

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

## 1. PRINCIPAL ACTIVITIES

China Telecom Corporation Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 10 September 2002. The Company and its subsidiaries (hereinafter, collectively referred to as the “Group”) is a leading and large-scale full-service and integrated intelligent information services provider, providing its individual, household, government and enterprise customers with integrated intelligent information services.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “*Interim Financial Reporting*” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated interim financial information, which was authorised for issuance by the Board of Directors on 8 August 2023, reflects the unaudited financial position of the Group as at 30 June 2023 and the unaudited results of operations and cash flows of the Group for the six-month period then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2023.

The preparation of condensed consolidated interim financial information in conformity with IAS 34, “*Interim Financial Reporting*”, requires management to make judgments, estimates and assumptions about the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial information contains condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 2022 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The condensed consolidated interim financial information should be read in conjunction with the Company’s 2022 annual financial statements. The Group’s policies on financial risk management were set out in the financial statements included in the Group’s 2022 Annual Report and there have been no significant changes in these policies for the six-month period ended 30 June 2023.

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## 2. BASIS OF PREPARATION (continued)

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Audit Committee of the Company. The condensed consolidated interim financial information has also been reviewed by the Company's international independent auditor in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As at 30 June 2023, the total current liabilities of the Group had exceeded the total current assets by RMB125,072 million (31 December 2022: RMB140,665 million). Management of the Company has assessed the Group's available sources of funds as follows: 1) the Group's continuous net cash inflow to be generated from its operating activities; 2) the unutilised credit facilities amounting to RMB237,003 million (31 December 2022: RMB233,639 million); and 3) the Group's other available sources of financing from domestic banks in mainland China and other financial institutions in view of the Group's good credit history. Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the condensed consolidated interim financial information of the Group for the six-month period ended 30 June 2023 has been prepared on a going concern basis.

## 3. MATERIAL ACCOUNTING POLICIES

The condensed consolidated interim financial information is prepared on the historical cost basis as modified by the revaluation of certain financial instruments which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated interim financial information are the same as those followed in the preparation of the 2022 annual financial statements of the Group.

### Application of amendments to IFRSs

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

IFRS 17, amendments to IAS 1, IFRS Practice Statement 2, IAS 8 and IAS 12.

The application of the above amendments to IFRSs in the current period has had no material effect on the Group's condensed consolidated interim financial information.

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### 4. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. For the periods presented, management has determined that the Group has one operating segment as the Group is only engaged in the integrated telecommunications business. The Group’s assets located outside mainland China and operating revenues derived from activities outside mainland China are less than 10% of the Group’s assets and operating revenues, respectively. No geographical area information has been presented as such amount is immaterial. No single external customer accounts for 10% or more of the Group’s operating revenues.

### 5. PROPERTY, PLANT AND EQUIPMENT, NET AND CONSTRUCTION IN PROGRESS

For the six-month period ended 30 June 2023, the Group acquired items of property, plant and equipment and construction in progress with an aggregate cost of RMB41,614 million (for the six-month period ended 30 June 2022: RMB41,548 million) and the depreciation of property, plant and equipment recognised in unaudited condensed consolidated statement of comprehensive income was RMB35,731 million (for the six-month period ended 30 June 2022: RMB34,797 million).

### 6. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Cost of investment in associates and joint ventures	<b>36,928</b>	36,964
Share of post-acquisition changes in net assets	<b>5,091</b>	5,256
	<b>42,019</b>	42,220

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#### 6. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in associates and joint ventures are accounted for under the equity method. Details of the Group's principal associates are as follows:

Name of company	Attributable equity interest	Principal activities
China Tower Corporation Limited (Note (i))	20.5%	Construction, maintenance and operation of communications towers as well as ancillary facilities
Shanghai Information Investment Incorporation (Note (ii))	24.0%	Information technology consulting services

Notes:

- (i) China Tower Corporation Limited ("China Tower") is established and operated in the PRC, and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 August 2018.
- (ii) Shanghai Information Investment Incorporation is established and operated in the PRC and is not traded on any stock exchange.

As at 30 June 2023, the fair value of investment in China Tower was RMB28,946 million (as at 31 December 2022: RMB27,078 million) based on its quoted market price, which was below its carrying amount by 26.1% (as at 31 December 2022: 31.0%). The management of the Group performed an impairment assessment and determined the recoverable amount of the investment based on the present value of expected future cash flows. Based on the management's assessment result, there was no impairment of the investment as at 30 June 2023.

