

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 1. Principal Activities

China Communications Services Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) is a leading service provider in the PRC that provides integrated comprehensive smart solutions in the field of informatization and digitalization. The Group offers telecommunications infrastructure services, including design, construction and project supervision and management; business process outsourcing services, including management of infrastructure for information technology, general facilities management, supply chain and products distribution; and applications, content and other services, including system integration, software development and system support, and value-added services.

## 2. Basis of Preparation

The 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 financial statements and notes thereof do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). IFRSs include all applicable IFRSs, International Accounting Standards (“IASs”) and related interpretations.

This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and IAS 34, Interim Financial Reporting.

## 3. Principal Accounting Policies

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the consolidated financial statements of the Group for the year ended 31 December 2020, except as described below.

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

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 adoption of above amendments in the current period has had no material effect on the Group’s condensed consolidated interim financial information.

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### 4. Segment Reporting

The Group principally has one operating segment, which is the provision of integrated comprehensive smart solutions in the field of informatization and digitalization. Therefore, no additional segment information has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 5.

### 5. Revenues

Revenues are derived from the provision of integrated comprehensive smart solutions. The Group's revenues by business nature can be summarised as follows:

#### Disaggregation of revenue

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from telecommunications infrastructure services	<b>34,547,384</b>	29,036,839
Revenue from business process outsourcing services	<b>19,787,107</b>	16,959,567
Revenue from applications, content and other services	<b>9,764,660</b>	7,837,812
	<b>64,099,151</b>	53,834,218

The Group's major customers are telecommunications operators which include China Telecommunications Corporation and its subsidiaries (excluding the Group) ("CTC Group") and China Mobile Communications Group Co., Ltd. and its subsidiaries ("CM Group"). Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the six months ended 30 June 2021 amounted to RMB19,121 million and RMB9,481 million, respectively (six months ended 30 June 2020: RMB17,162 million and RMB9,286 million, respectively), being 29.8% and 14.8% of the Group's total revenues, respectively (six months ended 30 June 2020: 31.9% and 17.2%, respectively). The revenues derived from areas outside Mainland China for the six months ended 30 June 2021 amounted to RMB1,377 million (six months ended 30 June 2020: RMB1,437 million).

For the six months ended 30 June 2021, the Group's top three businesses that contributed to the overall revenues were construction under telecommunications infrastructure services, management of infrastructure for information technology and supply chain service under business process outsourcing services, the revenues derived from which amounted to RMB27,480 million, RMB7,914 million and RMB6,433 million, respectively (six months ended 30 June 2020: RMB22,610 million, RMB7,320 million and RMB4,984 million, respectively).

The Group's rental income for the six months ended 30 June 2021 amounted to RMB344 million (six months ended 30 June 2020: RMB291 million).

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### 6. Cost of Revenues

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Subcontracting charges	<b>34,747,460</b>	30,126,247
Materials costs	<b>8,830,182</b>	6,155,087
Direct personnel costs	<b>4,123,111</b>	3,670,291
Direct costs of products distribution	<b>2,026,751</b>	1,718,323
Lease charges	<b>550,050</b>	491,617
Depreciation and amortisation	<b>428,022</b>	395,003
Others	<b>6,560,636</b>	5,374,611
	<b>57,266,212</b>	47,931,179

### 7. Other Income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest income	<b>164,260</b>	132,930
Dividend income from equity instruments	<b>161,695</b>	161,106
Management fee income	<b>152,906</b>	124,462
Government grants	<b>116,117</b>	119,252
Investment income and fair value gains on wealth management products and structured deposits	<b>82,545</b>	99,395
Gain on disposal of property, plant and equipment, other intangible assets and termination of lease contracts	<b>5,755</b>	1,144
Penalty income	<b>1,821</b>	1,575
Others	<b>157,205</b>	102,377
	<b>842,304</b>	742,241

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### 8. Finance Costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest on bank and other borrowings	9,310	12,751
Interest on lease liabilities	24,451	18,773
	<b>33,761</b>	31,524

For the six months ended 30 June 2021, no borrowing costs were capitalised in construction in progress (six months ended 30 June 2020: nil).

