

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2025

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 2025, the total current liabilities of the Group had exceeded the total current assets by RMB117,578 million (31 December 2024: RMB137,252 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 RMB207,111 million (31 December 2024: RMB196,413 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 2025 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 21 *"The effects of changes in foreign exchange rates"* – Lack of exchangeability ("2023 amendments")

The application of the above amendment 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 2025

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 2025:

	Effective for accounting periods beginning on or after
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 2025. 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.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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.

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.

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)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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.

(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 2025, research and development expense, other than those related personnel expenses and depreciation was RMB4,910 million (2024: RMB4,661 million). Research and development related personnel expenses and depreciation for the year ended 31 December 2025 amounted RMB10,459 million (2024: RMB9,703 million) and RMB225 million (2024: RMB163 million), respectively.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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 2024	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
Acquisitions through business combination	171	–	130	301
Additions	860	147	161	1,168
Transferred from construction in progress	3,575	65,052	2,263	70,890
Retirement and disposal	(847)	(46,558)	(2,217)	(49,622)
Balance as at 31 December 2025	119,224	950,225	31,102	1,100,551
Accumulated depreciation and impairment:				
Balance as at 1 January 2024	(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)
Depreciation and impairment charge for the year	(3,717)	(73,074)	(2,036)	(78,827)
Written back on retirement and disposal	726	42,604	1,864	45,194
Balance as at 31 December 2025	(78,491)	(583,640)	(22,237)	(684,368)
Net book value as at 31 December 2025	40,733	366,585	8,865	416,183
Net book value as at 31 December 2024	39,965	378,414	8,700	427,079

5. CONSTRUCTION IN PROGRESS

	RMB million
Balance as at 1 January 2024	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
Additions	76,423
Transferred to property, plant and equipment	(70,890)
Transferred to intangible assets	(7,853)
Balance as at 31 December 2025	56,481

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 2025						
Carrying amount	21,297	10,080	18,584	7,705	437	58,103
As at 31 December 2024						
Carrying amount	22,194	12,175	25,418	8,819	462	69,068
For the year ended 31 December 2025						
Depreciation charge	(840)	(4,772)	(8,065)	(3,078)	(161)	(16,916)
For the year ended 31 December 2024						
Depreciation charge	(852)	(5,075)	(7,848)	(2,865)	(173)	(16,813)

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.

For the year ended 31 December 2025, expenses relating to short-term leases and expenses relating to leases of low value assets amounting to RMB1,334 million (2024: RMB1,310 million) and variable lease payments not included in the measurement of lease liabilities amounting to RMB6,043 million (2024: RMB5,836 million), are recognised in profit or loss.

For the year ended 31 December 2025, total cash outflow for leases was RMB25,682 million (2024: RMB24,709 million), and additions to right-of-use assets were RMB9,405 million (2024: RMB11,669 million).

7. GOODWILL

	Notes	31 December	
		2025 RMB million	2024 RMB million
Cost:			
Goodwill arising from acquisition of mobile communications business	(i)	29,923	29,925
Goodwill arising from acquisition of Quantumctek Co., Ltd.	(ii)	991	–
Goodwill arising from acquisition of Suzhou Low Altitude Technology Co., Ltd.		*	–
		30,914	29,925

* Amount less than 1 million.

Notes:

- (i) 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 ranged from -3.0% to 0.9% (2024: 1.4%) and a pre-tax discount rate of 8.1% (2024: 9.8%). Cash flows beyond the five-year period are extrapolated using a steady 1.0% growth rate (2024: 1.0%). 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.

- (ii) 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 Co., Ltd. ("Quantumctek") to subscribe for the non-public A shares of Quantumctek with self-owned funds ("Transaction"). Through an acting-in-concert agreement with other shareholders, the Group collectively holds 40.43% of Quantumctek's voting rights. In the first half of 2025, Quantumctek completed the appointment of the new board members with the Group securing a majority of the board seats, and Quantumctek became a consolidated subsidiary of the Group.

The acquisition consideration of RMB1,775 million exceeded the fair value of Quantumctek's identifiable net assets by RMB991 million. This excess was recognized as goodwill attributable to the acquisition of Quantumctek. The goodwill is allocated to the CGU comprising Quantumctek's operations.

At the reporting date, the Group performed an impairment test on the goodwill. The recoverable amount was determined based on fair value less costs of disposal. The test concluded that the goodwill was not impaired.

8. INTANGIBLE ASSETS

	Software and others RMB million
Cost:	
Balance as at 1 January 2024	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
Additions	4,239
Transferred from construction in progress	7,853
Retirement and disposal	(1,892)
Balance as at 31 December 2025	86,629
Accumulated amortisation and impairment:	
Balance as at 1 January 2024	(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)
Amortisation charge for the year	(8,853)
Written back on retirement and disposal	1,579
Balance as at 31 December 2025	(58,190)
Net book value as at 31 December 2025	28,439
Net book value as at 31 December 2024	25,513

Intangible assets of the Group arising from acquisitions through a business combination was RMB525 million, mainly consisting of proprietary technology (Note 7(ii)).

