

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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 16 August 2022, reflects the unaudited financial position of the Group as at 30 June 2022 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 ended 31 December 2022.

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 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 2021 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 2021 annual financial statements. The Group’s policies on financial risk management were set out in the financial statements included in the Group’s 2021 Annual Report and there have been no significant changes in these policies for the six-month period ended 30 June 2022.

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*”.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

2. BASIS OF PREPARATION (continued)

As at 30 June 2022, the total current liabilities of the Group had exceeded the total current assets by RMB134,775 million (31 December 2021: RMB137,712 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 RMB275,209 million (31 December 2021: RMB276,483 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 2022 has been prepared on a going concern basis.

2A. SIGNIFICANT EVENT IN THE CURRENT PERIOD

The Company filed a Form 15F with the U.S. Securities and Exchange Commission (the "SEC") on 25 February 2022 to deregister the American Depositary Shares (the "ADSs") and terminate its reporting obligation under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). The deregistration and termination of reporting obligation therefore became effective 90 days after the filing as the application was neither withdrawn by the Company nor objected to by the SEC.

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 2021 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 IAS 16, IFRS 3, IAS 37 and "Annual Improvements to IFRS Standards 2018-2020".

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.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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 communications 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 2022, the Group acquired items of property, plant and equipment and construction in progress with an aggregate cost of RMB41,548 million (for the six-month period ended 30 June 2021: RMB27,031 million) and the depreciation of property, plant and equipment recognized in unaudited condensed consolidated statement of comprehensive income was RMB34,797 million (for the six-month period ended 30 June 2021: RMB34,739 million).

6. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2022	31 December 2021
	RMB million	RMB million
Cost of investment in associates and joint ventures	37,005	36,983
Share of post-acquisition changes in net assets	4,051	4,183
	41,056	41,166

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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 telecommunications towers as well as ancillary facilities
Shanghai Information Investment Incorporation (Note (ii))	24.0%	Provision of information technology consultancy 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 ("Shanghai Info-investment") is established and operated in the PRC and is not traded on any stock exchange.

7. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	Note	30 June 2022 RMB million	31 December 2021 RMB million
Third parties		40,740	25,067
China Telecom Group	(i)	2,123	1,889
China Tower		25	9
Other telecommunications operators in the PRC		754	475
		43,642	27,440
Less: Allowance for credit losses		(6,991)	(5,051)
		36,651	22,389

Note:

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

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

7. ACCOUNTS RECEIVABLE, NET (continued)

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

	30 June 2022 RMB million	31 December 2021 RMB million
Current, within 1 month	8,869	7,164
1 to 3 months	3,172	1,683
4 to 12 months	2,272	1,620
More than 12 months	1,642	1,079
	15,955	11,546
Less: Allowance for credit losses	(3,962)	(2,690)
	11,993	8,856

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

	30 June 2022 RMB million	31 December 2021 RMB million
Current, within 1 month	9,812	6,041
1 to 3 months	7,123	2,963
4 to 12 months	6,856	3,486
More than 12 months	3,896	3,404
	27,687	15,894
Less: Allowance for credit losses	(3,029)	(2,361)
	24,658	13,533

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

8. CASH AND CASH EQUIVALENTS

	30 June 2022 RMB million	31 December 2021 RMB million
Cash at bank and in hand	62,776	71,757
Time deposits with original maturity within three months	14,060	1,524
	76,836	73,281

9. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	30 June 2022 RMB million	31 December 2021 RMB million
Loans from banks – unsecured	2,841	2,821
Total short-term debts	2,841	2,821

The weighted average interest rate of the Group's total short-term debts as at 30 June 2022 was 3.5% (31 December 2021: 3.7%) per annum. As at 30 June 2022, the Group's loans from banks and other loans bear interests at rates ranging from 3.4% to 3.9% (31 December 2021: 3.3% to 4.4%) per annum, and are repayable within one year.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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

Long-term debts comprise:

	Notes	30 June 2022 RMB million	31 December 2021 RMB million
Loans from banks – unsecured	(i)	6,037	6,478
Other loans – unsecured		1	1
Medium-term notes – unsecured	(ii)	–	5,150
Company bonds – unsecured	(iii)	2,018	2,046
Total long-term debts		8,056	13,675
Less: Current portion		(3,135)	(6,280)
Non-current portion		4,921	7,395

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 2022, the loans from banks and other loans bear interests at contractual rates ranging from 1.08 % to 2.00% (31 December 2021: 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 has been fully repaid 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 has been fully repaid 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.

