,939,251

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 2026 amounted to RMB26,750 million and RMB6,694 million, respectively (six months ended 30 June 2025 amounted to RMB25,826 million and RMB6,367 million, respectively), being 35.9% and 9.0% of the Group's total revenues, respectively (six months ended 30 June 2025: 33.6% and 8.3%, respectively). The revenues derived from areas outside Mainland China for the six months ended 30 June 2026 amounted to RMB2,310 million (six months ended 30 June 2025: RMB2,151 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Subcontracting charges	**41,178,035**	42,932,050
Materials costs	**14,497,398**	13,341,575
Direct personnel costs	**3,286,934**	3,707,393
Direct costs of products distribution	**761,769**	1,560,609
Expense relating to short-term leases and leases of low-value assets	**500,116**	609,940
Depreciation and amortisation	**467,230**	498,208
Others	**6,356,461**	6,401,866
	67,047,943	69,051,641

7. OTHER INCOME

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Interest income	**161,449**	270,299
Dividend income from equity instruments at fair value through other comprehensive income	**113,521**	211,712
Management fee income	**160,471**	166,948
Government grants	**70,850**	93,034
Write-back of non-payable liabilities	**22,907**	27,869
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	**28,450**	9,840
Others	**94,630**	59,471
	652,278	839,173

8. FINANCE COSTS

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Interest on bank and other borrowings	**22,198**	20,419
Interest on lease liabilities	**19,168**	23,492
	41,366	43,911

For the six months ended 30 June 2026, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2025: nil).

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	**6,213,647**	6,833,056
Contributions to defined contribution retirement schemes	**1,112,478**	1,154,463
	7,326,125	7,987,519
(b) Other items:		
Amortisation	**96,490**	99,633
Depreciation	**659,054**	709,824
Write-down of inventories, net	**12,494**	27,729
Impairment losses recognised and reversed on accounts receivables, other receivables, contract assets and others, net	**96,370**	161,577

The selling expenses, general and administrative expenses, research and development costs and others of the Group are RMB1,133 million, RMB2,328 million, RMB1,998 million and RMB247 million for the six months ended 30 June 2026, respectively (six months ended 30 June 2025: RMB1,193 million, RMB2,457 million, RMB2,184 million and RMB348 million, respectively).

10. INCOME TAX

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

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Current tax	**300,163**	244,762
Deferred tax	**(33,990)**	(10,639)
Total income tax	**266,173**	234,123

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

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Profit before tax	**2,306,575**	2,440,726
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2025: 25%)	**576,644**	610,182
Differential/preferential tax rates on subsidiaries' income (notes (i), (ii))	**(127,947)**	(128,031)
Non-deductible expenses	**37,858**	30,947
Non-taxable income	**(41,646)**	(64,977)
Tax losses and other temporary differences not recognised	**28,890**	44,246
Utilisation of previously unrecognised tax losses	**(6,702)**	(9,067)
Adjustments in respect of current income tax of previous years	**9,335**	(9,329)
Additional deduction of research and development expenses (note (iii))	**(210,259)**	(239,848)
Income tax	**266,173**	234,123

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 2026 and 2025 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 2025: 15%, 15% and 20%).

(iii) 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 an additional deduction of 100% for tax reporting purpose (six months ended 30 June 2025: 100%).

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 2026 of RMB1,969,890 thousand (six months ended 30 June 2025: RMB2,128,715 thousand) and the number of shares in issue during the six months ended 30 June 2026 of 6,926,018 thousand shares (six months ended 30 June 2025: 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	
	2026 **RMB'000**	2025 RMB'000
Changes in fair value of equity instruments at fair value through other comprehensive income recognised during the period	**(498,282)**	526,396
Net deferred tax charged to other comprehensive income	**123,500**	(131,614)
Exchange differences on translation of financial statements	**(30,793)**	16,089
Other comprehensive income for the period	**(405,575)**	410,871

13. DIVIDENDS

(a) Dividends attributable to the interim period

The Board of Directors did not propose the payment of an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: nil).

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

	Six months ended 30 June	
	2026 **RMB'000**	2025 RMB'000
Final dividend in respect of the previous financial year, approved during the period of RMB0.2241 per share (2025: RMB0.2187 per share)	**1,552,121**	1,514,720

No final dividend or special dividend was paid during the six months ended 30 June 2026 and 2025.

14. OTHER NON-CURRENT ASSETS

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Long-term receivables	520,537	393,400
Others (note (i))	254,714	320,930
	775,251	714,330

Note:

(i) The amounts mainly include warranty deposits.