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 2025 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	710	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, China Telecom Cloud Technology Co., Ltd. which is 89% owned by the Company, and China Telecom Artificial Intelligence Technology (Beijing) 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	
	2025 RMB million	2024 RMB million
Cost of investment in associates and joint ventures	37,175	37,083
Share of post-acquisition changes in net assets	8,105	7,094
	45,280	44,177

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	
	2025 RMB million	2024 RMB million
Current assets	104,069	91,360
Non-current assets	232,510	241,474
Current liabilities	80,565	75,799
Non-current liabilities	52,106	57,056
	2025 RMB million	2024 RMB million
Operating revenues	100,411	97,772
Profit for the year	11,631	10,730
Other comprehensive income for the year	(2)	(3)
Total comprehensive income for the year	11,629	10,727
Dividend received from China Tower	1,589	1,743

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

China Tower (continued)

Reconcile to the Group's interests in the associate:

	31 December	
	2025 RMB million	2024 RMB million
Net assets of China Tower	203,908	199,979
Non-controlling interests of China Tower	2	1
The Group's effective interest in China Tower	20.5%	20.5%
The Group's share of net assets of China Tower	41,744	40,995
Adjustment for the remaining balance of the deferred gain from the Tower Assets Disposal	–	(139)
Carrying amount of the interest in China Tower in the consolidated financial statements of the Group	41,744	40,856
Fair value of China Tower calculated based on quoted price	37,679	37,428

As at 31 December 2025, the fair value of investment in China Tower was RMB37,679 million based on its quoted market price, which was below its carrying amount by 9.7%. 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:

	2025 RMB million	2024 RMB million
The Group's share of profit of these associates and joint ventures	197	136
The Group's share of total comprehensive income of these associates and joint ventures	197	136

	31 December	
	2025 RMB million	2024 RMB million
Aggregate carrying amount of interests in these associates and joint ventures in the consolidated financial statements of the Group	3,536	3,321

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		31 December	
	Notes	2025 RMB million	2024 RMB million
Equity securities of listed companies	(i)	952	919
Unlisted equity securities	(ii)	627	96
Others		299	–
		1,878	1,015

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 2025 RMB million	31 December 2024 RMB million	31 December 2025 RMB million	31 December 2024 RMB million
Accrued salaries, wages and other benefits	4,077	3,595	–	–
Temporary receipts of demolition and modification and deferred revenues	2,234	2,508	–	–
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,920	2,852	(53,673)	(47,596)
Allowance for expected credit loss of accounts receivable	3,192	2,385	–	–
Subscriber points reward program	870	1,003	–	–
Right-of-use assets	–	–	(7,750)	(10,016)
Lease liabilities	8,659	10,906	–	–
Equity instruments at fair value through other comprehensive income	28	30	(158)	(151)
Others	1,378	1,050	(69)	–
Deferred tax assets/(liabilities)	23,358	24,329	(61,650)	(57,763)

As at 31 December 2025, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB22,356 million (31 December 2024: RMB23,656 million). As at 31 December 2025, net deferred tax assets and deferred tax liabilities after offsetting were RMB1,002 million (31 December 2024: RMB673 million) and RMB39,294 million (31 December 2024: RMB34,107 million), respectively.

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

	Balance as at 1 January 2025 RMB million	Recognised in consolidated statement of comprehensive income RMB million	Balance as at 31 December 2025 RMB million
Accrued salaries, wages and other benefits	3,595	482	4,077
Temporary receipts of demolition and modification and deferred revenues	2,508	(274)	2,234
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,852	68	2,920
Allowance for expected credit loss of accounts receivable	2,385	807	3,192
Subscriber points reward program	1,003	(133)	870
Lease liabilities	10,906	(2,247)	8,659
Equity instruments at fair value through other comprehensive income	30	(2)	28
Others	1,050	328	1,378
Deferred tax assets	24,329	(971)	23,358
Depreciation, write-off and impairment of property, plant and equipment, etc.	(47,596)	(6,077)	(53,673)
Right-of-use assets	(10,016)	2,266	(7,750)
Equity instruments at fair value through other comprehensive income	(151)	(7)	(158)
Others	–	1	(69)
Deferred tax liabilities	(57,763)	(3,817)	(61,650)

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	Balance as at 1 January 2024 RMB million	Recognised in consolidated 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	24,234	95	24,329
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	(53,912)	(3,851)	(57,763)

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 RMB2,860 million (31 December 2024: RMB3,255 million) in respect of deductible temporary differences and tax losses amounting to RMB18,505 million (31 December 2024: RMB13,968 million) that can be carried forward against future taxable profits as at 31 December 2025. 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	
		2025 RMB million	2024 RMB million
Term deposits	(i)	11,210	10,299
Contract costs	(ii)	3,737	974
Prepayment for equity investment		–	1,775
Other long-term prepaid expenses and receivables	(iii)	10,359	8,838
		25,306	21,886

Notes:

- (i) Term deposits comprise primarily bank deposits which will mature over one year.
- (ii) Contract costs capitalised as at 31 December 2025 and 2024 mainly relate to the direct cost of the provision of terminal equipment provided by the Group. The amount of capitalised costs recognised in profit or loss for the year ended 31 December 2025 was RMB1,178 million (2024: RMB1,120 million). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during this year.
- (iii) 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	
	2025 RMB million	2024 RMB million
Materials and supplies	1,345	1,333
Goods for sale	2,086	1,934
	3,431	3,267

16. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	31 December	
	2025 RMB million	2024 RMB million
Third parties	62,694	49,726
China Telecom Group	3,801	2,556
China Tower	83	46
Other telecommunications operators in the PRC	1,300	1,259
	67,878	53,587
Less: Allowance for credit losses	(14,732)	(10,720)
	53,146	42,867

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

	31 December	
	2025 RMB million	2024 RMB million
within 1 year	51,198	42,715
1 to 2 years	9,425	6,435
2 to 3 years	4,037	2,273
Over 3 years	3,218	2,164
	67,878	53,587
Less: Allowance for credit losses	(14,732)	(10,720)
	53,146	42,867

Details of impairment assessment of accounts receivable for the years ended 31 December 2025 and 2024 are set out in Note 40.

17. CONTRACT ASSETS

	31 December	
	2025 RMB million	2024 RMB million
Third parties	4,341	4,916
China Telecom Group	189	181
China Tower	–	1
	4,530	5,098
Less: Provision for impairment loss	(407)	(367)
	4,123	4,731

Contract assets mainly arise from contracts for the provision of Industrial Digitalisation services 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	
		2025 RMB million	2024 RMB million
Amounts due from China Telecom Group	(i)	4,253	3,962
Amounts due from China Tower		70	22
Amounts due from other telecommunications operators in the PRC		178	310
Other receivables		10,619	10,028
Less: Allowance for credit losses		(1,231)	(786)
Prepayments in connection with terminal equipment purchases		4,730	4,187
Prepaid expenses and deposits		3,005	3,303
Prepaid VAT and input VAT to be deducted		12,221	14,114
		33,845	35,140

Note:

- (i) As at 31 December 2025, amounts due from China Telecom Group included short-term loans granted to China Telecom Group and its subsidiaries by Finance Company (31 December 2025: RMB2,599 million, and an impairment allowance recognised at RMB35 million; 31 December 2024: RMB2,062 million, and an impairment allowance recognised at RMB45 million), interest rate was 2.30%-2.80%, both with a maturity period of one year.

19. CASH AND CASH EQUIVALENTS

	31 December	
	2025 RMB million	2024 RMB million
Cash at bank and in hand	41,173	45,938
Time deposits with original maturity within three months	20,221	36,269
	61,394	82,207

20. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	31 December	
	2025 RMB million	2024 RMB million
Loans from banks – unsecured	2,448	2,835

The weighted average interest rate of the Group's total short-term debts as at 31 December 2025 was 2.1% (31 December 2024: 2.6%) per annum, and the loans bear interests at rates ranging from 1.1% to 2.7% (31 December 2024: 1.1% to 2.9%) per annum, which are repayable within one year.

Long-term debts comprise:

	Note	31 December	
		2025 RMB million	2024 RMB million
Bank loans – unsecured			
Renminbi denominated	(i)	7,383	8,479
US Dollars denominated		123	145
Euro denominated		69	73
		7,575	8,697
Less: Current portion		(1,466)	(1,238)
Non-current portion		6,109	7,459

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 2025 are as follows:

	31 December	
	2025 RMB million	2024 RMB million
Within 1 year	1,466	1,238
Between 1 to 2 years	1,083	1,430
Between 2 to 3 years	2,513	1,076
Between 3 to 4 years	1,282	2,508
Between 4 to 5 years	793	1,310
Thereafter	438	1,135
	7,575	8,697

The Group's short-term and long-term debts do not contain any financial covenants. As at 31 December 2025, the Group had unutilised credit facilities amounting to RMB207,111 million (31 December 2024: RMB196,413 million).

21. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	31 December	
	2025 RMB million	2024 RMB million
Third parties	109,536	117,720
China Telecom Group	28,512	31,194
China Tower	10,157	10,618
Other telecommunications operators in the PRC	1,499	1,018
	149,704	160,550

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	
	2025 RMB million	2024 RMB million
Due within 1 month or on demand	35,708	39,275
Due after 1 month but within 3 months	28,290	32,642
Due after 3 months but within 6 months	37,904	40,409
Due after 6 months	47,802	48,224
	149,704	160,550

22. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December	
	2025 RMB million	2024 RMB million
Amounts due to China Telecom Group	37,896	32,364
Amounts due to China Tower	1,548	1,727
Amounts due to other telecommunications operators in the PRC	26	34
Accrued expenses	20,867	20,350
VAT payable	1,692	1,016
Deposits and rental receipt in advance	5,123	5,188
Accrued salaries, wages and other benefits	20,028	18,111
	87,180	78,790

23. CONTRACT LIABILITIES

	31 December	
	2025 RMB million	2024 RMB million
Third parties	66,834	65,006
China Telecom Group	279	178
China Tower	–	1
	67,113	65,185

Majority of contract liabilities as at 31 December 2024 was recognised as operating revenues for the year ended 31 December 2025.