#### 7. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	Note	30 June 2023 RMB million	31 December 2022 RMB million
Third parties		51,944	27,714
China Telecom Group	(i)	2,289	2,073
China Tower		15	23
Other telecommunications operators in the PRC		1,169	619
		55,417	30,429
Less: Allowance for credit losses		(8,685)	(6,117)
		46,732	24,312

Note:

- (i) China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as "China Telecom Group".

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### 7. ACCOUNTS RECEIVABLE, NET (continued)

Ageing analysis of accounts receivable from telephone and Internet subscribers based on the billing dates is as follows:

	<b>30 June 2023 RMB million</b>	31 December 2022 RMB million
Current, within 1 month	<b>9,340</b>	6,405
1 to 3 months	<b>3,185</b>	2,040
4 to 6 months	<b>1,394</b>	807
7 to 12 months	<b>1,173</b>	1,234
Over 12 months	<b>1,927</b>	1,317
	<b>17,019</b>	11,803
Less: Allowance for credit losses	<b>(4,492)</b>	(3,335)
	<b>12,527</b>	8,468

Ageing analysis of accounts receivable from other telecommunications operators and enterprise customers based on dates of rendering of services is as follows:

	<b>30 June 2023 RMB million</b>	31 December 2022 RMB million
1 to 6 months	<b>29,228</b>	11,817
7 to 12 months	<b>3,742</b>	3,537
1 to 2 years	<b>2,960</b>	1,709
2 to 3 years	<b>1,041</b>	677
Over 3 years	<b>1,427</b>	886
	<b>38,398</b>	18,626
Less: Allowance for credit losses	<b>(4,193)</b>	(2,782)
	<b>34,205</b>	15,844

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#### 8. CASH AND CASH EQUIVALENTS

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Cash at bank and in hand	<b>80,558</b>	65,234
Time deposits with original maturity within three months	<b>3,140</b>	7,231
	<b>83,698</b>	72,465

#### 9. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Loans from banks – unsecured	<b>2,908</b>	2,840
Total short-term debts	<b>2,908</b>	2,840

The weighted average interest rate of the Group's total short-term debts as at 30 June 2023 was 3.1% (31 December 2022: 3.3%) per annum, and the loans bear interests at rates ranging from 2.8% to 3.5% (31 December 2022: 3.0% to 4.1%) per annum, which are repayable within one year.

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**9. SHORT-TERM AND LONG-TERM DEBTS (continued)**

Long-term debts comprise:

	Notes	<b>30 June 2023</b> RMB million	31 December 2022 RMB million
Loans from banks – unsecured	(i)	<b>5,147</b>	5,596
Other loans – unsecured		<b>1</b>	1
Company bonds – unsecured	(ii)	<b>–</b>	2,047
<b>Total long-term debts</b>		<b>5,148</b>	7,644
Less: Current portion		<b>(1,133)</b>	(3,160)
<b>Non-current portion</b>		<b>4,015</b>	4,484

Notes:

- (i) The loans from banks include long-term RMB denominated government loans with below-market interest rates ranging from 1.08% to 1.20% per annum obtained by the Group through banks (the "Low-interest Loans"). The Group recognised the Low-interest Loans at their fair value on initial recognition, and accreted the discount to profit or loss using the effective interest rate method. The difference between the fair value and face value of the Low-interest Loans was recognised as government grants in accrued expenses and other payables and other non-current liabilities.

As at 30 June 2023, the loans from banks and other loans bear interests at contractual rates ranging from 1.08% to 2.30% (31 December 2022: 1.08% to 2.30%) per annum with maturities through 2036.

- (ii) On 10 March 2020, the Group issued three-year RMB denominated company bonds, amounting to RMB2,000 million, to qualified investors on Shanghai Stock Exchange, with interest rate of 2.90% per annum. The company bonds are unsecured and have been fully repaid on 9 March 2023.

The Group's short-term and long-term debts do not contain any financial covenants. As at 30 June 2023, the Group had unutilised credit facilities amounting to RMB237,003 million (31 December 2022: RMB233,639 million).

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#### 10. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Third parties	<b>112,690</b>	98,076
China Telecom Group	<b>27,171</b>	23,971
China Tower	<b>9,554</b>	4,340
Other telecommunications operators in the PRC	<b>1,016</b>	873
	<b>150,431</b>	127,260

Amounts due to China Telecom Group and China Tower are payable in accordance with contractual terms which are similar to those terms offered by third parties.