15. ACCOUNTS AND BILLS RECEIVABLES, NET

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Bills receivables	819,349	740,688
Accounts receivables	27,352,469	24,381,687
	28,171,818	25,122,375
Less: allowance for credit losses	(2,747,114)	(2,693,748)
	25,424,704	22,428,627

(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 receivables (net of allowance for credit losses) based on credit terms is as follows:

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Within 1 year	21,590,784	18,833,729
After 1 year but less than 2 years	2,600,102	2,459,480
After 2 years but less than 3 years	916,768	861,243
After 3 years but less than 4 years	218,825	181,144
After 4 years but less than 5 years	48,817	43,743
Over 5 years	49,408	49,288
	25,424,704	22,428,627

16. CONTRACT ASSETS, NET

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Telecommunications infrastructure services	**40,299,185**	34,809,759
Business process outsourcing services	**1,999,750**	1,635,318
Applications, content and other services	**5,507,347**	5,195,785
	47,806,282	41,640,862
Less: allowance for credit losses	**(573,451)**	(562,472)
	47,232,831	41,078,390

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

17. CASH AND CASH EQUIVALENTS

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Cash at bank and in hand	**4,592,622**	8,290,746
Cash at China Telecom Group Finance Co., Ltd. ("China Telecom Finance") (note 26)	**2,937,017**	6,050,519
Deposits at bank with original maturity less than three months	**5,262**	–
Cash and cash equivalents	**7,534,901**	14,341,265

18. INTEREST-BEARING BORROWINGS

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
RMB denominated		
Borrowings from banks		
– unsecured	82,626	97,626
Other denominated		
Borrowings from banks		
– unsecured	597,890	596,519
Interest payable	5,600	5,213
	686,116	699,358

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
RMB denominated		
Borrowings from banks		
– unsecured	2.10%–2.35%	2.45%–2.50%
Other denominated		
Borrowings from banks		
– unsecured	3.45%–6.73%	3.83%–7.16%
– unsecured (floating interest rate)	Hong Kong Interbank Offered Rate ("HIBOR") +0.40%–0.90%	Hong Kong Interbank Offered Rate ("HIBOR") +0.90%–0.95%

The Group's borrowings were repayable as follows:

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Within 1 year	686,116	699,358

19. ACCOUNTS AND BILLS PAYABLES

Accounts and bills payables comprise:

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Accounts payables	**62,317,518**	57,622,659
Bills payables	**4,333,024**	5,519,635
	66,650,542	63,142,294

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Within 1 year	**64,207,157**	60,568,007
After 1 year but less than 2 years	**1,369,556**	1,447,741
After 2 years but less than 3 years	**423,510**	425,937
Over 3 years	**650,319**	700,609
	66,650,542	63,142,294

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 2026 RMB'000	At 31 December 2025 RMB'000
Telecommunications infrastructure services	**4,380,475**	6,851,358
Other services	**2,405,403**	2,809,000
	6,785,878	9,660,358

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 2026 RMB'000	At 31 December 2025 RMB'000
Deposits received from subcontractors	**2,278,827**	2,312,634
Wages and welfare payables	**1,594,513**	1,535,314
Output VAT payables	**1,390,235**	1,474,307
Amounts due to CTC Group, associates and joint ventures of the Group, associates and joint ventures of CTC Group, and other related parties (note (i))	**1,502,905**	707,457
Dividend payables	**828,144**	1,177
Other taxes payables	**612,264**	849,706
Advance lease payments received	**22,151**	30,892
Payables for construction and purchase of property, plant and equipment	**24,329**	2,756
Others (note (ii))	**5,010,379**	4,433,764
	13,263,747	11,348,007

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 payables balance is RMB768 million (31 December 2025: RMB7 million).

(ii) The amounts mainly include payables to suppliers for purchases on behalf of CTC Group 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 2026 RMB'000	At 31 December 2025 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2025: 4,534,598,160) Domestic shares of RMB1.00 each	4,534,598	4,534,598
2,391,420,240 (31 December 2025: 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 2026, the Group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Contracted for but not provided	10,646	12,906

(b) Contingent liabilities

As at 30 June 2026, 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 2026			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial Assets				
Financial assets at fair value through other comprehensive income	**4,295,989**	**–**	**1,053**	**4,297,042**
Financial assets at fair value through profit or loss (note (i))	**–**	**–**	**3,465,038**	**3,465,038**

	At 31 December 2025			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets				
Financial assets at fair value through other comprehensive income	4,794,271	–	1,053	4,795,324
Financial assets at fair value through profit or loss (note (i))	–	–	3,737,760	3,737,760

Note:

(i) The invested entities in Level 3 were private companies. At 30 June 2026, 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 account management's experience and knowledge of market conditions.

