

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2024 (Amounts in million)

	Notes	31 December 2024 RMB	31 December 2023 RMB
ASSETS			
Non-current assets			
Property, plant and equipment, net	4	427,079	409,943
Construction in progress	5	58,801	72,238
Right-of-use assets	6	69,068	76,908
Goodwill	7	29,925	29,923
Intangible assets	8	25,513	22,702
Interests in associates and joint ventures	10	44,177	43,158
Financial assets at fair value through profit or loss		363	397
Equity instruments at fair value through other comprehensive income	11	1,015	1,426
Deferred tax assets	12	673	1,347
Other assets	13	21,886	9,909
Total non-current assets		678,500	667,951
Current assets			
Inventories	15	3,267	3,417
Income tax recoverable		111	140
Accounts receivable, net	16	42,867	32,210
Contract assets	17	4,731	4,665
Prepayments and other current assets	18	35,140	35,580
Short-term bank deposits and restricted cash		19,802	10,805
Cash and cash equivalents	19	82,207	81,046
Total current assets		188,125	167,863
Total assets		866,625	835,814

SECTION VIII FINANCIAL REPORTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2024 (Amounts in million)

	Notes	31 December 2024 RMB	31 December 2023 RMB
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts	20	2,835	2,867
Current portion of long-term debts	20	1,238	1,133
Accounts payable	21	160,550	145,872
Accrued expenses and other payables	22	78,790	74,260
Contract liabilities	23	65,185	65,417
Income tax payable		2,410	488
Current portion of lease liabilities	24	14,369	13,399
Total current liabilities		325,377	303,436
Net current liabilities		(137,252)	(135,573)
Total assets less current liabilities		541,248	532,378
Non-current liabilities			
Long-term debts	20	7,459	5,142
Lease liabilities	24	34,842	42,650
Deferred tax liabilities	12	34,107	31,025
Other non-current liabilities		8,288	6,394
Total non-current liabilities		84,696	85,211
Total liabilities		410,073	388,647
Equity			
Share capital	25	91,507	91,507
Reserves	26	360,883	351,419
Total equity attributable to equity holders of the Company		452,390	442,926
Non-controlling interests		4,162	4,241
Total equity		456,552	447,167
Total liabilities and equity		866,625	835,814

Approved and authorised for issue by the Board of Directors on 25 March 2025 and are signed on its behalf by:

Ke Ruiwen
Executive Director,
Chairman and Chief Executive Officer

Li Yinghui
Executive Director, Executive Vice President,
Chief Financial Officer and Secretary of the Board

The notes on pages 165 to 247 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024 (Amounts in million except for per share data)

	Notes	2024 RMB	2023 RMB
Operating revenues	27	529,417	513,551
Operating expenses			
Depreciation and amortisation		(101,044)	(99,702)
Network operations and support	28	(165,598)	(160,411)
Selling, general and administrative	29	(66,663)	(66,804)
Personnel expenses	30	(98,279)	(92,805)
Other operating expenses	31	(58,030)	(56,701)
Total operating expenses		(489,614)	(476,423)
Operating profit		39,803	37,128
Net finance costs	32	(228)	(332)
Investment income and others		72	292
Share of profits of associates and joint ventures		2,525	2,116
Profit before taxation		42,172	39,204
Income tax	33	(9,197)	(8,776)
Profit for the year		32,975	30,428
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of investments in equity instruments at fair value through other comprehensive income		(452)	511
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income		115	(135)
		(337)	376
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of subsidiaries outside mainland China		130	63
Share of other comprehensive income of associates and joint ventures		–	2
		130	65
Other comprehensive income for the year, net of tax		(207)	441
Total comprehensive income for the year		32,768	30,869

SECTION VIII FINANCIAL REPORTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024 (Amounts in million except for per share data)

	Notes	2024 RMB	2023 RMB
Profit attributable to			
Equity holders of the Company		33,012	30,446
Non-controlling interests		(37)	(18)
Profit for the year		32,975	30,428
Total comprehensive income attributable to			
Equity holders of the Company		32,805	30,887
Non-controlling interests		(37)	(18)
Total comprehensive income for the year		32,768	30,869
Basic earnings per share (RMB)	38	0.36	0.33
Diluted earnings per share (RMB)	38	0.36	0.33
Number of shares (in million)	25	91,507	91,507

The notes on pages 165 to 247 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024 (Amounts in million)

	Notes	Attributable to equity holders of the Company								Non-Controlling interests	Total equity	
		Share capital	Capital reserve	Share premium	Surplus reserves	General risk reserve	Other reserves	Exchange reserve	Retained earnings			Total
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January 2023		91,507	19,710	47,687	84,901	183	126	(458)	188,433	432,089	4,338	436,427
Profit for the year		-	-	-	-	-	-	-	30,446	30,446	(18)	30,428
Other comprehensive income for the year		-	-	-	-	-	378	63	-	441	-	441
Total comprehensive income for the year		-	-	-	-	-	378	63	30,446	30,887	(18)	30,869
Distribution to non-controlling interests		-	-	-	-	-	-	-	-	-	(78)	(78)
Share of associates and joint ventures' other changes in reserves and others		-	12	-	-	-	-	-	(3)	9	(1)	8
Dividends	37	-	-	-	-	-	-	-	(20,059)	(20,059)	-	(20,059)
Appropriations to statutory surplus reserve	26	-	-	-	2,860	-	-	-	(2,860)	-	-	-
Appropriations to general risk reserve	26	-	-	-	-	204	-	-	(204)	-	-	-
Balance as at 31 December 2023		91,507	19,722	47,687	87,761	387	504	(395)	195,753	442,926	4,241	447,167
Profit for the year		-	-	-	-	-	-	-	33,012	33,012	(37)	32,975
Other comprehensive income for the year		-	-	-	-	-	(337)	130	-	(207)	-	(207)
Total comprehensive income for the year		-	-	-	-	-	(337)	130	33,012	32,805	(37)	32,768
Contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	48	48
Distribution to non-controlling interests		-	-	-	-	-	-	-	-	-	(90)	(90)
Share of associates and joint ventures' other changes in reserves and others		-	186	-	-	-	-	-	-	186	-	186
Dividends	37	-	-	-	-	-	-	-	(23,527)	(23,527)	-	(23,527)
Appropriations to statutory surplus reserve	26	-	-	-	3,163	-	-	-	(3,163)	-	-	-
Appropriations to general risk reserve	26	-	-	-	-	274	-	-	(274)	-	-	-
Balance as at 31 December 2024		91,507	19,908	47,687	90,924	661	167	(265)	201,801	452,390	4,162	456,552

The notes on pages 165 to 247 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024 (Amounts in million)

	Notes	2024 RMB	2023 RMB
Net cash from operating activities	(a)	145,049	137,508
Cash flows used in investing activities			
Capital expenditure		(89,928)	(89,866)
Purchase of investments		(1,919)	(109)
Payments for right-of-use assets		(343)	(307)
Proceeds from disposal of property, plant and equipment		1,346	1,223
Proceeds from disposal of right-of-use assets		65	89
Proceeds from disposal of investments		52	124
Payments for equity instruments at fair value through other comprehensive income		(40)	(30)
Purchase of bank deposits		(41,655)	(13,349)
Maturity of bank deposits		22,972	6,742
Short-term loans granted to China Telecom Group by Finance Company	(b)	(4,075)	(8,100)
China Telecom Group's repayments of short-term loans granted by Finance Company	(b)	10,093	8,091
Net cash used in investing activities		(103,432)	(95,492)
Cash flows used in financing activities			
Repayments of principal of lease liabilities		(15,428)	(14,647)
Proceeds from bank and other loans		6,613	5,988
Repayments of bank and other loans		(8,647)	(11,239)
Payments of dividends		(23,527)	(20,059)
Distribution to non-controlling interests		(90)	(79)
Contribution from non-controlling interests		48	-
Net deposits by China Telecom Group to Finance Company	(b)	951	6,680
Increase in statutory deposit reserves placed by Finance Company	(b)	(465)	(121)
Net cash used in financing activities		(40,545)	(33,477)
Net increase in cash and cash equivalents		1,072	8,539
Cash and cash equivalents as at 1 January		81,046	72,465
Effect of changes in foreign exchange rate		89	42
Cash and cash equivalents as at 31 December		82,207	81,046

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FROM OPERATING ACTIVITIES

	2024 RMB	2023 RMB
Profit before taxation	42,172	39,204
Adjustment for:		
Depreciation and amortisation	101,044	99,702
Impairment losses for financial assets and contract assets, net of reversal	3,861	3,419
Write-down of inventories, net of reversal	4	7
Investment income and others	(114)	(295)
Share of profits of associates and joint ventures	(2,525)	(2,116)
Interest income	(2,242)	(2,368)
Net interest expense	2,391	2,545
Net foreign exchange gain or loss and others	79	155
Net loss on retirement and disposal of long-lived assets and others	1,869	4,046
	146,539	144,299
Increase in accounts receivable	(15,027)	(11,067)
Increase in contract assets	(168)	(1,813)
Decrease in inventories	146	90
(Increase)/Decrease in prepayments and other current assets	(5,980)	130
Decrease/(Increase) in restricted cash	244	(182)
Decrease/(Increase) in other assets	994	(683)
Increase in accounts payable	18,194	10,176
Increase in accrued expenses and other payables	2,290	1,657
Decrease in contract liabilities	(245)	(2,432)
Cash generated from operations	146,987	140,175
Interest received	1,661	2,225
Interest paid	(2,358)	(2,646)
Investment income received	2,138	1,530
Income tax paid	(3,379)	(3,776)
Net cash from operating activities	145,049	137,508

SECTION VIII FINANCIAL REPORTS
CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024 (Amounts in million)

(b) “Finance Company” refers to China Telecom Group Finance Co., Ltd., a subsidiary of the Company established on 8 January 2019, which provides capital and financial management services to the member units of China Telecommunications Corporation, the parent and ultimate holding company of the Company. These transactions are conducted on normal commercial terms or better.

China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as “China Telecom Group”.

(c) SIGNIFICANT NON-CASH TRANSACTIONS

For the years ended 31 December 2024 and 2023, the Group did not have other significant non-cash investing and financing activities, except for the additions and modifications of right-of-use assets and lease liabilities, and the instalment purchase of equipment, see Note 42 for details.

The notes on pages 165 to 247 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

1. PRINCIPAL ACTIVITIES AND ORGANISATION

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 AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee

For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

As at 31 December 2024, the total current liabilities of the Group had exceeded the total current assets by RMB137,252 million (31 December 2023: RMB135,573 million). Management of the Company have 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 RMB196,413 million (31 December 2023: RMB205,452 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 consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared on a going concern basis.

The consolidated financial statements are prepared on the historical cost basis as modified by the revaluation of certain financial instruments measured at fair value (Note 3(g)).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on historical experience and various other factors that management believes are reasonable under certain circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 47.

2.2 Application of amendments to IFRS Accounting Standards

In the current year, the Group has applied, for the first time, the following amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for the current year:

- Amendments to IAS 1 *"Presentation of Financial Statement"*- Classification of Liabilities as Current or Non-current (*"2020 amendments"*) and amendments to IAS 1 *"Presentation of Financial Statement"*- Non-current Liabilities with Covenants (*"2022 amendments"*)
- Amendments to IFRS 16 *"Leases"*- Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 *"Statement of Cash Flows"* and IFRS 7 *"Financial Instruments: Disclosures"*- Supplier finance arrangements

The application of the above amendments to IFRS Accounting Standards in the current year has had no material effect on the Group's consolidated financial statements.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.3 Possible impact of new standards and amendments to standards issued but not yet effective for the annual accounting period ended 31 December 2024

Up to the date of issue of the consolidated financial statements, the IASB has issued the following new standards and amendments to standards which are not yet effective and not early adopted by the Group for the annual accounting period ended 31 December 2024:

	Effective for accounting periods beginning on or after
Amendments to IAS 21 <i>"The effects of changes in foreign exchange rates"</i> – Lack of exchangeability	1 January 2025
Amendments to IFRS 9 <i>"Financial Instruments"</i> and IFRS 7 <i>"Financial Instruments: Disclosures"</i> – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 <i>"Presentation and Disclosure in Financial Statements"</i>	1 January 2027
IFRS 19 <i>"Subsidiaries without Public Accountability: Disclosures"</i>	1 January 2027

The Group is in the process of making an assessment of the impact that will result from adopting the new standards and amendments to standards issued by the IASB which are not yet effective for the accounting period ended 31 December 2024. So far, the Group believes that the adoption of these new standards and amendments to standards is unlikely to have a significant impact on its financial position and the results of operations.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of consolidation and equity accounting

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

A subsidiary is an entity controlled by the Company. When fulfilling the following conditions, the Company has control over an entity: (a) has power over the investee, (b) has exposure, or rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power over the investee to affect the amount of the investor's returns.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) Basis of consolidation and equity accounting (continued)

When assessing whether the Company has power over that entity, only substantive rights (held by the Company and other parties) are considered.

