INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF
CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Communications Services Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 139 to 217, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of construction services from non-telecom operators
- Revenue recognition of system integration services
- Expected credit losses of accounts receivable and contract assets

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction services from non-telecom operators	
Refer to Note 2(q) Significant accounting policies and Note 4 Revenues to the consolidated financial statements, respectively. Revenue derived from construction services from non-telecom operators amounted to RMB28,664 million in 2021. The Group generally recognised revenue over a period of time according to the progress towards completion agreed with the customers based on the output method. Such revenue was provided to a large number of customers in different industries. The number of contracts was large and the revenue recognised had a significant impact on the financial statements, we were required to put in significant audit efforts on it, therefore, we identified the revenue recognition of construction services from non-telecom operators as a key audit matter.	We performed the following procedures in relation to revenue recognition of construction services from non-telecom operators: 1. Obtained an understanding, and evaluated and tested the applicable internal controls relevant to the revenue recognition of construction services from non-telecom operators; 2. Selected a number of service contracts on a sample basis, and performed contract reviews on major terms and assessed the reasonableness of the basis adopted by management in relation to the revenue recognition method. 3. Performed the following procedures for contracts on a sample basis: • Discussed with project management personnel to obtain an understanding of the progress towards completion of the contract works; • Examined the supporting documents, such as confirmation of the progress towards completion, project settlement statement etc., obtained by the Group; • Assessed the reasonableness of the progress by paying physical field visits to the selected sites of construction projects; and • Tested the mathematical accuracy of the revenue based on the progress towards completion and the contract revenue. 4. Performed cut-off tests by examining the supporting documents that management used to recognise the revenue before and after the balance sheet date, such as confirmation of the progress towards completion and project settlement statement to assess whether the revenue had been recognised in the correct accounting period. Based on our work performed, we found that the revenue recognition of construction services from non-telecom operators made by management is supported by available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of system integration services	
Refer to Note 2(q) Significant accounting policies, Note 4 Revenues and Note 44(a) Significant accounting estimates and judgements to the consolidated financial statements, respectively. Revenue from system integration amounted to RMB13,278 million in 2021. Contracts for system integration services of the Group are mostly non-standard contracts. The Group had to make significant judgement when identifying performance obligations and significant estimation when allocating the transaction price to each performance obligation on relative stand-alone selling price basis. Therefore, we identified revenue recognition of system integration services as a key audit matter.	We performed the following procedures in relation to revenue recognition of system integration services: 1. Obtained an understanding, and evaluated and tested the applicable internal controls relevant to the revenue recognition of system integration services; 2. Selected a number of contracts on a sample basis and performed the following procedures: • Reviewed the contract terms to evaluate the reasonableness of the performance obligations identified by the Group; • Obtained the supporting evidence, such as market price information or benchmarked to the gross profit margin of similar business by the Group to evaluate the reasonableness of transaction price allocated to each performance obligation on relative stand-alone selling price basis; and • Evaluated the reasonableness of the method of revenue recognition for each performance obligation based on the provisions laid down in the contract terms. 3. Performed the following procedures for contracts, on a sample basis, to determine if the revenue had been recognised properly over a period of time according to the relevant performance obligations: • Discussed with the project management personnel to understand the progress towards completion of the contract work; • Examined the supporting documents, such as confirmation of the progress towards completion, project settlement statement etc, obtained by the Group; and • Tested the mathematical accuracy of the revenue recognised based on the progress towards completion and the contract revenue. 4. Examined the supporting documents for a sample of contracts, such as receipt notes and acceptance notes issued by the customers, to assess if revenue recognised at a point in time upon the fulfillment of the relevant performance obligation, was supported by adequate evidence to prove that the control of the relevant products had been properly transferred to the respective customers. Based on our work, we found that the revenue recognition of system integration services made by management is supported by available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of accounts receivable and contract assets	
Refer to Note 2 (l) Significant accounting policies, Note 27 Accounts and bills receivable, net, Note 28 Contract assets, net, Note 43 (a) Financial risk management and fair values, and Note 44 (b) Significant accounting estimates and judgements to the consolidated financial statements, respectively. As at 31 December 2021, the carrying amounts of accounts receivable and contract assets amounted to RMB19,542 million and RMB21,774 million, respectively, with loss allowances amounted to RMB1,693 million and RMB240 million, respectively. Provision for credit loss allowance of accounts receivable and contract assets was made based on an assessment of the lifetime expected credit losses. When measuring expected credit losses, the Group had considered credit losses incurred in the past, and adjusted it by taking into consideration of the present conditions and forward looking factors. In assessing forward-looking information, the Group considered factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. We focused on auditing the expected credit losses of accounts receivable and contract assets because the judgement and estimation of expected credit losses is subject to high degree of estimation uncertainty. The inherent risk in relation to the expected credit losses of accounts receivable and contract assets is considered significant due to the subjectivity of significant assumptions and estimates used. Therefore, we identified the expected credit losses of accounts receivable and contract assets as a key audit matter.	We performed the following procedures in relation to expected credit losses of accounts receivable and contract assets: 1. Obtained an understanding, and evaluated and tested the applicable internal control relevant to management assessment of expected credit losses of accounts receivable and contract assets; 2. For accounts receivable and contract assets assessed individually, we reviewed, on a sample basis, documents for supporting management's assessment of the respective financial position and creditworthiness of the customers, historical payment and settlement records, and forecasted future economic conditions, in order to assess the reasonableness of expected credit loss allowance provided by management; 3. For accounts receivable and contract assets assessed collectively by making reference to the credit risk characteristics, we assessed the reasonableness of the grouping, and the respective expected credit losses provision made by management by reviewing, on a sample basis, documents and information, such as historical credit losses incurred, historical payment and settlement patterns of debtors, aging profile of accounts receivable and contract assets, current conditions and forward looking factors; 4. Tested the accuracy of the aging analysis of the accounts receivable and contract assets on a sample basis and recalculated the historical default rate, evaluated the basis adopted by management in determining the forward looking adjustment with the assistance of our internal valuation specialists, and tested the mathematical accuracy of calculation of the expected credit loss allowance. Based on our work, we considered that the significant judgments and estimates made by management in relation to the expected credit losses of accounts receivable and contract assets were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,
30 March 2022