Ageing analysis of accounts payable based on the due dates is as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Due within 1 month or on demand	<b>29,395</b>	22,078
Due after 1 month but within 3 months	<b>36,468</b>	28,308
Due after 3 months but within 6 months	<b>40,306</b>	33,280
Due after 6 months	<b>44,262</b>	43,594
	<b>150,431</b>	127,260



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### 11. OPERATING REVENUES

#### Disaggregation of revenues

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
<b>Type of goods or services</b>			
Service revenues		<b>235,977</b>	221,384
Mobile communications service revenues	(i)	<b>101,607</b>	98,956
Wireline and Smart Family service revenues	(ii)	<b>62,024</b>	59,871
Industrial Digitalisation service revenues	(iii)	<b>68,802</b>	58,932
Other service revenues	(iv)	<b>3,544</b>	3,625
Sales of goods and others	(v)	<b>24,687</b>	20,935
<b>Total operating revenues</b>		<b>260,664</b>	242,319
Revenue from customer contracts		<b>257,690</b>	239,349
Revenue from other sources and others		<b>2,974</b>	2,970
<b>Total operating revenues</b>		<b>260,664</b>	242,319
<b>Timing of revenue recognition</b>			
A point in time		<b>22,619</b>	18,835
Over time		<b>238,045</b>	223,484
<b>Total operating revenues</b>		<b>260,664</b>	242,319

Notes:

- (i) Represent primarily the aggregate amount of mobile communications service fees, mobile Internet access service fees, and short messaging service fees, etc., charged to customers for the provision of mobile services.
- (ii) Represent primarily the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees, etc., charged to customers for the provision of wireline services.
- (iii) Represent primarily the aggregate amount of fees charged to customers for the provision of Internet data centre services, cloud services, digital platform services, dedicated Internet access services, etc.
- (iv) Represent primarily the aggregate amount of revenues from property rental and other revenues.
- (v) Represent primarily revenues from sales of mobile terminal equipment as well as wireline communications equipment and government grants.

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#### 12. NETWORK OPERATIONS AND SUPPORT

	Note	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Operating and maintenance		<b>48,463</b>	42,654
Utility		<b>9,325</b>	9,102
Network resources usage and related fees	(i)	<b>14,707</b>	13,041
Others		<b>3,557</b>	5,254
		<b>76,052</b>	70,051

Note:

- (i) Network resources usage and related fees include fees in respect of the short-term leases and leases of low-value assets, variable lease payments not depending on an index or a rate and fees for non-lease components in respect of communications towers and related assets lease and the usage of network resources provided by third parties.

#### 13. SELLING, GENERAL AND ADMINISTRATIVE

	Note	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Channel commission and customer services expenses		<b>25,068</b>	24,930
Advertising and promotion expenses		<b>833</b>	891
Property and transportation related expenses		<b>1,261</b>	1,231
Research and development expenses	(i)	<b>1,001</b>	982
Others		<b>4,676</b>	3,992
		<b>32,839</b>	32,026

Note:

- (i) The item does not include depreciation and amortisation and personnel expenses related to research and development.

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### 14. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	Six-month period ended 30 June	
	2023 RMB million	2022 RMB million
Network operations and support	<b>30,264</b>	28,491
Selling, general and administrative	<b>18,734</b>	16,127
	<b>48,998</b>	44,618

### 15. OTHER OPERATING EXPENSES

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Interconnection charges	(i)	<b>6,757</b>	6,348
Cost of goods sold	(ii)	<b>21,780</b>	18,519
Donations		–	4
Others	(iii)	<b>892</b>	905
		<b>29,429</b>	25,776

Notes:

- (i) *Interconnection charges represent amounts incurred for the use of other domestic and foreign telecommunications operators' networks for delivery of voice and data traffic that originate from the Group's telecommunications networks.*
- (ii) *Cost of goods sold primarily represents cost of communications equipment sold.*
- (iii) *Others mainly include tax and surcharges other than value-added tax and income tax.*

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#### 16. NET FINANCE COSTS

	Six-month period ended 30 June	
	2023	2022
	RMB million	RMB million
Interest expense on lease liabilities	1,107	714
Interest expense on short-term and long-term debts	258	278
Less: Interest expense capitalised*	(46)	(52)
Net interest expense	1,319	940
Interest income	(1,039)	(805)
Net foreign exchange gain or loss and others	203	(105)
	483	30
*Interest expense was capitalised in construction in progress at the following rates per annum	2.8%-3.6%	3.4%-3.7%

