

# 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"><li>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"><li>the general IT controls for the billing systems, including access to program controls, program change controls, program development controls and computer operation controls;</li><li>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;</li></ul></li><li>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;</li></ul>

## KEY AUDIT MATTERS (continued)

### Revenue recognition (continued)

#### The Key Audit Matter (continued)

#### How the matter was addressed in our audit (continued)

- 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;
- 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;
- reconciling selected revenue records in the Group's accounting system to cash collection records;
- 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
- 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>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> <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>	<p>Our audit procedures to assess the impairment assessment of goodwill included the following:</p> <ul style="list-style-type: none"><li>assessing the design, implementation and operating effectiveness of key internal controls over the managements' impairment assessment of goodwill;</li><li>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;</li><li>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;</li><li>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;</li><li>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</li><li>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.</li></ul>

## 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*

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25 March 2025