24. LEASE LIABILITIES

	31 December	
	2025 RMB million	2024 RMB million
Within one year	14,239	14,369
Within a period of more than one year but not more than two years	12,487	13,579
Within a period of more than two years but not more than five years	10,118	18,186
Within a period of more than five years	2,446	3,077
	39,290	49,211
Less: Current portion	(14,239)	(14,369)
Non-current portion	25,051	34,842

25. SHARE CAPITAL

	31 December	
	2025 RMB million	2024 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
	91,507	91,507

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 2024	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
Total comprehensive income for the year	-	-	-	-	50	(139)	33,185	33,096
Share of associates and joint ventures' other changes in reserves and others	31	-	-	-	-	-	-	31
Contribution from non-controlling interests	-	375	-	-	-	-	-	375
Dividends (Note 37)	-	-	-	-	-	-	(25,064)	(25,064)
Appropriations to statutory surplus reserve (Note (iii))	-	-	3,117	-	-	-	(3,117)	-
Appropriations to general risk reserve (Note (v))	-	-	-	121	-	-	(121)	-
Balance as at 31 December 2025	19,939	48,062	94,041	782	217	(404)	206,684	369,321

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 2024	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
Total comprehensive income for the year	-	-	-	20	31,174	31,194
Share of associates and joint ventures' other changes in reserves and others	30	-	-	-	-	30
Dividends (Note 37)	-	-	-	-	(25,064)	(25,064)
Appropriations to statutory surplus reserve (Note (iii))	-	-	3,117	-	(3,117)	-
Balance as at 31 December 2025	28,987	47,687	94,041	200	169,412	340,327

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 2025 and 2024, 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 2025, the Company transferred RMB3,117 million (2024: RMB3,163 million), being 10% of the year's net profit, to this reserve. As at 31 December 2025, the amount of statutory surplus reserve was RMB47,962 million (31 December 2024: RMB44,845 million).

The Company did not make any appropriations to discretionary surplus reserve for the years ended 31 December 2025 and 2024. As at 31 December 2025 and 2024, 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 2025, the amount of retained earnings available for distribution was RMB169,412 million (31 December 2024: RMB166,419 million), being the amount determined in accordance with IFRS Accounting Standards. Final dividend of approximately RMB8,309 million in respect of the financial year 2025 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	2025 RMB million	2024 RMB million
Type of goods or services			
Service revenues		485,424	482,033
Mobile communications service revenues	(i)	204,528	202,524
Wireline and Smart Family service revenues	(ii)	125,979	125,680
Industrial Digitalisation service revenues	(iii)	147,307	146,588
Other service revenues	(iv)	7,610	7,241
Sales of goods and others	(v)	44,135	47,384
Total operating revenues		529,559	529,417
Revenue from customer contracts		521,869	521,522
Revenue from other sources		7,690	7,895
Total operating revenues		529,559	529,417
Timing of revenue recognition			
At a point in time		38,466	41,448
Over time		491,093	487,969
Total operating revenues		529,559	529,417

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 2025 and 2024, 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	2025 RMB million	2024 RMB million
Operating and maintenance		103,728	106,760
Utility		19,911	19,573
Network resources usage and related fees	(i)	31,390	32,363
Others		7,025	6,902
		162,054	165,598

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	2025 RMB million	2024 RMB million
Channel commission and customer services expenses		45,655	47,265
Advertising and promotion expenses		2,250	2,370
Property and transportation related expenses		2,752	2,972
Research and development expenses	(i)	4,910	4,661
Auditors' remuneration			
— Audit services		49	46
— Other special audit and assurance services		1	—
— Non-audit services		3	3
Others		10,562	9,346
		66,182	66,663

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:

	2025 RMB million	2024 RMB million
Network operations and support	58,178	57,878
Selling, general and administrative	39,648	40,401
	97,826	98,279

31. OTHER OPERATING EXPENSES

	Notes	2025 RMB million	2024 RMB million
Interconnection charges	(i)	17,251	15,938
Cost of goods sold	(ii)	36,719	39,710
Donations		6	3
Others		5,649	2,379
		59,625	58,030

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.*

32. NET FINANCE COSTS

	2025 RMB million	2024 RMB million
Interest expense on lease liabilities	1,480	1,792
Interest expense on short-term and long-term debts	637	676
Less: Interest expense capitalised	(63)	(77)
Net interest expense	2,054	2,391
Interest income	(1,825)	(2,242)
Net foreign exchange gain or loss and others	159	79
	388	228

33. INCOME TAX

Income tax in the profit or loss comprises:

	2025 RMB million	2024 RMB million
Provision for PRC income tax	4,453	5,134
Provision for income tax in other tax jurisdictions	225	192
Deferred taxation	4,779	3,871
	9,457	9,197

33. INCOME TAX (continued)

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

	Notes	2025 RMB million	2024 RMB million
Profit before taxation		42,680	42,172
Expected income tax expense at statutory tax rate of 25%	(i)	10,670	10,543
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	(971)	(1,068)
Differential tax rate on other subsidiaries' income	(ii)	(48)	(55)
Non-taxable income	(iii)	(737)	(716)
Non-deductible expenses	(iv)	1,013	721
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised		1,144	1,258
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		(1,375)	(1,361)
Others	(v)	(239)	(125)
Income tax expense		9,457	9,197

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 8.25% to 38%.
- (iii) Amounts mainly 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:

2025	Directors'/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ¹² RMB thousand	Retirement scheme contributions RMB thousand	Total RMB thousand
Executive directors					
Ke Ruiwen	-	250	375	126	751
Liu Guiqing	-	244	366	123	733
Liang Baojun ¹	-	20	20	10	50
Tang Ke	-	225	338	120	683
Li Yinghui	-	223	334	119	676
Li Jun ²	-	-	-	-	-
Executive vice presidents					
Liu Ying ³	-	185	278	108	571
Huang Zhiyong ⁴	-	148	223	80	451
Non-executive directors					
Lyu Yongzhong ⁵	-	-	-	-	-
Chen Shengguang ⁶	-	-	-	-	-
Independent non-executive directors⁷					
Ng Kar Ling Johnny	497	-	-	-	497
Yeung Chi Wai, Jason ⁸	311	-	-	-	311
Lee Sunny Wai Kwong ⁹	6	-	-	-	6
Chen Dongqi	-	-	-	-	-
Lyu Wei	-	-	-	-	-
Employee director					
Guan Lixin ¹⁰	-	-	-	-	-
Supervisors¹¹					
Huang Xudan	-	209	317	109	635
Luo Laifeng	-	217	348	121	686
Guan Lixin	-	181	380	118	679
Luo Zhendong	-	133	241	104	478
Wang Yibing	-	-	-	-	-
	814	2,035	3,220	1,138	7,207

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 Mr. Liang Baojun resigned as an executive director of the Company on 10 February 2025.
- 2 Mr. Li Jun resigned as an executive director of the Company on 22 January 2025.
- 3 Madam Liu Ying was appointed as an executive vice president of the Company on 25 March 2025.
- 4 Mr. Huang Zhiyong was appointed as an executive vice president of the Company on 16 May 2025.
- 5 Mr. Lyu Yongzhong was appointed as a non-executive director of the Company on 21 May 2025.
- 6 Mr. Chen Shengguang resigned as a non-executive director of the Company on 21 May 2025.
- 7 The independent non-executive directors' remunerations were for their services as directors of the Company.
- 8 Mr. Yeung Chi Wai, Jason resigned as an independent non-executive director of the Company on 16 December 2025.
- 9 Mr. Lee Sunny Wai Kwong was appointed as an independent non-executive director of the Company on 16 December 2025.
- 10 Madam Guan Lixin was appointed as an employee director of the Company on 25 December 2025.
- 11 The Group cancelled supervisory board on 16 December 2025.
- 12 The discretionary bonuses of the executive directors, executive vice presidents and supervisors were determined based on the Group's performance.
- 13 During year 2025, the Company also settled the bonus for year 2024, including RMB367 thousand for Ke Ruiwen, RMB339 thousand for Liu Guiqing, RMB332 thousand for Tang Ke, RMB329 thousand for Li Yinghui, RMB164 thousand for Liu Ying.
- 14 During year 2025, the Company also settled the term incentive for 2022-2024, including RMB837 thousand for Ke Ruiwen, RMB754 thousand for Liu Guiqing, RMB751 thousand for Tang Ke, RMB704 thousand for Li Yinghui, RMB124 thousand for Liu Ying.
- 15 During year 2025, the Company also settled the bonus for year 2024 and other bonus, including RMB346 thousand for Huang Xudan, RMB409 thousand for Luo Laifeng, RMB346 thousand for Guan Lixin, RMB273 thousand for Luo Zhendong.
- 16 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)

2024	Directors'/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ⁸ 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.*

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 2025 and 2024 were directors of the Company.

The aggregate of the emoluments in respect of the five (2024: five) individuals (non-directors) with the highest emoluments are as follows:

	2025 RMB thousand	2024 RMB thousand
Salaries, allowances and benefits in kind	7,409	5,065
Discretionary bonuses	8,413	9,904
Retirement scheme contributions	909	535
	16,731	15,504

The emoluments of the five (2024: five) individuals (non-directors) with the highest emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
RMB2,500,001 – RMB3,000,000	3	3
RMB3,000,001 – RMB3,500,000	1	1
RMB3,500,001 – RMB4,000,000	–	1
More than RMB4,000,001	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:

	2025 Number of individuals	2024 Number of individuals
RMB0 – RMB1,000,000	21	18
RMB1,000,001 – RMB1,500,000	–	2

36. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2025, the consolidated profit attributable to equity holders of the Company includes a profit of RMB31,174 million which has been dealt with in the stand-alone financial statements 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.

37. DIVIDENDS

Pursuant to a resolution passed at the Board of Directors' meeting on 24 March 2026, a final dividend of RMB0.0908 per share (pre-tax) totalling approximately RMB8,309 million for the year ended 31 December 2025 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 2025.

The 2024 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 2025. Pursuant to a resolution at the Board of Directors' meeting on 14 August 2025, an interim dividend of RMB0.1812 (equivalent to HK\$0.199264) per share (pre-tax) totalling approximately RMB16,581 million in respect of the six-month period ended 30 June 2025 was declared. The dividend of RMB14,067 million was paid on 4 September 2025, and the dividend of RMB2,514 million was paid on 30 September 2025.

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 May 2025, a final dividend of RMB0.0927 (equivalent to HK\$0.100637) per share (pre-tax) totalling approximately RMB8,483 million in respect of the year ended 31 December 2024 was declared. The dividend of RMB7,269 million was paid on 11 June 2025, and the dividend of RMB1,214 million was paid on 18 July 2025.

38. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2025 and 2024 is based on the profit attributable to equity holders of the Company of RMB33,185 million and RMB33,012 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 2025 and 2024, the Group had capital commitments as follows:

	31 December	
	2025 RMB million	2024 RMB million
Contracted for but not provided		
Property	2,193	3,214
Telecommunications network plant and equipment	14,578	17,012
	16,771	20,226

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 2025.
- (b) As at 31 December 2025 and 2024, 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, financial assets at fair value through other comprehensive income, accounts receivable, financial assets at fair value through profit or loss and financial assets included in prepayments, other current assets and other 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

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 monetary funds, the national bonds, the listed equity securities investments not within the restricted trading period 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 2025, the fair value of the Group's listed equity securities investments not within the restricted trading period is RMB955 million (31 December 2024: RMB922 million), based on quoted market price on PRC stock exchanges.

The Group's investments in wealth management products and unlisted equity securities and the listed equity securities investments within the restricted trading period included in financial assets at fair value through profit or loss, and investments in listed equity securities included in equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3. As at 31 December 2025, the fair value of the Group's financial instruments categorised as level 3 is RMB12,755 million (31 December 2024: RMB456 million).

40. FINANCIAL INSTRUMENTS (continued)

(a) Fair Value Measurements (continued)

The fair value of wealth management products is determined based on their net asset value provided by the counterparty financial institutions as at the end of the reporting period, where the significant unobservable inputs are the net assets. The relationship of unobservable inputs to fair value is positive correlation. For the 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 3.5% to 4.9% (31 December 2024: 3.6% to 4.9%). As at 31 December 2025 and 31 December 2024, the carrying amounts and fair values of the Group's long-term debts were as follows:

	31 December 2025		31 December 2024	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Long-term debts	7,575	7,396	8,697	8,514

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

The movements during the period in the balance of these Level 3 fair value measurements are as follows

	As at 31 December 2024 RMB million	Purchase/ transfer RMB million	Disposal/ transfer RMB million	Others RMB million	Recognised in Profit or loss RMB million	Recognised in other comprehensive income RMB million	As at 31 December 2025 RMB million
Financial assets measured at FVPL	361	93,737	(82,637)	256	411	-	12,128
Financial assets measured at FVOCI	95	501	(6)	10	-	27	627
	456	94,238	(82,643)	266	411	27	12,755

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.

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 2025 and 2024. Expected credit losses on accounts receivable of others are not material.

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 telephone and Internet subscribers:

	31 December 2025		
	Expected loss rate %	Gross carrying amount RMB million	Loss allowance RMB million
Current, within 1 month	2	5,830	116
1 to 3 months	20	2,031	402
4 to 6 months	60	1,000	599
7 to 12 months	80	1,280	1,024
Over 12 months	100	2,649	2,649
		<u>12,790</u>	<u>4,790</u>

	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>

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 2025		
	Expected loss rate %	Gross carrying amount RMB million	Loss allowance RMB million
Within 6 months	2	16,923	386
7 to 12 months	23	4,962	1,131
1 to 2 years	68	4,787	3,274
2 to 3 years	100	2,270	2,270
Over 3 years	100	2,128	2,128
		31,070	9,189

	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

As at 31 December 2025, the expected loss rate for contract assets is 9% (2024: 7%).

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

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

As at 31 December 2025, the loss allowance for accounts receivable and contract assets was RMB14,732 million and RMB407 million (2024: RMB10,720 million and RMB367 million), respectively. Loss allowance of RMB234 million as at 31 December 2025 (2024: RMB256 million), which was not calculated collectively in the above, was made individually on debtors with significant balances or credit-impaired debtors.

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:

	2025 RMB million	2024 RMB million
At the beginning of year	10,720	8,238
Impairment losses for ECL	5,004	3,585
Written off and others	(992)	(1,103)
At the end of year	14,732	10,720

(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:

	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	31 December 2025			
			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	2,448	2,477	2,477	-	-	-
Long-term debts	7,575	8,195	1,587	1,197	4,938	473
Accounts payable	149,704	149,704	149,704	-	-	-
Accrued expenses and other payables	58,438	58,467	58,467	-	-	-
Lease liabilities	39,290	41,598	15,209	12,999	10,772	2,618
Other non-current liabilities	222	241	-	241	-	-
	257,677	260,682	227,444	14,437	15,710	3,091

	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	31 December 2024			
			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	-	-
	273,983	278,987	233,698	16,246	24,435	4,608

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(ii) Liquidity risk (continued)

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.

(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 2025		31 December 2024	
	Effective interest rate %	RMB million	Effective interest rate %	RMB million
Fixed rate debts				
Short-term debts	2.1	2,172	2.6	2,835
Long-term debts	1.3	3,725	1.3	4,772
		<u>5,897</u>		<u>7,607</u>
Variable rate debts				
Short-term debts	2.2	276	–	–
Long-term debts	2.2	3,850	2.6	3,925
		<u>4,126</u>		<u>3,925</u>
Total debts		<u>10,023</u>		<u>11,532</u>
Fixed rate debts as a percentage of total debts		58.8%		66.0%

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 2025.