#### 17. INCOME TAX

Income tax in the profit or loss comprises:

	Six-month period ended 30 June	
	2023	2022
	RMB million	RMB million
Provision for PRC income tax	4,230	4,709
Provision for income tax in other tax jurisdictions	125	99
Deferred taxation	1,651	764
	6,006	5,572

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## 17. INCOME TAX (continued)

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Profit before taxation		<b>26,180</b>	23,925
Expected income tax expense at statutory tax rate of 25%	(i)	<b>6,545</b>	5,981
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		<b>(432)</b>	(237)
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	<b>(416)</b>	(316)
Differential tax rate on other subsidiaries' income	(ii)	<b>(22)</b>	(27)
Non-deductible expenses	(iii)	<b>424</b>	216
Non-taxable income	(iv)	<b>(260)</b>	(219)
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised		<b>353</b>	255
Others	(v)	<b>(186)</b>	(81)
Income tax expense		<b>6,006</b>	5,572

Notes:

- (i) Except for certain subsidiaries and branches which are mainly taxed at the preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of mainland China.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 8% to 35%.
- (iii) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iv) Amounts represent share of profits of associates and joint ventures and miscellaneous income which are not subject to income tax.
- (v) Amounts primarily represent settlement of tax filing differences of prior year annual tax return, etc.

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#### 18. DIVIDENDS

The Board of Directors has been authorised by 2022 Annual General Meeting to decide on the interim profit distribution plan. Pursuant to a resolution passed at the Board of Directors' meeting on 8 August 2023, the Board of Directors has resolved to declare an interim dividend of RMB0.1432 (equivalent to HK\$0.156524) per share (pre-tax), totalling approximately RMB13,104 million, for the six-month period ended 30 June 2023. The dividend has not been provided for in the condensed consolidated financial information for the six-month period ended 30 June 2023.

Pursuant to the shareholders' approval at the Annual General Meeting held on 23 May 2023, a final dividend of RMB0.076 (equivalent to HK\$0.085065) per share (pre-tax) totalling approximately RMB6,955 million in respect of the year ended 31 December 2022 was declared. The dividend of RMB5,900 million for A shares was paid on 9 June 2023, and the dividend of RMB1,055 million for H shares was paid on 21 July 2023.

Pursuant to a resolution at the Board of Directors' meeting on 16 August 2022, an interim dividend of RMB0.120 (equivalent to HK\$0.139523) per share (pre-tax) totalling approximately RMB10,981 million in respect of the six-month period ended 30 June 2022 was declared. The dividend of RMB9,316 million for A shares was paid on 8 September 2022, and the dividend of RMB1,665 million for H shares was paid on 14 October 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 19 May 2022, a final dividend of RMB0.170 (equivalent to HK\$0.197211) per share (pre-tax) totalling approximately RMB15,556 million in respect of the year ended 31 December 2021 was declared. The dividend of RMB13,197 million for A shares was paid on 8 June 2022, and the dividend of RMB2,359 million for H shares was paid on 18 July 2022.

#### 19. EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month periods ended 30 June 2023 and 2022 is based on the profit attributable to equity holders of the Company of RMB20,153 million and RMB18,291 million, respectively, divided by 91,507,138,699 shares in issue.

The amount of diluted earnings per share equals basic earnings per share as there were no potential ordinary shares in existence for the periods presented.

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### 20. CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had capital commitments as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Contracted for but not provided		
Property	<b>2,126</b>	1,584
Telecommunications network plant and equipment	<b>13,176</b>	15,023
	<b>15,302</b>	16,607

### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, bank deposits and restricted cash, equity instruments at fair value through other comprehensive income, accounts receivable, financial assets at fair value through profit or loss and financial assets included in prepayments and other current assets. Financial liabilities of the Group include short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables.

#### Fair Value Measurements

Based on IFRS 13, "Fair Value Measurement", the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

The fair values of the Group's financial instruments (other than long-term debts and financial instruments measured at fair value) approximate their carrying amounts due to the short-term maturity of these instruments.