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, and the profit attributable to non-controlling interests is separately presented on the face of the consolidated statement of comprehensive income as an allocation of the profit or loss for the year between the non-controlling interests and the equity holders of the Company. Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Company. For each business combination, other than business combination under common control, the Group measures the non-controlling interests at the proportionate share, of the acquisition date, of fair value of the subsidiary's net identifiable assets. Non-controlling interests at the end of the reporting period are presented in the consolidated statement of financial position within equity and consolidated statement of changes in equity, separately from the equity of the Company's equity holders. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence, but not control, over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's net identifiable assets over the cost of the investment (if any) after reassessment. Thereafter, the investment is adjusted for the Group's equity share of the post-acquisition changes in the associate's net assets and any impairment loss relating to the investment. When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

All significant intercompany balances and transactions and unrealised gains arising from intercompany transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(b) Property, plant and equipment

Property, plant and equipment, including investment properties, are initially recorded at cost, less subsequent accumulated depreciation and impairment losses (Note 3(f)). The cost of an asset comprises its purchase price, any costs directly attributable to bringing the asset to working condition and location for its intended use and the cost of borrowed funds used during the periods of construction. Expenditure incurred after the asset has been put into operation, including cost of replacing part of such an item, is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and the cost can be measured reliably. All other expenditure is expensed as it is incurred.

Gains or losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the respective asset and are recognised as income or expense in the profit or loss on the date of retirement or disposal.

Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

	Depreciable lives primarily range from	Residual rate
Buildings and improvements	8 to 30 years	3%
Communications network plant and equipment	5 to 10 years	0%-3%
Furniture, fixture, motor vehicles and other equipment	3 to 10 years	0%-3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value are reviewed annually and any change will be accounted for as change in accounting estimate.

(c) Construction in progress

Construction in progress represents buildings, communications network plant and equipment and other equipment and intangible assets under construction and pending installation, and is stated at cost less impairment losses (Note 3(f)). The cost of an item comprises direct costs of construction, capitalisation of interest charge, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment and intangible assets when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Goodwill

Goodwill represents the excess of the investment cost over the Group's interest in the fair value of the net assets acquired in the mobile communications business acquisition (as defined in Note 7).

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (Note 3(f)). On disposal of a cash-generating unit during the year, any attributable amount of the goodwill is included in the calculation of the profit or loss on disposal.

(e) Intangible assets

The Group's intangible assets are primarily software.

Software that is not an integral part of any tangible assets, is recorded at cost less subsequent accumulated amortisation and impairment losses (Note 3(f)). Amortisation of software is mainly calculated on a straight-line basis over the estimated useful lives.

The useful lives of intangible assets range from 2 to 5 years.

(f) Impairment of goodwill and long-lived assets

The carrying amounts of the Group's long-lived assets, including property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and construction in progress, etc., are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at each year end, or more frequently if events or changes in circumstances indicate that they might be impaired.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value in use. The recoverable amount of a tangible and an intangible asset is estimated individually. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The goodwill arising from a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(f) Impairment of goodwill and long-lived assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised as an expense in profit or loss. Impairment loss recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised for an asset in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down cease to exist, is recognised as an income in profit or loss. The reversal is reduced by the amount that would have been recognised as depreciation and amortisation had the write-down not occurred. An impairment loss in respect of goodwill is not reversed. For the years presented, no reversal of impairment loss was recognised in profit or loss.

(g) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular-way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

(i) Financial assets measured subsequently at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at fair value through other comprehensive income (“FVTOCI”)

At initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income, and accumulate in other reserves, if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3, “Business Combinations” applies. These equity instruments are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividend from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “investment income and others” line item in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "investment income and others" line item in profit or loss.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, financial assets included in prepayments and other current assets, short-term bank deposits and restricted cash, cash and cash equivalents) and other item (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets (excluding long-term receivables arising from instalment sale). The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired debtors, and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics, including nature of services provided as well as type of customers, such as receivable from telephone and Internet subscribers and from enterprise customers.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

At the reporting date, if the Group considers that the financial instruments has only lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on the historical data and forward-looking information. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Lifetime ECL for accounts receivable and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments measured at amortised cost by adjusting their carrying amount, with the exception of accounts receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities including short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Revenue from contract with customers

The Group recognises revenue when (or as) a performance obligation is satisfied. i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Revenue from contract with customers (continued)

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

As such, revenues from contracts with customers of telecommunications services are generally recognised over time during which the services are provided to customers.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenues from sales of equipment are recognised at a point in time when the equipment is delivered to the customers and when the control over the equipment have been transferred to the customers.

Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer but the right is conditioned on the Group's future performance. A contract asset is transferred to accounts receivable when the right becomes unconditional. A contract asset is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. When the Group receives an advance payment before the performance obligation is satisfied, this will give rise to a contract liability, until the operating revenues recognised on the relevant contract exceed the amount of the advance payment.

The Group provides subscriber points reward program, which rewards customers based on their consumption amounts and loyalty. Under the reward program, the Group allocates part of the transaction price to subscriber points according to the stand-alone selling prices of subscriber points and relevant goods or services. The stand-alone selling price of each point in the customer point rewards is based on its fair value. The allocated portion of transaction price for the subscriber points reward is recorded as contract liability when the rewards are granted and recognised as revenue when the goods or services of points redemption are delivered or the points are expired.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Revenue from contract with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is generally measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Revenue from contract with customers (continued)

Consideration payable to a customer

Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer, and also includes credit or other items that can be applied against amounts owed to the Group. The Group accounted for such consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group and the fair value of the good or service received from the customer can be reasonably estimated. Accordingly, if consideration payable to a customer is accounted for as a reduction of the transaction price, the Group recognises the reduction of revenue when (or as) the later of either of the following events occurs: (i) the Group recognises revenue for the transfer of the related goods or services to the customer; and (ii) the Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

Certain subsidies payable to third party agent incurred by the Group in respect of customer contracts, which will be ultimately enjoyed by end customers, and other subsidies incurred by the Group directly payable to its customers, are qualified as consideration payable to a customer and accounted for as a reduction of operating revenues.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

When the Group incurs costs to fulfil a contract, it first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

Except for rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

The Group as a lessor (continued)

Classification and measurement of leases (continued)

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease components on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modifications

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(j) Income tax

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax is calculated on the basis of the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged or credited to profit or loss, except for the effect of a change in tax rate on the carrying amount of deferred tax assets and liabilities which were previously recognised in other comprehensive income, in such case the effect of a change in tax rate is also recognised in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) The entity is an associate or joint venture of the Group (or an associate or joint venture of a member of a group of which the Group is a member); or the Group is an associate or joint venture of the entity (or an associate or joint venture of a member of a group of which the entity is a member);
 - (iii) The entity and the Group are joint ventures of the same third party;
 - (iv) The entity is a joint venture of a third entity and the Group is an associate of the third entity; or the Group is a joint venture of a third entity and the entity is an associate of the third entity;
 - (v) The entity is controlled or jointly controlled by a person identified in (a);
 - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(l) Segment reporting

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) Foreign currencies translation

The accompanying consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of the Company and its subsidiaries in mainland China is RMB. The functional currency of the Group's foreign operations is the currency of the primary economic environment in which the foreign operations operate. Transactions denominated in currencies other than the functional currency during the year are translated into the functional currency at the applicable rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency using the applicable exchange rates at the end of the reporting period. The resulting exchange differences, other than those capitalised as construction in progress (Note 3(c)), are recognised as income or expense in profit or loss. For the years presented, no exchange differences were capitalised.

When preparing the Group's consolidated financial statements, the results of operations of the Group's foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Assets and liabilities of the Group's foreign operations are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(n) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets, and obligation for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(o) Inventories

Inventories consist of materials and supplies used in maintaining the telecommunications network and goods for sale. Inventories are valued at cost using the specific identification method or the weighted average cost method, less a provision for obsolescence.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs to make the sale and the related tax expenses.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and time deposits with original maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates fair value.

(q) Net finance costs

Net finance costs comprise interest income on bank deposits, interest costs on borrowings, interest expense on lease liabilities and foreign exchange gains and losses. Interest income from bank deposits is recognised as it accrues using the effective interest method.

Interest costs incurred in connection with borrowings are calculated using the effective interest method and are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

(r) Research and development expense

Research and development expenditure is expensed as incurred if the criteria of recognition as intangible assets were not met. For the year ended 31 December 2024, research and development expense, other than those related personnel expenses and depreciation was RMB4,661 million (2023: RMB4,203 million). Research and development related personnel expenses and depreciation for the year ended 31 December 2024 amounted to RMB9,703 million (2023: RMB8,713 million) and RMB163 million (2023: RMB136 million), respectively.

(s) Employee benefits

The Group's contributions to defined contribution retirement plans administered by the PRC government and defined contribution retirement plans administered by independent external parties are recognised in profit or loss as incurred. Further information is set out in Note 45.

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the profit or loss over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is re-measured to fair value at the end of each reporting period with the effect of changes in the fair value of the liability charged or credited to profit or loss. Further details of the Group's share appreciation rights scheme are set out in Note 46.

(t) Government grants

Government grants shall only be recognised until there is reasonable assurance that:

- the Group will comply with all the conditions attaching to them; and
- the grants will be received.

Government grants that compensate expenses incurred are recognised in the consolidated statement of comprehensive income in the same periods in which the expenses are incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) Government grants (continued)

Government grants relating to assets are recognised in accrued expenses and other payables and other non-current liabilities and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(u) Provisions and contingent liabilities

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Value-added tax (“VAT”)

Output VAT rate for basic telecommunications services (including voice communication, lease or sale of network resources) is 9% since 1 April 2019, while the output VAT rate for value-added telecommunications services (including Internet access services, short and multimedia messaging services, transmission and application service of electronic data and information) is 6%, and the output VAT for sales of telecommunications terminals and equipment is 13% since 1 April 2019. Input VAT rate depends on the type of services received and the assets purchased as well as the VAT rate applicable to a specific industry, and ranges from 3% to 13% since 1 April 2019.

Output VAT is excluded from operating revenues while input VAT is excluded from operating expenses or the original cost of equipment purchased and can be netted against the output VAT, arriving at the net amount of VAT recoverable or payable. As the VAT obligations are borne by branches and subsidiaries of the Company, input and output VAT are set off at branches and subsidiaries levels which are not offset at the consolidation level. Such net amount of VAT recoverable or payable is recorded in the financial statement line items of prepayments and other current assets and accrued expenses and other payables, respectively, in the consolidated statement of financial position.