### 9. Profit Before Tax

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	7,071,360	6,452,296
Contributions to defined contribution retirement schemes	794,734	463,139
	<b>7,866,094</b>	6,915,435
(b) Other items:		
Amortisation	81,519	70,662
Depreciation	647,712	578,834
Materials costs	8,830,182	6,155,087
Direct costs of products distribution	2,026,751	1,718,323
Inventory write-down and losses, net of reversals	21,885	15,362
Impairment losses on accounts receivable, other receivables and contract assets	177,536	165,181
Reversal of impairment losses on accounts receivable, other receivables and contract assets	(129,813)	(84,766)
Investment income and fair value gains of financial instruments at fair value through profit or loss	82,545	99,285
Lease charges	632,176	582,448
Research and development costs	1,622,577	1,387,407

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### 9. Profit Before Tax (Continued)

The selling expenses, general and administrative expenses and other expenses of the Group are RMB1,132 million, RMB4,142 million and RMB223 million (six months ended 30 June 2020: RMB915 million, RMB3,652 million and RMB218 million) respectively for the six months ended 30 June 2021. Research and development costs include staff costs of RMB1,319 million (six months ended 30 June 2020: RMB1,111 million), which is also included in the staff costs disclosed in note 9(a).

### 10. Income Tax

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Current tax</b>	<b>285,405</b>	268,295
<b>Deferred tax</b>	<b>6,390</b>	(29,060)
Total income tax	<b>291,795</b>	239,235

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### 10. Income Tax (Continued)

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit before tax	2,114,242	1,827,851
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2020: 25%)	528,561	456,963
Differential tax rates on subsidiaries' profits (note (i))	(143,929)	(137,365)
Non-deductible expenses (note (ii))	59,641	79,906
Non-taxable income	(68,144)	(77,965)
Tax losses not recognised	62,471	30,169
Utilisation of previously unrecognised tax losses	(21,006)	(6,955)
Over provision in respect of prior years	(16,476)	(14,024)
Others (note (iii))	(109,323)	(91,494)
Income tax	291,795	239,235

Notes:

- (i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2021 and 2020, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 15% and 10%, where applicable; and for certain overseas subsidiaries of the Group, which are taxed at their respective statutory rates.
- (ii) The amounts represent staff costs and miscellaneous expenses in excess of the statutory deductible limits for tax reporting purposes.
- (iii) The amounts primarily represent the effect of additional deductions of research and development expenses.

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### 11. Other Comprehensive Expense

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Changes in fair value of equity instruments at fair value through other comprehensive income recognised during the period	(211,655)	(429,969)
Net deferred tax credited to other comprehensive income	52,816	107,120
Net movements in the fair value reserve during the period recognised in other comprehensive expense	(158,839)	(322,849)

### 12. Dividends

#### (a) Dividends attributable to the period

The Board of Directors did not propose the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period of RMB0.1335 per share (2020: RMB0.1321 per share)	924,623	914,927
Special dividend in respect of the previous financial year, approved during the period of RMB0.0267 per share (2020: RMB0.0264 per share)	184,925	182,847
	1,109,548	1,097,774

No final dividend or special dividend was paid during the six months ended 30 June 2021 and 2020.

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### 13. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 of RMB1,811 million (six months ended 30 June 2020: RMB1,588 million) and the number of shares in issue during the six months ended 30 June 2021 of 6,926,018 thousand shares (six months ended 30 June 2020: 6,926,018 thousand shares).

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both periods.

