

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

## 1. Principal Activities

China Telecom Corporation Limited (the "Company") and its subsidiaries (hereinafter, collectively referred to as the "Group") offers a comprehensive range of wireline and mobile communications services including mobile communications services, wireline and Smart Family services, Industrial Digitalisation services and other related services. The Group provides wireline communications services and related services in Beijing Municipality, Shanghai Municipality, Guangdong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Hubei Province, Hunan Province, Hainan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region of the People's Republic of China (the "PRC"). The Group also provides mobile communications and related services in the mainland China and Macau Special Administrative Region ("Macau") of the PRC. The Group also provides international telecommunications services, including network services, Internet access and transit, Internet data centre and mobile virtual network services in certain countries and regions of the Asia Pacific, Europe, Africa, South America and North America. The operations of the Group in the mainland China are subject to the supervision by the PRC government and relevant regulation.

## 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 10 August 2021, reflect the unaudited financial position of the Group as at 30 June 2021 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 2021.

The preparation of condensed consolidated interim financial information in conformity with IAS 34, "Interim Financial Reporting" requires management to make judgments, estimates and assumptions that affect 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 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 2020 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 2020 annual financial statements. The Group's policies on financial risk management were set out in the financial statements included in the Company's 2020 Annual Report and there have been no significant changes in these policies for the six-month period ended 30 June 2021.

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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

## 2. Basis of Preparation (Continued)

As at 30 June 2021, current liabilities of the Group exceeded current assets by RMB174,101 million (31 December 2020: RMB187,126 million). Management has comprehensively considered the Group's available sources of funds as follows: 1) the Group's continuous net cash inflow from operating activities; 2) the unutilised credit facilities amounting to RMB271,145 million (31 December 2020: RMB244,326 million); 3) the Group's sources of financing from domestic capital markets, banks and other financial institutions. 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 2021 has been prepared on a going concern basis.

### 2A. Significant Event in the Current Period

In order to seize the opportunities of digitalised development, improve the corporate governance and broaden financing channels, accelerate reform and development, promote the implementation of strategies, and achieve high-quality development, the Company applied for the offering and listing of A Shares on the Main Board of the Shanghai Stock Exchange by submitting the application materials in respect of the A Share Offering to China Securities Regulatory Commission (the "CSRC") in April 2021. On 29 July 2021, the CSRC officially notified the Company in writing that the A Share Offering by the Company has been approved with a valid period of 12 months from the date of approval.

The Company entered into agreements with China Telecommunications Corporation on 26 March 2021, pursuant to which the Company agreed to sell, and China Telecommunications Corporation agreed to purchase all the share capital in E-surfing Pay Co. Ltd held by the Company for a consideration in the amount of RMB3,897 million (equivalent to approximately HK\$4,695 million). The Company and its wholly owned subsidiary, China Telecom Global Limited, entered into agreements with China Telecommunications Corporation and its subsidiary, Guang Hua Properties Limited, on 26 March 2021, pursuant to which, the Company and China Telecom Global Limited respectively agreed to sell, and China Telecommunications Corporation and Guang Hua Properties Limited agreed to purchase, 75% of the share capital in China Telecom Leasing Corporation Limited from the Company and 25% of the share capital in China Telecom Leasing Corporation Limited from China Telecom Global Limited for a consideration in the amount of RMB131 million (equivalent to approximately HK\$158 million) and RMB44 million (equivalent to approximately HK\$53 million), respectively. The disposals of the two subsidiaries were completed in April 2021, upon which E-surfing Pay Co. Ltd and China Telecom Leasing Corporation Limited ceased to be the subsidiaries of the Company. The Group recorded gains from disposal of these two subsidiaries of RMB2,218 million in investment income and others on the condensed consolidated statement of comprehensive income.

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for the six-month period ended 30 June 2021

## 3. Significant 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 2020 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:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16  
*“Interest Rate Benchmark Reform — Phase 2”*

In addition, the Group has early applied the Amendment to IFRS 16, *“Covid-19-Related Rent Concessions beyond 30 June 2021”*.

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.

## 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 in order to allocate resources and assess performance of the segment. 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.

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for the six-month period ended 30 June 2021

## 5. Accounts Receivable, net

Accounts receivable, net, are analysed as follows:

	Notes	30 June 2021 RMB million	31 December 2020 RMB million
Third parties		<b>35,993</b>	23,688
China Telecom Group	(i)	<b>1,499</b>	1,784
China Tower	(ii)	<b>39</b>	23
Other telecommunications operators in the PRC		<b>694</b>	441
		<b>38,225</b>	25,936
Less: Allowance for credit losses		<b>(6,126)</b>	(4,434)
		<b>32,099</b>	21,502

Notes:

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

(ii) China Tower Corporation Limited, the Company's associate, is referred to as "China Tower".