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

4. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and improvements RMB million	Communications network plant and equipment RMB million	Furniture, fixture, motor vehicles and other equipment RMB million	Total RMB million
Cost/Deemed cost:				
Balance as at 1 January 2023	109,014	881,832	29,719	1,020,565
Additions	586	293	296	1,175
Transferred from construction in progress	2,780	71,442	2,039	76,261
Retirement and disposal	(1,139)	(62,783)	(2,310)	(66,232)
Balance as at 31 December 2023	111,241	890,784	29,744	1,031,769
Additions	1,503	296	334	2,133
Transferred from construction in progress	3,756	88,941	2,660	95,357
Retirement and disposal	(1,035)	(48,437)	(1,973)	(51,445)
Balance as at 31 December 2024	115,465	931,584	30,765	1,077,814
Accumulated depreciation and impairment:				
Balance as at 1 January 2023	(70,009)	(514,322)	(22,271)	(606,602)
Depreciation charge for the year	(3,760)	(69,537)	(1,937)	(75,234)
Written back on retirement and disposal	1,037	56,773	2,200	60,010
Balance as at 31 December 2023	(72,732)	(527,086)	(22,008)	(621,826)
Depreciation and impairment charge for the year	(3,674)	(70,414)	(1,956)	(76,044)
Written back on retirement and disposal	906	44,330	1,899	47,135
Balance as at 31 December 2024	(75,500)	(553,170)	(22,065)	(650,735)
Net book value as at 31 December 2024	39,965	378,414	8,700	427,079
Net book value as at 31 December 2023	38,509	363,698	7,736	409,943

5. CONSTRUCTION IN PROGRESS

	RMB million
Balance as at 1 January 2023	58,443
Additions	96,000
Transferred to property, plant and equipment	(76,261)
Transferred to intangible assets	(5,944)
Balance as at 31 December 2023	72,238
Additions	89,039
Transferred to property, plant and equipment	(95,357)
Transferred to intangible assets	(7,119)
Balance as at 31 December 2024	58,801

6. RIGHT-OF-USE ASSETS

	Leasehold land RMB million	Buildings RMB million	Communications towers and related assets RMB million	Equipment RMB million	Others RMB million	Total RMB million
As at 31 December 2024						
Carrying amount	22,194	12,175	25,418	8,819	462	69,068
As at 31 December 2023						
Carrying amount	22,693	14,496	30,938	8,312	469	76,908
For the year ended 31 December 2024						
Depreciation charge	(852)	(5,075)	(7,848)	(2,865)	(173)	(16,813)
For the year ended 31 December 2023						
Depreciation charge	(829)	(5,518)	(7,744)	(2,823)	(143)	(17,057)
For the year ended 31 December 2024						
Provision for impairment loss	(7)	(10)	-	-	-	(17)
For the year ended 31 December 2023						
Provision for impairment loss	-	(3)	-	-	-	(3)

The Group leases communications towers and related assets, land and buildings, equipment and other assets for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

6. RIGHT-OF-USE ASSETS (continued)

For the year ended 31 December 2024, expenses relating to short-term leases and expenses relating to leases of low value assets amounting to RMB1,310 million (2023: RMB1,066 million) and variable lease payments not included in the measurement of lease liabilities amounting to RMB5,836 million (2023: RMB5,057 million), are recognised in profit or loss.

For the year ended 31 December 2024, total cash outflow for leases was RMB24,709 million (2023: RMB23,068 million), and additions to right-of-use assets were RMB11,669 million (2023: RMB13,286 million).

7. GOODWILL

	31 December	
	2024 RMB million	2023 RMB million
Cost:		
Goodwill arising from acquisition of mobile communications business	29,925	29,923

On 1 October 2008, the Group acquired the mobile communications business and related assets and liabilities (collectively "mobile communications business"), which also included the entire equity interests of China Unicom (Macau) Company Limited (currently known as China Telecom (Macau) Company Limited) and 99.5% equity interests of Unicom Huasheng Telecommunications Technology Company Limited (currently known as Tianyi Telecom Terminals Company Limited) from China Unicom Corporation Limited and China Unicom Limited (collectively "Unicom Group"). The purchase price of the business combination was RMB43,800 million, which was fully settled as at 31 December 2010. In addition, pursuant to the acquisition agreement, the Group acquired the customer-related assets and assumed the customer-related liabilities of mobile communications business for a net settlement amount of RMB3,471 million due from Unicom Group. This amount was subsequently settled by Unicom Group in 2009. The business combination was accounted for using the purchase method.

The goodwill recognised in the business combination is attributable to the skills and technical talent of the acquired business's workforce, and the synergies expected to be achieved from integrating and combining the mobile communications business into the Group's telecommunications business.

For the purpose of goodwill impairment testing, the goodwill arising from the acquisition of mobile communications business was allocated to the appropriate cash-generating unit of the Group, which is the Group's telecommunications business. The recoverable amount of the Group's telecommunications business is estimated based on the value in use model, which considers the Group's financial budgets covering a five-year period, revenue growth rate of 1.4% (2023: 2.7% to 3.6%) and a pre-tax discount rate of 9.8% (2023: 9.8%). Cash flows beyond the five-year period are extrapolated using a steady 1.0% growth rate (2023: 1.5%). The Group performed impairment tests for the goodwill at the end of the reporting period and determined that goodwill was not impaired. The Group believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its recoverable amount to be less than carrying amount.

8. INTANGIBLE ASSETS

	Software and others RMB million
Cost:	
Balance as at 1 January 2023	60,779
Additions	3,486
Transferred from construction in progress	5,944
Retirement and disposal	(2,029)
Balance as at 31 December 2023	68,180
Additions	4,078
Transferred from construction in progress	7,119
Retirement and disposal	(2,948)
Balance as at 31 December 2024	76,429
Accumulated amortisation and impairment:	
Balance as at 1 January 2023	(39,999)
Amortisation charge for the year	(7,411)
Written back on retirement and disposal	1,932
Balance as at 31 December 2023	(45,478)
Amortisation charge for the year	(8,189)
Written back on retirement and disposal	2,751
Balance as at 31 December 2024	(50,916)
Net book value as at 31 December 2024	25,513
Net book value as at 31 December 2023	22,702

9. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries which principally affected the operating results, assets and liabilities of the Group as at 31 December 2024 are as follows:

Name of company	Type of legal entity	Date of incorporation	Place of incorporation and operation	Registered/issued capital (in RMB million unless otherwise stated)	Principal activity
China Telecom Digital Intelligence Technology Co., Ltd.	Limited Company	13 September 2001	PRC	3,000	Provision of system integration and consulting services
China Telecom Global Limited	Limited Company	25 February 2000	Hong Kong Special Administrative Region of the PRC	HK\$168 million	Provision of telecommunications services
China Telecom Best Tone Information Service Co., Ltd.	Limited Company	15 August 2007	PRC	350	Provision of Best Tone information services
Tianyi Telecom Terminals Company Limited	Limited Company	1 July 2005	PRC	500	Sales of telecommunications terminals
iMUSIC Culture & Technology Co., Ltd.	Limited Company	9 June 2013	PRC	250	Provision of music production and related information services
Tianyi Capital Holding Co., Ltd.	Limited Company	30 November 2017	PRC	5,000	Capital investment and provision of consulting services
China Telecom Group Finance Co., Ltd. ("Finance Company")	Limited Company	8 January 2019	PRC	5,000	Provision of capital and financial management services
China Telecom Cloud Technology Co., Ltd.	Limited Company	1 July 2021	PRC	4,764	Provision of cloud products and services
E-surfing Digital Life Technology Co., Ltd.	Limited Company	6 July 2021	PRC	900	Provision of comprehensive solutions related to the digital life
Lingang Suanli (Shanghai) Technology Co., Ltd.	Limited Company	29 April 2021	PRC	2,350	Provision of computing power services

9. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Type of legal entity	Date of incorporation	Place of incorporation and operation	Registered/issued capital (in RMB million unless otherwise stated)	Principal activity
Shanghai Information Industry (Group) Co., Ltd.	Limited Company	14 December 1994	PRC	297	Provision of communication engineering design and system terminal development services
Tianyi IoT Technology Co., Ltd.	Limited Company	2 February 2019	PRC	1,000	Provision of IoT services
China Telecom Intelligent Network Technology Co., Ltd.	Limited Company	26 January 2022	PRC	900	Provision of operation and support technical services
Tianyi Safety Technology Co., Ltd.	Limited Company	9 September 2021	PRC	500	Provision of network information security services
China Telecom Digital City Technology Co., Ltd.	Limited Company	18 June 2021	PRC	3,500	Provision of information system integration and technical services
China Telecom Artificial Intelligence Technology (Beijing) Co., Ltd.	Limited Company	28 November 2023	PRC	3,000	Provision of AI technology services
Tianyi Shilian Technology Co., Ltd.	Limited Company	28 November 2023	PRC	1,000	Provision of Vision network services
China Telecom Quantum Information Technology Group Limited	Limited Company	26 May 2023	PRC	3,000	Provision of quantum communication and quantum computing technology services

Except Finance Company which is 70% owned by the Company, and China Telecom Cloud Technology Co., Ltd. which is 89% owned by the Company, all of the above subsidiaries are directly or indirectly wholly-owned by the Company. No subsidiaries of the Group have material non-controlling interests.

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December	
	2024 RMB million	2023 RMB million
Cost of investment in associates and joint ventures	37,083	36,986
Share of post-acquisition changes in net assets	7,094	6,172
	<u>44,177</u>	<u>43,158</u>

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

Name of company	Attributable equity interest	Principal activities
China Tower Corporation Limited (Note (i))	20.5%	Construction, maintenance and operation of communications towers as well as ancillary facilities

Note:

- (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.

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's principal associate and reconciliation to the carrying amounts of interests in associates in the Group's consolidated financial statements are disclosed below:

China Tower

	31 December	
	2024 RMB million	2023 RMB million
Current assets	91,360	78,083
Non-current assets	241,474	247,924
Current liabilities	75,799	63,934
Non-current liabilities	57,056	64,379
	2024 RMB million	2023 RMB million
Operating revenues	97,772	94,009
Profit for the year	10,730	9,750
Other comprehensive income for the year	(3)	6
Total comprehensive income for the year	10,727	9,756
Dividend received from China Tower	1,743	1,166

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

China Tower (continued)

Reconcile to the Group's interests in the associate:

	31 December	
	2024 RMB million	2023 RMB million
Net assets of China Tower	199,979	197,694
Non-controlling interests of China Tower	1	–
The Group's effective interest in China Tower	20.5%	20.5%
The Group's share of net assets of China Tower	40,995	40,527
Adjustment for the remaining balance of the deferred gain from the Tower Assets Disposal	(139)	(317)
Carrying amount of the interest in China Tower in the consolidated financial statements of the Group	40,856	40,210
Fair value of China Tower calculated based on quoted price	37,428	26,816

As at 31 December 2024, the fair value of investment in China Tower was RMB37,428 million based on its quoted market price, which was below its carrying amount by 8.4%. After assessment, management concluded that the impairment was not required for the equity investment in China Tower.

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Aggregate financial information of the Group's associates and joint ventures that are not individually material is disclosed below:

	2024 RMB million	2023 RMB million
The Group's share of profit of these associates and joint ventures	136	9
The Group's share of total comprehensive income of these associates and joint ventures	136	11

	31 December	
	2024 RMB million	2023 RMB million
Aggregate carrying amount of interests in these associates and joint ventures in the consolidated financial statements of the Group	3,321	2,948

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		31 December	
	Notes	2024 RMB million	2023 RMB million
Equity securities of listed companies	(i)	919	1,371
Unlisted equity securities	(ii)	96	55
		1,015	1,426

Notes:

- (i) The above listed equity instruments represent ordinary shares of listed entities. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- (ii) The above unlisted equity securities represent the Group's equity interests in various private entities. The directors of the Company have elected to designate these investments in equity instruments as FVTOCI as they believe that the Group will hold these investments for long-term strategic purposes.

12. DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and deferred tax liabilities before offsetting are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2024 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 December 2023 RMB million
Accrued salaries, wages and other benefits	3,595	2,264	–	–
Temporary receipts of demolition and modification and deferred revenues	2,508	2,745	–	–
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,852	2,809	(47,596)	(41,932)
Allowance for expected credit loss of accounts receivable	2,385	1,889	–	–
Subscriber points reward program	1,003	997	–	–
Right-of-use assets	–	–	(10,016)	(11,714)
Lease liabilities	10,906	12,550	–	–
Equity instruments at fair value through other comprehensive income	30	30	(151)	(266)
Others	1,050	950	–	–
Deferred tax assets/(liabilities)	24,329	24,234	(57,763)	(53,912)

As at 31 December 2024, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB23,656 million (31 December 2023: RMB22,887 million). As at 31 December 2024, net deferred tax assets and deferred tax liabilities after offsetting were RMB673 million (31 December 2023: RMB1,347 million) and RMB34,107 million (31 December 2023: RMB31,025 million), respectively.