The Group's structured deposits are principal-guaranteed products with floating returns, which are linked to benchmarks such as gold prices and exchange rates. As the relevant benchmarks are not directly observable from market data for verification at the measurement date, they are measured as Level 3 fair value. The Company adopts the expected rate of return of these products as the best estimate of their fair value.

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 2026	**1,053**	**3,302,655**	**435,105**
Purchases	**–**	**22,973,000**	**–**
Disposals/settlements	**–**	**(23,243,000)**	**–**
Total gains			
– in profit or loss	**–**	**(589)**	**(2,133)**
As at 30 June 2026	**1,053**	**3,032,066**	**432,972**

	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 2025	1,053	–	385,070
Purchases	–	3,300,000	16,162
Total gains			
– in profit or loss	–	2,655	33,873
As at 31 December 2025	1,053	3,302,655	435,105

(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 CTC Group, the terms of these transactions were negotiated between the Group with CTC 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	
	2026	2025
	RMB'000	RMB'000
Engineering related services revenue (note (i))	**10,087,279**	8,873,056
IT application services revenue (note (ii))	**4,001,992**	4,027,013
Provision of ancillary telecommunications services revenue (note (iii))	**9,289,354**	9,483,198
Provision of operation support services revenue (note (iv))	**2,091,419**	2,055,761
Supplies procurement services revenue (note (v))	**1,202,698**	1,309,231
Property leasing revenue (note (vi))	**77,227**	77,332
Management fee income (note (vii))	**160,471**	166,948
Property leasing charges (note (viii))	**45,901**	51,628
IT application services charges (note (ix))	**267,722**	421,654
Operation support services charges (note (x))	**617,086**	620,120
Supplies procurement services charges (note (xi))	**1,280,859**	1,897,974
Interest expenses (note (xii))	**10,717**	12,612
Net deposits (withdrew from)/placed with China Telecom Finance (note (xiii))	**(3,456,886)**	(124,945)
Interest income of deposits placed with China Telecom Finance (note (xiv))	**57,048**	57,741

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.

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 2026 RMB'000	At 31 December 2025 RMB'000
Cash and cash equivalents	2,903,634	6,050,519
Short-term bank deposits and restricted cash	8,417	9,777
Accounts and bills receivables, net	9,733,951	10,009,512
Contract assets, net	17,131,870	15,750,417
Current portion of deposits at financial institutions with original maturity more than one year	1,141,583	1,126,583
Prepayments and other current assets	3,706,425	2,543,158
Deposits at financial institutions with original maturity more than one year	2,210,649	2,483,538
Other non-current assets	310,000	119,166
Total amounts due from CTC Group	37,146,529	38,092,670
Accounts and bills payables	1,322,532	1,504,169
Contract liabilities	583,217	1,000,434
Accrued expenses and other payables	1,366,696	535,975
Current portion of lease liabilities	224,076	227,378
Lease liabilities	405,537	479,884
Total amounts due to CTC Group	3,902,058	3,747,840

As at 30 June 2026, the credit losses balance in respect of amounts due from CTC Group is of RMB386 million (31 December 2025: RMB390 million).

For the six months ended 30 June 2026, additional amount of RMB53 million of right-of-use assets had been recognised under new lease contracts entered into with CTC Group (six months ended 30 June 2025: RMB72 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	
	2026 **RMB'000**	2025 RMB'000
Engineering related service revenue (note (i))	**1,940,317**	2,215,672
IT application service revenue (note (ii))	**154,927**	236,908
Provision of ancillary telecommunications service revenue (note (iii))	**1,058,115**	999,400
Provision of operation support service revenue (note (iv))	**87,505**	81,414
Supplies procurement service revenue (note (v))	**132,313**	122,117
Property leasing service revenue (note (vi))	**3,699**	3,075
Property leasing service charges (note (vii))	**6**	176
IT application service charges (note (viii))	**563,418**	663,557
Operation support service charges (note (ix))	**1,464,484**	971,073
Supplies procurement service charges (note (x))	**192,629**	425,871
Interest expenses (note (xi))	**21**	5

Notes:

(i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to 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.

(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, associates and joint ventures of CTC Group and other related parties.

(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 and other related parties.

(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 receivables from operating leases in respect of business premises entered into with associates and joint ventures of the Group, associates and joint ventures of CTC Group.