The Group’s short-term and long-term debts do not contain any financial covenants. As at 30 June 2022, the Group had unutilised credit facilities amounting to RMB275,209 million (31 December 2021: RMB276,483 million).

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

10. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	30 June 2022	31 December 2021
	RMB million	RMB million
Third parties	106,331	89,299
China Telecom Group	23,783	21,015
China Tower	8,196	3,914
Other telecommunications operators in the PRC	797	667
	139,107	114,895

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 2022	31 December 2021
	RMB million	RMB million
Due within 1 month or on demand	20,821	20,293
Due after 1 month but within 3 months	25,693	23,965
Due after 3 months but within 6 months	45,630	36,338
Due after 6 months	46,963	34,299
	139,107	114,895

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

11. DEFERRED TAX ASSETS AND LIABILITIES

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

	Deferred tax assets		Deferred tax liabilities	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	RMB million	RMB million	RMB million	RMB million
Accrued salaries, wages and other benefits	1,415	1,416	–	–
Depreciation, write-off and impairment of property, plant and equipment, etc.	6,198	5,905	(31,587)	(30,202)
Impairment losses of accounts receivable	1,589	1,140	–	–
Subscriber points reward program	1,000	1,058	–	–
Right-of-use assets and lease liabilities	783	845	–	–
Equity instruments at fair value through other comprehensive income	–	–	(103)	(151)
Deferred tax assets/(liabilities)	10,985	10,364	(31,690)	(30,353)

As at 30 June 2022, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB6,170 million (31 December 2021: RMB3,676 million). As at 30 June 2022, net deferred tax assets and deferred tax liabilities after offsetting were RMB4,815 million (31 December 2021: RMB6,688 million) and RMB25,520 million (31 December 2021: RMB26,677 million), respectively.

The movements of deferred tax assets and deferred tax liabilities are as follows:

	Balance as at 1 January 2022	Recognised in condensed consolidated statement of comprehensive income	Balance as at 30 June 2022
	RMB million	RMB million	RMB million
Accrued salaries, wages and other benefits	1,416	(1)	1,415
Depreciation, write-off and impairment of property, plant and equipment, etc.	5,905	293	6,198
Impairment losses of accounts receivable	1,140	449	1,589
Subscriber points reward program	1,058	(58)	1,000
Right-of-use assets and lease liabilities	845	(62)	783
Deferred tax assets	10,364	621	10,985
Depreciation, write-off and impairment of property, plant and equipment, etc.	(30,202)	(1,385)	(31,587)
Equity instruments at fair value through other comprehensive income	(151)	48	(103)
Deferred tax liabilities	(30,353)	(1,337)	(31,690)

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

12. OPERATING REVENUES**Disaggregation of revenues**

	Notes	Six-month period ended 30 June	
		2022 RMB million	2021 RMB million
Type of goods or services			
Service revenues		221,384	203,502
Mobile communications service revenues	(i)	98,956	93,342
Wireline and Smart Family service revenues	(ii)	59,871	57,350
Industrial Digitalisation service revenues	(iii)	58,932	50,113
Other service revenues	(iv)	3,625	2,697
Sales of goods and others	(v)	20,935	15,735
Total operating revenues		242,319	219,237
Revenues from customer contracts		239,349	216,555
Revenues from other sources and others		2,970	2,682
Total operating revenues		242,319	219,237
Timing of revenue recognition			
A point in time		18,835	14,044
Over time		223,484	205,193
Total operating revenues		242,319	219,237

Notes:

- (i) Represent primarily 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 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 datacentre services, cloud service, 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.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

13. NETWORK OPERATIONS AND SUPPORT

	Note	Six-month period ended 30 June	
		2022	2021
		RMB million	RMB million
Operating and maintenance		42,654	37,848
Utility		9,102	8,109
Network resources usage and related fee	(i)	13,041	12,668
Others		5,254	5,284
		70,051	63,909

Note:

- (i) Network resources usage and related fee includes 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 communications towers and related assets lease and the usage of network resources provided by third parties.

14. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	Six-month period ended 30 June	
	2022	2021
	RMB million	RMB million
Network operations and support	28,491	25,255
Selling, general and administrative	16,127	14,430
	44,618	39,685

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

15. OTHER OPERATING EXPENSES

	Notes	Six-month period ended 30 June	
		2022 RMB million	2021 RMB million
Interconnection charges	(i)	6,348	6,059
Cost of goods sold	(ii)	18,519	13,682
Donations		4	–
Others	(iii)	905	814
		25,776	20,555

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.

16. NET FINANCE COSTS

	Six-month period ended 30 June	
	2022 RMB million	2021 RMB million
Interest expense on short-term and long-term debts	278	749
Interest expense on lease liabilities	714	701
Less: Interest expense capitalised*	(52)	(53)
Net interest expense	940	1,397
Interest income	(805)	(306)
Net foreign exchange gain or loss and others	(105)	(12)
	30	1,079
*Interest expense was capitalised in construction in progress at the following rates per annum	3.4%-3.7%	3.3%-4.4%

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

17. INCOME TAX

Income tax in the profit or loss comprises:

	Six-month period ended 30 June	
	2022	2021
	RMB million	RMB million
Provision for PRC income tax	4,709	3,281
Provision for income tax in other tax jurisdictions	99	119
Deferred taxation	764	2,149
	5,572	5,549

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

	Notes	Six-month period ended 30 June	
		2022	2021
		RMB million	RMB million
Profit before taxation		23,925	23,415
Expected income tax expense at statutory tax rate of 25%	(i)	5,981	5,854
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	(316)	(334)
Differential tax rate on other subsidiaries' income	(ii)	(27)	(41)
Non-deductible expenses	(iii)	216	695
Non-taxable income	(iv)	(219)	(309)
Others	(v)	(63)	(316)
Income tax expense		5,572	5,549

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 and other tax benefits such as additional tax deduction from research and development expenses.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

18. DIVIDENDS

Pursuant to a resolution passed at the Board of Directors' meeting on 16 August 2022, the Board of Directors has resolved to declare an interim dividend of RMB0.120 (equivalent to HK\$0.139523) per share (pre-tax) totalling approximately RMB10,975 million for the six-month period ended 30 June 2022. The interim profit distribution plan has been authorised to the Board of Directors by the shareholders at the Annual General Meeting for the year 2021. The dividend has not been provided for in the condensed consolidated financial statements for the six-month period ended 30 June 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 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.

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 (pre-tax) totalling RMB8,439 million in respect of the year ended 31 December 2020 was declared, and paid on 1 June 2021.

19. EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month period ended 30 June 2022 and 2021 is based on the profit attributable to equity holders of the Company of RMB18,291 million and RMB17,743 million, respectively, divided by 91,507,138,699 shares and 80,932,368,321 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.

20. CAPITAL COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had capital commitments as follows:

	30 June 2022 RMB million	31 December 2021 RMB million
Contracted for but not provided		
Property	2,040	1,831
Telecommunications network plant and equipment	19,279	18,942
	21,319	20,773

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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.

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 2022, the fair value of the Group’s listed equity securities investments is RMB731 million (31 December 2021: RMB942 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 2022, the fair value of the Group’s financial instruments categorised as level 3 is RMB581 million (31 December 2021: RMB522 million). For the financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation method or model 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, etc.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

**21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS
(continued)****Fair Value Measurements (continued)**

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 2.9% to 4.9% (31 December 2021: 2.9% to 4.9%). As at 30 June 2022 and 31 December 2021, the carrying amounts and fair values of the Group's long-term debts were as follows:

	30 June 2022		31 December 2021	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Long-term debts	8,056	8,001	13,675	13,444