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iii) Interest rate risk (continued)

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.

(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 2025, 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 RMB140 million (2024: approximately RMB98 million) for financial assets and liabilities denominated in foreign currency (primarily in US dollars, Euro and HK dollars).

As at 31 December 2025, 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 RMB137 million (2024: approximately RMB161 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.

41. CAPITAL MANAGEMENT (continued)

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 2025, the Group's liabilities-to-assets ratio is 46.2% (31 December 2024: 47.3%).

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 and entrusted loans RMB million (Note (i))	Total RMB million
Balance as at							
1 January 2024	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

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	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 and entrusted loans RMB million (Note (i))	Total RMB million
Financing cash flows	(387)	(1,233)	(6,357)	(16,792)	(25,133)	4,053	(45,849)
Foreign exchange gain or loss	-	3	-	(7)	-	-	(4)
New leases	-	-	-	8,989	-	-	8,989
Lease modifications	-	-	-	(2,111)	-	-	(2,111)
Distribution to non-controlling interests	-	-	-	-	69	-	69
Dividends declared	-	-	-	-	25,064	-	25,064
Additions of equipment	-	-	7,653	-	-	-	7,653
Others	-	108	-	-	-	-	108
Balance as at 31 December 2025	<u>2,448</u>	<u>7,575</u>	<u>6,914</u>	<u>39,290</u>	<u>2</u>	<u>29,111</u>	<u>85,340</u>

Notes:

- (i) As at 31 December 2025, the balance of deposits with Finance Company amounting to RMB27,100 million (31 December 2024: RMB25,058 million) and the balance of entrusted loans from China Telecom Group amounting to RMB2,011 million (31 December 2024: nil) were included in amounts due to China Telecom Group in accrued expenses and other payables (Note 22).
- (ii) For the year ended 31 December 2025, other than the net financing cash outflows totalling RMB45,849 million (2024: RMB40,128 million) as presented above, other primary financing activities include Finance Company's placing statutory deposit reserves amounting RMB519 million (2024: RMB465 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 2025.

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	2025 RMB million	2024 RMB million
Construction engineering and design services	(i)	18,350	21,045
Receiving ancillary services	(ii)	23,391	23,144
Interconnection revenues*	(iii)	45	44
Interconnection charges*	(iii)	95	89
Receiving community services	(iv)	4,562	4,491
Centralised services transaction revenues	(v)	4,168	3,916
Centralised services transaction expenses	(v)	128	596
Property and land use right lease income	(vi)	73	69
Property and land use right lease related expenses	(vii)	566	763
Addition to right-of-use assets	(vii)	443	528
Interest expense on lease liabilities	(vii)	24	24
Provision of IT services	(viii)	3,456	3,066
Receiving IT services	(viii)	7,498	8,279
Purchases of telecommunications equipment, materials and procurement services	(ix)	3,678	4,826
Sales of telecommunications equipment, materials and procurement services	(ix)	4,665	4,039
Internet applications channel services revenues	(x)	6*	41
Payment and digital finance related services	(xi)	737	974
Communications resources lease expenses	(xii)	419	567
Obtaining entrusted loans*	(xiii)	2,011	–
Net deposits by China Telecom Group to Finance Company*	(xiv)	2,043	951
Interest expense on the deposit by China Telecom Group with Finance Company*	(xiv)	390	437
Short-term loans granted by Finance Company to China Telecom Group	(xiv)	2,600	4,075
China Telecom Group's repayments of short-term loans granted by Finance Company	(xiv)	2,064	10,093
Interest income from loans granted by Finance Company to China Telecom Group	(xiv)	51	123
Accepting financial leasing services	(xv)	8,551	7,633
Licence income for intellectual property*	(xvi)	–	**

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.

** Amount less than 1 million.

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 the entrusted loan provided by China Telecom Group.
- (xiv) Represent amounts related to financial services provided by Finance Company to China Telecom Group, including loan service, deposit service and other financial services.
- (xv) 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.
- (xvi) 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	
	2025 RMB million	2024 RMB million
Accounts receivable	3,801	2,556
Contract assets	189	181
Prepayments and other current assets	4,253	3,962
Other assets	1,515	130
Accounts payable	28,512	31,194
Accrued expenses and other payables	37,896	32,364
Contract liabilities	279	178
Lease liabilities	1,504	1,204

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	2025 RMB million	2024 RMB million
Tower assets lease related expenses	(i)	11,656	12,201
Addition to right-of-use assets	(i)	2,965	3,828
Interest expenses on lease liabilities	(i)	754	949
Provision of IT services	(ii)	58	36

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 2025 RMB million	2024 RMB million
Accounts receivable	83	46
Contract assets	*	1
Prepayments and other current assets	70	22
Accounts payable	10,157	10,618
Accrued expenses and other payables	1,548	1,727
Contract liabilities	*	1
Lease liabilities	19,920	26,501

* Amount less than 1 million.