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 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, 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, 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 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 2026 RMB'000	At 31 December 2025 RMB'000
Accounts and bills receivables, net	**1,058,125**	601,132
Contract assets, net	**1,005,612**	847,560
Prepayments and other current assets	**1,504,964**	1,077,657
Total	**3,568,701**	2,526,349
Accounts and bills payables	**2,756,514**	2,782,324
Contract liabilities	**109,795**	288,571
Lease liabilities	**1,142**	81
Current portion of lease liabilities	**93**	91
Accrued expenses and other payables	**136,209**	171,482
Total	**3,003,753**	3,242,549

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	
	2026 RMB'000	2025 RMB'000
Salaries and other emoluments	3,127	3,321
Retirement benefits	1,583	1,598
Discretionary bonuses	7,106	7,739
	11,816	12,658

Total remuneration is included in "Staff costs" in note 9.

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2026

A number of amendments and new standards are not yet mandatory for annual periods beginning 1 January 2026. Earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The following updates the information provided in the last annual financial statements about the possible impacts of IFRS 18 which may not have a significant impact on the Group's consolidated financial statements when adopted.

IFRS 18, Presentation and disclosure in financial statements:

IFRS 18 will replace IAS 1, *Presentation of financial statements*, and is first effective for annual reporting periods beginning on or after 1 January 2027.

IFRS 18 introduces new requirements for presentation and disclosure in financial statements, including new categories and defined subtotals in the statement of profit or loss, enhanced requirements for aggregation and disaggregation of information, and specific disclosures about management-defined performance measures. The Group is assessing the expected impact that the initial application of IFRS 18 will have on its consolidated financial statements.

The Group expects that the adoption of IFRS 18 will not change the Group's net assets or net profit. However, it is expected to affect the presentation of the Group's consolidated statement of profit or loss and related note disclosures. Based on the work performed to date, the Group's assessment on the expected impact of the initial application of IFRS 18 is summarised below. The assessment remains subject to change as the Group continues its implementation work.

(a) Structure of the statement of profit or loss

IFRS 18 requires entities to classify income and expenses into specified categories in the statement of profit or loss, including operating, investing, and financing categories. It also requires entities to present two newly defined subtotals, which are "operating profit" and "profit or loss before financing and income taxes". The operating profit subtotal is expected to differ from the current profit from operations subtotal presented by the Group. Based on the work performed to date, the Group also expects the following changes to the consolidated statement of profit or loss:

- Classification of income and expenses depends on the Group's main business activities.

- Interest income which is currently presented in the Group's other income, is expected to be classified in the investing category. The income and expenses classified in the investing category, together with the subtotal "operating profit", will form the new subtotal "profit or loss before financing and income taxes";

- The Group is assessing the classification of income and expenses as currently included in the finance cost line item and expects that this line item will be disaggregated into "income and expenses on liabilities arising solely from raising of finance" and "interest expenses on other liabilities" in the financing category;

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2026 (continued)

(a) Structure of the statement of profit or loss (continued)

- The Group is required to assess the classification of foreign exchange differences in the same category as the income and expenses from the items that gave rise to the differences, unless doing so would involve undue cost or effort; and

- The Group currently presents operating expenses by function. The Group is assessing whether its current presentation, or a mixed presentation by nature and function, will provide the most useful structured summary of its operating expenses under IFRS 18. If the Group continues to present one or more operating expense line item by function, information about five specific expenses by nature will be provided in a single note to the financial statements.

(b) Management-defined performance measures ("MPM")

MPMs are subtotals of income and expenses used in public communications outside the financial statements that communicate management's view of an aspect of the financial performance of the entity as a whole to users. Based on the Group's current assessment, the Group has not identified any MPMs used in its management commentary, press releases, and investor presentations. The Group is also developing a process to identify its public communications and assess whether other measures reported in those communications meet the definition of an MPM.

The Group will be required to disclose specific information about MPMs in a single note in the financial statements. The MPMs disclosed by the Group following adoption of IFRS 18 will be determined based on public communications issued by the Group relating to the same reporting period.

(c) Principles of aggregation and disaggregation

IFRS 18 provides enhanced principles on how to group information in the financial statements, including the primary financial statements and the notes. It also introduces guidance on labelling and describing items presented in the primary financial statements or disclosed in the notes.

The Group has been consistently applied the principles of aggregating and disaggregating the items on the basis of similar and dissimilar characteristics. The Group is also assessing line items currently labelled as "other" across the primary financial statements and the notes and expects to use more informative labels where material information would otherwise be obscured.

IFRS 18 also introduces consequential amendments to IAS 7, Statement of cash flows. The Group is assessing the impact of those amendments, including the requirement to use the newly defined operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method and the classification of interest and dividend cash flows.

The actual impact of applying IFRS 18 may change as the Group continues to assess the new requirements and finalises any changes to its reporting processes, controls and accounting policies before the date of initial application.