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

	Recognised in consolidated		
	Balance as at 1 January 2024 RMB million	statement of comprehensive income RMB million	Balance as at 31 December 2024 RMB million
Accrued salaries, wages and other benefits	2,264	1,331	3,595
Temporary receipts of demolition and modification and deferred revenues	2,745	(237)	2,508
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,809	43	2,852
Allowance for expected credit loss of accounts receivable	1,889	496	2,385
Subscriber points reward program	997	6	1,003
Lease liabilities	12,550	(1,644)	10,906
Equity instruments at fair value through other comprehensive income	30	–	30
Others	950	100	1,050
Deferred tax assets	<u>24,234</u>	<u>95</u>	<u>24,329</u>
Depreciation, write-off and impairment of property, plant and equipment, etc.	(41,932)	(5,664)	(47,596)
Right-of-use assets	(11,714)	1,698	(10,016)
Equity instruments at fair value through other comprehensive income	(266)	115	(151)
Deferred tax liabilities	<u>(53,912)</u>	<u>(3,851)</u>	<u>(57,763)</u>

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	Balance as at 1 January 2023 RMB million	Recognised in consolidated statement of comprehensive income RMB million	Balance as at 31 December 2023 RMB million
Accrued salaries, wages and other benefits	2,115	149	2,264
Temporary receipts of demolition and modification and deferred revenues	2,627	118	2,745
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,536	273	2,809
Allowance for expected credit loss of accounts receivable	1,404	485	1,889
Subscriber points reward program	1,064	(67)	997
Lease liabilities	15,054	(2,504)	12,550
Equity instruments at fair value through other comprehensive income	9	21	30
Others	979	(29)	950
Deferred tax assets	25,788	(1,554)	24,234
Depreciation, write-off and impairment of property, plant and equipment, etc.	(35,479)	(6,453)	(41,932)
Right-of-use assets	(14,323)	2,609	(11,714)
Equity instruments at fair value through other comprehensive income	(110)	(156)	(266)
Deferred tax liabilities	(49,912)	(4,000)	(53,912)

Deferred tax assets are recognised for deductible temporary differences and tax losses carry-forwards only to the extent that the realisation of the related tax benefit through future taxable profits is probable. Certain subsidiaries of the Group did not recognise deferred tax assets of RMB3,255 million (31 December 2023: RMB1,467 million) in respect of deductible temporary differences and tax losses amounting to RMB13,668 million (31 December 2023: RMB9,269 million) that can be carried forward against future taxable profits as at 31 December 2024. The deductible tax losses of the Group's subsidiaries in mainland China are allowed to be carried forward within next five years against future taxable profits, while those of high-tech enterprises are allowed to be within next ten years.

13. OTHER ASSETS

	Notes	31 December	
		2024 RMB million	2023 RMB million
Term deposits	(i)	10,299	48
Contract costs	(ii)	974	1,486
Prepayment for equity investment	(iii)	1,775	–
Other long-term prepaid expenses and receivables	(iv)	8,838	8,375
		21,886	9,909

Notes:

- (i) Term deposits as at 31 December 2024 and 2023 are mainly more than one year.
- (ii) Contract costs capitalised as at 31 December 2024 and 2023 mainly relate to the direct cost of the provision of wireline terminals to subscribers for the provision of Wireline and Smart Family services of the Group. The amount of capitalised costs recognised in profit or loss for the year ended 31 December 2024 was RMB1,120 million (2023: RMB1,348 million). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during this year.
- (iii) The amount is the prepayment by the Group on 11 December 2024 to acquire the equity shares of Quantumctek Co., Ltd. ("Quantumctek"), see Note 48 for details.
- (iv) Other long-term prepaid expenses and receivables mainly include prepayments of construction and materials, etc.

14. JOINT OPERATION

On 9 September 2019, the Group entered into a framework cooperation agreement (the "Cooperation Agreement") with China United Network Communications Corporation Limited ("China Unicom") to co-build and co-share certain 5G access network. Pursuant to the Cooperation Agreement, the Group and China Unicom delineate and designate the regions to jointly construct and operate one 5G access network nationwide. In certain regions where the 5G access network is constructed, operated and maintained by China Unicom, the Group operates its 5G business relying on China Unicom's network; whereas in other regions where the 5G access network is constructed, operated and maintained by the Group, China Unicom operates its 5G business relying on the Group's network.

Pursuant to the Cooperation Agreement, the Group and China Unicom co-share 5G spectrum resources while the 5G core network is respectively constructed, operated and maintained by each party. Both parties jointly ensure a unified standard on network planning, construction, operation, maintenance and service quality in the 5G network co-build and co-share regions, and assure the same service level be delivered.

14. JOINT OPERATION (continued)

The 5G network co-build and co-share arrangement is agreed by the Group and China Unicom through coordination and promotion institution jointly established by both parties, in order to set up the relevant mechanism, system and rules with unanimous consensus reached by both parties. The main function of such joint coordination and promotion institution is to carry out joint network planning and investment decision, project initiation and acceptance and other related works, such as the determination of the location of 5G base stations and the types of equipment to be used, and coordinate the operation and maintenance of 5G co-build and co-share network in order to ensure the effective implementation of the Cooperation Agreement. For example, the timing, scale and location of the 5G base station construction, selection of equipment and appointment of maintenance suppliers across all regions are all negotiated and agreed by both parties with unanimous consensus.

Under the joint operation, the business and branding of each party continue to operate independently, and the subscribers to the services are owned by each party, respectively. Revenues derived from each party's subscribers are recognised by each party independently; cost and expenses are assumed by each party respectively; while assets constructed by each party and the related liabilities are also recognised and assumed by each party respectively.

15. INVENTORIES

	31 December	
	2024 RMB million	2023 RMB million
Materials and supplies	1,333	346
Goods for sale	1,934	3,071
	<u>3,267</u>	<u>3,417</u>

16. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	31 December	
	2024 RMB million	2023 RMB million
Third parties	49,726	37,861
China Telecom Group	2,556	1,670
China Tower	46	24
Other telecommunications operators in the PRC	1,259	893
	53,587	40,448
Less: Allowance for credit losses	(10,720)	(8,238)
	42,867	32,210

Ageing analysis of accounts receivable based on the billing dates or dates of rendering of services is as follows:

	31 December	
	2024 RMB million	2023 RMB million
within 1 year	42,715	34,140
1 to 2 years	6,435	3,490
2 to 3 years	2,273	1,238
Over 3 years	2,164	1,580
	53,587	40,448
Less: Allowance for credit losses	(10,720)	(8,238)
	42,867	32,210

Details of impairment assessment of accounts receivable for the years ended 31 December 2024 and 2023 are set out in Note 40.

17. CONTRACT ASSETS

	31 December	
	2024 RMB million	2023 RMB million
Third parties	4,916	4,768
China Telecom Group	181	161
China Tower	1	1
	5,098	4,930
Less: Provision for impairment loss	(367)	(265)
	4,731	4,665

Contract assets mainly arise from contracts for the provision of Industrial Digitalisation and Wireline and Smart Family services. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle which is generally within a year.

18. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	31 December	
		2024 RMB million	2023 RMB million
Amounts due from China Telecom Group	(i)	3,962	9,067
Amounts due from China Tower		22	227
Amounts due from other telecommunications operators in the PRC		310	189
Other receivables		10,028	8,146
Less: Allowance for credit losses		(786)	(774)
Prepayments in connection with terminal equipment purchases		4,187	4,236
Prepaid expenses and deposits		3,303	3,557
Prepaid VAT and input VAT to be deducted		14,114	10,932
		35,140	35,580

Note:

- (i) As at 31 December 2024, amounts due from China Telecom Group included short-term loans granted to China Telecom Group and its subsidiaries by Finance Company (31 December 2024: RMB2,062 million, and an impairment allowance recognised at RMB45 million; 31 December 2023: RMB8,080 million, and an impairment allowance recognised at RMB162 million), interest rate was 2.40%-3.00%, both with a maturity period of one year.

19. CASH AND CASH EQUIVALENTS

	31 December	
	2024 RMB million	2023 RMB million
Cash at bank and in hand	45,938	78,740
Time deposits with original maturity within three months	36,269	2,306
	82,207	81,046

20. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	31 December	
	2024 RMB million	2023 RMB million
Loans from banks – unsecured	2,835	2,867

The weighted average interest rate of the Group's total short-term debts as at 31 December 2024 was 2.6% (31 December 2023: 3.0%) per annum, and the loans bear interests at rates ranging from 1.1% to 2.9% (31 December 2023: 2.7% to 3.4%) per annum, which are repayable within one year.

Long-term debts comprise:

	Interest rates and final maturity	31 December	
		2024 RMB million	2023 RMB million
Bank loans – unsecured			
Renminbi denominated (Note (i))	Interest rates ranging from 1.08% to 2.60% per annum with maturities through 2036	8,479	6,029
US Dollars denominated	Interest rates of 2.00% per annum mainly, with maturities through 2028	145	160
Euro denominated	Interest rate of 2.30% per annum mainly, with maturities through 2032	73	86
		8,697	6,275
Less: Current portion		(1,238)	(1,133)
Non-current portion		7,459	5,142

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

Long-term debts comprise (continued):

Note:

- (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 other non-current liabilities.*

The aggregate maturities of the Group's long-term debts subsequent to 31 December 2024 are as follows:

	31 December	
	2024 RMB million	2023 RMB million
Within 1 year	1,238	1,133
Between 1 to 2 years	1,430	1,143
Between 2 to 3 years	1,076	1,036
Between 3 to 4 years	2,508	394
Between 4 to 5 years	1,310	1,604
Thereafter	1,135	965
	8,697	6,275

The Group's short-term and long-term debts do not contain any financial covenants. As at 31 December 2024, the Group had unutilised credit facilities amounting to RMB196,413 million (31 December 2023: RMB205,452 million).

21. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	31 December	
	2024 RMB million	2023 RMB million
Third parties	117,720	111,025
China Telecom Group	31,194	26,444
China Tower	10,618	7,505
Other telecommunications operators in the PRC	1,018	898
	160,550	145,872

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

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

	31 December	
	2024 RMB million	2023 RMB million
Due within 1 month or on demand	39,275	40,068
Due after 1 month but within 3 months	32,642	30,859
Due after 3 months but within 6 months	40,409	35,261
Due after 6 months	48,224	39,684
	160,550	145,872

22. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December	
	2024 RMB million	2023 RMB million
Amounts due to China Telecom Group	32,364	29,969
Amounts due to China Tower	1,727	1,875
Amounts due to other telecommunications operators in the PRC	34	14
Accrued expenses	20,350	22,648
VAT payable	1,016	948
Deposits and rental receipt in advance	5,188	5,643
Accrued salaries, wages and other benefits	18,111	13,163
	78,790	74,260

23. CONTRACT LIABILITIES

	31 December	
	2024 RMB million	2023 RMB million
Third parties	65,006	65,171
China Telecom Group	178	245
China Tower	1	1
	65,185	65,417

Majority of contract liabilities as at 31 December 2023 was recognised as operating revenues for the year ended 31 December 2024.