### 14. Accounts and Bills Receivable, Net

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Bills receivable	<b>569,574</b>	264,802
Accounts receivable	<b>23,701,619</b>	19,610,315
	<b>24,271,193</b>	19,875,117
Less: allowance for credit losses	<b>(1,695,355)</b>	(1,666,866)
	<b>22,575,838</b>	18,208,251

- (a) Included in accounts and bills receivable are amounts due from CTC Group, associates of the Group and associates of CTC Group of RMB8,882 million as at 30 June 2021 (31 December 2020: RMB8,040 million), which are unsecured, interest-free and they are expected to be recovered within one year.



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### 14. Accounts and Bills Receivable, Net (Continued)

- (b) The ageing analysis of accounts and bills receivable (net of allowance for credit losses) based on credit terms is as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Current	<b>1,948,799</b>	852,540
Within 1 year	<b>17,929,730</b>	14,743,770
After 1 year but less than 2 years	<b>2,084,717</b>	2,016,517
After 2 years but less than 3 years	<b>441,161</b>	430,743
After 3 years	<b>171,431</b>	164,681
	<b>22,575,838</b>	18,208,251

### 15. Contract Assets, Net

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Telecommunications infrastructure services	<b>16,554,191</b>	16,499,707
Business process outsourcing services	<b>1,319,890</b>	983,032
Applications, content and other services	<b>2,823,806</b>	2,523,856
	<b>20,697,887</b>	20,006,595
Less: allowance for credit losses	<b>(217,572)</b>	(220,019)
	<b>20,480,315</b>	19,786,576

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

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### 16. Cash and Cash Equivalents

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Cash at bank and in hand	<b>16,460,734</b>	16,961,389
Cash at China Telecom Group Finance Co., Ltd ("China Telecom Finance")	<b>1,279,136</b>	4,001,266
Deposits at bank with original maturity less than three months	<b>102,371</b>	45,835
Cash and cash equivalents	<b>17,842,241</b>	21,008,490

### 17. Interest-Bearing Borrowings

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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
<b>RMB denominated</b>		
Loan from CTC Group — unsecured	<b>13,280</b>	13,280
Borrowings from banks — unsecured	<b>33,330</b>	10,000
<b>USD denominated</b>		
Borrowings from banks — unsecured	<b>573,528</b>	546,656
<b>Other denominated</b>		
Borrowings from banks — unsecured	<b>144,763</b>	134,465
	<b>764,901</b>	704,401

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### 17. Interest-Bearing Borrowings (Continued)

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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
<b>RMB denominated</b>		
Loan from CTC Group — unsecured	<b>2.39%</b>	2.39%
Borrowings from banks — unsecured	<b>1.50%</b>	4.35%
<b>USD denominated</b>		
Borrowings from banks — unsecured (floating interest rate)	<b>London Interbank Offered Rate ("Libor") +1.00%–2.50%</b>	Libor +1.00%–1.35%
<b>Other denominated</b>		
Borrowings from banks — unsecured (fixed interest rate)	<b>1.79%–8.57%</b>	2.80%–10.33%

As at 30 June 2021, no borrowings from bank were subject to financial covenants (As at 31 December 2020: nil).

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### 18. Accounts and Bills Payable

Accounts and bills payable comprise:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Accounts payable	<b>33,884,919</b>	30,987,698
Bills payable	<b>2,811,974</b>	2,376,088
	<b>36,696,893</b>	33,363,786

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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within 1 year	<b>34,450,286</b>	30,759,309
After 1 year but less than 2 years	<b>1,375,686</b>	1,769,256
After 2 years but less than 3 years	<b>466,885</b>	428,587
After 3 years	<b>404,036</b>	406,634
	<b>36,696,893</b>	33,363,786

Included in accounts and bills payable are amounts due to CTC Group, associates of the Group and associates of CTC Group of RMB1,917 million as at 30 June 2021 (31 December 2020: RMB1,187 million), which are unsecured, interest-free and are expected to be settled within one year.