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

	30 June 2021 RMB million	31 December 2020 RMB million
Current, within 1 month	<b>8,685</b>	7,068
1 to 3 months	<b>2,991</b>	1,601
4 to 12 months	<b>1,894</b>	1,481
More than 12 months	<b>1,478</b>	921
	<b>15,048</b>	11,071
Less: Allowance for credit losses	<b>(3,499)</b>	(2,438)
	<b>11,549</b>	8,633

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for the six-month period ended 30 June 2021

### 5. Accounts Receivable, net (Continued)

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

	30 June 2021 RMB million	31 December 2020 RMB million
Current, within 1 month	7,961	5,331
1 to 3 months	6,163	2,785
4 to 12 months	5,819	3,801
More than 12 months	3,234	2,948
	<b>23,177</b>	14,865
Less: Allowance for credit losses	<b>(2,627)</b>	(1,996)
	<b>20,550</b>	12,869

### 6. Cash and Cash Equivalents

	30 June 2021 RMB million	31 December 2020 RMB million
Cash at bank and in hand	34,549	23,193
Time deposits with original maturity within three months	581	491
	<b>35,130</b>	23,684

### 7. Short-term and Long-term Debt

Short-term debt comprises:

	30 June 2021 RMB million	31 December 2020 RMB million
Loans from banks — unsecured	4,871	4,831
Super short-term commercial papers — unsecured	—	11,999
Loans from China Telecom Group — unsecured	9,855	11,164
	<b>14,726</b>	27,994

The weighted average interest rate of the Group's total short-term debt as at 30 June 2021 was 3.3% (31 December 2020: 2.8%) per annum. As at 30 June 2021, the Group's loans from banks and other loans bear interest at rates ranging from 2.0% to 4.4% (31 December 2020: 3.3% to 4.4%) per annum, and are repayable within one year; the loans from China Telecom Group bear interest at rate of 3.1% (31 December 2020: 3.1%) per annum and are repayable within one year.

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for the six-month period ended 30 June 2021

## 7. Short-term and Long-term Debt (Continued)

Long-term debt comprises:

	Notes	30 June 2021 RMB million	31 December 2020 RMB million
Loans from banks — unsecured	(i)	6,916	7,351
Other loans — unsecured		1	1
Medium-term notes — unsecured	(ii)	4,997	4,996
Company bonds — unsecured	(iii)	2,000	2,000
Loans from China Telecom Group — unsecured	(iv)	4,000	11,000
<b>Total long-term debt</b>		<b>17,914</b>	<b>25,348</b>
<b>Less: current portion</b>		<b>(6,132)</b>	<b>(1,126)</b>
<b>Non-current portion</b>		<b>11,782</b>	<b>24,222</b>

Notes:

- (i) The loans from banks includes 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 deferred revenue.

As at 30 June 2021, the loans from banks and other loans bear interest at contractual rates ranging from 1.08% to 2.30% (31 December 2020: 1.08% to 2.30%) per annum with maturity through 2036.

- (ii) On 22 January 2019, the Group issued three-year RMB denominated medium-term note, amounting to RMB3,000 million, with interest rate of 3.42% per annum, and incurred issuing costs of RMB3 million. The medium-term note is unsecured and is repayable on 21 January 2022.

On 19 March 2019, the Group issued three-year RMB denominated medium-term note, amounting to RMB2,000 million, with interest rate of 3.41% per annum and incurred issuing costs of RMB3 million. The medium-term note is unsecured and is repayable on 18 March 2022.

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

- (iv) On 25 December 2017, the Group obtained long-term RMB denominated loans, amounting to RMB40,000 million, from China Telecommunications Corporation, with the interest rate of 3.80% per annum, which are repayable within 3 to 5 years. The Group partially repaid these loans amounting to RMB3,000 million, RMB13,700 million, RMB12,300 million, and RMB7,000 million, respectively, in 2018, 2019, 2020 and the current interim period.

The Group’s short-term and long-term debt do not contain any financial covenants. As at 30 June 2021, the Group had unutilised committed credit facilities amounting to RMB271,145 million (31 December 2020: RMB244,326 million).