24. LEASE LIABILITIES

	31 December	
	2024 RMB million	2023 RMB million
Within one year	14,369	13,399
Within a period of more than one year but not more than two years	13,579	12,976
Within a period of more than two years but not more than five years	18,186	25,780
Within a period of more than five years	3,077	3,894
	<u>49,211</u>	<u>56,049</u>
Less: Current portion	(14,369)	(13,399)
Non-current portion	<u>34,842</u>	<u>42,650</u>

25. SHARE CAPITAL

	31 December	
	2024 RMB million	2023 RMB million
Registered, issued and fully paid		
77,629,728,699 A shares of RMB1.00 each	77,630	77,630
13,877,410,000 H shares of RMB1.00 each	13,877	13,877
	<u>91,507</u>	<u>91,507</u>

26. RESERVES

The Group

	Capital reserve RMB million (Note (i))	Share premium RMB million	Surplus reserves RMB million (Note (iii))	General risk reserve RMB million (Note (v))	Other reserves RMB million (Note (ii))	Exchange reserves RMB million	Retained earnings RMB million	Total RMB million
Balance as at 1 January 2023	19,710	47,687	84,901	183	126	(458)	188,433	340,582
Total comprehensive income for the year	-	-	-	-	378	63	30,446	30,887
Share of associates and joint ventures' other changes in reserves and others	12	-	-	-	-	-	(3)	9
Dividends (Note 37)	-	-	-	-	-	-	(20,059)	(20,059)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,860	-	-	-	(2,860)	-
Appropriations to general risk reserve (Note (v))	-	-	-	204	-	-	(204)	-
Balance as at 31 December 2023	19,722	47,687	87,761	387	504	(395)	195,753	351,419
Total comprehensive income for the year	-	-	-	-	(337)	130	33,012	32,805
Share of associates and joint ventures' other changes in reserves and others	186	-	-	-	-	-	-	186
Dividends (Note 37)	-	-	-	-	-	-	(23,527)	(23,527)
Appropriations to statutory surplus reserve (Note (iii))	-	-	3,163	-	-	-	(3,163)	-
Appropriations to general risk reserve (Note (v))	-	-	-	274	-	-	(274)	-
Balance as at 31 December 2024	19,908	47,687	90,924	661	167	(265)	201,801	360,883

26. RESERVES (continued)

The Company

	Capital reserve RMB million (Note (i))	Share premium RMB million	Surplus reserves RMB million (Note (iii))	Other reserves RMB million (Note (ii))	Retained earnings RMB million (Note (iv))	Total RMB million
Balance as at 1 January 2023	28,759	47,687	84,901	54	155,806	317,207
Total comprehensive income for the year	-	-	-	470	28,599	29,069
Share of associates and joint ventures' other changes in reserves	12	-	-	-	-	12
Dividends (Note 37)	-	-	-	-	(20,059)	(20,059)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,860	-	(2,860)	-
Balance as at 31 December 2023	28,771	47,687	87,761	524	161,486	326,229
Total comprehensive income for the year	-	-	-	(344)	31,623	31,279
Share of associates and joint ventures' other changes in reserves	186	-	-	-	-	186
Dividends (Note 37)	-	-	-	-	(23,527)	(23,527)
Appropriations to statutory surplus reserve (Note (iii))	-	-	3,163	-	(3,163)	-
Balance as at 31 December 2024	28,957	47,687	90,924	180	166,419	334,167

Notes:

- (i) Capital reserve of the Group mainly represents the sum of (a) the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation; (b) the difference between the consideration paid by the Group for the companies acquired, from China Telecom Group which were accounted for as equity transactions, and the historical carrying amount of the net assets of these acquired companies; and (c) the difference between the consideration paid by the Group for the acquisition of non-controlling interests and the carrying amount of the non-controlling interests acquired.

Capital reserve of the Company represents the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation.

- (ii) Other reserves of the Group and the Company represent primarily the change in the fair value of investment in equity instruments at FVTOCI and the deferred tax recognised due to the change in fair value of those investment in equity instruments.

26. RESERVES (continued)

Notes (continued):

- (iii) *The surplus reserves consist of statutory surplus reserve and discretionary surplus reserve.*

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined in accordance with the lower of the amount determined under China Accounting Standards for Business Enterprises and the amount determined under IFRS Accounting Standards, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the years ended 31 December 2024 and 2023, the net profit of the Company determined in accordance with China Accounting Standards for Business Enterprises and IFRS Accounting Standards are the same. For the year ended 31 December 2024, the Company transferred RMB3,163 million (2023: RMB2,860 million), being 10% of the year's net profit, to this reserve. As at 31 December 2024, the amount of statutory surplus reserve was RMB44,845 million (31 December 2023: RMB41,682 million).

The Company did not make any appropriations to discretionary surplus reserve for the years ended 31 December 2024 and 2023. As at 31 December 2024 and 2023, the amount of discretionary surplus reserve was RMB46,079 million.

The statutory and discretionary surplus reserves are non-distributable other than in liquidation and can be used to make good of previous years' losses, if any, and may be utilised for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining statutory surplus reserve balance after such issue is not less than 25% of the registered capital.

- (iv) *According to the Company's Articles of Association, the amount of retained earnings available for distribution to shareholders of the Company is the lower of the amount of the Company's retained earnings determined in accordance with China Accounting Standards for Business Enterprises and the amount determined in accordance with IFRS Accounting Standards. As at 31 December 2024, the amount of retained earnings available for distribution was RMB166,419 million (31 December 2023: RMB161,486 million), being the amount determined in accordance with IFRS Accounting Standards. Final dividend of approximately RMB8,483 million in respect of the financial year 2024 proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements at the end of the reporting period (Note 37).*
- (v) *Pursuant to "Requirements on Impairment Allowance for Financial Institutions" (Caijin [2012] No. 20) issued by the Ministry of Finance of the PRC effective on 1 July 2012 (the "Requirements"), the Group's subsidiaries, mainly Finance Company, established a general risk reserve within equity, through appropriation of retained earnings, to address unidentified potential losses relating to risk assets. The general risk reserve balance should not be less than 1.5% of the ending balance of risk assets, as defined in the Requirements.*

27. OPERATING REVENUES

Disaggregation of revenue

Notes	2024 RMB million	2023 RMB million
Type of goods or services		
Service revenues	482,033	464,965
Mobile communications service revenues (i)	202,524	195,660
Wireline and Smart Family service revenues (ii)	125,680	123,063
Industrial Digitalisation service revenues (iii)	146,588	138,890
Other service revenues (iv)	7,241	7,352
Sales of goods and others (v)	47,384	48,586
Total operating revenues	529,417	513,551
Revenue from customer contracts	521,522	505,531
Revenue from other sources	7,895	8,020
Total operating revenues	529,417	513,551
Timing of revenue recognition		
At a point in time	41,448	42,563
Over time	487,969	470,988
Total operating revenues	529,417	513,551

Notes:

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

As at 31 December 2024 and 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts represents revenue expected to be recognised in the future when services are provided over the contract terms over the next 1 to 3 years.

28. NETWORK OPERATIONS AND SUPPORT

	Note	2024 RMB million	2023 RMB million
Operating and maintenance		106,760	102,270
Utility		19,573	19,516
Network resources usage and related fees	(i)	32,363	29,018
Others		6,902	9,607
		165,598	160,411

Note:

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

29. SELLING, GENERAL AND ADMINISTRATIVE

	Note	2024 RMB million	2023 RMB million
Channel commission and customer services expenses		47,265	47,773
Advertising and promotion expenses		2,370	2,882
Property and transportation related expenses		2,972	3,128
Research and development expenses	(i)	4,661	4,203
Auditors' remuneration			
— Audit services		46	56
— Non-audit services		3	4
Others		9,346	8,758
		66,663	66,804

Note:

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

30. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	2024 RMB million	2023 RMB million
Network operations and support	57,878	55,052
Selling, general and administrative	40,401	37,753
	98,279	92,805

31. OTHER OPERATING EXPENSES

	Notes	2024 RMB million	2023 RMB million
Interconnection charges	(i)	15,938	13,910
Cost of goods sold	(ii)	39,710	40,819
Donations		3	17
Others	(iii)	2,379	1,955
		58,030	56,701

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 VAT and income tax.

32. NET FINANCE COSTS

	2024 RMB million	2023 RMB million
Interest expense on lease liabilities	1,792	2,130
Interest expense on short-term and long-term debts	676	504
Less: Interest expense capitalised*	(77)	(89)
Net interest expense	2,391	2,545
Interest income	(2,242)	(2,368)
Net foreign exchange gain or loss and others	79	155
	228	332
* Interest expense was capitalised in construction in progress at the following rates per annum	2.6%-3.1%	2.9%-3.6%

33. INCOME TAX

Income tax in the profit or loss comprises:

	2024 RMB million	2023 RMB million
Provision for PRC income tax	5,134	3,121
Provision for income tax in other tax jurisdictions	192	236
Deferred taxation	3,871	5,419
	9,197	8,776

33. INCOME TAX (continued)

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

	Notes	2024 RMB million	2023 RMB million
Profit before taxation		42,172	39,204
Expected income tax expense at statutory tax rate of 25%	(i)	10,543	9,801
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	(1,068)	(858)
Differential tax rate on other subsidiaries' income	(ii)	(55)	(69)
Non-taxable income	(iii)	(716)	(626)
Non-deductible expenses	(iv)	721	928
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised		1,258	1,028
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		(1,361)	(1,238)
Others	(v)	(125)	(190)
Income tax expense		9,197	8,776

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 12% to 38%.
- (iii) Amounts represent share of profits of associates and joint ventures and miscellaneous income which are not subject to income tax.
- (iv) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (v) Amounts primarily represent settlement of tax filing differences of prior year annual tax return, etc.

34. DIRECTORS' AND SUPERVISORS' REMUNERATION

The following table sets out the remuneration of the Company's directors and supervisors:

2024	Directors'/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ⁹ RMB thousand	Retirement scheme contributions RMB thousand	Share-based payments RMB thousand	Total RMB thousand
Executive directors						
Ke Ruiwen	-	245	368	145	-	758
Liang Baojun ¹	-	102	174	52	-	328
Shao Guanglu ²	-	100	100	69	-	269
Liu Guiqing	-	221	331	137	-	689
Tang Ke	-	221	331	136	-	688
Xia Bing ³	-	18	18	13	-	49
Li Yinghui	-	218	327	136	-	681
Li Jun ⁴	-	218	327	136	-	681
Non-executive director						
Chen Shengguang	-	-	-	-	-	-
Independent non-executive directors⁵						
Ng, Kar Ling Johnny	509	-	-	-	-	509
Yeung Chi Wai, Jason	324	-	-	-	-	324
Chen Dongqi	-	-	-	-	-	-
Lyu Wei	-	-	-	-	-	-
Supervisors						
Huang Xudan ⁶	-	114	348	54	234	750
Luo Laifeng ⁶	-	111	396	54	-	561
Han Fang ⁷	-	323	129	86	-	538
Zhang Jianbin ⁷	-	154	443	85	-	682
Guan Lixin	-	208	760	127	273	1,368
Luo Zhendong	-	159	593	108	152	1,012
Wang Yibing	-	-	-	-	-	-
	833	2,412	4,645	1,338	659	9,887

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 *Mr. Liang Baojun was appointed as an executive director of the Company on 21 August 2024, and resigned as an executive director of the Company on 10 February 2025.*
- 2 *Mr. Shao Guanglu resigned as an executive director of the Company on 23 May 2024.*
- 3 *Mr. Xia Bing resigned as an executive director of the Company on 19 January 2024.*
- 4 *Mr. Li Jun resigned as an executive director of the Company on 22 January 2025.*
- 5 *The independent non-executive directors' remunerations were for their services as directors of the Company.*
- 6 *Madam Huang Xudan and Mr. Luo Laifeng were appointed as supervisors of the Company on 21 August 2024.*
- 7 *Madam Han Fang and Mr. Zhang Jianbin resigned as supervisors of the Company on 21 August 2024.*
- 8 *The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.*
- 9 *During year 2024, the Company also settled the bonus for year 2023, including RMB360 thousand for Ke Ruiwen, RMB327 thousand for Liu Guiqing, RMB327 thousand for Tang Ke, RMB317 thousand for Li Yinghui, RMB317 thousand for Li Jun.*
- 10 *The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year. None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.*

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2023	Directors'/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ¹⁰ RMB thousand	Retirement scheme contributions RMB thousand	Share-based payments RMB thousand	Total RMB thousand
Executive directors						
Ke Ruiwen	-	240	360	144	-	744
Shao Guanglu	-	240	360	136	-	736
Liu Guiqing	-	216	324	135	-	675
Tang Ke	-	214	321	134	-	669
Xia Bing ¹	-	214	321	134	-	669
Li Yinghui ¹	-	214	321	134	-	669
Li Jun ²	-	143	214	95	-	452
Non-executive director						
Chen Shengguang	-	-	-	-	-	-
Independent non-executive directors³						
Tse Hau Yin, Aloysius ⁴	8	-	-	-	-	8
Xu Erming ⁴	4	-	-	-	-	4
Wang Hsuehming ⁵	108	-	-	-	-	108
Ng, Kar Ling Johnny ⁶	492	-	-	-	-	492
Yeung Chi Wai, Jason	317	-	-	-	-	317
Chen Dongqi ⁶	-	-	-	-	-	-
Lyu Wei ⁷	-	-	-	-	-	-
Supervisors						
Dai Bin ⁸	-	68	337	48	-	453
Xu Shiguang ⁸	-	48	111	37	-	196
Han Fang	-	485	663	121	218	1,487
Zhang Jianbin	-	261	801	122	-	1,184
Guan Lixin ⁹	-	119	522	81	330	1,052
Luo Zhendong ⁹	-	96	396	68	220	780
Wang Yibing	-	-	-	-	-	-
	929	2,558	5,051	1,389	768	10,695

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 Mr. Xia Bing and Mr. Li Yinghui were appointed as executive directors of the Company on 6 January 2023.
- 2 Mr. Li Jun was appointed as an executive director of the Company on 23 May 2023.
- 3 The independent non-executive directors' remunerations were for their services as directors of the Company.
- 4 Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming resigned as independent non-executive directors of the Company on 6 January 2023.
- 5 Madam Wang Hsuehming resigned from position as independent non-executive director of the Company on 23 May 2023.
- 6 Mr. Ng, Kar Ling Johnny and Mr. Chen Dongqi were appointed as independent non-executive directors of the Company on 6 January 2023.
- 7 Madam Lyu Wei was appointed as an independent non-executive director of the Company on 23 May 2023.
- 8 Mr. Dai Bin and Mr. Xu Shiguang resigned as supervisors of the Company on 23 May 2023.
- 9 Madam Guan Lixin and Mr. Luo Zhendong were appointed as supervisors of the Company on 23 May 2023.
- 10 The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.
- 11 During year 2023, the Company also settled the bonus for year 2022, including RMB355 thousand for Ke Ruiwen, RMB334 thousand for Shao Guanglu, RMB320 thousand for Liu Guiqing, RMB310 thousand for Tang Ke, RMB310 thousand for Xia Bing, RMB258 thousand for Li Yinghui, RMB124 thousand for Li Jun, and settled special incentives of RMB130 thousand for Han Fang, RMB500 thousand for Zhang Jianbin.
- 12 The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year. None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.