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

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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	
		2022 RMB million	2021 RMB million
Construction engineering and design services	(i)	7,232	5,569
Receiving ancillary services	(ii)	10,623	10,158
Interconnection revenues	(iii)	24	24
Interconnection charges	(iii)	50	64
Receiving community services	(iv)	1,838	1,649
Net transaction amount of centralised services	(v)	1,238	533
Property and land use right lease income	(vi)	15	17
Property and land use right lease related expenses	(vii)	355	197
Addition to right-of-use assets	(vii)	314	198
Interest expense on lease liabilities	(vii)	10	10
Provision of IT services	(viii)	675	434
Receiving IT services	(viii)	1,897	1,252
Purchases of telecommunications equipment and materials	(ix)	2,185	1,441
Sales of telecommunications equipment and materials	(ix)	2,300	1,827
Internet applications channel services	(x)	28	32
Interest expense on loans from China Telecom Group*	(xi)	–	310
Consideration received from disposal of subsidiaries	(xii)	–	4,072
Payment and digital finance related services	(xiii)	534	207
Others*	(xiv)	122	119
Net deposit by China Telecom Group with Finance Company*	(xv)	(1,996)	(1,472)
Interest expense on the deposit by China Telecom Group with Finance Company*	(xv)	110	83
Short-term loans granted by Finance Company to China Telecom Group	(xv)	6,000	–
Interest income from loans granted by Finance Company to China Telecom Group	(xv)	72	–

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

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 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 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 fee for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate, fee for non-lease components and interest expenses of right-of-use assets and lease liabilities recognized 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 interest paid and payable to China Telecom Group with respect to the loans from China Telecom Group.*
- (xii) *Represent consideration received in respect of disposal of subsidiaries from China Telecom Group.*
- (xiii) *Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.*
- (xiv) *Represent amounts in respect of the leasing of related communications resources from China Telecom group and its subsidiaries, including transmission network communications resources, wireless network communications resources and wireline access network communications resources, etc.*
- (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 2022

22. RELATED PARTY TRANSACTIONS (continued)**(a) Transactions with China Telecom Group (continued)**

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

	30 June 2022 RMB million	31 December 2021 RMB million
Accounts receivable	2,123	1,889
Contract assets	634	139
Prepayments and other current assets	8,795	2,716
Accounts payable	23,783	21,015
Accrued expenses and other payables	12,524	15,249
Contract liabilities	160	198
Lease liabilities	778	501

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 repayable in accordance with contractual terms which are similar to those terms offered by third parties.

(b) Transactions with China Tower

The principal transactions with China Tower are as follows:

	Notes	Six-month period ended 30 June 2022 RMB million	2021 RMB million
Tower assets lease related expenses	(i)	6,011	5,982
Addition to right-of-use assets	(i)	1,109	1,435
Interest expenses on lease liabilities	(i)	224	329
Provision of IT services	(ii)	15	17

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.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

22. RELATED PARTY TRANSACTIONS (continued)**(b) Transactions with China Tower (continued)**

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

	30 June 2022 RMB million	31 December 2021 RMB million
Accounts receivable	25	9
Prepayments and other current assets	194	45
Accounts payable	8,196	3,914
Accrued expenses and other payables	1,908	1,596
Contract liabilities	2	3
Lease liabilities	10,454	13,806

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.

(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 2022 RMB thousand	2021 RMB thousand
Short-term employee benefits	3,447	3,412
Post-employment benefits	444	561
	3,891	3,973

The above remuneration is included in personnel expenses.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

22. RELATED PARTY TRANSACTIONS (continued)**(d) 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 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
- deposit 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.

NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2022

23. POST-EMPLOYMENT BENEFITS 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 to the above plans for the six-month period ended 30 June 2022 were RMB4,699 million (six-month period ended 30 June 2021: RMB4,237 million).

The amount payable for contributions to the above defined contribution retirement plans as at 30 June 2022 was RMB729 million (31 December 2021: RMB737 million).

24. EVENTS AFTER THE REPORTING PERIOD

The dividend of RMB2,359 million for H shares (Note 18) of the Company was paid on 18 July 2022.

Pursuant to a resolution passed at the Board of Directors' meeting on 16 August 2022, the Board of Directors has resolved to declare an interim dividend of RMB0.120 (equivalent to HK\$0.139523) per share (pre-tax) for the six-month period ended 30 June 2022, totalling approximately RMB10,975 million based on 91,507,138,699 shares in issue. The interim profit distribution plan has been authorised to the Board of Directors by the shareholders at the Annual General Meeting for the year 2021.