

SECTION VIII FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

OPINION**What we have audited**

The consolidated financial statements of China Telecom Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 162 to 252, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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KEY AUDIT MATTERS

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

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

- Revenue recognition
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Revenue recognition</i></p> <p>Refer to Note 3 — Material accounting policy information (h) and Note 27 — Operating revenues to the consolidated financial statements.</p> <p>The Group's operating revenues are mainly generated from the provision of Mobile communications, Wireline and Smart Family, Industrial Digitalisation services and from sales of goods.</p> <p>Revenue recognition is subject to an inherent risk. We focused on this area as significant efforts were spent on auditing revenue recognition due to the significant volume of the transactions, the complexity of the related information technology systems, the variety of tariff and package structures relating to the services and the complexity of multiple-element arrangements. This also involved a number of judgements and estimates on the identification of distinct performance obligations and the determination of the stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations.</p>	<p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of, evaluated and tested the design and operating effectiveness of internal controls over the capture and measurement of revenue transactions, including the key internal controls over in-scope IT systems such as billing systems; • Evaluated the appropriateness of management's identification and evaluation of the terms and conditions by examining contracts with customers and evaluating management's determination of the impact of those terms and conditions on revenue recognition; • Evaluated the appropriateness of management's identification of distinct performance obligations and the determination of the stand-alone selling price for each performance obligation; and • Performed substantive testing on revenue by examining supporting documents such as end-user contracts, customer bills and billing reports using sampling techniques and by examining the reconciliation between the billing systems and financial records by using computer assisted audit techniques. <p>Based on our work, we found that the revenue recognised was supported by the evidence we obtained.</p>

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KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="167 504 558 537"><i>Impairment assessment of goodwill</i></p> <p data-bbox="167 548 758 672">Refer to Note 3 – Material accounting policy information (f), Note 7 – Goodwill and Note 47 – Accounting estimates and judgments to the consolidated financial statements.</p> <p data-bbox="167 705 758 1064">The Group had recorded goodwill arising from acquisition of its mobile communications business. 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 that a cash-generating unit (“CGU”) to which goodwill has been allocated may be impaired. When performing the impairment assessment, management has determined the recoverable amounts of the CGU based on value in use calculations using discounted cash flow model.</p> <p data-bbox="167 1097 758 1444">We focused on auditing the impairment assessment of goodwill due to the magnitude of the carrying amount of goodwill and the estimation of recoverable amount was subject to a high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered high due to the complexity of the impairment model deployed, subjectivity of significant assumptions used, and significant judgements involved in selecting the underlying data, such as revenue growth rate, terminal growth rate and pre-tax discount rate.</p>	<p data-bbox="798 548 1380 616">In response to this key audit matter, we performed the following procedures:</p> <ul data-bbox="798 649 1380 1870" style="list-style-type: none"> <li data-bbox="798 649 1380 929">• Obtained an understanding of the management’s internal controls over the impairment assessment of goodwill and determination of the recoverable amounts of goodwill; and assessed the inherent risks of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; <li data-bbox="798 974 1380 1131">• Evaluated and tested the key internal controls over the impairment assessment of goodwill including controls over the development of the model and significant assumptions used in the impairment test; <li data-bbox="798 1164 1380 1288">• Assessed the reasonableness of management’s allocation of goodwill to CGUs or groups of CGUs based on our understanding of the Group’s business; <li data-bbox="798 1321 1380 1444">• Involved our valuation specialists to evaluate the appropriateness of the model and certain significant assumptions such as the pre-tax discount rate and terminal growth rate; <li data-bbox="798 1489 1380 1713">• Evaluated the reasonableness of other key assumptions adopted in the model such as revenue growth rate with consideration of our industry knowledge and independent research performed by us and the degree of historical accuracy of the management’s assumptions and projections in achieving the forecasts; and <li data-bbox="798 1747 1380 1870">• Tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the model. <p data-bbox="798 1904 1380 1993">Based on our work, we found that the result of management’s impairment assessment of goodwill was supported by the evidence we obtained.</p>

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OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2024