35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION

(a) Five highest paid individuals

None of the five highest paid individuals of the Group for the years ended 31 December 2024 and 2023 were directors of the Company.

The aggregate of the emoluments in respect of the five (2023: five) individuals (non-directors) with the highest emoluments are as follows:

	2024 RMB thousand	2023 RMB thousand
Salaries, allowances and benefits in kind	5,065	7,091
Discretionary bonuses	9,904	5,370
Retirement scheme contributions	535	1,181
	15,504	13,642

The emoluments of the five (2023: five) individuals (non-directors) with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
RMB2,000,001 – RMB2,500,000	–	1
RMB2,500,001 – RMB3,000,000	3	3
RMB3,000,001 – RMB3,500,000	1	1
More than RMB3,500,001	1	–

None of these employees received any inducements for joining the Company or compensation for loss of office, or waived any emoluments during the years presented.

35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(b) Senior management remuneration

The emoluments of the Group's senior management are within the following bands:

	2024 Number of individuals	2023 Number of individuals
RMB0 – RMB1,000,000	18	19
RMB1,000,001 – RMB1,500,000	2	3

36. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2024, the consolidated profit attributable to equity holders of the Company includes a profit of RMB31,623 million which has been dealt with in the stand-alone financial statements of the Company.

For the year ended 31 December 2023, the consolidated profit attributable to equity holders of the Company includes a profit of RMB28,599 million which has been dealt with in the stand-alone financial statements of the Company.

37. DIVIDENDS

Pursuant to a resolution passed at the Board of Directors' meeting on 25 March 2025, a final dividend of RMB0.0927 per share (pre-tax) totalling approximately RMB8,483 million for the year ended 31 December 2024 was proposed for shareholders' approval at the Annual General Meeting. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2024.

The 2023 Annual General Meeting considered and approved the authorisation to the Board of Directors to decide on the interim profit distribution plan of the Company for year 2024. Pursuant to a resolution at the Board of Directors' meeting on 20 August 2024, an interim dividend of RMB0.1671 (equivalent to HK\$0.182289) per share (pre-tax) totalling approximately RMB15,291 million in respect of the six-month period ended 30 June 2024 was declared. The dividend of RMB12,972 million was paid on 11 September 2024, and the dividend of RMB2,319 million was paid on 18 October 2024.

37. DIVIDENDS (continued)

Pursuant to the shareholders' approval at the Annual General Meeting held on 27 May 2024, a final dividend of RMB0.090 (equivalent to HK\$0.098814) per share (pre-tax) totalling approximately RMB8,236 million in respect of the year ended 31 December 2023 was declared. The dividend of RMB7,082 million was paid on 13 June 2024, and the dividend of RMB1,154 million was paid on 26 July 2024.

The 2022 Annual General Meeting considered and approved the authorisation to the Board of Directors to decide on the interim profit distribution plan of the Company for year 2023. Pursuant to a resolution at the Board of Directors' meeting on 8 August 2023, an interim dividend of RMB0.1432 (equivalent to HK\$0.156524) per share (pre-tax) totalling approximately RMB13,104 million in respect of the six-month period ended 30 June 2023 was declared. The dividend of RMB11,117 million was paid on 31 August 2023, and the dividend of RMB1,987 million was paid on 28 September 2023.

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

38. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2024 and 2023 is based on the profit attributable to equity holders of the Company of RMB33,012 million and RMB30,446 million, respectively, divided by 91,507,138,699 shares in issue.

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

39. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2024 and 2023, the Group had capital commitments as follows:

	31 December	
	2024 RMB million	2023 RMB million
Contracted for but not provided		
Property	3,214	1,912
Telecommunications network plant and equipment	17,012	21,015
	<u>20,226</u>	<u>22,927</u>

39. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities

- (a) The Group, with the assistance of its legal counsels, assessed and concluded that no material contingent liabilities existed as at 31 December 2024.
- (b) As at 31 December 2024 and 2023, the Group did not have contingent liabilities in respect of guarantees given to banks in respect of banking facilities granted to other parties.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and based on such assessment, believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

40. 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.

(a) 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

40. FINANCIAL INSTRUMENTS (continued)

(a) Fair Value Measurements (continued)

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 and financial assets at fair value through profit or loss are categorised as level 1 financial instruments. As at 31 December 2024, the fair value of the Group's listed equity securities investments is RMB922 million (31 December 2023: RMB1,373 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 31 December 2024, the fair value of these financial instruments categorised as level 3 is RMB456 million (31 December 2023: RMB450 million). For these financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation methods or models used primarily include net asset value method and market comparable company model, etc. The input values of valuation models mainly include net asset value and expected yield rates, comparable company valuation multiples, etc.

The fair value of long-term debts is estimated by discounting future cash flows using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities. The fair value measurement of long-term debts is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debts, having considered the foreign currency denomination of the debts, ranged from 3.6% to 4.9% (31 December 2023: 4.2% to 4.9%). As at 31 December 2024 and 2023, the carrying amounts and fair values of the Group's long-term debts were as follows:

	31 December 2024		31 December 2023	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Long-term debts	8,697	8,514	6,275	6,124

During the year, there were no transfers among instruments in level 1, level 2 or level 3.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks

The Group's financial instruments are exposed to three main types of risks, namely, credit risk, liquidity risk and market risk (which mainly comprises interest rate risk and foreign currency exchange rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as liquidity risk, credit risk, and market risk, etc. The Board regularly reviews these policies and authorises changes if necessary based on operating and market conditions and other relevant risks. The following summarises the qualitative and quantitative disclosures for each of the three main types of risks:

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. For the Group, this arises mainly from deposits it maintains at financial institutions and credit it provides to customers for the provision of telecommunications services.

Cash and cash equivalents, bank deposits and restricted cash

To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large state-owned financial institutions in the PRC with acceptable credit ratings. The credit risks on bank balances are limited because the counterparties are banks with high credit ratings.

Accounts receivable and contract assets arising from contracts with customers

For accounts receivable and contract assets, management performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable and contract assets. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, the Group determines the allowances for expected credit loss under ECL model on trade balances individually or based on provision matrix. Furthermore, the Group has a diversified base of customers with no single customer contributing more than 10% of revenues for the years presented.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

The Group measures loss allowances for accounts receivable and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix, or individually assessed for those debtors with significant balances or credit-impaired debtors. As different loss patterns were indicated during the analysis of the Group's historical credit loss experience between telephone and Internet subscribers and enterprise customers, the following tables provide information about the Group's exposure to credit risk and ECL for accounts receivable from telephone and Internet subscribers and enterprise customers, respectively, as at 31 December 2024 and 2023. Expected credit losses on accounts receivable of others are not material.

Accounts receivable from telephone and Internet subscribers:

	31 December 2024		
	Expected loss rate %	Gross carrying amount RMB million	Loss allowance RMB million
Current, within 1 month	2	5,979	120
1 to 3 months	20	2,120	420
4 to 6 months	60	891	532
7 to 12 months	80	1,624	1,299
Over 12 months	100	2,051	2,051
		<u>12,665</u>	<u>4,422</u>

	31 December 2023		
	Expected loss rate %	Gross carrying amount RMB million	Loss allowance RMB million
Current, within 1 month	2	5,803	115
1 to 3 months	20	2,552	506
4 to 6 months	59	905	538
7 to 12 months	80	1,469	1,175
Over 12 months	100	1,596	1,596
		<u>12,325</u>	<u>3,930</u>

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

Accounts receivable from enterprise customers:

	31 December 2024		
	Expected loss rate %	Gross carrying amount RMB million	Loss allowance RMB million
Within 6 months	2	13,415	305
7 to 12 months	23	4,073	929
1 to 2 years	68	2,978	2,037
2 to 3 years	100	1,021	1,021
Over 3 years	100	1,395	1,395
		22,882	5,687

	31 December 2023		
	Expected loss rate %	Gross carrying amount RMB million	Loss allowance RMB million
Within 6 months	2	9,734	222
7 to 12 months	23	3,657	834
1 to 2 years	68	1,812	1,239
2 to 3 years	100	587	587
Over 3 years	100	894	894
		16,684	3,776

As at 31 December 2024, the expected loss rate for contract assets is 7% (2023: 5%).

As at 31 December 2024, the loss allowance for accounts receivable and contract assets was RMB10,720 million and RMB367 million (2023: RMB8,238 million and RMB265 million), respectively. Loss allowance of RMB256 million as at 31 December 2024 (2023: RMB292 million), which was not calculated collectively in the above, was made individually on debtors with significant balances or credit-impaired debtors.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

Expected loss rates are based on actual loss experience over the past 1 to 3 years. These rates are adjusted to reflect differences among economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of accounts receivable is as follows:

	2024 RMB million	2023 RMB million
At the beginning of year	8,238	6,117
Impairment losses for ECL	3,585	3,124
Written off and others	(1,103)	(1,003)
At the end of year	10,720	8,238

(ii) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and adequate amount of committed banking facilities to meet its funding needs, including working capital, principal and interest payments on debts, dividend payments, capital expenditures and new investments for a set minimum period of between 3 to 6 months.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(ii) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if variable, based on prevailing rates at the end of the reporting period) and the earliest date the Group would be required to repay:

	31 December 2024					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	2,835	2,869	2,869	-	-	-
Long-term debts	8,697	9,602	1,402	1,568	5,343	1,289
Accounts payable	160,550	160,550	160,550	-	-	-
Accrued expenses and other payables	52,474	53,263	53,263	-	-	-
Lease liabilities	49,211	52,476	15,614	14,451	19,092	3,319
Other non-current liabilities	216	227	-	227	-	-
	<u>273,983</u>	<u>278,987</u>	<u>233,698</u>	<u>16,246</u>	<u>24,435</u>	<u>4,608</u>

	31 December 2023					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	2,867	2,909	2,909	-	-	-
Long-term debts	6,275	7,152	1,207	1,272	3,422	1,251
Accounts payable	145,872	145,872	145,872	-	-	-
Accrued expenses and other payables	50,819	51,610	51,610	-	-	-
Lease liabilities	56,049	60,458	14,922	14,113	27,215	4,208
Other non-current liabilities	182	189	-	189	-	-
	<u>262,064</u>	<u>268,190</u>	<u>216,520</u>	<u>15,574</u>	<u>30,637</u>	<u>5,459</u>

Management believes that the Group's current cash on hand, expected cash flows from operations and available credit facilities from banks (Note 20) will be sufficient to meet the Group's working capital requirements and repay its borrowings and payables when they become due.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iii) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term debts, long-term debts and deposits with Finance Company. Debts carrying interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group manages its exposure to interest rate risk by closely monitoring the change in the market interest rate.