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### 19. Contract Liabilities

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Telecommunications infrastructure services	<b>6,841,784</b>	8,124,136
Other services	<b>2,963,362</b>	2,853,509
	<b>9,805,146</b>	10,977,645

When the Group receives advance payments from customers before the performance obligation is satisfied, the amounts will give rise to contract liabilities, until the operating revenues recognised on the relevant contract exceed the amount of the advance payment.

### 20. Accrued Expenses and Other Payables

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Wages and welfare payable	<b>2,328,682</b>	1,586,944
Amounts due to CTC Group, associates of the Group and associates of CTC Group (note (i))	<b>921,958</b>	451,174
Advanced lease payments received	<b>39,547</b>	44,541
Other taxes payable	<b>498,076</b>	764,731
Special dividend and profit distribution payable to CTC Group	<b>19,300</b>	29,300
Dividend payable	<b>550,635</b>	11,601
Payables for construction and purchase of property, plant and equipment	<b>76,809</b>	588,852
Output VAT to be transferred	<b>1,226,407</b>	1,276,730
Others (note (ii))	<b>4,662,450</b>	4,745,899
	<b>10,323,864</b>	9,499,772

Notes:

- (i) The amounts due to CTC Group, associates of the Group and associates of CTC Group are unsecured, interest-free and are expected to be settled within one year.
- (ii) The amounts mainly include payables to suppliers for purchases placed on behalf of CTC Group, deposits received from subcontractors and others.

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### 21. Other Non-Current Liabilities

Other non-current liabilities mainly represent the deferred income arising from government grants and termination benefits.

### 22. Share Capital

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
<b>Registered, issued and fully paid:</b>		
4,534,598,160 (31 December 2020: 4,534,598,160) Domestic shares of RMB1.00 each	<b>4,534,598</b>	4,534,598
2,391,420,240 (31 December 2020: 2,391,420,240) H shares of RMB1.00 each	<b>2,391,420</b>	2,391,420
	<b>6,926,018</b>	6,926,018

### 23. Non-controlling interests

Non-controlling shareholders injected a total of RMB900 million into a subsidiary of the Company, China Comservice Supply Chain Management Company Ltd. ("Supply Chain Company") on 18 June 2021. After the completion of the capital injection, the aggregate equity interest held by the non-controlling shareholders is approximately 26.015% of the enlarged share capital of Supply Chain Company. The Group has attributed the premium portion of RMB185,191 thousand to capital reserve, and the remaining RMB714,809 thousand to non-controlling interests.

### 24. Capital Commitments and Contingent Liabilities

#### (a) Capital commitments

As at 30 June 2021, the Group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contracted for but not provided	<b>115,311</b>	41,270

#### (b) Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities and no material financial guarantees issued.

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### 25. Fair Value Measurements of Financial Instruments

#### (i) Financial instruments carried at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 30 June 2021			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial Assets</b>				
Equity instruments at fair value through other comprehensive income (note (i))	44,758	—	4,106,056	4,150,814
Financial assets at fair value through profit or loss				
— Wealth management products and structured deposits (note (ii))	—	—	5,353,678	5,353,678
— Equity instruments at fair value through profit or loss	—	—	91,132	91,132

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### 25. Fair Value Measurements of Financial Instruments (Continued)

#### (i) Financial instruments carried at fair value on a recurring basis (Continued)

	At 31 December 2020			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial Assets</b>				
Equity instruments at fair value through other comprehensive income (note (i))	45,796	—	4,316,673	4,362,469
Financial assets at fair value through profit or loss				
— Wealth management products and structured deposits (note (ii))	—	—	3,098,634	3,098,634
— Equity instruments at fair value through profit or loss	—	—	64,567	64,567

Notes:

- (i) One of the invested entities was listed on Shanghai Stock Exchange in 2018 and the Group is contractually prevented from selling the shares held immediately following the initial public offering. At the end of each reporting period, the Group appoints external valuer to determine the fair value of the listed equity security that is within the restriction period, based on the quoted price of the identical unrestricted shares traded on the stock exchange, adjusted to reflect the effect of restriction based on the discount rate determined by the external valuer. An increase in the discount rate of lack of marketability used in isolation would result in a decrease in the fair value measurement of this equity instrument and vice versa, and the discount rate is 8.70% (At 31 December 2020: 9.90%). A 5% increase in the discount rate holding all other variables constant would decrease the carrying amount of this equity instrument by RMB20 million (At 31 December 2020: RMB24 million) as at 30 June 2021.
- (ii) At the end of each reporting period, the Group determines the fair value of the wealth management products and structured deposits by estimating their discounted cash flows. The future cash flows are estimated based on expected recoverable amounts, and discounted at a rate that reflects the credit risk of various counterparties.



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### 25. Fair Value Measurements of Financial Instruments (Continued)

#### (ii) Reconciliation of level 3 fair value measurement

	Equity instruments at fair value through other comprehensive income RMB'000	Wealth management products and structured deposits RMB'000	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2021	4,316,673	3,098,634	64,567
Purchases	—	4,688,000	26,565
Settlements	(750)	(2,515,501)	—
Total gains/(losses)			
— in profit or loss	—	82,545	—
— in other comprehensive income	(209,867)	—	—
As at 30 June 2021	4,106,056	5,353,678	91,132

  

	Equity instruments at fair value through other comprehensive income RMB'000	Wealth management products and structured deposits RMB'000	Equity instruments at fair value through profit or loss RMB'000
As at 1 January 2020	4,040,865	4,567,824	818,268
Purchases	—	10,978,985	—
Settlements	—	(12,637,767)	—
Transferred to interests in associates	—	—	(772,708)
Total gains			
— in profit or loss	—	189,592	19,007
— in other comprehensive income	275,808	—	—
As at 31 December 2020	4,316,673	3,098,634	64,567

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### 25. Fair Value Measurements of Financial Instruments (Continued)

#### (iii) Fair values of financial instruments carried at other than fair value

The fair values of financial assets and financial liabilities recorded at amortised cost are not materially different from their carrying amounts, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

### 26. Related Parties

The Group comprises companies under the CTC Group and it has undertaken significant transactions and maintained relationships with members of CTC Group. Apart from the transactions and balances disclosed in the condensed consolidated interim financial information set out above, there are other material related party transactions as below:

#### (a) Transactions with CTC Group

Because of the relationships between the Group and the CTC Group, the terms of these transactions were negotiated between the Group with GTC Group.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Engineering related services revenue (note (i))	<b>6,895,821</b>	6,793,836
IT application services revenue (note (ii))	<b>1,514,408</b>	1,221,895
Provision of ancillary telecommunications services revenue (note (iii))	<b>7,996,006</b>	6,610,949
Provision of operation support services revenue (note (iv))	<b>1,489,044</b>	1,391,280
Supplies procurement services revenue (note (v))	<b>1,173,060</b>	1,098,771
Property leasing services revenue (note (vi))	<b>52,369</b>	45,114
Management fee income (note (vii))	<b>152,906</b>	124,462
Property leasing service charges (note (viii))	<b>57,082</b>	56,594
IT application service charges (note (ix))	<b>23,333</b>	45,812
Operation support service charges (note (x))	<b>372,452</b>	202,349
Supplies procurement service charges (note (xi))	<b>987,965</b>	298,441
Interest expenses (note (xii))	<b>12,566</b>	8,798
Net withdrawal to China Telecom Finance (note (xiii))	<b>(2,722,130)</b>	(1,584,490)
Interest income of deposits to China Telecom Finance (note (xiv))	<b>6,154</b>	2,905
Net lending funds (note (xv))	<b>57,500</b>	—
Interest income of lending funds (note (xvi))	<b>648</b>	—

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 26. Related Parties (Continued)

#### (a) Transactions with CTC Group (Continued)

Notes:

- (i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to CTC Group.
- (ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group.
- (iii) The amount represents ancillary telecommunications services such as maintenance of network facilities (including optical ducts and cables, exchange buildings and base stations), operation of distribution channels, fixed line and wireless value-added service, internet contents and information services provided to CTC Group.
- (iv) The amount represents facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group.
- (v) The amount represents supplies procurement service such as warehousing, transportation and installation and other related services provided to CTC Group.
- (vi) The amount represents rental received/receivable from operating leases in respect of business premises leased to CTC Group.
- (vii) The amount represents management fees in respect of headquarters management function services provided to CTC Group.
- (viii) The amount represents rental paid and payable to CTC Group relating to short-term leases in respect of business premises.
- (ix) The amount represents charges paid and payable to CTC Group for basic telecommunications services, value-added services and information application services.
- (x) The amount represents charges paid and payable to CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.
- (xi) The amount represents the charge paid and payable to CTC Group for supplies procurement services, warehousing, transportation and installation services.
- (xii) The amount represents the interest paid and payable to CTC Group in respect of lease liabilities due to CTC Group.
- (xiii) The amount represents net withdrawal of funds under deposit services provided by China Telecom Finance.
- (xiv) The amount represents the interest income from deposit services provided by China Telecom Finance.
- (xv) The amount represents the net lending of funds to CTC Group.
- (xvi) The amount represents the interest income arising from lending funds to CTC Group.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 26. Related Parties (Continued)

#### (a) Transactions with CTC Group (Continued)

Amounts due from/to CTC Group included in respective balances are summarised as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Cash and cash equivalents	<b>1,279,136</b>	4,001,266
Accounts and bills receivable, net	<b>8,367,957</b>	7,674,270
Contract assets, net	<b>8,453,316</b>	9,271,716
Prepayments and other current assets	<b>818,062</b>	635,041
<b>Total amounts due from CTC Group</b>	<b>18,918,471</b>	21,582,293
Interest-bearing borrowings	<b>13,280</b>	13,280
Accounts and bills payable	<b>507,232</b>	357,364
Contract liabilities	<b>614,670</b>	577,932
Accrued expenses and other payables	<b>897,079</b>	422,434
Current portion of lease liabilities	<b>173,748</b>	143,450
Lease liabilities	<b>767,092</b>	364,787
<b>Total amounts due to CTC Group</b>	<b>2,973,101</b>	1,879,247

As at 30 June 2021, the Group has recognised credit losses of RMB393 million (31 December 2020: RMB391 million) in respect of amounts due from CTC Group.

For the six months ended 30 June 2021, additional amount of RMB496 million of right-of-use assets has been recognised under new lease contracts with CTC Group (six months ended 30 June 2020: RMB66 million). For the six months ended 30 June 2021, the amount of lease payment made to CTC Group was RMB74 million (six months ended 30 June 2020: RMB64 million).

As at 30 June 2021 and 31 December 2020 the Group had no capital commitments due to CTC Group for acquisition and construction of property, plant and equipment and other assets.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are reasonable so far as the shareholders of the Company are concerned.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 26. Related Parties (Continued)

#### (b) Transactions with associates of the Group and associates of CTC Group

The Group has entered into transactions with associates over which the Group or CTC Group can exercise significant influence. The transactions entered into by the Group and the associates are as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Engineering related service revenue (note (i))	<b>2,203,037</b>	1,706,325
IT application service revenue (note (ii))	<b>131,733</b>	43,956
Provision of ancillary telecommunications service revenue (note (iii))	<b>792,803</b>	827,980
Provision of operation support service revenue (note (iv))	<b>68,884</b>	30,583
Supplies procurement service revenue (note (v))	<b>130,413</b>	126,334
Property leasing service revenue (note (vi))	<b>1,375</b>	1,490
Property leasing service charges (note (vii))	<b>1,507</b>	34,818
IT application service charges (note (viii))	<b>111,317</b>	55,395
Operation support service charges (note (ix))	<b>951,642</b>	782,095
Supplies procurement service charges (note (x))	<b>28,352</b>	1,023
Interest expenses (note (xi))	<b>12</b>	4