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) Transactions with joint ventures and associated companies of China Telecom Group and its subsidiaries

The principal transactions with joint ventures and associated companies of China Telecom Group and its subsidiaries are as follows:

	2025 RMB million	2024 RMB million
Property and land use right lease income	21	15
Provision of IT services	40	31
Receiving IT services	73	20
Purchases of telecommunications equipment, materials and procurement services	102	142

Amounts due from/to joint ventures and associated companies of China Telecom Group and its subsidiaries are summarised as follows:

	31 December	
	2025 RMB million	2024 RMB million
Accounts receivable	264	148
Contract assets	*	*
Prepayments and other current assets	4	3
Accounts payable	73	93
Accrued expenses and other payables	2	2
Contract liabilities	61	19
Lease liabilities	20	23

* Amount less than 1 million.

43. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with other joint ventures and associated companies of China Telecom Group

The principal transactions with other joint ventures and associated companies of China Telecom Group are as follows:

	2025 RMB million	2024 RMB million
Property and land use right lease income	6	6
Provision of IT services	46	45
Receiving IT services	976	899
Purchases of telecommunications equipment, materials and procurement services	506	566

Amounts due from/to other joint ventures and associated companies of China Telecom Group are summarised as follows:

	31 December	
	2025 RMB million	2024 RMB million
Accounts receivable	17	10
Contract assets	6	10
Prepayments and other current assets	10	6
Accounts payable	476	475
Accrued expenses and other payables	3	3
Contract liabilities	1	3
Lease liabilities	37	66

(e) 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.

43. RELATED PARTY TRANSACTIONS (continued)

(e) Key management personnel compensation (continued)

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

	2025 RMB thousand	2024 RMB thousand
Short-term employee benefits	12,145	9,538
Post-employment benefits	1,138	1,338
Share-based payments	–	659
	13,283	11,535

The above remuneration includes supervisor's remuneration and has been reflected in personnel expenses.

(f) 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)) and joint ventures and associated companies of China Telecom Group and its subsidiaries (Note 43(c)) and other joint ventures and associated companies of China Telecom Group (Note 43(d)), 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

		31 December	
	Note	2025 RMB million	2024 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment, net		384,129	394,783
Construction in progress		49,339	51,109
Right-of-use assets		54,724	65,378
Goodwill		29,877	29,877
Intangible assets		24,629	22,552
Investments in subsidiaries	9	45,216	40,145
Interests in associates and joint ventures		44,587	43,574
Financial assets at fair value through profit or loss		3	2
Equity instruments at fair value through other comprehensive income		1,450	922
Other assets		24,508	19,110
		658,462	667,452
Total non-current assets			
Current assets			
Inventories		1,607	1,713
Net accounts receivable		42,247	35,794
Contract assets		2,986	3,281
Prepayments and other current assets		21,682	23,586
Financial assets at fair value through profit or loss		10,106	–
Short-term bank deposits and restricted cash		2,331	4,494
Cash and cash equivalents		28,081	34,771
		109,040	103,639
Total current assets			
		767,502	771,091
Total assets			

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

	Note	31 December	
		2025 RMB million	2024 RMB million
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts		8,801	9,627
Current portion of long-term debts		1,025	1,149
Accounts payable		128,392	136,311
Accrued expenses and other payables		51,996	46,903
Contract liabilities		58,711	57,793
Income tax payable		816	1,886
Current portion of lease liabilities		13,622	13,689
Total current liabilities		263,363	267,358
Net current liabilities		(154,323)	(163,719)
Total assets less current liabilities		504,139	503,733
Non-current liabilities			
Long-term debts		1,826	2,756
Lease liabilities		23,979	33,619
Deferred tax liabilities		38,794	33,751
Other non-current liabilities		7,706	7,933
Total non-current liabilities		72,305	78,059
Total liabilities		335,668	345,417
Equity			
Share capital		91,507	91,507
Reserves	26	340,327	334,167
Total equity		431,834	425,674
Total liabilities and equity		767,502	771,091

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 pension insurance plans at certain percentage of the employees' payroll. 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 2025, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2024: nil).

The Group's contributions to the above plans for the year ended 31 December 2025 were RMB12,775 million (31 December 2024: RMB12,017 million).

The amount payable for contributions to the above defined contribution retirement plans as at 31 December 2025 was RMB1,002 million (31 December 2024: RMB1,060 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 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.

46. SHARE APPRECIATION RIGHTS (continued)

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

	2025	2024
As at 1 January	816,175,100	2,400,515,000
Exercised	–	(1,416,444,381)
Forfeited	(45,849,212)	(167,895,519)
As at 31 December	770,325,888	816,175,100

For the year ended 31 December 2025, compensation expense of RMB305 million (2024: RMB1,930 million) was recognised by the Group in respect of share appreciation rights.

As at 31 December 2025, the carrying amount of the liability arising from share appreciation rights was RMB2,096 million (31 December 2024 RMB2,896 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 2025 and 2024, 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

From 1 January 2026, the applicable tax classification items of business activities conducted within the People's Republic of China that involve the provision of handset data traffic services, SMS and MMS services and Internet broadband access services using wireline, mobile networks, satellites and the Internet shall be adjusted from value-added telecommunications services to basic telecommunications services, and as a result, the corresponding value-added tax rate for such services shall be adjusted from 6% to 9%.

49. PARENT AND ULTIMATE HOLDING COMPANY

The parent and ultimate holding company of the Company as at 31 December 2025 is China Telecommunications Corporation, a state-owned enterprise established in PRC.