The following table sets out the interest rate profile of the Group's debts at the end of the reporting period:

	31 December 2024		31 December 2023	
	Effective interest rate %	RMB million	Effective interest rate %	RMB million
Fixed rate debts				
Short-term debts	2.6	2,835	3.0	2,847
Long-term debts	1.3	4,772	1.1	5,677
		<u>7,607</u>		<u>8,524</u>
Variable rate debts				
Short-term debts	–	–	3.1	20
Long-term debts	2.6	3,925	2.6	598
		<u>3,925</u>		<u>618</u>
Total debts		<u>11,532</u>		<u>9,142</u>
Fixed rate debts as a percentage of total debts		66.0%		93.2%

Management does not expect the increase or decrease in interest rate will materially affect the Group's financial position and result of operations as at 31 December 2024.

In addition, The deposit interest rates provided by Finance Company to China Telecom Group are fixed and shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of China Telecom Group and are conducted on normal commercial terms or better. The management of the Group does not expect the high level of fair value interest rate risk as such interest rates are immaterial.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iv) Foreign currency exchange rate risk

Foreign currency exchange rate risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in US dollars, Euros and Hong Kong dollars.

As at 31 December 2024, for companies adopt Renminbi as the bookkeeping base currency, if RMB had strengthened/weakened by 5% against foreign currencies, while all other variables are held constant, the profit before taxation would decrease/increase approximately RMB98 million (2023: approximately RMB40 million) for financial assets and liabilities denominated in foreign currency (primarily in US dollars, Euro and HK dollars).

As at 31 December 2024, for companies adopt other than Renminbi as the bookkeeping base currency, if the bookkeeping base currency had strengthened/weakened by 5% against foreign currencies, while all other variables are held constant, the profit before taxation would decrease/increase approximately RMB161 million (2023: approximately RMB86 million) for financial assets and liabilities denominated in foreign currency (primarily in Renminbi, US dollars, Euro and HK dollars).

41. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of liabilities-to-assets ratio. This ratio is calculated as total liabilities divided by total assets. As at 31 December 2024, the Group's liabilities-to-assets ratio is 47.3% (31 December 2023: 46.5%).

Except for Finance Company, which is subject to certain capital requirements imposed by National Financial Regulatory Administration (formerly known as "China Banking and Insurance Regulatory Commission"), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Short-term debts RMB million	Long-term debts RMB million	Payables in respect of instalment purchase of equipment RMB million	Lease liabilities RMB million	Dividend payable RMB million	Deposits with Finance Company RMB million (Note (i))	Total RMB million
Balance as at							
1 January 2023	2,840	7,644	1,529	66,896	3	17,427	96,339
Financing cash flows	29	(1,507)	(3,773)	(14,647)	(20,138)	6,680	(33,356)
Foreign exchange gain or loss	-	8	-	5	-	-	13
New leases	-	-	-	11,019	-	-	11,019
Lease modifications	-	-	-	(7,224)	-	-	(7,224)
Distribution to non- controlling interests	-	-	-	-	78	-	78
Dividends declared	-	-	-	-	20,059	-	20,059
Additions of equipment	-	-	4,811	-	-	-	4,811
Others	(2)	130	-	-	-	-	128
Balance as at							
31 December 2023	2,867	6,275	2,567	56,049	2	24,107	91,867
Financing cash flows	(29)	2,275	(4,280)	(15,428)	(23,617)	951	(40,128)
Foreign exchange gain or loss	-	-	-	12	-	-	12
New leases	-	-	-	11,135	-	-	11,135
Lease modifications	-	-	-	(2,557)	-	-	(2,557)
Distribution to non- controlling interests	-	-	-	-	90	-	90
Dividends declared	-	-	-	-	23,527	-	23,527
Additions of equipment	-	-	7,331	-	-	-	7,331
Others	(3)	147	-	-	-	-	144
Balance as at							
31 December 2024	2,835	8,697	5,618	49,211	2	25,058	91,421

Notes:

- (i) As at 31 December 2024, the balance of deposits with Finance Company amounting to RMB25,058 million (31 December 2023: RMB24,107 million) were included in amounts due to China Telecom Group in accrued expenses and other payables (Note 22).
- (ii) For the year ended 31 December 2024, other than the net financing cash outflows totalling RMB40,128 million (2023: RMB33,356 million) as presented above, other primary financing activities include Finance Company's placing statutory deposit reserves amounting to RMB465 million (2023: RMB121 million) at the People's Bank of China which was included in the balance of short-term bank deposits and restricted cash as at 31 December 2024.

43. 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. These transactions constitute continuing connected transactions under the Listing Rules and the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph "Continuing Connected Transactions" in the "Significant Events".

	Notes	2024 RMB million	2023 RMB million
Construction engineering and design services	(i)	21,045	19,031
Receiving ancillary services	(ii)	23,144	22,627
Interconnection revenues*	(iii)	44	47
Interconnection charges*	(iii)	89	87
Receiving community services	(iv)	4,491	4,526
Centralised services transaction revenues	(v)	3,916	3,909
Centralised services transaction expenses	(v)	596	806
Property and land use right lease income	(vi)	69	60
Property and land use right lease related expenses	(vii)	763	779
Addition to right-of-use assets	(vii)	528	673
Interest expense on lease liabilities	(vii)	24	29
Provision of IT services	(viii)	3,066	2,294
Receiving IT services	(viii)	8,279	6,584
Purchases of telecommunications equipment, materials and procurement services	(ix)	4,826	4,306
Sales of telecommunications equipment, materials and procurement services	(ix)	4,039	4,950
Internet applications channel services revenues	(x)	41	62
Payment and digital finance related services	(xi)	974	994
Communications resources lease expenses	(xii)	567	517
Net outflow of deposit by China Telecom Group with Finance Company*	(xiii)	951	6,680
Interest expense on the deposit by China Telecom Group with Finance Company*	(xiii)	437	282
Short-term loans granted by Finance Company to China Telecom Group	(xiii)	4,075	8,100
China Telecom Group's repayments of short-term loans granted by Finance Company	(xiii)	10,093	8,091
Interest income from loans granted by Finance Company to China Telecom Group	(xiii)	123	245
Receiving finance lease services	(xiv)	7,633	5,973
Licence income for intellectual property*	(xv)	-	18

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

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

Notes:

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

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

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

	31 December	
	2024 RMB million	2023 RMB million
Accounts receivable	2,556	1,670
Contract assets	181	161
Prepayments and other current assets	3,962	9,067
Other assets	130	135
Accounts payable	31,194	26,444
Accrued expenses and other payables	32,364	29,969
Contract liabilities	178	245
Lease liabilities	1,204	1,051

Amounts due from/to China Telecom Group, other than short-term loans granted by Finance Company included in prepayments and other current assets (Note 18(i)) and deposit with Finance Company included in accrued expenses and other payables (Note 42(i)), are unsecured, non-interest bearing and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

Short-term loans granted by Finance Company to China Telecom Group (Note 18(i)) are conducted on normal commercial terms or better.

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

43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with China Tower

The principal transactions with China Tower are as follows. These transactions do not constitute connected transactions under the Listing Rules.

	Notes	2024 RMB million	2023 RMB million
Tower assets lease related expenses	(i)	12,201	12,361
Addition to right-of-use assets	(i)	3,828	3,170
Interest expenses on lease liabilities	(i)	949	1,164
Provision of IT services	(ii)	36	40

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 fees for non-lease components and right-of-use assets and related expenses recognised for leases.
- (ii) Represent IT and other ancillary services provided to China Tower.

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

	31 December	
	2024 RMB million	2023 RMB million
Accounts receivable	46	24
Contract assets	1	1
Prepayments and other current assets	22	227
Accounts payable	10,618	7,505
Accrued expenses and other payables	1,727	1,875
Contract liabilities	1	1
Lease liabilities	26,501	31,755

Amounts due from/to China Tower are unsecured, non-interest bearing and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

43. RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel compensation

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

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

	2024 RMB thousand	2023 RMB thousand
Short-term employee benefits	9,538	11,179
Post-employment benefits	1,338	1,389
Share-based payments	659	768
	11,535	13,336

The above remuneration has been reflected in personnel expenses.

(d) Transactions with other government-related entities

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

Apart from transactions with the parent company and its fellow subsidiaries (Note 43(a)) and China Tower (Note 43(b)), the Group has transactions with other government-related entities, which include but not limited to the following:

- rendering and receiving services, including but not limited to telecommunications services
- sales and purchases of goods, properties and other assets
- lease of assets
- deposits and borrowings
- use of public utilities

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.

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December	
		2024 RMB million	2023 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment, net		394,783	385,375
Construction in progress		51,109	60,227
Right-of-use assets		65,378	73,303
Goodwill		29,877	29,877
Intangible assets		22,552	20,673
Investments in subsidiaries	9	40,145	34,926
Interests in associates and joint ventures		43,574	42,694
Financial assets at fair value through profit or loss		2	2
Equity instruments at fair value through other comprehensive income		922	1,381
Deferred tax assets		–	784
Other assets		19,110	9,077
Total non-current assets		667,452	658,319
Current assets			
Inventories		1,713	1,527
Accounts receivable, net		35,794	28,057
Contract assets		3,281	3,304
Prepayments and other current assets		23,586	19,597
Short-term bank deposits and restricted cash		4,494	6,299
Cash and cash equivalents		34,771	42,901
Total current assets		103,639	101,685
Total assets		771,091	760,004

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Note	31 December	
		2024 RMB million	2023 RMB million
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts		9,627	19,241
Current portion of long-term debts		1,149	1,132
Accounts payable		136,311	124,173
Accrued expenses and other payables		46,903	45,090
Contract liabilities		57,793	57,743
Income tax payable		1,886	39
Current portion of lease liabilities		13,689	12,841
		<u>267,358</u>	<u>260,259</u>
Total current liabilities		267,358	260,259
		<u>(163,719)</u>	<u>(158,574)</u>
Net current liabilities		(163,719)	(158,574)
		<u>503,733</u>	<u>499,745</u>
Total assets less current liabilities		503,733	499,745
Non-current liabilities			
Long-term debts		2,756	3,765
Lease liabilities		33,619	41,189
Deferred tax liabilities		33,751	30,742
Other non-current liabilities		7,933	6,313
		<u>78,059</u>	<u>82,009</u>
Total non-current liabilities		78,059	82,009
		<u>345,417</u>	<u>342,268</u>
Total liabilities		345,417	342,268
Equity			
Share capital		91,507	91,507
Reserves	26	334,167	326,229
		<u>425,674</u>	<u>417,736</u>
Total equity		425,674	417,736
		<u>771,091</u>	<u>760,004</u>
Total liabilities and equity		771,091	760,004

45. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by provincial, autonomous regional and municipal governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 15% to 16% of the salaries, bonuses and certain allowances of employees. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. During the year ended 31 December 2024, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2023: nil).

The Group's contributions to the above plans for the year ended 31 December 2024 were RMB12,017 million (31 December 2023: RMB11,018 million).

The amount payable for contributions to the above defined contribution retirement plans as at 31 December 2024 was RMB1,060 million (31 December 2023: RMB960 million).

46. SHARE APPRECIATION RIGHTS

The Company implemented a share appreciation rights plan for members of its management to provide incentives to these employees. Under this plan, share appreciation rights are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights plan. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollar amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollar at the date of the exercise. The Group recognises compensation expense of the share appreciation rights over the applicable period.

In November 2018, the Company approved the granting of 2,394 million share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$3.81 per unit, exercise price will be adjusted in accordance with the established rules of the plan. A recipient of share appreciation rights may exercise the rights in stages commencing November 2020. As at each of the third, fourth and fifth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed 33.3%, 66.7% and 100.0%, respectively, of the total share appreciation rights granted to such person. In February 2023, the Board of Directors of the Company considered and approved the proposal in relation to completion of exercise conditions of the 2018 Share Appreciation Rights for key personnel of the Company. It was confirmed that the exercise conditions of the 2018 Share Appreciation Rights have been met, and the Company handled the matters in relation to the exercise of share appreciation rights.