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## 8. Accounts Payable

Accounts payable are analysed as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Third parties	86,589	83,254
China Telecom Group	19,935	19,272
China Tower	7,172	4,344
Other telecommunications operators in the PRC	800	708
	<b>114,496</b>	107,578

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:

	30 June 2021 RMB million	31 December 2020 RMB million
Due within 1 month or on demand	21,901	17,261
Due after 1 month but within 3 months	25,044	24,451
Due after 3 months but within 6 months	35,263	30,965
Due after 6 months	32,288	34,901
	<b>114,496</b>	107,578

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## 9. Deferred Tax Assets and Liabilities

The components of deferred tax assets and deferred tax liabilities recognised in the condensed consolidated statement of financial position and the movements are as follows:

	Assets		Liabilities		Net Balance	
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Provisions and impairment losses, primarily for credit losses	2,553	2,069	—	—	2,553	2,069
Property, plant and equipment and others	3,883	5,299	(25,378)	(24,067)	(21,495)	(18,768)
Right-of-use assets and lease liabilities	847	791	—	—	847	791
Deferred revenues and installation costs	2	5	(1)	(4)	1	1
Equity instruments at fair value through other comprehensive income	—	—	(126)	(137)	(126)	(137)
	<b>7,285</b>	<b>8,164</b>	<b>(25,505)</b>	<b>(24,208)</b>	<b>(18,220)</b>	<b>(16,044)</b>

	Recognised in condensed consolidated statement of comprehensive income			
	Balance at 1 January 2021	Disposal of subsidiaries	Balance at 30 June 2021	
	RMB million	RMB million	RMB million	RMB million
Provisions and impairment losses, primarily for credit losses	2,069	493	(9)	2,553
Property, plant and equipment and others	(18,768)	(2,698)	(29)	(21,495)
Right-of-use assets and lease liabilities	791	56	—	847
Deferred revenues and installation costs	1	—	—	1
Equity instruments at fair value through other comprehensive income	(137)	10	1	(126)
	<b>(16,044)</b>	<b>(2,139)</b>	<b>(37)</b>	<b>(18,220)</b>



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## 10. Operating Revenues

Previously, the Group presented operating revenues as revenues from contracts with customers and revenues from other sources. Revenues from contracts with customers include revenues derived from voice, internet, information and application services, telecommunications network resource and equipment services and sales of goods and others. As a result of the deepening of the Group's "Cloudification and Digital Transformation" strategy, the Group re-categorised the presentation of revenues in fiscal year 2021. The new presentation categorises operating revenues into service revenues and sales of goods and others. Service revenues include revenues derived from mobile communications services, wireline and Smart Family services, Industrial Digitalisation services and other services. This change in presentation has no effect on reported operating revenues, operating expenses, net profits or net assets for any of the periods presented. The comparative figures have been reclassified to conform to current period's presentation.

### Disaggregation of revenue

	Notes	Six-month period ended 30 June	
		2021	2020
		RMB million	RMB million
<b>Type of goods or services</b>			
Service revenues			
Mobile communications service revenues	(i)	<b>93,342</b>	87,326
Wireline and Smart Family service revenues	(ii)	<b>57,350</b>	54,525
Industrial Digitalisation service revenues	(iii)	<b>50,113</b>	42,911
Other service revenues	(iv)	<b>2,697</b>	2,348
Sales of goods and others	(v)	<b>15,735</b>	6,693
<b>Total operating revenues</b>		<b>219,237</b>	193,803
Revenue from customer contracts		<b>216,555</b>	191,589
Revenue from other sources and others		<b>2,682</b>	2,214
<b>Total operating revenues</b>		<b>219,237</b>	193,803
<b>Timing of revenue recognition</b>			
A point in time		<b>14,044</b>	5,329
Over time		<b>205,193</b>	188,474
<b>Total operating revenues</b>		<b>219,237</b>	193,803

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

## 10. Operating Revenues (Continued)

### Disaggregation of revenue (Continued)

Notes:

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

## 11. Network Operations and Support Expenses

	Note	Six-month period ended 30 June	
		2021	2020
		RMB million	RMB million
Operating and maintenance		<b>37,848</b>	33,539
Utility		<b>8,109</b>	7,410
Network resources usage and related fee	(i)	<b>12,668</b>	11,473
Others		<b>5,284</b>	5,276
		<b>63,909</b>	57,698

Note:

- (i) Network resources usage and related fee includes the variable lease payments not depending on an index or a rate and fee for non-lease components in respect of communications towers and related assets lease and fee 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 fee for non-lease components in respect of the usage of network resources provided by third parties.