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#### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

##### Fair Value Measurements (continued)

The listed equity securities investments included in the Group's equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss are categorised as level 1 financial instruments. As at 30 June 2023, the fair value of the Group's listed equity securities investments is RMB851 million (31 December 2022: RMB762 million), based on quoted market price on PRC stock exchanges. The Group's investments in unlisted equity securities, included in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3. As at 30 June 2023, the fair value of the Group's financial instruments categorised as level 3 is RMB566 million (31 December 2022: RMB525 million). For the financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation methods or models used primarily include net asset value method and market comparable company model, etc. The input values of valuation models mainly include net asset value and expected yield rates, comparable company valuation multiples, etc.

The fair value of long-term debts is estimated by discounting future cash flows using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities. The fair value measurement of long-term debts is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debts, having considered the foreign currency denomination of the debts, ranged from 4.2% to 4.9% (31 December 2022: 2.9% to 4.9%). As at 30 June 2023 and 31 December 2022, the carrying amounts and fair values of the Group's long-term debts were as follows:

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB million	RMB million	RMB million	RMB million
Long-term debts	5,148	5,117	7,644	7,613

During both periods, there were no transfers among instruments in level 1, level 2 or level 3.



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### 22. RELATED PARTY TRANSACTIONS

#### (a) Transactions with China Telecom Group

The Group is a part of companies under China Telecommunications Corporation, a company owned by the PRC government, and has significant transactions and business relationships with members of China Telecom Group.

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

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Construction engineering and design services	(i)	<b>8,699</b>	7,232
Receiving ancillary services	(ii)	<b>10,590</b>	10,623
Interconnection revenues*	(iii)	<b>27</b>	24
Interconnection charges*	(iii)	<b>45</b>	50
Receiving community services	(iv)	<b>1,973</b>	1,838
Centralised services transaction revenues	(v)	<b>1,790</b>	1,845
Centralised services transaction expenses	(v)	<b>325</b>	607
Property and land use right lease income	(vi)	<b>16</b>	15
Property and land use right lease related expenses	(vii)	<b>345</b>	355
Addition to right-of-use assets	(vii)	<b>250</b>	314
Interest expense on lease liabilities	(vii)	<b>8</b>	10
Provision of IT services	(viii)	<b>945</b>	675
Receiving IT services	(viii)	<b>2,638</b>	1,897
Purchases of telecommunications equipment and materials	(ix)	<b>1,750</b>	2,185
Sales of telecommunications equipment and materials	(ix)	<b>2,110</b>	2,300
Internet applications channel services	(x)	<b>36</b>	28
Payment and digital finance related services	(xi)	<b>466</b>	534
Communications resources lease	(xii)	<b>245</b>	122
Net outflow of deposit by China Telecom Group with Finance Company*	(xiii)	<b>5,495</b>	1,996
Interest expense on the deposit by China Telecom Group with Finance Company*	(xiii)	<b>140</b>	110
Short-term loans granted by Finance Company to China Telecom Group	(xiii)	<b>6,100</b>	6,000
China Telecom Group's repayments of short-term loans granted by Finance Company	(xiii)	<b>(6,071)</b>	–
Interest income from loans granted by Finance Company to China Telecom Group	(xiii)	<b>126</b>	72
Receiving finance lease services	(xiv)	<b>1,901</b>	–

## SECTION VIII INTERIM FINANCIAL INFORMATION

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

## 22. RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with China Telecom Group (continued)

\* *These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76 or 14A.90 of the Listing Rules.*

Notes:

- (i) *Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.*
- (ii) *Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.*
- (iii) *Represent amounts received and receivable from/paid and payable to China Telecom Group for interconnection of local and domestic long distance calls.*
- (iv) *Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, health care and other community services.*
- (v) *Represent related revenues and expenses shared between the Company and China Telecom Group for centralised services.*
- (vi) *Represent amounts of property lease fees received and receivable from China Telecom Group for leasing of properties and land use rights.*
- (vii) *Represent amounts in respect of the leasing of properties and land use rights from China Telecom Group, which include the fees for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate, fees for non-lease components, and right-of-use assets and related expenses recognised for leases.*
- (viii) *Represent IT services provided to and received from China Telecom Group.*
- (ix) *Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.*
- (x) *Represent amounts received and receivable from China Telecom Group in respect of Internet applications channel services, including the provision of communications channel and applications support platform and billing and deduction services, etc.*
- (xi) *Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.*
- (xii) *Represent amounts in respect of the leasing of related communications resources from China Telecom Group, including transmission network communications resources, wireless network communications resources and wireline access network communications resources, etc.*
- (xiii) *Represent amounts related to financial services provided by Finance Company to China Telecom Group, including loan service, deposit service and other financial services.*
- (xiv) *Represent amounts related to finance lease services provided by China Telecom Group, including finance lease services such as sale and leaseback, direct lease, etc., and related finance lease consulting services.*