46. SHARE APPRECIATION RIGHTS (continued)

In March 2021, the Company approved the adoption of the Phase II Incentive Scheme for Share Appreciation Rights and the granting of approximately 2.4 billion share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$2.686 per unit. In October 2024, the Company's Board of Directors reviewed and approved the "Proposal on the Achievement of Exercise Conditions for the First and Second Vesting Periods of the Company's Phase II Incentive Scheme for Share Appreciation Rights", confirming that the exercise conditions for these periods had been achieved, and the Company handled the matters in relation to the exercise of share appreciation rights.

At the reporting date, the Company used the Binomial Model to determine the fair value of the share appreciation rights. The model inputs to determine the fair value of share appreciation rights granted included the closing market price at the grant date, exercise price, years to maturity, expected volatility, risk-free interest rate, dividend payout ratio, the lower price limit on expected exercise date and expected turnover rate.

Movements in the number of share appreciation rights for the years presented are as follows:

	2024	2023
As at 1 January	2,400,515,000	4,715,240,000
Exercised	(1,416,444,381)	(2,111,528,550)
Forfeited	(167,895,519)	(203,196,450)
As at 31 December	816,175,100	2,400,515,000

For the year ended 31 December 2024, compensation expense of RMB1,930 million (2023: RMB2,146 million) was recognised by the Group in respect of share appreciation rights.

As at 31 December 2024, the carrying amount of the liability arising from share appreciation rights was RMB2,896 million (31 December 2023: RMB2,176 million).

47. ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the judgments and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. Material accounting policy information is set forth in Note 3. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

47. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Allowance for ECL for accounts receivable

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on customer's past history of making payments when due and current ability to pay by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical credit loss experience taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. The historical loss rates are reassessed annually, and changes in the forward-looking information are considered. The Group has taken into account various macroeconomic scenarios in consideration of forward-looking information of enterprise customers, and applied weightings of the following three economic scenarios as well as related forward-looking factors. For the years presented, the weightings of "Neutral", "Positive", and "Negative" scenarios are 60%, 20% and 20%, respectively. The Group regularly monitors and reviews the related assumptions used in calculation of ECL, which include the risk of economic slowdown, changes of external market environment and technological environment and customers' conditions, Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Gross Domestic Product ("GDP"), etc. In addition, accounts receivable with significant balances or credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Notes 40 and 16.

Impairment of goodwill and long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 3(f). The carrying amounts of the Group's long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, construction in progress and right-of-use assets, etc., are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at the end of each reporting period. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs of disposal. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate fair value of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant estimates and judgments relating to level of revenue, amount of operating costs and applicable discount rate, etc. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount.

For the years ended 31 December 2024 and 2023, no significant provision for impairment loss was made against the carrying value of long-lived assets.

47. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Impairment of goodwill and long-lived assets (continued)

Since the determination of recoverable amount of long-lived assets requires significant estimates and judgments as described above, any changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods. Furthermore, revenue growth rate, terminal growth rate and pre-tax discount rate are subject to greater uncertainties in the current year due to uncertainty on volatility in markets.

Depreciation and amortisation

Property, plant and equipment and intangible assets with finite useful lives are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes and industry practices. The depreciation and amortisation expense is adjusted on a prospective basis if there are significant changes from previous estimates.

48. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2024, China Telecom Quantum Information Technology Group Limited, a wholly-owned subsidiary of the Company, entered into the Conditional Non-Public A Share Subscription and Strategic Cooperation Agreement with Quantumctek to subscribe for the non-public A shares of Quantumctek with self-owned funds ("Transaction"). As of the end of 2024, the Transaction was approved by the State-owned Assets Supervision and Administration Commission of the State Council and the General Meeting of Shareholders of Quantumctek, and received the approval for registration from the China Securities Regulatory Commission. In January 2025, the equity transfer and share registration were completed. However, board member appointment has not yet been completed. The prepayment of RMB1,775 million for the Transaction is recorded as other assets in Note 13.

49. PARENT AND ULTIMATE HOLDING COMPANY

The parent and ultimate holding company of the Company as at 31 December 2024 is China Telecommunications Corporation, a state-owned enterprise established in PRC.

FINANCIAL SUMMARY

(Amounts in million except for per share data)

	2024 RMB	Year ended 31 December			
		2023 RMB	2022 RMB	2021 RMB (restated)	2020 RMB
Results of operation					
Operating revenues	529,417	513,551	481,448	439,553	393,561
Depreciation and amortisation	(101,044)	(99,702)	(96,932)	(92,966)	(90,240)
Network operations and support	(165,598)	(160,411)	(147,589)	(133,340)	(119,517)
Selling, general and administrative	(66,663)	(66,804)	(64,277)	(61,154)	(55,059)
Personnel expenses	(98,279)	(92,805)	(84,772)	(76,057)	(65,989)
Other operating expenses	(58,030)	(56,701)	(54,451)	(45,088)	(29,074)
Impairment loss on property, plant and equipment	–	–	–	–	(5,042)
Operating expenses	(489,614)	(476,423)	(448,021)	(408,605)	(364,921)
Operating profit	39,803	37,128	33,427	30,948	28,640
Net finance costs	(228)	(332)	(7)	(1,293)	(3,014)
Investment income and others	72	292	243	2,244	60
Share of profits of associates and joint ventures	2,525	2,116	2,051	1,966	1,701
Profit before taxation	42,172	39,204	35,714	33,865	27,387
Income tax	(9,197)	(8,776)	(8,038)	(7,716)	(6,307)
Profit for the year	32,975	30,428	27,676	26,149	21,080

(Amounts in million except for per share data)

	2024 RMB	Year ended 31 December			
		2023 RMB	2022 RMB	2021 RMB (restated)	2020 RMB
Other comprehensive income for the year					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Change in fair value of investments in equity instruments at fair value through other comprehensive income	(452)	511	(222)	20	(385)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	115	(135)	50	(15)	97
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translation of financial statements of subsidiaries outside mainland China	130	63	712	(233)	(312)
Share of other comprehensive income of associates and joint ventures	–	2	–	–	(4)
Other comprehensive income for the year, net of tax	(207)	441	540	(228)	(604)
Total comprehensive income for the year	32,768	30,869	28,216	25,921	20,476
Profit attributable to					
Equity holders of the Company	33,012	30,446	27,593	25,949	20,850
Non-controlling interests	(37)	(18)	83	200	230
Profit for the year	32,975	30,428	27,676	26,149	21,080
Total comprehensive income attributable to					
Equity shareholders of the Company	32,805	30,887	28,133	25,721	20,244
Non-controlling interests	(37)	(18)	83	200	232
Total comprehensive income for the year	32,768	30,869	28,216	25,921	20,476
Basic earnings per share (RMB)	0.36	0.33	0.30	0.31	0.26
Diluted earnings per share (RMB)	0.36	0.33	0.30	0.31	0.26

SECTION VIII FINANCIAL REPORTS
FINANCIAL SUMMARY

(Amounts in million except for per share data)

	2024 RMB	As at 31 December of the year			
		2023 RMB	2022 RMB	2021 RMB (restated)	2020 RMB
Financial condition					
Property, plant and equipment, net	427,079	409,943	413,963	415,981	418,605
Construction in progress	58,801	72,238	58,443	51,457	48,425
Other non-current assets	192,620	185,770	194,220	167,438	164,050
Cash and bank deposits	102,009	91,851	76,300	75,213	33,092
Other current assets	86,116	76,012	64,772	52,150	50,924
Total assets	866,625	835,814	807,698	762,239	715,096
Current liabilities	325,377	303,436	281,737	265,071	271,142
Non-current liabilities	84,696	85,211	89,534	65,995	77,779
Total liabilities	410,073	388,647	371,271	331,066	348,921
Total equity attributable to equity holders of the Company	452,390	442,926	432,089	428,678	363,456
Non-controlling interests	4,162	4,241	4,338	2,495	2,719
Total equity	456,552	447,167	436,427	431,173	366,175
Total liabilities and equity	866,625	835,814	807,698	762,239	715,096

SECTION VIII FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT



to the shareholders of China Telecom Corporation Limited
(incorporated in People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Telecom Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 157 to 247, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 are independent of the Group in accordance with *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

Revenue recognition

Refer to Note 3(h) and Note 27 of the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue is primarily generated from the provision of Mobile communications, Wireline and Smart Family and Industrial Digitalisation services ("service revenue") and from sales of goods.</p> <p>There is an inherent risk on the accuracy of service revenue recorded in the consolidated financial statements due to the complexity of the related information technology systems, which process large volumes of data with a combination of different services. In addition, revenue is one of the key performance indicators, which gives rise to a risk that manual adjustments may be incorrectly recorded outside the billing systems.</p> <p>We identified service revenue recognition as a key audit matter because of the risks on the accuracy of service revenue and recording of revenue in the incorrect period.</p>	<p>Our audit procedures to assess the recognition of service revenue included the following:</p> <ul style="list-style-type: none"> • assessing, with the assistance of our IT specialists, the design, implementation and operating effectiveness of management's key internal controls over: <ul style="list-style-type: none"> – the general IT controls for the billing systems, including access to program controls, program change controls, program development controls and computer operation controls; – the key IT application controls for the completeness and accuracy of bill generation and the end-to-end reconciliation from the billing systems to the accounting system; • evaluating the appropriateness of the accounting policies adopted in service revenue recognition for different revenue streams and assessing the appropriateness of the management's determination of the impact of terms and conditions on revenue recognition by inspecting the main terms and conditions in selected customer contracts;

KEY AUDIT MATTERS (continued)

Revenue recognition (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
	<ul style="list-style-type: none"><li data-bbox="798 584 1401 719">• selecting service packages, on a sample basis, and comparing the services offered in the packages and the package prices with the relevant settings in the billing systems;<li data-bbox="798 757 1401 925">• selecting bills issued to customers, on a sample basis, and comparing with the contracts settings out the services subscribed by the customers, the corresponding accounts receivable details and collection records in billing system;<li data-bbox="798 963 1401 1064">• reconciling selected revenue records in the Group's accounting system to cash collection records;<li data-bbox="798 1102 1401 1303">• recalculating the balances of accounts receivable and advances from customers with the use of computer assisted audit techniques using data from the billing systems and reconciling the results to the Group's financial records; and<li data-bbox="798 1341 1401 1478">• inspecting journals entries relating to revenue which met specific risk-based criteria, and comparing details of these journals entries with relevant underlying documentation.

KEY AUDIT MATTERS (continued)

Impairment assessment of goodwill

Refer to Note 3(f) and Note 7 of the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group had recorded goodwill arising from acquisition of the mobile communications business in 2008.</p>	<p>Our audit procedures to assess the impairment assessment of goodwill included the following:</p>
<p>In accordance with International Accounting Standards ("IAS") 36 "Impairment of Assets", the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication of impairment. Management compares the carrying amount of the assets group containing goodwill with the recoverable amounts of the relevant cash-generating unit ("CGU") to determine any amount of impairment loss. In performing the impairment assessment, management assess the recoverable amount, which is determined based on the higher of the fair value less costs of disposal and value-in-use. The Group determines the value-in-use by preparing discounted cash flow forecast and the preparation of the discounted cash flow forecast involves significant judgment and estimation by management, especially the key assumptions, including revenue growth rate, terminal growth rate and pre-tax discount rate.</p>	<ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls over the managements' impairment assessment of goodwill; • with the assistance of our internal valuation specialist, assessing the appropriateness of the valuation methodology and the reasonableness of the pre-tax discount rate and the terminal growth rate adopted in the preparation of discounted cash flow forecast; • based on our understanding of the telecommunications industry, combined with the historical performance and available market data, evaluating the reasonableness of revenue growth rate adopted in the preparation of the discounted cash flow forecast; • comparing the key assumptions used in prior year's discounted cash flow forecast with the current year's actual performance to consider if there was any indication of management bias; • evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the discounted cash flow forecast and considering if there is any indication of management bias; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill with reference to the requirements of the prevailing accounting standards.
<p>We identified the goodwill impairment assessment as a key audit matter because the amount of goodwill was significant as at 31 December 2024, and there were significant judgements and estimates made by management in determining the discounted cash flow forecast, which were inherently uncertain and may be affected management bias.</p>	

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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 judgement 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee, 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 Frankie C.Y. Lai.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 March 2025