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for the six-month period ended 30 June 2021

## 12. Personnel Expenses

Personnel expenses are attributable to the following functions:

	Six-month period ended 30 June	
	2021	2020
	RMB million	RMB million
Network operations and support	25,255	23,799
Selling, general and administrative	14,430	11,713
	<b>39,685</b>	35,512

## 13. Other Operating Expenses

	Notes	Six-month period ended 30 June	
		2021	2020
		RMB million	RMB million
Interconnection charges	(i)	6,059	5,804
Cost of goods sold	(ii)	13,682	4,888
Donations		—	2
Others	(iii)	814	748
		<b>20,555</b>	11,442

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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## 14. Net Finance Costs

	Six-month period ended 30 June	
	2021	2020
	RMB million	RMB million
Interest expense on short-term and long-term debts	749	1,162
Interest expense on lease liabilities	701	745
Less: Interest expense capitalised*	(53)	(59)
Net interest expense	1,397	1,848
Interest income	(306)	(280)
Foreign exchange losses	325	525
Foreign exchange gains	(337)	(521)
	1,079	1,572
*Interest expense was capitalised in construction in progress at the following rates per annum	3.3%–4.4%	3.5%–4.4%

## 15. Income Tax

Income tax in the profit or loss comprises:

	Six-month period ended 30 June	
	2021	2020
	RMB million	RMB million
Provision for PRC income tax	3,281	1,367
Provision for income tax in other tax jurisdictions	119	88
Deferred taxation	2,149	2,720
	5,549	4,175

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

## 15. 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	
		2021	2020
		RMB million	RMB million
Profit before taxation		<b>23,415</b>	18,246
Expected income tax expense at statutory tax rate of 25%	(i)	<b>5,854</b>	4,562
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	<b>(334)</b>	(279)
Differential tax rate on other subsidiaries' income	(ii)	<b>(41)</b>	(37)
Non-deductible expenses	(iii)	<b>695</b>	273
Non-taxable income	(iv)	<b>(309)</b>	(205)
Others	(v)	<b>(316)</b>	(139)
Income tax expense		<b>5,549</b>	4,175

Notes:

- (i) Except for certain subsidiaries and branches which are mainly taxed at 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 miscellaneous income which are not subject to income tax.
- (v) Amounts primarily represent settlement of tax filing differences of prior year annual tax return and other tax benefits such as additional tax deduction on research and development expenses.

## 16. Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 7 May 2021, a final dividend of RMB0.104269 (equivalent to HK\$0.125) per share totaling RMB8,439 million in respect of the year ended 31 December 2020 was declared, and paid on 1 June 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 26 May 2020, a final dividend of RMB0.114441 (equivalent to HK\$0.125) per share totaling RMB9,262 million in respect of the year ended 31 December 2019 was declared, and paid on 31 July 2020.

The Board of Directors has resolved not to pay an interim dividend.

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## 17. Basic Earnings per Share

The calculation of basic earnings per share for the six-month period ended 30 June 2021 and 2020 is based on the profit attributable to equity holders of the Company of RMB17,743 million and RMB13,949 million, respectively, divided by 80,932,368,321 shares.

The amount of diluted earnings per share is not presented as there were no potential ordinary shares in existence for the periods presented.

## 18. Capital Commitments

As at 30 June 2021 and 31 December 2020, the Group had capital commitments as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Contracted for but not provided		
Property	1,519	1,202
Telecommunications network plant and equipment	18,442	18,997
	<b>19,961</b>	20,199

## 19. Fair Value Measurements of Financial Instruments

Financial assets of the Group include cash and cash equivalents, bank deposits, 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 debt, 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 debt and financial instruments measured at fair value) approximate their carrying amounts due to the short-term maturity of these instruments.

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## 19. 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 are categorised as level 1 financial instruments. As at 30 June 2021, the fair value of the Group's listed equity securities investments is RMB800 million (31 December 2020: RMB838 million), based on quoted market price on PRC stock exchanges. The Group's other equity investments, included in equity instruments at fair value through other comprehensive income, are unlisted equity interests categorised as level 3.

The fair value of long-term debt is estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristics and maturities. The fair value measurement of long-term debt is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debt, having considered the foreign currency denomination of the debt, ranged from 2.9% to 4.9% (31 December 2020: 2.9% to 4.9%). As at 30 June 2021 and 31 December 2020, the carrying amounts and fair values of the Group's long-term debt were as follows:

	30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB million	RMB million	RMB million	RMB million
Long-term debt	17,914	17,875	25,348	25,294