Notes:

- (i) The amount represents telecommunications infrastructure services such as design, construction and project management provided to associates of the Group and associates of CTC Group.
- (ii) The amount represents telecommunications network support services, software and hardware development and other IT related services provided to associates of the Group and associates of CTC Group.
- (iii) The amount represents ancillary telecommunications services such as maintenance of network facilities (including optical ducts and cables, exchange buildings and base stations); operation of distribution channels; fixed line and wireless value-added services; internet contents and information services provided to associates of the Group and associates of CTC Group.
- (iv) The amount represents facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to associates of the Group and associates of CTC Group.
- (v) The amount represents supplies procurement services such as warehousing, transportation and installation and other related services provided to associates of the Group and associates of CTC Group.
- (vi) The amount represents rental received and receivable from operating leases in respect of business premises leased to associates of CTC Group.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 26. Related Parties (Continued)

#### (b) Transactions with associates of the Group and associates of CTC Group (Continued)

Notes: (Continued)

- (vii) The amount represents rentals paid and payable to associates of the Group and associates of CTC Group arising from short-term leases in respect of business premises.
- (viii) The amount represents charges paid and payable to associates of the Group and associates of CTC Group for provision of basic telecommunications services, value-added services and information application services.
- (ix) The amount represents the charge paid and payable to associates of the Group and associates of CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.
- (x) The amount represents the charge paid and payable to associates of the Group and associates of CTC Group for supplies procurement services, warehousing, transportation and installation services.
- (xi) The amount represents interest paid and payable to associates of CTC Group in respect of lease liabilities due to associates of CTC Group.

Amounts due from/to associates of the Group and associates of CTC Group included in respective account balances are summarised as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Accounts and bills receivable, net	<b>514,174</b>	365,759
Contract assets, net	<b>340,311</b>	274,771
Prepayments and other current assets	<b>1,342,162</b>	1,240,666
<b>Total amounts due from associates of the Group and associates of CTC Group</b>	<b>2,196,647</b>	1,881,196
Accounts and bills payable	<b>1,409,712</b>	829,503
Contract liabilities	<b>506,004</b>	737,413
Current portion of lease liabilities	<b>436</b>	604
Lease liabilities	<b>59</b>	41
Accrued expenses and other payables	<b>44,179</b>	58,040
<b>Total amounts due to associates of the Group and associates of CTC Group</b>	<b>1,960,390</b>	1,625,601

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 26. Related Parties (Continued)

#### (b) Transactions with associates of the Group and associates of CTC Group (Continued)

For the six months ended 30 June 2021, additional amount of RMB57 thousand of right-of-use assets has been recognised under new lease contracts with associates of CTC Group (six months ended 30 June 2020: RMB477 thousand). For the six months ended 30 June 2021, the amount of lease payment made to associates of CTC Group was RMB219 thousand (six months ended 30 June 2020: RMB92 thousand).

The directors of the Company are of the opinion that the above transactions undertaken with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are reasonable.

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

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government authorities, agencies, affiliations and other organisations (collectively referred to as “government-related entities”).

Apart from transactions with parent company and fellow subsidiaries (note 26(a)), the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services, including but not limited to telecommunications services
- Sales and purchases of goods, properties and other assets
- Lease of assets
- Depositing and borrowing money
- Use of public utilities

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services rendered and products sold based on government-regulated tariff rates (if applicable) or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 26. Related Parties (Continued)

#### (d) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries and other emoluments	<b>3,388</b>	3,533
Retirement benefits	<b>1,281</b>	1,061
Discretionary bonus	<b>5,905</b>	6,166
	<b>10,574</b>	10,760

Total remuneration is included in "Staff costs" in note 9(a).