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 22. RELATED PARTY TRANSACTIONS (continued)

#### (a) Transactions with China Telecom Group (continued)

Amounts due from/to China Telecom Group are summarised as follows:

	<b>30 June 2023</b>	31 December 2022
	RMB million	RMB million
Accounts receivable	<b>2,289</b>	2,073
Contract assets	<b>228</b>	180
Prepayments and other current assets	<b>9,027</b>	8,846
Other assets	<b>94</b>	92
Accounts payable	<b>27,171</b>	23,971
Accrued expenses and other payables	<b>16,244</b>	21,370
Contract liabilities	<b>132</b>	271
Lease liabilities	<b>691</b>	652

Amounts due from/to China Telecom Group, other than short-term loans granted by Finance Company included in prepayments and other current assets and deposit with Finance Company included in accrued expenses and other payables, bear no interest, are unsecured and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

As at 30 June 2023, short-term loans granted by Finance Company to China Telecom Group amounted to RMB8,100 million (31 December 2022: RMB8,071 million). Of the above loans, the interest rate for loans of RMB100 million is 4.00%; the interest rate for loans of RMB8,000 million is 3.18%, and both of the maturity dates are within one year.

The deposit interest rates provided by Finance Company to China Telecom Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of China Telecom Group and are conducted on normal commercial terms or better.

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 22. RELATED PARTY TRANSACTIONS (continued)

##### (b) Transactions with China Tower

The principal transactions with China Tower are as follows:

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Tower assets lease related expenses	(i)	6,290	6,011
Addition to right-of-use assets	(i)	1,571	1,109
Interest expenses on lease liabilities	(i)	609	224
Provision of IT services	(ii)	18	15

Notes:

- (i) Represent amounts in respect of the lease of tower assets. Tower assets lease related expenses include the variable lease payments not depending on an index or a rate, fees for non-lease components and right-of-use assets and related expenses recognised for leases.
- (ii) Represent IT and other ancillary services provided to China Tower.

Amounts due from/to China Tower are summarised as follows:

	30 June	31 December
	2023 RMB million	2022 RMB million
Accounts receivable	15	23
Prepayments and other current assets	191	43
Accounts payable	9,554	4,340
Accrued expenses and other payables	1,684	1,590
Lease liabilities	35,530	40,339

Amounts due from/to China Tower bear no interest, are unsecured and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

NOTES TO THE UNAUDITED CONDENSED  
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

**22. RELATED PARTY TRANSACTIONS (continued)****(c) Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group.

Key management personnel compensation of the Group is summarised as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB thousand</b>	RMB thousand
Short-term employee benefits	<b>3,539</b>	3,447
Post-employment benefits	<b>605</b>	444
	<b>4,144</b>	3,891

The above remuneration has been reflected in personnel expenses.

**(d) Transactions with other government-related entities**

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the parent company and its fellow subsidiaries (Note 22(a)) and China Tower (Note 22(b)), the Group has transactions that are collectively but not individually significant with other government-related entities, which include but 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
- lease of assets
- deposits and borrowings
- use of public utilities

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 22. RELATED PARTY TRANSACTIONS (continued)

##### (d) Transactions with other government-related entities (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 and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established 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 appropriate disclosure of related party transactions.

#### 23. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by provincial, autonomous regional and municipal governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 20% of the salaries, bonuses and certain allowances of employees. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's contributions to the above plans for the six-month period ended 30 June 2023 were RMB5,319 million (six-month period ended 30 June 2022: RMB4,699 million).

The amount payable for contributions to the above defined contribution retirement plans as at 30 June 2023 was RMB910 million (31 December 2022: RMB923 million).

#### 24. EVENTS AFTER THE REPORTING PERIOD

The dividend of RMB1,055 million for H shares (Note 18) of the Company was paid on 21 July 2023.

The Board of Directors has been authorised by 2022 Annual General Meeting to decide on the interim profit distribution plan. Pursuant to a resolution passed at the Board of Directors' meeting on 8 August 2023, the Board of Directors has resolved to declare an interim dividend of RMB0.1432 (equivalent to HK\$0.156524) per share (pre-tax), totalling approximately RMB13,104 million, for the six-month period ended 30 June 2023. The dividend has not been provided for in the condensed consolidated financial information for the six-month period ended 30 June 2023.