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

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## 20. 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	
		2021 RMB million	2020 RMB million
Construction and engineering services	(i)	5,569	5,785
Receiving ancillary services	(ii)	10,158	8,769
Interconnection revenues	(iii)	24	28
Interconnection charges	(iii)	64	56
Receiving community services	(iv)	1,649	1,440
Net transaction amount of centralised services	(v)	533	181
Property lease income	(vi)	17	17
Property lease related expenses	(vii)	196	189
Addition to right-of-use assets	(vii)	198	203
Interest expense on lease liabilities	(vii)	10	7
Provision of IT services	(viii)	434	235
Receiving IT services	(viii)	1,252	864
Purchases of telecommunications equipment and materials	(ix)	1,441	1,369
Sales of telecommunications equipment and materials	(ix)	1,827	748
Internet applications channel services	(x)	32	38
Interest on loans from China Telecom Group*	(xi)	310	501
Consideration received from disposal of subsidiaries	(xii)	4,072	—
Payment and digital finance related services	(xiii)	207	—
Others*	(xiv)	120	113
Net deposit by China Telecom Group with Finance Company*	(xv)	(1,472)	204
Interest expense on the deposit by China Telecom Group with Finance Company*	(xv)	83	29

\* These transactions are conducted on normal commercial terms 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 to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

## 20. Related Party Transactions (Continued)

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

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 net amount shared between the Company and China Telecom Group for costs associated with centralised services. The amount represents amounts received or receivable for the net amount of centralised services.
- (vi) Represent amounts of property lease fee received and receivable from China Telecom Group for leasing of properties.
- (vii) Represent amounts in respect of the leasing of properties from China Telecom Group. Property lease related expenses include the fee for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate and fee for non-lease components.
- (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 interest paid and payable to China Telecom Group with respect to the loans from China Telecom Group (Note 7).
- (xii) Represent consideration received in respect of disposal of subsidiaries from China Telecom Group (Note 2).
- (xiii) Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.
- (xiv) Represent amounts paid and payable to China Telecom Group primarily for usage of certain CDMA mobile communications network ("CDMA network") facilities located in Xizang Autonomous Region, certain inter-provincial transmission optic fibres within its service regions and certain land use rights.
- (xv) Represent amounts related to financial services provided by Finance Company to China Telecom Group, including lending service, deposit service and other financial services.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

## 20. Related Party Transactions (Continued)

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

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

	30 June 2021 RMB million	31 December 2020 RMB million
Accounts receivable	1,499	1,784
Contract assets	88	49
Prepayments and other current assets	735	1,189
<b>Total amounts due from China Telecom Group</b>	<b>2,322</b>	3,022
Accounts payable	19,935	19,272
Accrued expenses and other payables	9,842	11,279
Contract liabilities	162	217
Lease liabilities	496	489
Short-term debt	9,855	11,164
Long-term debt	4,000	11,000
<b>Total amounts due to China Telecom Group</b>	<b>44,290</b>	53,421

Amounts due from/to China Telecom Group, other than short-term debt, long-term debt and deposit with Finance Company included in accrued expenses and other payables, bear no interest, are unsecured and are repayable in accordance with contractual terms which are similar to those terms offered by third parties. The terms and conditions associated with short-term debt and long-term debt due to China Telecom Group are set out in Note 7.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

## 20. 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	
		2021	2020
		RMB million	RMB million
Tower assets lease related expenses	(i)	5,982	5,777
Addition to right-of-use assets	(i)	1,435	1,434
Interest expenses on lease liabilities	(i)	329	419
Provision of IT services	(ii)	17	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 and fee for non-lease components.
- (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
	2021	2020
	RMB million	RMB million
Accounts receivable	39	23
Prepayments and other current assets	103	138
<b>Total amounts due from China Tower</b>	<b>142</b>	161
Accounts payable	7,172	4,344
Accrued expenses and other payables	1,646	1,192
Contract liabilities	5	3
Lease liabilities	16,951	19,798
<b>Total amounts due to China Tower</b>	<b>25,774</b>	25,337

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

**20. 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:

	Six-month period ended 30 June	
	2021	2020
	RMB thousand	RMB thousand
Short-term employee benefits	3,412	3,147
Post-employment benefits	561	442
	<b>3,973</b>	<b>3,589</b>

The above remuneration is included in personnel expenses.

**(d) Contributions to post-employment benefit plans**

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial 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 the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. 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 for the above plans for the six-month period ended 30 June 2021 were RMB4,237 million (six-month period ended 30 June 2020: RMB2,981 million).

The amount payable for contributions to the above defined contribution retirement plans as at 30 June 2021 was RMB732 million (31 December 2020: RMB746 million).

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## Notes to the Unaudited Condensed Consolidated Interim Financial Information

for the six-month period ended 30 June 2021

### 20. Related Party Transactions (Continued)

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

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 parent company and its fellow subsidiaries (Note 20(a)) and China Tower (Note 20(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
- depositing and borrowing
- 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 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.